ANNUAL REPORT '17

Millennium bcp

ANNUAL REPORT '17

Pursuant to article 8 of the Regulation 5/2008 of the CMVM, please find herein the transcription of the 2017 Annual Report

BANCO COMERCIAL PORTUGUÊS, S.A.

Company open to public investment

Registered Office: Praça D. João I, 28, 4000-295 Porto - Share Capital 5,600,738,053.72 Euros

Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

The 2017 Annual Report is a translation of the "Relatório e Contas de 2017" document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the "Relatório e Contas de 2017" prevails.

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

Millennium bcp

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António Monteiro
-Chairman of the Board
of Directors

Nuno Amado
Chief Executive Officer
Vice-Chairman of the Board
of Directors

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

Portugal and Poland registered growth rates above the European average. Mozambique and Angola, despite the macroeconomic challenges they continue to face, saw their economies begin a process of recovery compared with 2016.

In Portugal, 2017 featured GDP growth of 2.7%, the largest annual increase since 2000. Portugal grew above the average European Union rate, thereby resuming the process of economic convergence.

The economy grew in a virtuous and sustainable way. Exports maintained their notable performance and productive investment continued robust, which will have a positive impact going forward. Unemployment, meanwhile, fell to 8.1% at the end of the year, which has a significant economic and, above all, social impact.

Looking beyond the generic GDP numbers, it's important to highlight the way in which companies are investing, exporting and reaching out to new markets. For Portugal, this translates into a year of victories, proof that the Portuguese are creative and daring.

This dynamism allowed Portugal to formally exit the excessive deficit procedure in June of 2017. Some months later came recognition, in the form of improved ratings from the main ratings agencies.

At Millennium bcp, on various different levels, we knew how to work to take advantage of the improved economic and social backdrop described above. The main feature of the year was our capacity to repay the total amount of state aid ahead of the deadline, which allowed us to recover our management autonomy.

We would highlight additionally three key milestones achieved by Millennium bcp in 2017. First, the increase of net profits to 186 million Euros, with positive results in all the geographies where we operate. Second, the addition of more than 300,000 customers across the group's operations, of which 100,000 in Portugal. And third, the very significant reduction of NPEs by 1.8 billion Euros, in Portugal.

In Portugal, the net result rose to 39 million Euros in 2017, with a particular emphasis on the reduction of impaired loans and provisions. The NPEs (Non Performing Exposures) fell by 1.8 billion Euros, exceeding the annual target of 1 billion Euros. The year also saw a very favorable trend for overall business, with a particular emphasis on customer addition, to a total 5.4 million customers.

ActivoBank also saw strong growth of its customer base, adding more than 40,000 new customers in 2017, a 50% increase in the pace of customer addition compared with the previous year. ActivoBank finished the year with net profit of 2.73 million Euros.

In Poland we proceeded with our ambitious expansion plan, which allowed us to achieve a net profit of 160 million Euros. We continue to add new customers, many of whom choose digital channels to reach and interact with the bank.

In Mozambique, despite the macroeconomic challenges, Millennium bim increased its results significantly to 85 million Euros while return on equity rose to 24.2%.

In Angola, we continued to develop our strategic partnership with Banco Millennium Atlântico, while in Switzerland and Macao we continued to develop those operations.

Overall, 2017 was a year we can characterize as globally positive, in which we strove to ensure the development of the virtuous triangle that connects our shareholders, our customers and our employees. It was a year of value creation and of normalization of the bank's activity. It was also a year in which we were recognized for our successes. Millennium bcp received a number of the most prestigious awards bestowed on the financial sector in Portugal and the other countries where we are present, namely Mozambique, Poland and Switzerland. In Portugal, we highlight the Consumers' Choice awards for the banking sector, the "Best Digital Bank" award from Global Finance magazine, the most personal and innovative bank with the best products for companies from Data E, and the prize for "Best Commercial Bank" for ActivoBank, from World Finance magazine.

In 2018 we will continue to position ourselves as a leading bank, supporting the economy and families in Portugal and in all of the countries where we are present.

In conclusion, we would like to say a word of appreciation and thanks to the employees of the bank for their professionalism and dedication; to the shareholders for believing in this project to build the largest private national bank, and to our customers who are the reason for all our efforts.

António Monteiro
-Chairman of the Board
of Directors

Nuno Amado
Chief Executive Officer
Vice-Chairman of the Board
of Directors

Executive Committee

Rui Manuel Teixeira

João Palma
Vice-Chairman

Miguel Maya
Vice-Chairman

Nuno Amado
Chairman

Miguel Bragança
Vice-Chairman

Conceição Lucas

Iglésias Soares

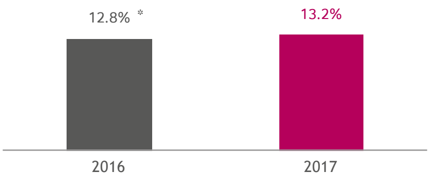
José Miguel Pessanha

INFORMATION ON THE BCP GROUP

BCP in 2017

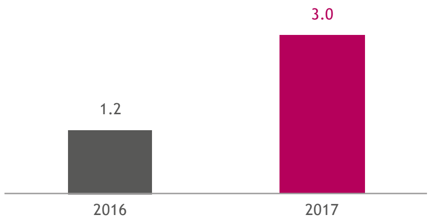
Millennium bcp, a bank ready for the future …

COMMON EQUITY TIER 1 RATIO
Phased-in

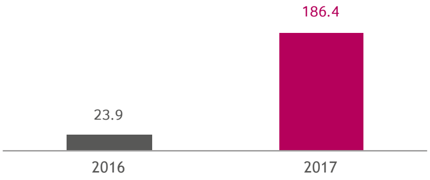


* proforma

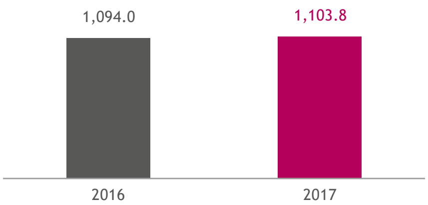
ACCUMULATED NPE REDUCTION
(Million euros)



NET INCOME
(Million euros)



CORE NET INCOME *
(Million euros)



* Core net income = net interest income + net fees and commission income - operating costs.

GROUP

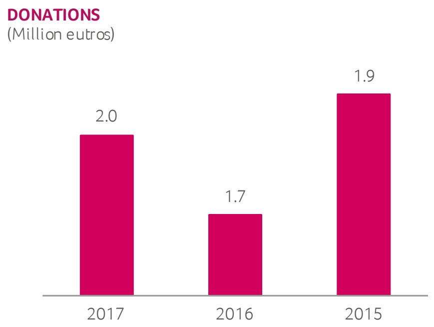
Customer base	5.4 million of active Customers (>300,000 vs 2016)
Digital customers	2.5 million active digital Customers (+16.0% vs 2016)

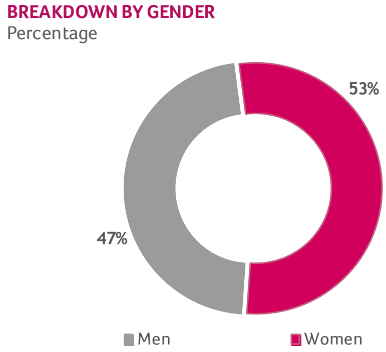
PORTUGAL

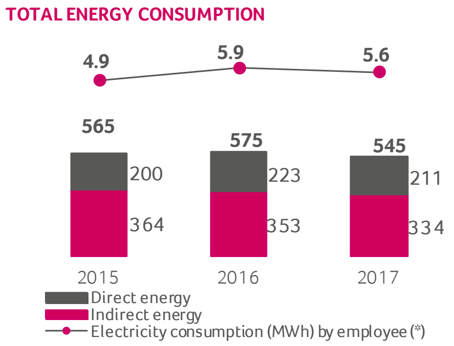
Customer base	2.4 million active Customers (approximately +100,000 vs 2016)
Customer acquisition	Individuals: >220,000 Customers Companies: >16,000 Customers
Digital customers	Individuals: 790,000 active (+15.1%) Companies: 99,400 active (+10.8%)

… and well positioned in a fast changing sector, following a restructuring plan already successfully implemented over the past few years

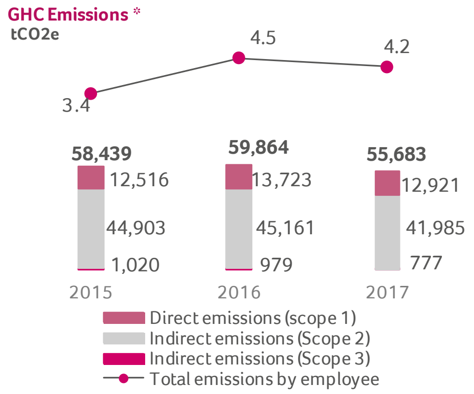
A Bank committed to the preservation of cultural heritage, protection of the environment and to supporting families, businesses and communities.







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



(*) Does not includes Mozambique

Main Indicators

Million euros

	2017	2016	2015 (1)	2014	2013	Chan. % 17/16
BALANCE SHEET						
Total assets	71,939	71,265	74,885	76,361	82,007	0.9%
Loans and advances to customers (net) (2)	47,633	48,018	51,022	52,729	55,744	-0.8%
Total customer funds (2)(3)	71,386	66,978	67,951	64,945	64,713	6.6%
Balance sheet customer funds (2)	52,688	50,434	52,158	51,141	51,174	4.5%
Resources from customers (2)	51,188	48,798	49,847	48,365	47,376	4.9%
Loans to customers (net) / Resources from customers (4)	94%	99%	102%	108%	117%	
Shareholders' equity and subordinated debt	7,250	5,927	6,269	6,238	6,945	22.3%
PROFITABILITY						
Net operating revenues	2,197	2,097	2,304	2,292	1,769	4.8%
Operating costs	954	780	1,017	1,150	1,295	22.3%
Impairment and Provisions	925	1,598	978	1,316	1,287	-42.1%
Income tax						
Current	102	113	91	101	116	-10.0%
Deferred	-72	-495	-54	-199	-326	
Non-controlling interests	103	122	126	110	94	-15.4%
Net income attributable to shareholders of the Bank	186	24	235	-227	-740	
Return on average shareholders' equity (ROE)	3.3%	0.6%	5.3%	-6.5%	-26.5%	
Income before tax and non-controlling interests / Average equity (4)(5)	4.8%	-4.5%	7.3%	-5.1%	-24.9%	
Return on average total assets (ROA) (6)	0.4%	0.2%	0.5%	-0.1%	-0.8%	
Income before tax and non-controlling interests / Average net assets (4)(5)	0.4%	-0.3%	0.5%	-0.3%	-1.0%	
Net interest margin	2.2%	1.9%	1.8%	1.6%	1.1%	
Net operating revenues / Average net assets (4)(5)	3.0%	2.8%	3.0%	2.8%	2.1%	
Cost to income (4)(5)(7)	44.1%	46.1%	43.9%	51.7%	66.5%	
Cost to income - activity in Portugal (4)(5)(7)	44.5%	47.1%	41.1%	53.7%	80.9%	
Staff costs / Net operating revenues (4)(5)(7)	24.6%	25.9%	24.7%	28.6%	36.8%	
CREDIT QUALITY						
Overdue loans (>90 days) / Total loans (2)	5.8%	6.8%	7.3%	7.4%	7.1%	
Total impairment / Overdue loans (>90 days) (2)	113.2%	107.0%	86.2%	82.6%	79.6%	
Non-performing exposures	7.658	9.374	10.933	11.906	13.679	
Non-performing exposures / Total loans (2)	15.0%	18.1%	20.1%	21.2%	23.0%	
Restructured loans (2)	4 184	5 046	5 393	6 753	7 012	
Restructured loans / Total loans (2)	8.2%	9.7%	9.9%	12.0%	11.9%	
Cost of risk (net of recoveries) (8)	122 b.p.	216 b.p.	150 b.p.	194 b.p.	137 b.p.	
CAPITAL (9)						
Common equity tier I phased-in (10)	13.2%	12.4%	13.3%	11.7%	-	
Common equity tier I fully-implemented (10)	11.9%	9.7%	10.2%	7.8%	-	
Own Funds	5,932	5,257	6,207	5,827	6,421	
Risk Weighted Assets	40,171	39,160	43,315	43,515	43,926	
Core tier I (Basel II) (4)	-	-	-	-	13.8%	
Tier I (Basel II) (4)	-	-	-	-	12.9%	
Total (Basel II) (4)	-	-	-	-	14.6%	
BCP SHARE						
Market capitalisation (ordinary shares)	4,111	843	2,887	3,561	3,279	
Adjusted basic and diluted earnings per share (euros)	0.014	0.019	0.232	-0.259	-1.068	
Market values per share (euros) (11)						
High	0.2720	0.6459	1.2388	1.8162	1.3695	
Low	0.1383	0.1791	0.5374	0.8396	0.5772	
Close	0.2720	0.1845	0.6317	0.8487	1.2474	

(1) In the scope of the merger process with Banco Privado Atlântico, Banco Millennium Angola was considered a discontinued operation in the first quarter of 2016, with effect on the same item in the activity of 2016 and 2015, given that the information as at 31 December 2015 was restated in the consolidated financial statements of BCP.
(2) Adjusted from discontinued operations: Millennium bank in Romania (2013); Millennium bcp Gestão de Activos (2014 to 2013); and Banco Millennium in Angola (2015 to 2013).
(3) Total customer funds of Millennium bcp were redefined, with reference to 31 December 2017, reflecting a broader concept in order to include amounts held by customers as part of existing agreements for their placement and management, considering comparable amounts for 2016 and 2015.
(4) According to Instruction no. 16/2004 from the Bank of Portugal, as the existing version as of 31 December 2017
(5) Given the booking of Banco Millennium Angola as a discontinued operation between March and May 2016, the consolidated balance sheet includes Banco Millennium Angola until the completion of the merger with Banco Privado Atlântico, in May 2016, while the respective contribution to consolidated results is reflected in income from discontinued operations and non-controlling interests during that period, not influencing the remaining items of the consolidated income statement.
(6) Considering net income before non-controlling interests.
(7) Excludes the impact of specific items.
(8) Adjusted from discontinued operations: Banco Millennium in Angola (2015).
(9) According with CRD IV/CRR phased-in for 2014, 2015, 2016 and 2017, and in 2013 compliant with rules from the Bank of Portugal in force.
(10) Includes the impact of the new DTAs regime for capital purposes according with IAS.
(11) Market value per share adjusted from the regrouping of shares, in October 2016, and the capital increase occurred in February 2017.

	Unit	2017	2016	2015	2014	2013	Var. % 17/16
CUSTOMERS							
Total Customers [1]	Thousands	5,429	5,122	5,036	4,907	4,871	6.0%
Interest paid on deposits and interbak funding	Million euros	353	389	661	897	1,148	-9.2%
Claims registered	Number	76,918	72,498	79,108	71,348	81,719	6.1%
Claims resolved	Percentage	97.7%	93.2%	97.2%	95.1%	98.5%	4.8%
ACESSIBILITIES							
BRANCHES	Number	1,120	1,163	1,342	1,373	1,518	-3.7%
Activity in Portugal		578	618	671	695	774	-6.5%
International activity		542	545	671	678	744	-0.6%
Branches opened on Saturday		118	112	144	140	131	5.4%
Branches with access conditions to people with reduced mobility		802	828	978	981	1,137	-3.1%
Internet	Users number	1,830,546	1,700,114	1,541,811	1,377,480	1,352,188	7.7%
Call Center	Users number	353,003	261,620	273,610	301,338	230,046	34.9%
Mobile banking	Users number	1,617,593	1,268,804	929,401	506,976	339,095	27.5%
ATM	Number	2,950	2,965	3,115	3,112	3,341	-0.5%
EMPLOYEES							
PORTUGAL EMPLOYEES	Number	7,189	7,333	7,459	7,795	8,584	-2.0%
INTERNATIONAL EMPLOYEES [2]	Number	8,538	8,474	9,724	9,845	10,076	0.8%
LABOUR INDICATORS [3]							
Breakdown by professional category	Number						
Executive Committee		23	21	23	22	21	9.5%
Senior Management		150	146	171	161	165	2.7%
Management		1,642	1,669	1,702	1,768	1,874	-1.6%
Commercial		9,424	9,453	10,406	10,648	11,013	-0.3%
Technicians		3,531	3,459	3,609	3,641	3,921	2.1%
Other		1,061	1,167	1,330	1,452	1,711	-9.1%
Breakdown by age	Number						
<30		2,235	2,225	3,029	3,387	3,710	0.4%
[30-50[		9,498	9,820	10,673	10,925	11,510	-3.3%
>=50		4,103	3,875	3,550	3,391	3,500	5.9%
Average age	Years	41	41	38	37	36	0.0%
Breakdown by contract type	Number						
Permanent		14,668	14,876	15,904	16,329	17,504	-1.4%
Temporary		1,168	1,044	1,035	1,073	894	11.9%
Trainees		298	0	313	301	329	
Employees with working hours reduction	Number	187	202	153	155	169	-7.4%
Recruitment rate	Percentage	9.7%	8.2%	7.3%	8.1%	6.6%	18.3%
Internal mobility rate	Percentage	18.5%	18.0%	16.4%	16.4%	15.9%	2.8%
Leaving rate	Percentage	10.3%	9.1%	10.0%	11.1%	9.1%	13.2%
Free association [4]	Percentage						
Employees under Collective Work Agreements		99.6%	99.6%	99.5%	99.6%	99.7%	0.0%
Union Syndicated Employees		78.5%	78.9%	72.0%	73.2%	75.9%	-0.5%
Hygiene and safety at work (HSW)							
HSW visits	Number	159	376	194	180	376	-57.7%
Injury rate	Percentage	0.0%	0.0%	0.0%	0.0%	0.0%	
Death victims	Number	0	1	0	0	0	
Absenteeism rate	Percentage	4.3%	4.2%	4.0%	3.6%	3.8%	2.4%
Lowest company salary and minimum national salary	Ratio	1.3	1.1	1.9	1.7	1.7	12.3%
ENVIRONMENT [5]							
Greenhouse gas emissions [6]	tCO2eq	55,683	59,864	58,439	65,470	72,691	-7.0%
Electricity consumption [7]	MWh	63,131	68,055	76,513	88,789	114,402	-7.2%
Production of waste [8]	t	599	1,332	2,078	1,568	1,294	-55.1%
Water consumption [9]	m3	233,857	239,279	358,228	554,307	361,968	-2.3%
SUPPLIERS							
Time of payment and time contractually agreed, in Portugal	Ratio	1	1	1	1	1	0.0%
Purchase from local suppliers	Percentage	86.5%	91.7%	92.8%	86.5%	92.6%	-5.7%
DONATIONS	Million euros	1.9	1.7	2.0	2.2	3.2	6.2%

Data for 2016 and 2017 does not include Angola, whose operation was discontinued in 2016.

(1) Pro-forma. Excludes Angola. From 2015-2017, Total Active Customers in Mozambique, instead of Total Customers

(2) Number of Employees for all operations except Poland, where are reported Full Time Equivalent (FTE). Does not include Millennium bcp Bank & Trust employees.

(3) Employees information (and not FTE) for: Portugal, Poland, Mozambique and Switzerland.

(4) The value reflects only operations where the regimes are applicable. Collective work agreement: Portugal and Mozambique. Syndicate: Portugal and Mozambique.

(5) Data do not include Angola (2013 to 2017).

(6) Data do not include Moçambique (2016).

(7) Data include eletricity from public grid. Does not include the cogeneration plant in Portugal neither 2016 energy consumption in Mozambique.

(8) Data does not include Switzerland (2013) neither Mozambique (2012 and 2013).

(9) Data does not include Switzerland (2012 to 2016), neither Mozambique (2016).

BCP Group

BRIEF DESCRIPTION

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese privately-owned bank. The Bank, with its decision centre in Portugal, operates and acts with respect for people and institutions, focusing on the Customer, pursuing a mission of excellence, trust, ethics and responsibility, and is a distinguished leader in various financial business areas in the Portuguese market and a reference institution on an international level. The Bank also holds a prominent position in Africa through its banking operations in Mozambique (in Angola, Banco Millennium Angola - BMA merged with Banco Privado Atlântico-BPA) and in Europe through its banking operations in Poland and Switzerland. Since 2010, the Bank operates in Macau through a full branch.

HISTORY

Incorporation and organic growth to attain a relevant position	Development in Portugal through acquisitions and partnerships	Internationalization and adoption of a single brand	Restructuring process Involving the sale of non-strategic assets
1985: Incorporation **1989:** Launching of NovaRede **Until 1994** Organic growth, reaching market shares of around 8% in loans and deposits in 1994	**1995:** Purchase of Banco Português do Atlântico, S.A. **2000:** Purchase of Banco Pinto & Sotto Mayor to CGD and incorporation of the José de Mello Group (Banco Mello and Império) **2004:** Agreement with the CGD Group and Fortis (Ageas) for the insurance business	**1993:** Beginning of operations in the East **1995:** Beginning of operations in Mozambique **1998:** Partnership Agreement with BBG (Poland) **1999:** Establishment of a greenfield operation in Greece **2000:** Integration of the insurance operation into Eureko **2003:** • Establishment of Banque Privée • Alteration of the name of the operation in Poland to Bank Millennium • Launch of the single brand concept, Millennium	**2005:** • Sale of Crédilar • Sale of BCM, maintaining an offshore branch in Macau • Sale of the insurance activity and partnership agreement with Ageas for the bancassurance activity **2006:** •Sale of a 50.001% stake in Interbanco • Completion of the sale of 80.1% of the share capital of Banque BCP in France and in Luxembourg **2010:** Sale of 95% of Millennium bank in Turkey and establishment of an agreement for the sale of the totality of the branch network and respective deposits base of Millennium bcp bank in the USA **2013:** • Sale of the totality of the share capital of Millennium Bank Greece to Piraeus Bank • Sale of 10% of the share capital of Banque BCP in Luxembourg •Sale of the totality of the stake in Piraeus Bank **2014:** • Sale of the totality of the share capital of Banca Millennium in Romania • Sale of the totality of the 49% stake in Non-Life Insurance, held in Ocidental and Médis **2015:** • Sale of the totality of the share capital of Millennium bcp Gestão de Ativos • Sale of 15.41% of the share capital of Bank Millennium **2016:** Merger of Banco Millennium Angola with Banco Privado Atlântico

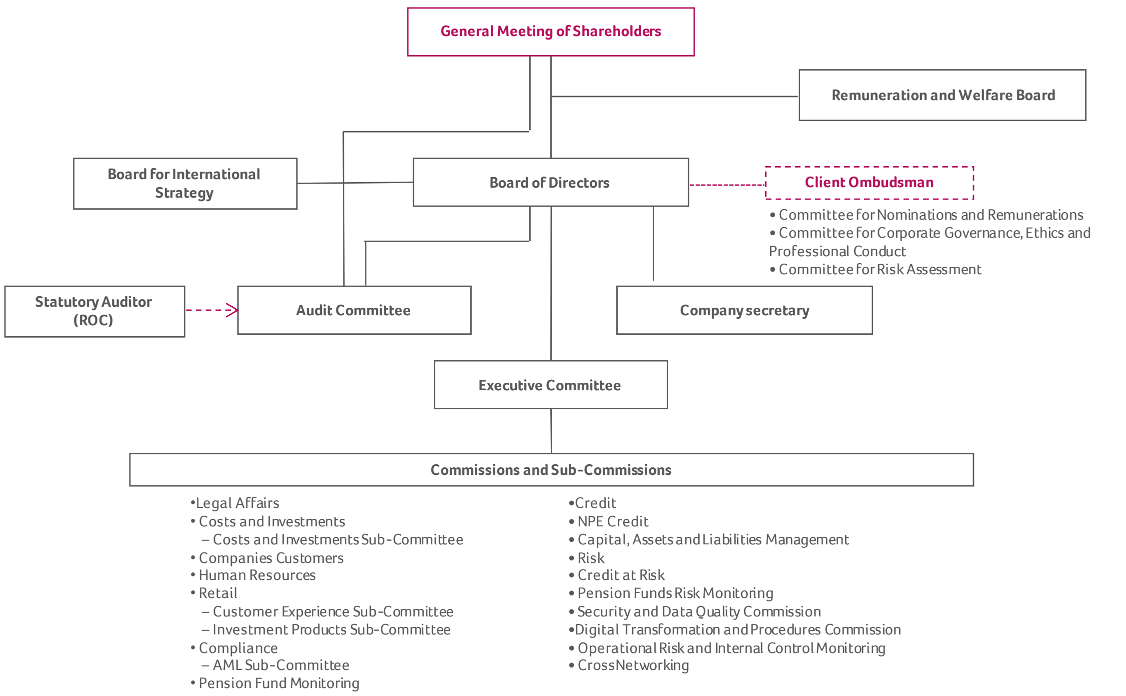
Governance

Banco Comercial Português, S.A. has a one-tier management and supervision model, composed of a Board of Directors, which includes an Executive Committee and an Audit Committee composed of only non-executive directors. The Company also has a Remuneration and Welfare Board and an International Strategic Board.

In addition, the Group uses a Statutory Auditor and an external auditing firm to audit the individual and consolidated accounts of the Bank, whose appointment is resolved at the General Meeting.

The members of the governing bodies were elected at the General Meeting of Shareholders held on 11 May 2015 to perform duties for the three-year period 2015/2017.

ORGANISATIONAL CHART OF BCP'S CORPORATE GOVERNANCE MODEL



The General Meeting is the highest governing body of the company, representing the entirety of the shareholders, and its resolutions are binding for all when adopted under the terms of law and the articles of association. The General Meeting is responsible for:

- Electing and dismissing its Board, as well as the members of the management and supervisory bodies, and the Remuneration and Welfare Board;
- Approving amendments to the memorandum of association;
- Resolving on the annual management report and accounts for the year and proposed appropriation of profits;
- Resolving on matters submitted upon request of the management and supervisory bodies;
- Resolving on all issues especially entrusted to it by the law or articles of association, or on those not included in the duties of other corporate bodies.

The Board of Directors (BD) is the governing body of the Bank with the most ample powers of management and representation, pursuant to the law and the articles of association.

Under the terms of the articles of association in effect, the Board of Directors is composed of a minimum of 17 and a maximum of 25 members with and without executive duties, elected by the General Meeting for a period of three years, who may be re-elected. The increase of the number of members of the Board of Directors to 25 was approved on 9 November 2016.

The Board of Directors which ended its function on 31 December 2017 was composed of 19 permanent members, with 11 non-executive and 8 executive members.

The Board of Directors appointed an Executive Committee (EC) composed of 8 of its members, to which it delegates the day-to-day management of the Bank. During 2017 the Executive Committee was assisted in its management functions by several commissions and sub-commissions which oversaw the monitoring of certain relevant issues.

The supervision of the company is made by an Audit Committee elected by the General Meeting of Shareholders and composed of 3 to 5 members, elected together with the majority of the remaining directors. The lists proposed for the Board of Directors should indicate the members to be part of the Audit Committee and indicate the respective Chairperson.

The Remuneration and Welfare Board is composed of 3 to 5 members, elected by the General Meeting, the majority of whom should be independent.

The Company Secretary and the Alternate Secretary are appointed by the Bank's Board of Directors, and their term-of-office matches that of the Board of Directors that appointed them.

IDENTIFICATION AND COMPOSITION OF THE CORPORATE BODIES

	Board of Directors	Executive Committee	Audit Committee	Remuneration and Welfare Board	Board for International Strategy
António Vitor Martins Monteiro (BD Chairman)	●				●
Carlos José da Silva (BD Vice-Chairman)	●				●
Nuno Manuel da Silva Amado (BD Vice-Chairman and CEO)	●	●			●
Álvaro Roque de Pinho Bissaia Barreto	●				
André Magalhães Luiz Gomes	●				
António Henriques de Pinho Cardão	●				
António Luís Guerra Nunes Mexia	●				
Cidália Maria Mota Lopes	●		●		
Jaime de Macedo Santos Bastos	●		●		
João Manuel de Matos Loureiro (AC Chairman)	●		●		
João Nuno de Oliveira Jorge Palma	●	●			
José Jacinto Iglésias Soares	●	●			
José Miguel Bensliman Schorcht da Silva Pessanha	●	●			
Lingjiang Xu	●				
Maria da Conceição Mota Soares de Oliveira Callé Lucas	●	●			
Miguel de Campos Pereira Bragança	●	●			
Miguel Maya Dias Pinheiro	●	●			
Raquel Rute da Costa David Vunge	●				
Rui Manuel da Silva Teixeira	●	●			
José Gonçalo Ferreira Maury (Chariman of RWB)				●	
José Guilherme Xavier de Basto				●	
José Luciano Vaz Marcos				●	
Manuel Soares Pinto Barbosa				●	
Carlos Jorge Ramalho dos Santos Ferreira (Chairman of BIS)					●
Francisco de Lemos José Maria					●
Josep Oliu Creus					●

On 28 June 2017, three new non-executive members of the Board of Directors were co-opted: Ms. Gu Xiaoxu, Mr. Li Cheng and Mr. Zhihua Shen. The evaluation process and the fit and property is still pending.

Main Events in 2017

JANUARY

- Resolution adopted by the Board of Directors on 9 January 2017, which would be ratified by the General Meeting of Shareholders, for co-opting Lingjiang Xu and João Nuno Palma to perform the functions of members of the Board of Directors, non-executive and executive, respectively, until the end of the ongoing term of office.
- Resolution adopted by the Board of Directors on 9 January 2017, with the prior favourable opinion of the Audit Committee, to increase the share capital from 4,268,817,689.20 Euros to 5,600,738,053.72 Euros through a Rights Offering addressed to shareholders in the exercise of their preference rights and remaining investors who purchased subscription rights, through the issue of 14,169,365,580 new ordinary, nominative and book-entry shares without nominal value. The resulting number of ordinary shares of BCP reached 15,113,989,952.

FEBRUARY

- Early repayment to the Portuguese State, on 9 February 2017, of the remaining Core Tier 1 hybrid capital instruments amounting to 700 million Euros, which represents the return to normalisation of the activities carried out by BCP, and had been previously approved by the European Central Bank, provided that the share capital increase concluded by BCP on this date proved successful.
- Upwards review by S&P Global Ratings of the rating for LT unsecured senior debt from "B+" to "BB-", following the upwards review of the BCP rating (Stand Alone Credit Profile - SACP) from "b+" to "bb-" and upwards review of the counter party rating from "B+" to "BB-" and the subordinated debt rating from "CCC" to "B-", after the completion of the share capital increase operation.
- Attribution of the Rui Osório de Castro Award/ Millennium bcp by Fundação Millennium bcp, distinguishing the development of innovative projects and initiatives in the area of child cancer.

MARCH

- BCP enters the new European Sustainability index, the "European Banks Index" from the analyst Standard Ethics.
- Creation of Millennium bim Academy (MBA), the first in-house academy of a bank in Mozambique.

APRIL

- Renewal of membership of the ECO Movement - Companies against Fires, a project that aims to contribute to the prevention of forest fires and raise public awareness on risky behaviour.

MAY

- Issue of mortgage bonds, under the Covered Bonds Programme, amounting to 1.0 billion Euros, 5-year maturity, an issue price of 99.386% and a 0.75% interest rate per year, resulting in a 65 basis points spread per year, over the 5-year swap rate;
- The General Meeting of Shareholders was held on 10 May 2017 with the presence of Shareholders owning more than 54.17% of the respective share capital. Among the resolutions adopted, we point out the approval of the management report, of the individual and consolidated accounts concerning the 2016 financial year, the proposal for the appropriation of profit for the 2016 financial year, the approval of the statement on the Remuneration Policy of the Members of the Management and Supervision Bodies, the appointment of two new directors (Lingiang Xu as non-executive member of the Board of Directors of BCP and João Nuno de Oliveira Jorge Palma as executive member of the Board of Directors of BCP) and the election of the composition of the Board of the General Meeting of Shareholders for the triennial 2017/2019;
- Millennium bcp carries out an internal collection of paper as part of the "Papel por Alimentos" (Paper for Food) campaign, a solidarity initiative by Entreajuda in support of the national Food Bank.
- Participation by Millennium bcp at a national level in the regular food collection campaigns promoted by the Food Bank.

JUNE

- Resolution of the Board of Directors dated 28 June 2017 regarding the co-optation of three new non-executive directors: Gu Xiaoxu, Li Cheng and Zhihua Shen, thus increasing the number of Directors to 22, 14 of which are non-executive;
- Signature of the statement expressing the commitment with the United Nations Sustainable Development Goals by Bank Millennium in Poland.

JULY

- Granting of a 500 million Euro loan to Millennium bcp by the European Investment Bank for the granting of loans to SMEs and to medium capitalization companies in Portugal.

AUGUST

- Confirmation of its high performance in terms of sustainability by the Ethibel EXCELLENCE Investment Register from Forum ETHIBEL.
- Bank Millennium was part, for the first time, of the sustainability indexes FTSE4Good Emerging Index, from the analyst FTSE Russell, a reference in the ESG (Environmental, Social and Governance) performance evaluations.

SEPTEMBER

- Creation of the "Plataforma de Gestão de Créditos Bancários, ACE", together with two other Portuguese Banks, with the purpose of increasing efficiency and speed in the NPEs and companies restructuring processes.
- Celebration of the 30th anniversary of Banco Comercial Português on the Portuguese Stock Exchange and of the 25th anniversary of Bank Millennium on the Warsaw Stock Exchange.
- BCP Group confirmed in the Sustainability Index "Ethibel Sustainability Index (ESI) Excellence Europe" from Forum Ethibel.
- Recognition of the "ABC Educação Financeira" - a financial literacy project for children from pre-school promoted by Bank Millennium foundation in Poland – with Honorary Sponsorship of the Ministry of Education and the Ombudsman for Children.

OCTOBER

- Launching of another in-house action, "Millennium Solidário," for the collection of food, hygiene products, clothes and household goods for people and families who had their lives affected by forest fires.
- Recognition of the BCP Group regarding the fight against climate change by the non-governmental organization Carbon Disclosure Project. The Bank was classified in the category "Leadership", with an "A-".
- Millennium bim concluded the 8th edition of the Banking Olympics, a project designed to educate a new generation of financial services consumers in Mozambique.

NOVEMBER

- Issue of subordinated debt eligible for approval by the European Central Bank as level 2 own funds under BCP's Euro Medium Term Notes Programme, amounting to 300 million Euros with a 10-year term and early redemption option at the end of the 5th year and an interest rate of 4.5%, per year, during the first 5 years. The operation was placed with a very diversified group of European institutional investors, it was the first of this instrument to be issued in the market by a Portuguese bank after the conclusion of the Financial Aid programme to Portugal, and is part of Millennium bcp's strategy of strengthening its total capital ratio and its presence in the international capital market.
- Inauguration of the photovoltaic central in Taguspark. The 3,703 panels installed in three buildings of the bank will enable the production of around 1.320 Mwh per year, representing an estimated savings of 16%.
- Completion of the restoration of the Throne Room of Palácio Nacional de Mafra, an intervention made possible due to the patronage by Fundação Millennium bcp.

DECEMBER

- Information on the decision made by the ECB on prudential minimum requirements which must be observed as of 1 January 2018, a decision based on the results of the Supervisory Review and Evaluation Process (SREP). In addition, BCP was informed by Banco de Portugal on the capital buffers it must observe in its capacity as “other systemically important institution” (O-SII). The own funds minimum requirements to be observed as of 1 January 2018, determined in view of total risk weighted assets, are the following: CET1 ratio of 8.8125%, T1 ratio of 10.3125% and total ratio of 12.3125%. The buffers include the own funds conservation buffer (1.875%), the countercyclical buffer (0%) and the buffer for other institutions of systemic importance (0.1875%). In accordance with the decision made by the BCE within the scope of SREP, the Pillar 2 requirement for BCP in 2018 is 2.25%, representing a reduction of 0.15 p.p versus 2017.
- Participation at a national level in the regular food collection campaigns promoted by the Food Bank.
- Group BCP is part of the environmental sustainability index Engaged Tracking 2017 Carbon Rankings.
- Inclusion of Bank Millennium in Poland, for the tenth consecutive time, in the RESPECT Index - the first Central and Eastern European index of socially responsible companies.
- Within the scope of its Social Responsibility programme "Mais Moçambique pra Mim", Millennium bim renovated Nursery 2 of the Neonatology Unit of the Hospital Central de Maputo.
- Microcredit Millennium bcp - 6th edition of the Realizar Awards, an annual initiative that distinguishes entrepreneurs.
- Millennium bcp participated in the 9th national collection of used batteries promoted by Ecopilhas in favour of IPO Lisbon.

BCP Share

2017 was globally positive for the stock markets. The presentation of global robust activity indicators, in both industry and services, associated with a context featuring by low interest rates, generated gains in the Euro area and in the USA. In spite of the fact that the North-American Federal Reserve (Fed) increased its interest rate three times during 2017, the Euro appreciated 14% versus the USD, reflecting also the favourable opinion of the markets on the European political environment. The year of 2017 also featured an increase in consumer confidence levels, a significant trigger due to the impact it has on consumption and, consequently, on the economy.

In Portugal, the PSI 20 closed the year recording 15% gains, exceeding its main European peers, reflecting the recognition by investors of the improvements in the macroeconomic indicators in Portugal (with economic growth above the average of the Euro area) and of the significant decline in interest rates for public debt. This improvement was also perceived by the rating agencies: in September S&P removed the Portuguese republic from Non-Investment Grade and, in December, Fitch placed the Portuguese Republic in Investment Grade.

During 2017 the Bank strengthened its capital ratios and benefited from the perception by the investors of the decrease in sovereign risk, rising 47.5%, compared with the 8.1% rise of the European Banks Index (STOXX® Europe 600 Banks).

BCP SHARE - INDICATORS

	Units	2017	2016
ADJUSTED SHARE PRICES			
Maximum price	(€)	**0.2720**	0.6459
Average price	(€)	**0.2162**	0.3312
Minimum price	(€)	**0.1383**	0.1791
Closing Price	(€)	**0.2720**	0.1845
SHARES AND EQUITY			
Number of ordinary shares (in circulation)	(M)	**15,114**	787
Equity attributable to the group	(M€)	**6,081**	4,382
Equity attributable to ordinary shares (1)	(M€)	**6,021**	4,322
AMOUNTS PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	**0.014**	0.019
Book value (4)	(€)	**0.398**	4.586
MARKET VALUING INDICATORS			
Closing price as multiple of book value	(PBV)	**0.68**	0.20
Closing Stock Exchange capitalization:	(M€)	**4,111**	843
LIQUIDITY			
Volume of transactions	(M€)	**3,946**	2,213
Average daily volume of transactions	(M€)	**15.5**	8.6
Number of shares traded (5)	(M)	**18,412**	6,272
Average daily volume of shares traded (5)	(M)	**72.2**	24.4
Capital Rotation (6)	(%)	**132.6%**	144.2%

(1) Equity attributable to the group - Preferential shares
(2) Considering the average number of shares in circulation
(3) Adjusted to the share capital increase operation completed in February 2017
(4) Considering the number of shares after deduction of the number of own shares In the portfolio
(5) Adjusted to the share capital increase operation completed in 2017
(6) Effective total number of traded shares over the annual average number of shares issued

The BCP share went up 47.5% in 2017, comparing to a rise of 15.2% in the PSI20 index and of 8.1% in the European index STOXX® Europe 600 Banks.

In the first quarter of 2017, the BCP share recorded a gain of 6.3%. The BCP share started the year with losses, pursuant to the disclosure of the share capital increase amounting to 1.3 million Euros in January 2017. However this trend was inverted and the BCP share began to recover after the completion of the share capital increase, the admission to trading of the new shares and the early repayment of the remaining value of capital hybrid instruments, amounting to 700 million Euros.

In the 2nd quarter of 2017, the BCP share recorded an expressive growth (+20.2%), taking advantage of more positive prospects for the banking sector, the improvement of the macroeconomic context in Portugal and the upward revisions of the GDP forecasts from the Banco de Portugal and the IMF.

During the 3rd quarter of 2017, the BCP share gained 4.1%, reflecting the upgrade in the rating of the Portuguese Republic to Investment Grade by S&P, in spite of the fact that the market's prevailing idea was that the supervisor would exercise pressure on the reduction by the banks of their non-performing loans and increase the coverage for NPEs, motivating a transversal negative interpretation which affected some banks, including BCP. The share was also conditioned by the uncertainty regarding the probability and timing of the increase of the official interest rates from the ECB, which delays the positive effect caused by higher interest rates on banks' income.

During the last quarter of 2017, the BCP share surged 10.9%, supported by the several upgrades in the price target for BCP, the upgrade in the rating of the Portuguese Republic to Investment Grade, attributed by the rating agency Fitch, and by S&P's upgrade of BCP's outlook rating to positive.

Absolute and Relative Performance

Index	Variation 2017
BCP Share	47.5%
PSI Financials	39.4%
PSI20	15.2%
IBEX 35	7.4%
CAC 40	9.3%
DAX	12.5%
FTSE 100	7.6%
MIB FTSE	13.6%
Eurostoxx 600 Banks	8.1%
Dow Jones	25.1%
Nasdaq 100	31.5%
S&P500	19.4%

Source: Euronext, Reuters, Bloomberg

Liquidity

During 2017 approximately 3.95 billion Euros in BCP shares were traded, corresponding to an average daily turnover of 15.5 million Euros. During this period, approximately 18.41 billion shares were traded (volumes adjusted due to the share capital increase), corresponding to an average daily volume of 72.2 million shares. The capital turnover index came to 132.6% of the average annual number of shares issued.

Indexes listing BCP Shares

The BCP share is part of over 50 domestic and international stock exchange indexes among which we highlight the Euronext PSI Financial Services, PSI 20, Euronext 150, and NYSE Euronext Iberian.

Index	Weight
Euronext 150	1.47%
Iberian Index	0.77%
PSI 20	17.04%
PSI General	7.04%
PSI Financial Services	69.09%

Source: Euronext, 29 December 2017

In addition, by the end of 2017, Millennium bcp was also part of the following sustainability indexes: "Ethibel EXCELLENCE Investment Register", "Ethibel Excellence Europe", "Engaged Tracking 2017 Carbon Rankings" and "European Banks Index". Bank Millennium, in Poland, is part of the "Respect Index" and of the "FTSE4Good Emerging Index".

Sustainability Indexes

RELEVANT FACTS ANNOUNCED TO THE MARKET AND IMPACT ON THE SHARE PRICE

The following table summarizes the relevant facts directly related with Banco Comercial Português that occurred during 2017, as well as the price variations occurred on the following day and on the 5 subsequent days and the relative evolution versus the main reference domestic and European indexes during the mentioned periods of time.

Nr.	Date	Relevant Facts	Var. +1D	Var. versus PSI20 (1D)	Var. versus STOXX® Europe 600 Banks (1D)	Var. +5D	Var. versus PSI20 (1D)	Var. versus STOXX® Europe 600 Banks (5D)
1	9 Jan	Decision by the Board of Directors	-11.3%	-10.1%	-11.2%	-22.9%	-20.7%	-22.5%
2	9 Jan	Resolution on the share capital increase	-11.3%	-10.1%	-11.2%	-22.9%	-20.7%	-22.5%
3	11 Jan	2017 Events Calendar	-2.8%	-2.8%	-2.1%	10.6%	10.2%	10.9%
4	12 Jan	Presentation of the roadshow on the share capital increase	5.7%	5.2%	3.7%	0.8%	1.1%	-0.1%
5	7 Feb	Registration of the share capital increase at the Companies registry	-7.0%	-6.9%	-6.2%	-7.6%	-8.5%	-9.2%
6	9 Feb	Repayment of the capital hybrid instruments	0.3%	0.1%	1.1%	0.5%	-0.3%	-1.2%
7	10 Feb	Renunciation of a member of the Board of Directors;	-1.4%	-1.3%	-2.3%	2.6%	1.8%	1.1%
8	23 Feb	S&P *Upgrade*	-1.9%	-1.5%	-0.5%	4.9%	3.3%	3.5%
9	3 Mar	Bank Millennium (Poland) 2016 Earnings	-0.3%	0.2%	0.9%	0.6%	1.4%	-0.6%
10	6 Mar	2016 Consolidated earnings	-3.2%	-3.1%	-2.9%	1.2%	1.5%	-1.3%
11	25 Apr	Bank Millennium (Poland) 1Q2017 Earnings	-1.1%	-1.3%	-1.3%	3.6%	2.2%	3.5%
12	8 May	1Q2017 Consolidated earnings	0.8%	0.4%	1.2%	-1.7%	-1.9%	-1.9%
13	10 May	Resolutions adopted by the Annual General Meeting of Shareholders	-0.3%	0.1%	0.2%	-6.9%	-4.4%	-4.6%

(continues)

(continuation)

Nr.	Date	Relevant Facts	Var. +1D	Var. versus PSI20 (1D)	Var. versus STOXX® Europe 600 Banks (1D)	Var. +5D	Var. versus PSI20 (1D)	Var. versus STOXX® Europe 600 Banks (5D)
14	23 May	New issue of mortgage bonds	2.2%	2.3%	2.1%	6.4%	5.1%	8.3%
15	28 Jun	Decision by the Board of Directors	-2.0%	-1.1%	-2.6%	1.7%	1.4%	-0.4%
16	25 Jul	Bank Millennium (Poland) 1H2017 Earnings	-1.2%	-0.9%	-1.6%	-3.4%	-2.5%	-3.3%
17	27 Jul	1H2017 Consolidated earnings	-4.7%	-3.2%	-3.8%	-9.4%	-8.0%	-8.5%
18	1 Sep	Information on administrative proceedings	-1.5%	-0.9%	-0.7%	-6.5%	-4.7%	-4.3%
19	28 Sep	Information on the Platform for the Integrated Management of past due loans	0.5%	-0.1%	0.0%	0.4%	-0.6%	0.1%
20	30 Oct	Bank Millennium (Poland) 3Q2017 Earnings	0.6%	0.1%	0.8%	0.1%	1.9%	1.8%
21	13 Nov	9M2017 Consolidated earnings	-0.6%	-0.8%	0.3%	-0.2%	-0.7%	0.6%
22	23 Nov	Information on the potential issue of subordinated notes	0.1%	0.6%	-0.4%	3.4%	2.4%	2.3%
23	29 Nov	Information on the issue of subordinated notes	1.0%	0.8%	1.6%	2.4%	1.9%	4.5%
24	20 Dec	Information on the prudential minimum requirements to be observed as of 1 January 2018	0.1%	0.3%	-0.8%	0.7%	1.0%	1.3%
25	28 Dec	Information on the 2018 Events Calendar	0.7%	0.3%	0.9%	10.2%	5.6%	8.6%

The following graph illustrates the performance of BCP shares over the reference period:

DIVIDEND POLICY

Pursuant to the conditions of the issue of Core Tier I Capital Instruments underwritten by the State under Law number 63-A/2008 and Implementing Order number 150-A/2012, the Bank could not distribute dividends until the issue was fully reimbursed. This restriction was in effect during the financial years 2013 to 2016.

With the share capital increase concluded in February 2017, the Bank intends to meet the conditions to accelerate the return to normality, including the potential distribution of dividends, so as to be able to have a dividend pay-out policy not inferior to 40% of eventual distributable earnings, subject to regulatory requirements.

Follow-up with Investors

The Bank participated in various events during 2017, having attended 6 conferences and 11 road shows in Europe and in the USA, where it gave institutional presentations and held one-on-one meetings and group meetings with investors. More than 540 meetings were held with analysts and institutional investors, which continues to reflect their significant interest in relation to the Bank.

Own Shares

Treasury shares held by entities included in the consolidation perimeter are held within the limits established by the bank's by-laws and by the Portuguese Companies Code.

As at 31 December 2017, Banco Comercial Português, S.A. held no treasury stock in portfolio, and there were no purchases or sales of own shares throughout the year. However, the item "Treasury Stock" recorded 323,738 shares (31 December 2016: 2,689,098 shares) held by customers. Considering that for some of these customers there is evidence of impairment, the Bank's shares held by these customers were considered as treasury stock and, in accordance with the accounting policies, written off from equity.

Regarding treasury stock held by associate companies of the BCP Group, pursuant to the note to the financial statements number 50, as at 31 December 2017, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 142,601,002 BCP shares (31 December 2016: 8,694,500 shares) amounting to 38,531,000 Euros (31 December 2016: Euros 9,312,000).

Shareholding Structure

According to Interbolsa, on 31 December 2017, the number of Shareholders of Banco Comercial Português was of 166,960.

By the end of 2017 there were four Shareholders with a qualifying shareholding, two of which with a stake above 5% of the Bank's share capital.

Shareholding Structure	Nr. of Shareholders	% of share capital
Individual Shareholders		
Bank Employees	2,831	0.23%
Other	159,296	21.89%
Company Shareholders		
Institutional	346	23.50%
Qualifying	4	51.49%
Other Companies	4,483	2.89%
TOTAL	**166,960**	**100%**

Shareholders with more than 5 million shares represented 76% of the share capital. During 2017, there was a significant increase in the percentage of capital held by foreign investors, mostly due to the Bank's share capital increase made in February 2017.

Nr. of shares per Shareholder	Nr. of Shareholders	% of share capital
>5,000,000	125	76.17%
500,000 to 4,999,999	964	7.35%
50.000 to 499.999	12,712	10.77%
5,000 to 49,999	43,416	5.05%
< 5,000	109,743	0.65%
TOTAL	**166,960**	**100%**

During 2017, the relative weight of the Shareholders in Portugal decreased from 53% to 31%, due mainly to the completion of the share capital increase operation.

	Nr. of Shares (%)
Portugal	31.2%
China	27.1%
Africa	19.6%
United Kingdom / USA	10.9%
Other	11.1%
Total	**100%**

Qualified Holdings

On 31 December 2017, the following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A.:

			31 December 2017
Shareholder	**Nr. of Shares**	**% of share capital**	**% voting rights**
Chiado (Luxembourg) S.à r.l., a company held by Fosun International Holdings Ltd (Fosun Group)	4,089,789,779	27.06%	27.06%
TOTAL FOR FOSUN GROUP	**4,089,789,779**	**27.06%**	**27.06%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, E.P., directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
EDP Pension Fund *	319,113,690	2.11%	2.11%
TOTAL FOR EDP GROUP	**319,113,690**	**2.11%**	**2.11%**
BlackRock, Inc.**	**427,218,720**	2.83%	2.83%
TOTAL FOR BLACKROCK GROUP	**427,218,720**	**2.83%**	**2.83%**
TOTAL OF QUALIFYING STAKES	**7,782,476,103**	**51.5%**	**51.5%**

* Allocation according to article 20 (1.f) of the Securities Code.

**According to the communication of 29 December 2017.

The voting rights referred to above are the result of the direct and indirect stakes of Shareholders in the share capital of Banco Comercial Português. No other imputation of voting rights foreseen in article 20 of the Securities Code was communicated or calculated.

BUSINESS MODEL

Regulatory, Economic and Financial System Framework

REGULATORY FRAMEWORK

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

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

On 23 November 2016, the European Commission presented a comprehensive package of risk reduction proposals aimed at the banking sector, comprising measures relating to capital requirements and bank recovery and resolution measures. The negotiations to agree on a final compromise text with the European Commission are ongoing, nonetheless, given their urgency, amendments related to (i) the transition regime to reduce the impact of the introduction of IFRS 9 on own funds; and, (ii) the position of the unsecured debt instruments in the insolvency hierarchy (requiring transposition into national law) entered into force at the end of 2017.

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

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

The delegated regulation on the packaged retail investment and insurance products (PRIIP) entered into force at the beginning of 2018 aimed at protecting consumers and establishing a common regulation for the key information document to be provided to the Clients.

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

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

- On the financing of the economy: The Decree-Law no. 77/2017 of 30 June frames the measures to promote further diversification of the funding sources of companies; and the Decree-Law no.79/2017 of 30 June alters the Companies Code and the Code for Insolvency and Recovery of Companies in order to simplify and speed up companies' restructuring and capitalization procedures;
- At the macroprudential level, the percentage of countercyclical reserve applicable to credit exposures to the domestic non-financial private sector remained unchanged at 0% of the total amount of the positions at risk; and,
- Lastly, the General Data Protection Regulation (EU Regulation no. 679/2016) will apply from 25 May 2018 onwards.

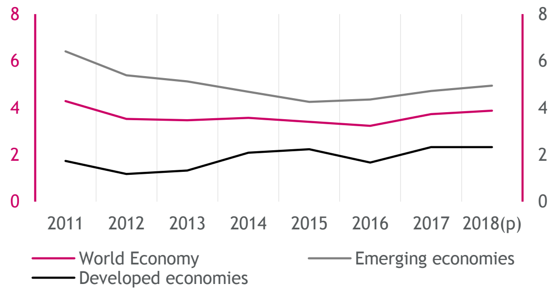
These changes represent a demanding framework in terms of (i) binding requirements, (ii) implementing and revising procedures, (iii) risk management (existing and emerging risks), (iv) reporting to supervisors and disclosure to other stakeholders, (v) security of operations and data quality, and, (vi) the prospects for the business. Therefore, the Bank has implemented or has in place several strategic projects aiming at the proper compliance with the regulations and equipping the Bank with the necessary capacities and agility to face the challenges posed by the constant evolution of the regulatory framework.

ECONOMIC ENVIRONMENT

World's economic environment

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

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



Source: IMF WEO (Jan 2018)

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

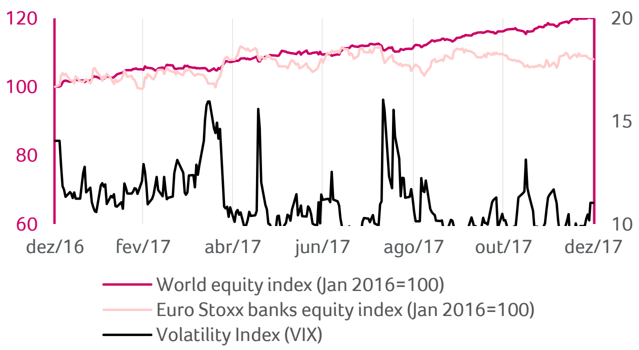
In 2018, the IMF foresees a firming of the current cycle of activity expansion, grounded on the rise of investment, in particular in the developed countries. Thus, the growth rate of the world's GDP is expected to rise from 3.7%, in 2017 to 3.9%, in 2018. The main uncertainty factors that could undermine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

Global financial markets

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

The unlikely combination of the acceleration of world economic growth with the absence of inflationary risks allowed the main central banks to reduce very slightly the global degree of accommodation of monetary policy. The US Federal Reserve continued to proceed with the normalization of interest rates, raising its key rate from 0.75% to 1.50% over 2017, and has also started the process of reducing its balance sheet, through the gradual sale of the debt securities accumulated since 2009 under the strategy of quantitative easing. For its part, the ECB announced the extension of its public and private debt purchase program through September 2018, but reduced the monthly pace of securities purchases, having maintained all its key rates at the levels seen at the end of 2016.

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

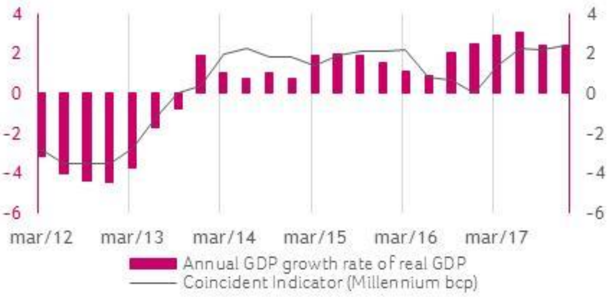


Source: Datatsream

Outlook for the Portuguese economy

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

PORTUGUESE ECONOMY RECORDED STRONG GROWTH



Source:Datastream and Millennium bcp

The improvement of the economic and financial condition of Portugal made possible an upgrade of the credit rating of the Portuguese Republic by some of the main rating agencies to investment grade, which, together with the ECB's public debt purchase program, contributed to the expressive reduction of the risk premia implicit in the Portuguese government bonds throughout 2017, with favourable repercussions on the conditions with which domestic issuers access capital markets.

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

International operations

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

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

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

GROSS DOMESTIC PRODUCT

Annual growth rate (in %)

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

Source: IMF and national statistics institutes

IMF estimate (March 2018)

FINANCIAL SYSTEM FRAMEWORK

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

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

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

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

Business Model

NATURE OF THE OPERATIONS AND MAIN ACTIVITIES

The Group provides a wide variety of banking services and financial activities in Portugal and abroad, where it is present in the following markets: Poland, Switzerland, Mozambique, Angola (through its associate BMA) and China. All its banking operations develop their activity under the Millennium brand. The Group also ensures its presence in the five continents of the world through representation offices and/or commercial protocols.

The Bank offers a vast range of financial products and services: current accounts, payment systems, savings and investment products, private banking, asset management and investment banking, including mortgage loans, consumer credit, commercial banking, leasing, factoring and insurance, among others. The back-office operations for the distribution network are integrated to benefit from economies of scale.

In Portugal, Millennium bcp is focused on the retail and companies markets, providing services to its Customers in a segmented manner. The subsidiary companies generally provide their products through the Bank's distribution networks, offering a wide range of products and services.

DISTINCTIVE FACTORS AND SUSTAINABILITY OF THE BUSINESS MODEL

Largest privately-owned banking institution

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

The activity in the domestic market focuses on Retail Banking, which is segmented in order to best serve Customer interests, both through a value proposition based on innovation and speed targeted at Mass-Market Customers, and through the innovation and personalised management of service for Prestige, Business Customers, Companies, Corporates and Large Corporates. Retail Banking also has a bank aimed specifically at Customers who are young in spirit, intensive users of new communication technologies and prefer a banking relationship based on simplicity and offering innovative products and services: ActivoBank.

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

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

Resilience and sustainability of the business model

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

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

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

Innovation and capacity to deliver

Since its incorporation, the Bank has built a reputation associated with innovation. The Bank was the first Bank in Portugal to introduce specific innovative concepts and products, including direct marketing methods, layouts based on customer profiles, salary accounts, simpler branches ("NovaRede"), telephone banking services, through Banco 7, which later became the first online banking services platform, health insurance (Médis) and direct insurance, and a website dedicated to individual Customers and corporate banking. The Bank was also a pioneer in the launching of a new Internet Banking concept, based on the ActivoBank platform, which provides a simplified service to the customer, including the opening of a current account using a tablet.

Internet & Mobile

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

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

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

Mobile

Individuals

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

Companies

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

Individuals website

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

Digital Sales

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

In 2017 we can especially highlight:

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

Communication with Customers

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

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

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

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

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

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

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

MAIN AWARDS RECEIVED

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

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

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

COMPETITIVE POSITIONING

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

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

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

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

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

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has over 1.3 million Customers and is the leading bank, with 27.3% of loans and advances to Customers and 26.9% of deposits. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

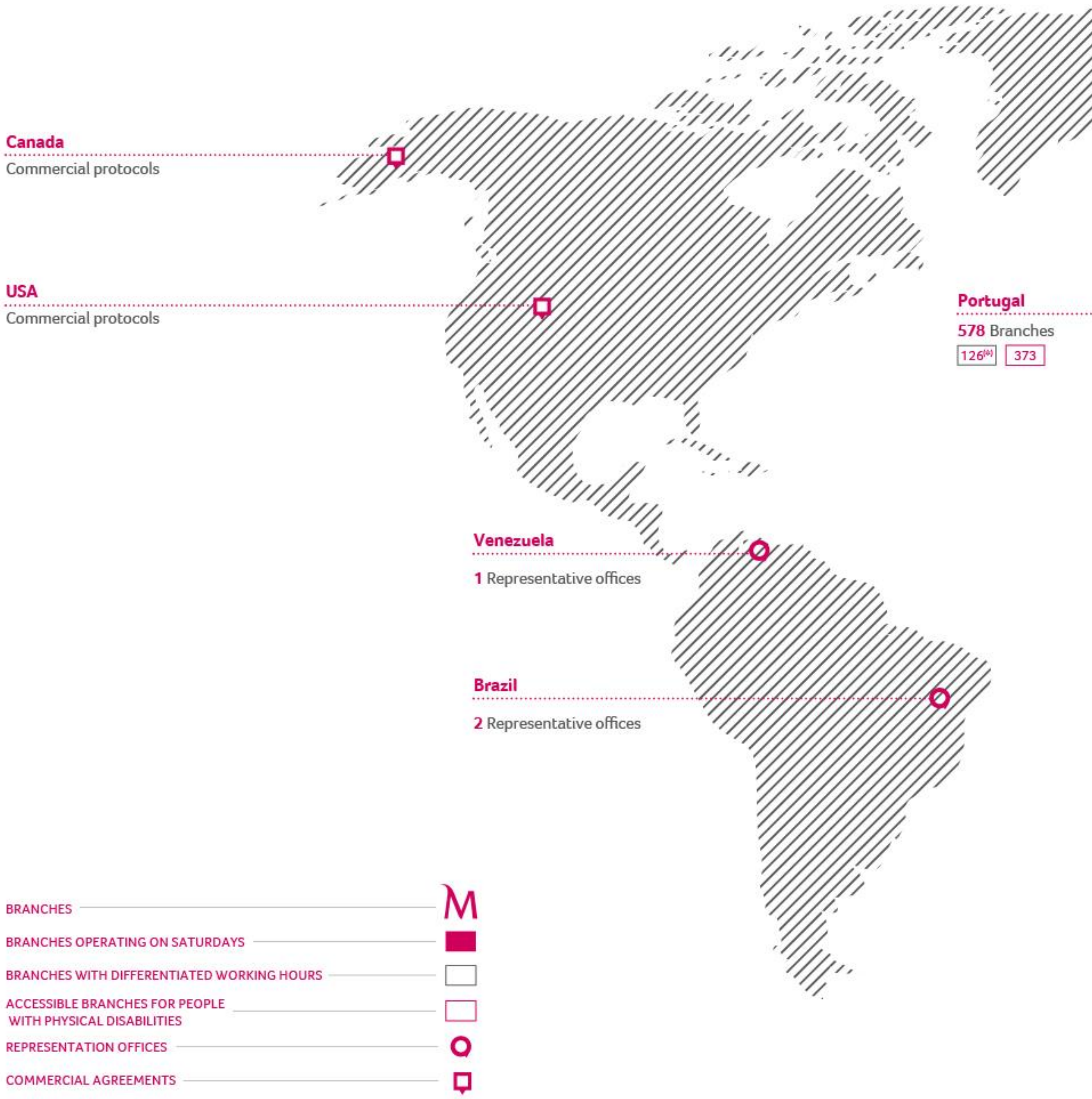
The deed of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was signed on 22 April 2016. The bank resulting from the merger is an associate of Banco Comercial Português.

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

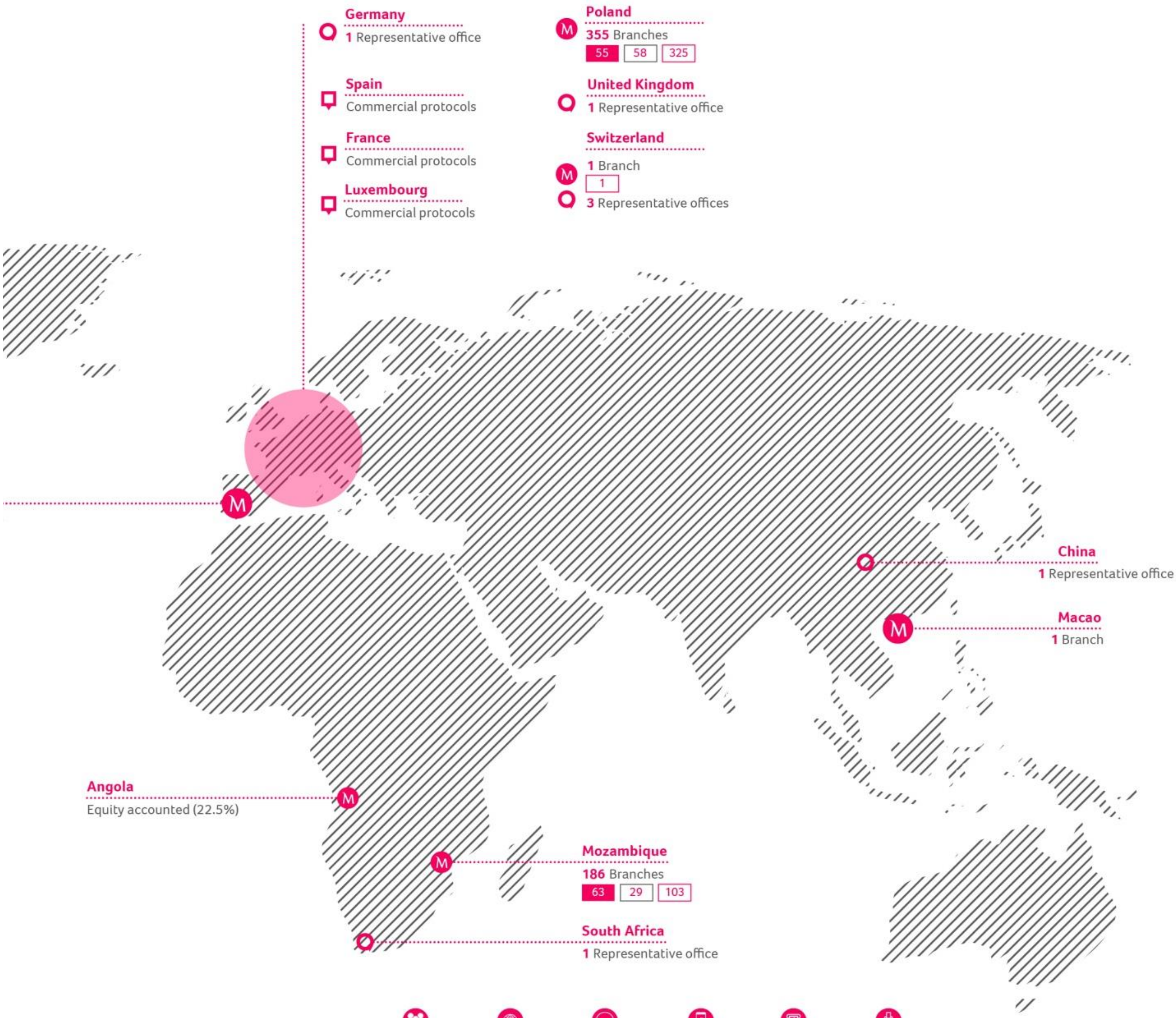
The Group has an operation in Switzerland since 2003, through a private banking platform offering personalised quality services to the Group's high net worth Customers, comprising asset management solutions based on rigorous research and profound knowledge of financial markets, underpinned by a robust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

The Group has also been present in Asia since 1993, but it was only in 2010 that the activity of the existing branch in Macau was expanded, through the attribution of a full license (onshore) aimed at establishing an international platform for business operations between Europe, China and Portuguese-speaking African countries.

The Bank also has 10 representation offices (1 in the United Kingdom, 2 in Germany, 3 in Switzerland, 2 in Brazil, 1 in Venezuela, 1 in China, in Guangzhou and 1 in South Africa) and 5 commercial protocols (Canada, USA, Spain, France and Luxembourg).



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



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

Note: in Portugal are considered Customers/active users those who used Internet, Call Centre or Mobile Banking at least once in the last 90 days.
(*) Automated Teller Machines.
(**) Point of Sales.

Performance versus the Strategic Plan Objectives

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

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

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

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

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

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

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

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

[1] Amounts estimated including the year's earnings

[2] Core income = net interest income + fees.

[3] Based on a fully implemented CET1 ratio of 11%.

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 the 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 consolidated financial statements are not directly comparable between 2016 and 2015, as result of the sale of the entire shareholding held in the share capital of Millennium bcp Gestão de Activos in May 2015 and of the merger by incorporation of Banco Millennium Angola S.A. with Banco Privado Atlântico, S.A..

In view of the commitment signed with the Directorate-General for Competition of the European Commission (DG Comp) regarding the Bank's Restructuring Plan, namely the implementation of a new approach in the investment fund management business, the company Millennium bcp Gestão de Activos was sold in May 2015 and the earnings were presented under "income arising from discontinued operations", as at 31 December 2015.

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. As at 31 December 2015, this subsidiary company's total assets and liabilities were recorded on the consolidated balance sheet under the respective items, while the costs and earnings on 31 December 2016 and 2015 were entered in 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, and the shareholding in Banco Millennium Atlântico was recorded as associate and the respective earnings were accounted using the equity method.

Nevertheless, in order to offer a clearer understanding of the evolution of the Group's net worth and to guarantee that the figures are comparable, only for the purposes of this analysis, some balance sheet indicators are also presented excluding the discontinued operations.

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. Discontinued operations encompassed within the period of time under analysis in this document include Millennium bcp Gestão de Activos (sold in May 2015), which are reflected under discontinued operations in 2015, and Banco Millennium Angola, which was considered a discontinued operation in the first quarter of 2016 in the wake of the merger with Banco Privado Atlântico, recorded under the same item in 2016 and 2015, since the information as at 31 December 2015 was re-expressed for the consolidated financial statements of Millennium bcp. The impacts on the discontinued operations item are reflected, regarding Millennium bcp Gestão de Activos in the 2015 income statements and, regarding Banco Millennium in Angola in the 2015 balance sheet items and in the 2015 and 2016 income statements. We must point out that, in 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 included in earnings from discontinued operations.

In 2017 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 and already reported in previous years.

The evolution recorded by the activity of Millennium bcp in 2017 featured a sustained improvement of profitability and efficiency, based on a positive performance of its core income (corresponding to the addition of the net interest income and of net fees, minus operating costs).

Consolidated net income in 2017 totalled 186 million Euros, a positive performance in comparison with the amount reached in the previous year (24 million Euros). The improvement in the Group's performance was mainly caused by the positive results achieved in Portugal, with a positive contribution of 39 million Euros, versus the 157 million Euros in losses reported in 2016.

Total assets of the Group increased from 71,265 million Euros as at 31 December 2016 to 71,939 million Euros on 31 December 2017, driven by the increase in the financial assets portfolio and in loans and advances to credit institutions and Central Banks and by the decrease in loans to customers.

Loans to customers (gross) stood at 50,955 million Euros on 31 December 2017 versus the 51,758 million Euros recorded in the previous year, mainly evidencing the deleveraging in Portugal of Non-performing exposures (NPE), which fell by 1.8 billion Euros in 2017. Apart from this effect, we must point out the growth in the performing loans portfolio in Portugal (0.4 billion Euros), for the first time after 8 years, reflecting the recovery of the Portuguese economy and the effort made by the commercial areas in the pursuit of the strategy to support families and companies. In the international activity, loans to customers also evidenced a growth trend, mainly supported by the performance of the subsidiary in Poland and by the effect produced by the zloty's appreciation.

The total customer funds of Millennium bcp were redefined, with reference to 31 December 2017, reflecting, since then, a broader concept in order to include amounts held by customers as part of existing agreements regarding their placement and management, being considered comparable amounts for 2016 and 2015 periods.

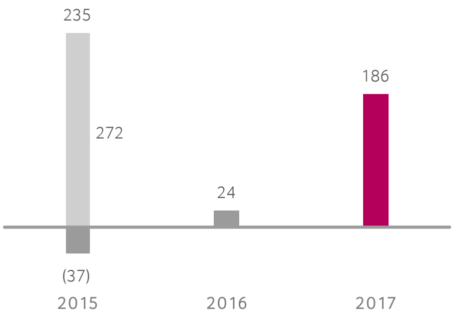
Total customer funds recorded a 6.6% growth, totalling 71,386 million Euros on 31 December 2017 (66,978 million Euros on 31 December 2016), based on the performance from balance sheet customer funds and from off-balance sheet customer funds. Balance sheet customer funds evidenced a positive performance mainly caused by the performance shown by customer deposits (resources from customers). Off-balance sheet customer funds also showed a positive performance translated in the evolution recorded by assets under management and investment funds and capitalisation products.

PROFITABILITY ANALYSIS

NET INCOME

NET INCOME

Million euros



Consolidated net income of Millennium bcp stood at 186 million Euros in 2017, an expressive increase versus the 24 million Euros recorded in 2016, induced by the positive performance of the activity in Portugal. The contribution provided by international activity was affected by the impact from the application of IAS 29 to Banco Millennium Atlântico, since the Angolan economy is considered as a high inflation economy by the international audit companies. Excluding the impact mentioned above, the contribution from the international activity remained stable versus the one achieved in 2016.

The smaller amount of loan impairment charges was determinant for the performance of the consolidated net income, and it is also worth mentioning the positive input from the reduction in other impairment and provisions and the increase in net interest income. This positive performance was partially offset by the increase in staff costs, conditioned by the positive impact recognized in 2016 due to the revision/negotiation of the Collective Labour Agreement (ACT) net of restructuring costs (186 million Euros), the lower amount in net trading income, influenced by the recording, also in 2016, of a gain of 96 million Euros due to the purchase by Visa Inc of the stakes held by the Bank in Portugal and by Bank Millennium in Poland in Visa Europe, and by the reduction in deferred tax income. The core income of Millennium bcp reached 1,104 million Euros versus the 1,094 million Euros in 2016, triggered by the 13.1% growth in net interest income and 3.6% in net commissions, notwithstanding the lower operating costs, these conditioned by the impact of the negotiation/revision of the ACT in 2016, as mentioned above. Excluding the impact mentioned above, core income increased 20.0% versus the figures recorded in 2016, originating an improvement in operational efficiency evidenced by the decrease in the cost to core income ratio (which corresponds to the ratio between operating costs and the sum of net interest income with net commissions) of 51.5% in 2016 to 47.1% in 2017 (also excluding specific items).

QUARTERLY INCOME ANALYSIS

Million euros

	2017						
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	2016	2015
NET INTEREST INCOME	332	346	345	368	1,391	1,230	1,191
OTHER NET INCOME							
Dividends from equity instruments	0	2	0	0	2	8	10
Net commissions	161	170	164	172	667	644	660
Net trading income	36	54	25	33	148	240	539
Other net operating income	(15)	(71)	(10)	(5)	(102)	(106)	(120)
Equity accounted earnings	20	15	22	35	92	81	24
TOTAL OTHER NET INCOME	202	169	201	235	806	867	1,113
NET OPERATING REVENUES	534	515	545	603	2,197	2,097	2,304
OPERATING COSTS							
Staff costs	137	105	139	146	527	357	574
Other administrative costs	89	94	92	99	374	374	389
Depreciation	13	13	14	14	54	50	54
TOTAL OPERATING COSTS	238	212	244	260	954	780	1,017
OPERATING RESULTS	296	303	301	344	1,243	1,317	1,286
IMPAIRMENT							
For loans (net of recoveries)	149	156	154	165	624	1,117	818
Other impairment and provisions	54	56	60	131	301	481	160
INCOME BEFORE INCOME TAX	93	91	88	47	318	(281)	308
INCOME TAX							
Current	28	27	28	19	102	113	91
Deferred	(9)	(2)	(9)	(52)	(72)	(495)	(54)
NET (LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	73	66	68	80	288	101	271
Income from discontinued operations	0	1	0	(0)	1	45	90
NET INCOME AFTER INCOME TAX	73	68	68	80	290	146	361
Non-controlling interests	23	28	25	27	103	122	126
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	50	40	43	53	186	24	235

Regarding the activity in Portugal, net income increased by 196 million Euros versus the amount obtained in 2016, amounting to 39 million Euros in 2017, particularly influenced by the sharp decrease in the need for provisions for credit and other assets and liabilities.

Regarding international activity, net income totalled 146 million Euros in 2017, comparing to 173 million Euros reached in previous year. Excluding the impact of the IAS 29 application to Banco Millennium Atlântico, which considers Angola as a high inflation economy, net income of the International activity would have totalled 175 million Euros, taking into consideration that the larger contribution of the Mozambican operation was only partially mitigated by the less favourable contribution from Cayman and Angola.

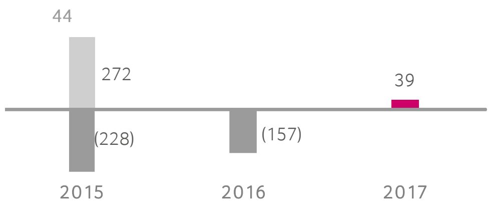
Bank Millennium in Poland reported a net profit of 160 million Euros in 2017, similar to 2016. Excluding the zloty appreciation effect, net income would have decreased 2.9% when compared to 2016, given the larger costs with the Resolution Fund and the Polish banking tax, and the register, in 2016, of a gain from the sale of Visa Europe shares. Banking income presented a favourable performance, driven by core income growth, partially mitigated by the increase in operating costs and loan impairment.

Millennium bim in Mozambique recorded a net income of 85 million Euros, showing an increase of 19% compared to the 71 million Euros recorded in 2016, associated with banking income growth, supported by net interest income performance, which benefitted from higher average reference interest rates, regardless of the increase in operating costs and impairment and provisions, and the decrease in net trading income.

NET INCOME

Activity in Portugal

Million euros

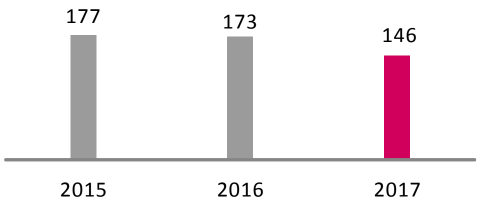


Not including extraordinary gains on Portuguese sovereign debt in 2015, net of taxes, individualized due to their relevance.

NET INCOME

International activity

Million euros



Millennium Banque Privée in Switzerland registered a net income of 7 million Euros in 2017, higher than the 6 million Euros shown last year, due to banking income's positive evolution (commissions and net interest income) and to lower loan impairment, despite the unfavourable evolution of other administrative costs and staff costs.

Millennium bcp Bank & Trust in the Cayman Islands, excluding the foreign exchange effects not relevant for consolidated purposes, presented a net income of 2 million Euros in 2017, lower than the 7 million Euros result recorded last year, due to the unfavourable evolution of loan impairment and net trading income, which were partially compensated by the favourable performance of net interest income and staff costs.

Regarding Angola, the contribution to international activity net income in 2017 totalled 0.1 million Euros, of which positive 29 million Euros related to equity method application to Banco Millennium Atlântico net income before IAS 29 impact, and negative 28 million Euros referred to IAS 29 impact. Last year, the contribution amounted to 32 million Euros, of which 18 million Euros corresponded to 50.1% of the former Banco Millennium Angola's net income in the first four months of the year (consolidated under the full method) and 13 million Euros concerned Banco Millennium Atlântico results registered under the equity method in the remaining months of the year.

NET INCOME OF FOREIGN ACTIVITY

Million euros

	2017	2016	2015	Chan. % 17/16
Bank Millennium in Poland (1)	160	160	131	0.0%
Millennium bim in Mozambique (1)	85	71	84	19.5%
BANCO MILLENNIUM ATLÂNTICO (2)				
Before the impact of IAS29	29	50	76	-43.1%
Impact of IAS29	(28)			
BMA AFTER THE IMPACT OF IAS29 (2)	0	50	76	
Millennium Banque Privée in Switzerland	7	6	6	16.2%
Millennium bcp Bank & Trust in the Cayman Islands (3)	2	7	5	
Non-controlling interests	(108)	(122)	(125)	11.3%
NET INCOME FROM THE INTERNATIONAL ACTIVITY	146	173	177	-15.4%
NET INCOME FROM THE INTERNATIONAL ACTIVITY EXCLUDING IAS29 IMPACT	175	173	177	1.0%

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

(2) Following the merger of BMA with BPA, BMA was considered as a discontinued operation in the first quarter of 2016. The amounts presented correspond to the proportion of the results of Banco Millennium Angola appropriated by the Group up to the date of the merger, 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, considering the equity method.

(3) Amounts adjusted from exchange effects that are not material on a consolidated basis.

Note: Net income of 2017 (after taxes and non-controlling interests) attributable to the international operations amounted to 146 million euros. For the same period, net income from Poland amounted to 160 million Euros (of which 80 million Euros attributable to the Bank).The null result of the activity in Angola, associated to the contribution of Banco Millennium Atlântico to the consolidated, calculated by the equity method, was conditioned by the impact of IAS 29. Net income from Mozambique ascended to 85 million Euros (of which 57 million Euros attributable to the Bank). Net income from the activities in Switzerland and in the Cayman Islands were fully attributable to the Bank.

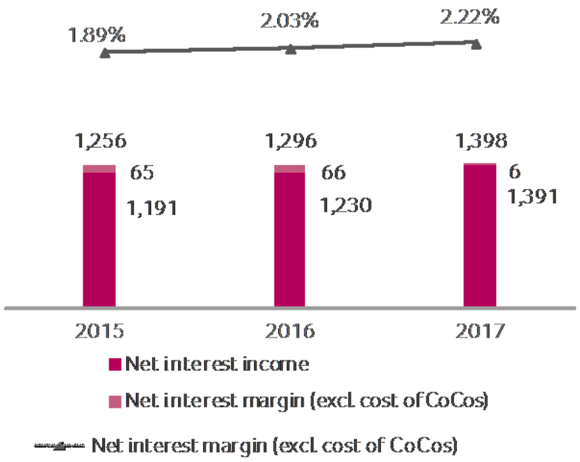
NET INTEREST INCOME

Net interest income stood at 1,391 million Euros in 2017, a 13.1% growth versus the 1,230 million Euros recorded in 2016 due to the positive performance of the activity in Portugal and of all the subsidiary companies abroad, notably of the operations in Poland and Mozambique.

The performance of net interest income in 2017 mainly shows the decrease in funding costs due to the repayment, in the first quarter of 2017, of the remaining tranche of the issue of hybrid instruments (700 million Euros) subscribed by the Portuguese State (CoCo bonds), the ongoing decrease in the cost of term deposits, the fall in interest from issued debt securities and the income associated with targeted longer-term refinancing operations ("TLTRO"), which did not exist in 2016. Regarding assets, the smaller yield of the loans portfolio was offset by higher interest rates in the Group's financial assets portfolio.

NET INTEREST INCOME

Million euros



Net interest income generated by the activity in Portugal increased 9.7% versus the 736 million Euros in 2016, standing at 808 million Euros in 2017. This performance was induced by the fall in the cost of funding. This positive impact was partially offset by the reduction in the interest from loans and debt securities portfolios.

The decrease in the cost of funding in Portugal reflects the smaller costs for debt securities issued, due to the repayment of the remaining tranche of CoCo bonds in the first quarter of 2017 and the replacement, in the first six months of 2017, of an issue of mortgage bonds by another, of an equal amount, but with a substantially lower coupon. Regarding resources from customers, notwithstanding the increase in volume in 2017, the associated costs decreased due to the maintenance of a trend for low interest rates. Moreover, in 2017, income from interest associated with TLTRO, which did not exist in 2016, contributed positively for the increase of net interest income.

The domestic loan portfolio originated, in 2017, a yield lower than the one recorded in 2016, due to the lesser volume of credit and to the negative impact of interest rates, which also penalized the yield of the securities portfolio in 2017.

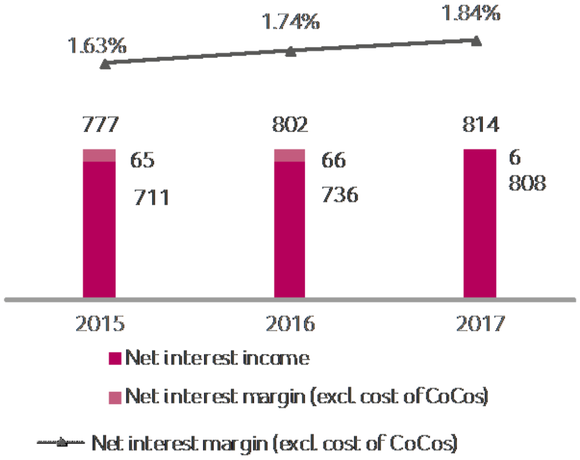
Net interest income of the international activity stood at 583 million Euros, evidencing an 18.1% increase versus the 494 million Euros recorded in 2016, due to the positive performance of all the subsidiary companies, particularly the operations in Poland and Mozambique.

The performance of net interest income in the international activity reflects the increase in profits generated by loan and securities portfolios that largely exceeded the cost of customer deposits. In Mozambique, the positive performance of net interest income was essentially due to the performance shown by interest rates and their positive impact on the income generated by assets, which exceeded the increase in costs with customer deposits. In Poland, net interest income also showed a positive performance, benefiting especially from credit expansion and from the improvement of intermediation rates and, to a lesser extent, from the positive performance of the securities portfolio and of customer deposits.

NET INTEREST INCOME

Activity in Portugal

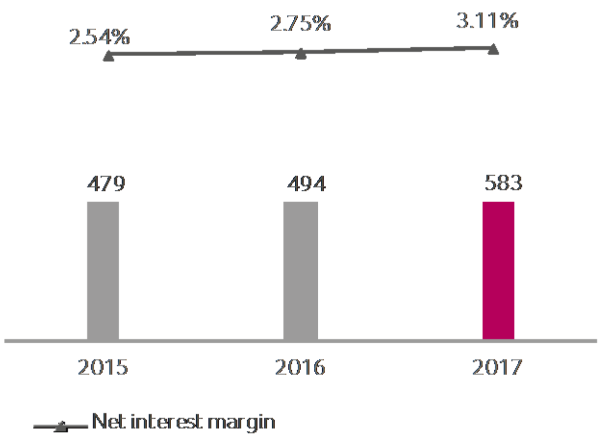
Million euros



NET INTEREST INCOME

International activity

Million euros



In 2017, average net assets decreased from the 73,685 million Euros recorded in 2016 to stand at 72,669 million Euros. This performance reflects the reduction of interest earning assets, namely the average balance of loans to customers, which stood at 47,861 million Euros compared to the 49,428 million Euros recorded in 2016, partially offset by the increase in the average balance of financial assets, which grew from 10,396 million Euros in 2016 to 11,163 million Euros in 2017.

Average interest bearing liabilities in total declined to 63,791 million Euros in 2017, compared to 65,279 million Euros in 2016, reflecting the decrease in the average balance of deposits from credit institutions to 9,140 million Euros in 2017 versus 10,497 million Euros in 2016, the reduction of the average balance of issued debt and financial liabilities to 3,162 million Euros, versus 4,123 million Euros in 2016, combined with the performance of subordinated debt's average balance from 1,649 million Euros in 2016 to 929 million Euros in 2017, determined by the repayment of the remaining CoCo bonds, which was carried out in the first three months of 2017. On the other hand, average interest bearing liabilities plus customer deposits amounted to 50,560 million Euros on average in 2017 versus 49,010 million Euros in 2016, benefiting from the increase in the balance of demand deposits, notwithstanding the lower position reached by term deposits.

In terms of the average balance sheet structure, the average balance of interest earning assets represented 85.4% of the average net assets in 2017, as in the previous year. Loans to customers remained as the principal source of interest bearing assets despite decreasing its relative weight in the balance sheet structure by representing 65.9% of average net assets in 2017 (67.1% in 2016). The financial assets portfolio increased its relative weight in the balance sheet structure from 14.1% in 2016 to 15.4% in 2017.

AVERAGE BALANCES

Million euros

	2017		2016		2015	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
INTEREST EARNING ASSETS						
Deposits in credit institutions	3,070	0.93%	3,085	0.62%	3,015	0.87%
Financial assets	11,163	2.27%	10,396	2.08%	10,184	2.55%
Loans and advances to customers	47,861	3.29%	49,428	3.25%	52,318	3.45%
TOTAL INTEREST EARNING ASSETS	62,094	2.99%	62,909	2.92%	65,517	3.19%
Discontinued operations (1)	-		731		2,000	
Non-interest earning assets	10,575		10,045		9,611	
TOTAL ASSETS	72,669		73,685		77,128	
INTEREST BEARING LIABILITIES						
Amounts owed to credit institutions	9,140	0.05%	10,497	0.28%	10,712	0.59%
Resources from customers	50,560	0.65%	49,010	0.70%	48,993	1.12%
Debt issued and financial liabilities	3,162	2.70%	4,123	3.25%	5,318	3.47%
Subordinated debt	929	6.90%	1,649	7.33%	1,837	6.71%
TOTAL INTEREST BEARING LIABILITIES	63,791	0.76%	65,279	0.96%	66,860	1.37%
Discontinued operations (1)	-		684		1,795	
Non-interest bearing liabilities	2,116		2,414		2,919	
Shareholders' equity and Non-controlling interests	6,762		5,308		5,554	
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS	72,669		73,685		77,128	
NET INTEREST MARGIN (2)		2.21%		1.92%		1.79%
Excluding cost of hybrid financial instruments (CoCos)		2.22%		2.03%		1.89%

(1) Includes the activity from Millennium bcp Gestão de Activos (sold in May 2015) and respective consolidation adjustments. In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016 and, for comparative purposes, the information of December 2015 was re-presented.
(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 2017, 2016 and 2015, to the respective balance item.

In the structure of average interest bearing liabilities, customer deposits continued to be the main source of funding and support of the intermediation activity, increasing its importance for the liabilities structure by representing 79.3% of the average interest bearing liabilities balance in 2017 (75.1% in 2016). On the other hand, the component of debt securities issued and financial liabilities showed a reduction of their weight in the average balance of interest bearing liabilities from 6.3% in 2016 to 5.0% in 2017. The relative weight of subordinated liabilities in interest bearing liabilities also decreased, standing at 1.5% in 2017 versus 2.5% in 2016, determined by the repayment of the remaining CoCo bonds during the first three months of 2017.

The performance of the average equity balance reflects essentially the share capital increase carried out in the first quarter of 2017, plus the increase of fair value reserves and of net earnings generated in the financial year.

Net interest margin stood at 2.21% in 2017, having increased when compared to 1.92% recorded in 2016, benefiting from the increases observed in the activity in Portugal and in the international activity. Excluding the impact of the CoCo bonds' funding cost, net interest margin stood at 2.22% in 2017 (2.03% in 2016).

The average interest rates of the components directly associated with operations with Customers recorded a positive performance in 2016 and 2017. There was a decrease in the average interest rate of customer deposits and an increase in the average interest rate of loans to customers.

FACTORS INFLUENCING NET INTEREST INCOME

Million euros

	2017 vs 2016			
	Volume	Rate	Rate / Volume mix	Net change
INTEREST EARNING ASSETS				
Deposits in credit institutions	-	10	(1)	9
Financial assets	16	20	1	37
Loans and advances to customers	(52)	22	(4)	(34)
TOTAL INTEREST EARNING ASSETS	(24)	42	(6)	12
INTEREST BEARING LIABILITIES				
Amounts owed to credit institutions	(4)	(25)	3	(26)
Resources from customers	11	(25)	(2)	(16)
Debt issued and financial liabilities	(32)	(23)	5	(50)
Subordinated debt	(53)	(7)	3	(57)
TOTAL INTEREST BEARING LIABILITIES	(14)	(136)	1	(149)
NET INTEREST INCOME	(10)	178	(7)	161

OTHER NET INCOME

Other net income, which includes income from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, decreased 60 million Euros, from 867 million Euros in 2016 to 806 million Euros in 2017, mostly showing the 92 million Euro decrease in net trading income, partially offset by the 23 million Euro growth in net commissions and 11 million Euro growth in equity accounted earnings.

The fall in net trading income was largely driven by the 96 million Euros in gains accounted in the second quarter of 2016 from the purchase by Visa Inc of the stakes held by the Bank in Portugal and by Bank Millennium in Poland in Visa Europe.

The positive performance evidenced by net commissions and by equity accounted earnings is explained by the performance of the international activity since, in Portugal, net commissions remained aligned with the amounts recorded in 2016 and equity accounted decreased versus 2016. This decrease can be explained by the positive impact recorded in the first six months of 2016 due to the transaction involving the stakes held by Unicre and SIBS in Visa Europe that, in the international activity, was more than offset by the greater appropriation, in 2017, of income generated by the stake held in Banco Millennium Atlântico.

OTHER NET INCOME

Million euros

	2017	2016	2015	Chan. % 17/16
Dividends from equity instruments	2	8	10	-77.3%
Net commissions	667	644	660	3.6%
Net trading income	148	240	539	-38.3%
Other net operating income	(102)	(106)	(120)	3.4%
Equity accounted earnings	92	81	24	13.8%
TOTAL	806	867	1,113	-7.0%
of which:				
Activity in Portugal	544	590	840	-7.8%
International activity	262	277	273	-5.1%

INCOME FROM EQUITY INSTRUMENTS

Dividends from equity instruments comprise dividends and income from participation units received from investments in financial assets available for sale or held for trading. In 2017, this income reached 2 million Euros, compared to 8 million Euros recorded in 2016, essentially corresponding to the income associated with the Group's investments that incorporate the shares portfolio (2 million Euros in 2017 versus 5 million Euros in 2016).

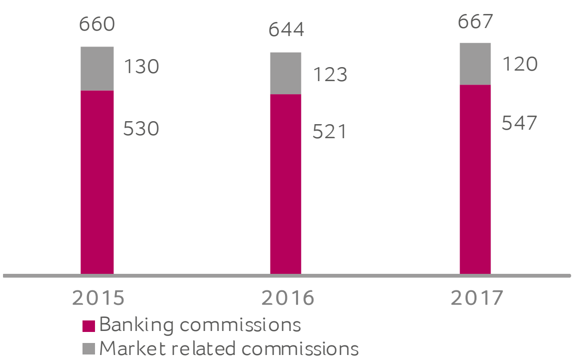
NET COMMISSIONS

Net commissions, which include the commissions related with banking business and the commissions more directly related with financial markets, stood at 667 million Euros in 2017 recording an increase of 3.6% from the amount of 644 million Euros recorded in 2016. This performance was globally determined by the performance of the international activity, namely by Bank Millennium in Poland. Commissions generated by insurance or investment products and commissions related with transactions and lending activity justify the earnings generated by Bank Millennium in Poland.

In the activity in Portugal, commissions remained aligned with the amounts earned in 2016 (-0.2%), despite the one-off recording of higher amounts in other bank commissions in the first quarter of 2016.

NET COMMISSIONS

Million euros



During 2017, some of the figures recorded in items "Credit and guarantees", "Bancassurance" "Accounts", "Securities operations" and "Other commissions", which are included in net commissions, were reclassified in order to improve the comparability of the information made available. The subsequent analysis regarding the performance of net commissions was made taking into consideration the re-presentation of the 2016 data, by item. The total amount of net commissions remained unaltered.

In consolidated terms, the performance of net commissions in 2017 reflects the increase of commissions related to the banking business (2.7%) and of commissions related to financial markets (7.6%) versus the figures accounted in 2016.

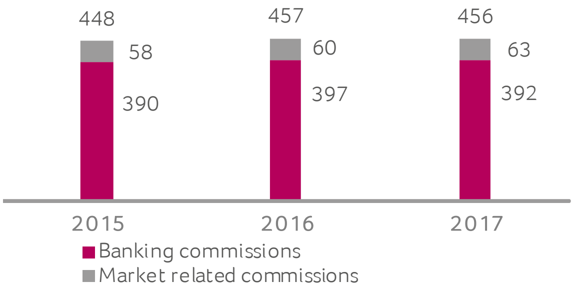
In 2017, commissions associated with the banking business stood at 547 million Euros versus the 532 million Euros accounted in 2016, triggered by the growth of commissions related with cards and transfers and bancassurance commissions, both in Portugal and in the international activity which, as a whole, grew 17 million Euros.

Commissions from cards and transfers stood at 156 million Euros in 2017, showing a 7.7% increase versus the 144 million Euros earned in 2016, benefiting from the performance in the activity in Portugal (4.7%) and in the international activity (14.5%), in this case triggered simultaneously by the contribution given by the subsidiary companies in Poland and in Mozambique.

NET COMMISSIONS

Activity in Portugal

Million euros



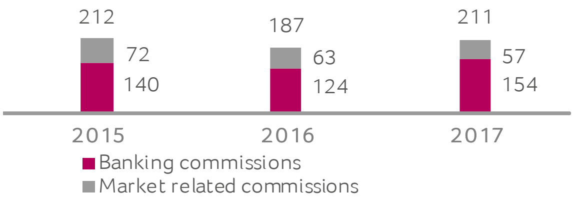
Commissions related to credit and guarantees reached a total of 158 million Euros in 2017, in line with 2016, since the increase in the international activity, namely the increase in commissions related to loan operations in Poland, was mitigated by the smaller volume of commissions from guarantees recorded in Portugal.

Bancassurance commissions, which include commissions obtained for the placement of insurance products through the commercial distribution networks of the Bank in Portugal and in Poland, stood at 95 million Euros in 2017, showing an improvement of 6.3%, compared to the 89 million Euros posted in 2016. This growth was essentially boosted by the subsidiary company in Poland, which, as previously mentioned, showed a positive performance in commissions related with insurance products.

NET COMMISSIONS

International activity

Million euros



Commissions related with the opening and maintenance of Customer accounts stood at 104 million Euros in 2017, indicating a 1.9% growth versus the amount recorded in 2016, supported by the activity in Portugal since, in the international activity, commissions related with the opening and maintenance of Customer accounts remained stable, if compared with the ones recorded in 2016.

Commissions related to financial markets amounted to 120 million Euros in 2017, compared with the 112 million Euros recorded in 2016, benefiting from the growth in Portugal and in the international activity from commissions associated with securities operations and from commissions related with asset management.

Commissions associated with securities operations grew 5.7% versus 2016, reaching 77 million Euros in 2017, reflecting the positive performance of the activity in Portugal and in the international activity which recorded increases of 6.0% and of 5.1%, respectively.

Commissions from asset management grew 11.3% versus 2016 reaching 43 million Euros in 2017, mainly triggered by the performance of the international activity, notably the subsidiary company in Poland, but also by the performance of the activity in Portugal.

NET COMMISSIONS

Million euros

	2017	2016	2015	Chan. % 17/16
BANKING COMMISSIONS				
Cards and transfers	156	144	159	7.7%
Credit and guarantees	158	160	160	-1.5%
Bancassurance	95	77	75	23.5%
Current accounts related	104	91	84	14.7%
Other commissions	35	49	51	-29.5%
SUBTOTAL	547	521	530	4.9%
MARKET RELATED COMMISSIONS				
Securities	77	85	91	-8.4%
Asset management	43	38	39	11.3%
SUBTOTAL	120	123	130	-2.3%
TOTAL NET COMMISSIONS	667	644	660	3.6%
of which:				
Activity in Portugal	456	457	448	-0.2%
International activity	211	187	212	12.8%

NET TRADING INCOME

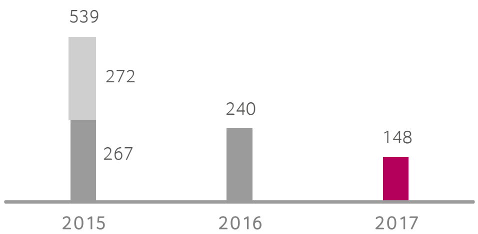
Net trading income, which includes net gains from trading and hedging activities, net gains from financial assets available for sale and net gains from financial assets held to maturity, totalled 148 million Euros in 2017, compared to 240 million Euros recorded in 2016.

Net trading income recognised in 2017 reflects reductions in the activity in Portugal and in the international activity of 15 million Euros and 77 million Euros, respectively, versus the amounts obtained in 2016.

This performance is largely conditioned by the 96 million Euros in gains from the purchase by Visa Inc of the stakes of Visa Europe held by the Bank in Portugal (26 million Euros) and by Bank Millennium in Poland (70 million Euros), in the second quarter of 2016.

NET TRADING INCOME

Million euros



Not including extraordinary gains on Portuguese sovereign debt in 2015, net of taxes, individualized due to their relevance.

NET TRADING INCOME

Million euros

	2017	2016	2015	Chan. % 17/16
Results from trading and hedging activities	45	102	118	-55.5%
Results from available for sale financial assets	103	139	421	-25.6%
TOTAL	148	240	539	-38.3%
GEOGRAPHIC BREAKDOWN:				
Activity in Portugal	85	100	443	-14.9%
International activity	63	140	96	-55.0%

OTHER NET OPERATING INCOME

Other net operating income, including other operating income/(loss), gains from insurance activity and gains/(losses) arising from sales of subsidiaries and other assets, recorded a loss of 102 million Euros in 2017, an improvement on 2016's loss of 106 million Euros.

In 2017, in the activity in Portugal, other net operating income recorded losses amounting to 50 million Euros, showing a negative performance if compared with the 42 million Euros of losses in 2016, induced by an increase in costs with taxes and mandatory contributions, partially offset by the positive performance recorded by the sale of investment properties, and non-current assets held for sale.

In 2017, the amount related to mandatory contributions in the activity in Portugal amounted to 59 million Euros (53 million Euros in 2016) incorporating the contribution to the European Single Resolution Fund (SRF), amounting to 18 million Euros (21 million Euros in 2016) the 8 million Euros contribution for the national resolution fund (6 million Euros in 2016), the contribution for the banking sector of 31 million Euros (25 million Euros in 2016), the ECB supervision fee of 2 million Euros (1 million Euros in 2016) and the contribution to the deposit guarantee fund.

Other net operating income in the international activity totalled a negative 52 million Euros in 2017, improving from negative 64 million Euros in 2016. This positive performance is almost exclusively due to the activity developed by the Polish subsidiary whose other net operating income grew notwithstanding the increase in costs incurred with the contribution for the Bank Guarantee Fund (BFG) of Poland and the special tax on the Polish banking sector which entered into effect in February 2016.

EQUITY ACCOUNTED EARNINGS

Equity accounted earnings from associates, which include the results appropriated by the Group related to entities where the Group has significant influence but does not exercise control over their financial and operating policies, reached a total of 92 million Euros in 2017, compared to 81 million Euros recorded in 2016.

Equity accounted earnings increased 11 million Euros versus 2016, benefiting from the surplus of 27 million Euros related with the appropriation of income associated with the 25% stake in Banco Millennium Atlântico, the new entity resulting from the merger of Banco Millennium in Angola with Banco Privado Atlântico, which are now shown in this item, from May 2016, inclusively. We must underline that the equity accounted earnings, amounting to 40 million Euros, recognised in 2017 with the appropriation of income of Banco Millennium Atlântico (13 million Euros in 2016) incorporate the impact of the application of IAS 29 in the fourth quarter of the year.

Comparing with 2016, equity accounted earnings were also positively influenced by the 9 million Euros increase in the income from the 49% stake held in Millenniumbcp Ageas.

On the other hand, the performance of equity accounted earnings in 2017 was negatively influenced by the decrease of 20 million Euros and 8 million Euros in the contribution from the stakes held in Unicre and in SIBS, respectively, since the income generated by these associates in 2016 incorporated the positive impact due to the transaction involving the respective stakes in Visa Europe.

EQUITY ACCOUNTED EARNINGS AND INCOME

Million euros

	2017	2016	2015	Chan. % 17/16
Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.	35	26	8	36.0%
UNICRE - Instituição Financeira de Crédito, S.A.	7	27	5	-74.9%
Banco Millennium Atlântico, S.A.	40	13	–	199.4%
Banque BCP, S.A.S.	4	3	3	17.9%
SIBS, SGPS, S.A.	3	12	2	-72.1%
Other	3	(1)	5	-421.2%
TOTAL	92	81	24	13.8%

OPERATING COSTS

Operating costs include staff costs, other administrative costs and depreciation. Excluding the effect of specific items in the staff costs item[4], operating costs in 2017 amounted to 968 million Euros and continued in line with the costs recognised in the previous year (966 million Euros in 2016).

The stability of operating costs achieved by the Group in 2017 incorporate different performances, the one obtained in Portugal and the one in the international activity, to the extent that the savings from the activity in Portugal enabled to offset significantly the increase in costs recognised in the international activity.

The activity in Portugal, not considering the impact of specific items, recorded a 3.6% decrease of operating costs, from 624 million Euros in 2016 to 602 million Euros in 2017. This performance was mainly supported by fewer staff costs, which fell 4.2%, and other administrative costs, 4.6% less than in 2016, the savings of which were, however, mitigated by a larger volume of depreciations, which grew 12.7% versus 2016.

In the international activity, operating costs stood at 367 million Euros, increasing 7.3% versus 2016 (342 million Euros). This 25 million Euro increase is mainly justified by the performance of the items of staff costs and other administrative costs since the depreciations remained constant versus 2016, deriving mainly from the activity developed by the subsidiary company in Poland.

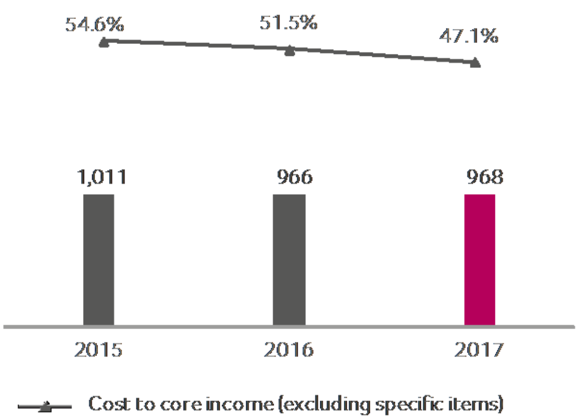
The cost to core income ratio of the Group, excluding specific items, stood at 47.1% in 2017, and showed a positive performance versus 2016, year when it reached 51.5%, mainly benefiting from the increase in net interest income and commissions, since operating costs remained globally stable.

The cost to core income ratio in Portugal stood at 47.6% in 2017, versus 52.3% in the previous year. This positive evolution was triggered, on one hand, by the 72 million Euro increase in the domestic net interest income and, on the other, by 22 million Euros in savings in operating costs.

In the international activity, the cost to core income ratio also showed a positive performance, falling from 50.2% in 2016 to 46.1% in 2017, mainly based on the growth of net interest income and commissions that, as a whole, increased by 113 million Euros versus 2016, enabling to offset the 25 million Euros increase in operating costs.

OPERATING COSTS

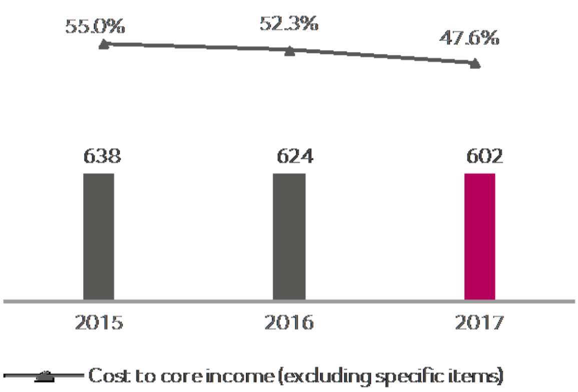
Million euros



OPERATING COSTS

Activity in Portugal

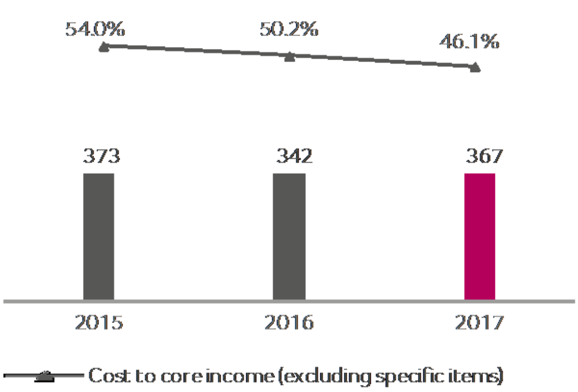
Million euros



OPERATING COSTS

International activity

Million euros



[4] Due to the negotiation/revision of the Collective Labour Agreement (ACT), net of restructuring costs in 2017 (14 million Euros) and 2016 (186 million Euros).

OPERATING COSTS

Million euros

	2017	2016	2015	Chan. % 17/16
ACTIVITY IN PORTUGAL (1)				
Staff costs	346	362	371	-4.2%
Other administrative costs	222	233	237	-4.6%
Depreciation	33	29	30	12.7%
	602	624	638	-3.6%
INTERNATIONAL ACTIVITY				
Staff costs	194	181	197	7.6%
Other administrative costs	152	141	153	7.9%
Depreciation	20	20	24	0.1%
	367	342	373	7.3%
CONSOLIDATED (1)				
Staff costs	541	542	568	-0.3%
Other administrative costs	374	374	389	0.1%
Depreciation	54	50	54	7.5%
	968	966	1,011	0.3%
SPECIFIC ITEMS				
Restructuring costs and Collect. Lab. Agreem. revision	(14)	(186)	6	92.4%
TOTAL	954	780	1,017	22.3%

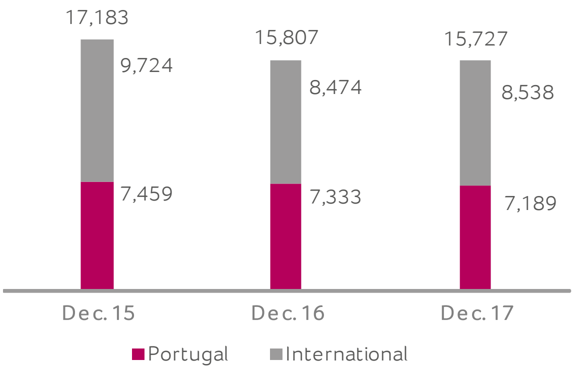
(1) Excludes impacts of specific items presented in the table.

STAFF COSTS

Staff costs, excluding the impact of the above mentioned specific items, totalled 541 million Euros in 2017, 0.3% below the 542 million Euros of the previous year.

The activity in Portugal, not considering the impact of the abovementioned specific items, totally recognized in the domestic activity, recorded a 4.2% decrease of staff costs, from 362 million Euros in 2016 to 346 million Euros on 2017. These cost savings were essentially due to the impact of the decrease of the number of employees (down by 144 employees versus 31 December 2016). By the end of 2017, the total number of employees was 7,189, compared to 7,333 employees at the end of 2016. In 2017, the bank continued to feel the effect of the initiatives undertaken to optimize resources and simplify structures, notwithstanding the decision of the Board of Directors of the Bank to end, in advance and effective from 30 June 2017, the temporary salary adjustment that had been in force since July 2014.

EMPLOYEES



In the international activity staff costs amounted to 194 million Euros in 2017, a 7.6% rise versus the 181 million Euros accounted in 2016. The total number of employees allocated to the international activity rose from 8,474 employees at the end of 2016 to 8,538 employees at the end of 2017. This addition is mainly due to the operation in Mozambique, as all the remaining subsidiary companies reduced the number of employees in 2017.

STAFF COSTS

Million euros

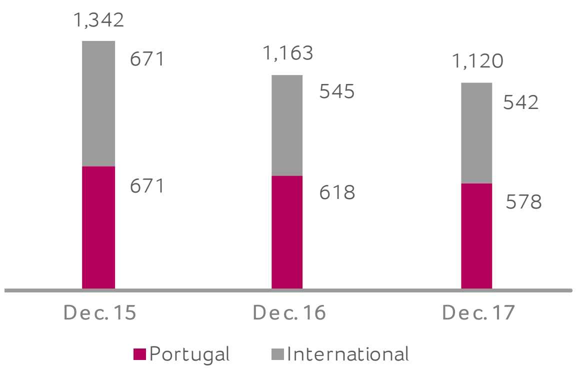
	2017	2016	2015	Chan. % 17/16
Salaries and remunerations	433	416	435	4.1%
Social security charges and other staff costs (1)	108	126	133	-14.8%
	541	542	568	-0.3%
SPECIFIC ITEMS				
Restructuring costs and Collect. Lab. Agreem. revision	(14)	(186)	6	
TOTAL	527	357	574	47.7%

(1) Excludes impacts of specific items presented in the table.

OTHER ADMINISTRATIVE COSTS

After several years recording successive cuts in other administrative costs, 2017 recorded 374 million Euros, in line with the previous year (374 million Euros in 2016). Yet, the stability of other administrative costs, on a consolidated basis and similarly to staff costs, incorporates opposite trends when one looks closer and individually the activity in Portugal and in the international activity.

BRANCHES



The behaviour of other administrative costs in a consolidated basis benefited from savings in the activity in Portugal, where costs went down 4.6%, from 233 million Euros in 2016 to 222 million Euros in 2017. This positive performance continued to benefit from the rationalization efforts and from cost restraints that have been in place in Portugal, reflecting savings in rent, communications, conservation and specialized services, among others, that enabled it more than offset the growth of costs with advertising and advisory services. The initiatives related to the re-dimensioning of the branch network in Portugal continued leading to a decrease in the number of branches in 2017 (40 branches less than at the end of 2016), evolving to a total of 578 branches by the end of 2017 (618 branches in 2016).

In the international activity, other administrative costs rose to 152 million Euros in 2017, reflecting a 7.9% rise versus the costs recorded the previous year (141 million Euros in 2016). This rise was mainly caused by the larger investment of the operation in Poland and also by the Mozambique subsidiary, though to a lesser degree. The branch network of the international activity decreased slightly, from 545 branches at the end of 2016 to 542 at the end of 2017, as a result of a decrease of 13 branches in Poland and of an increase of 10 branches in Mozambique.

OTHER ADMINISTRATIVE COSTS

Million euros

	2017	2016	2015	Chan. % 17/16
Water, electricity and fuel	15	16	17	-1.7%
Consumables	4	4	5	2.0%
Rents	96	100	103	-3.3%
Communications	21	23	23	-6.1%
Travel, hotel and representation costs	8	8	8	6.2%
Advertising	27	24	27	12.5%
Maintenance and related services	17	19	23	-9.3%
Credit cards and mortgage	6	5	5	30.0%
Advisory services	18	13	12	34.8%
Information technology services	18	19	17	-0.6%
Outsourcing	77	76	76	0.8%
Other specialised services	19	22	24	-14.4%
Training costs	2	1	2	76.5%
Insurance	4	4	5	1.5%
Legal expenses	6	6	7	2.8%
Transportation	8	8	8	-1.9%
Other supplies and services	25	26	27	-3.2%
TOTAL	374	374	389	0.1%

AMORTISATION AND DEPRECIATION

Depreciation for the year amounted to 54 million Euros in 2017, a 7.5% rise from the 50 million Euros accounted in 2016. This growth was mainly justified by the performance of the activity in Portugal, where depreciation was up 12.7%.

In Portugal, depreciation for the year reached 33 million Euros in 2017, reflecting a 4 million Euro increase, mainly related to IT equipment and software pursuant to the higher level of investment in the modernization and reformulation of the branches towards technological and digital innovation.

In the international activity, depreciation costs for 2017 remained in line with the amount presented in the previous year.

LOAN IMPAIRMENT

Impairment for loan losses (net of recoveries) posted in 2017 totalled 624 million Euros on a consolidated basis, reflecting a 44.2% decrease from previous year, when the group recognized 1,117 million Euros in costs with loan impairment (net of recoveries). This evolution was determined by the favourable performance of the activity in Portugal where costs with loan impairment (net of recoveries) went down 49.0%, influenced by both the individuals and companies segments, portraying the evolution of the Portuguese economy and the progressive trend for the normalization of the cost of risk of the credit portfolio, despite the maintenance of a high level of NPEs reduction.

The international activity recorded a 26.4% increase in loan Impairment charges (net of recoveries) versus the previous year, reflecting a 19 million Euro increase, especially highlighting the higher level of charges recognized by the operation in Poland (11 million Euros), especially for the companies segment, whose impairment in 2016 had attained abnormally low levels due to extraordinary sales and recoveries.

The cost of risk (net of recoveries) of the Group stood at 122 basis points in 2017, improving from the 216 basis points observed in the previous year. This evolution was determined exclusively by the operation in Portugal, whose cost of risk (net of recoveries) fell from 266 basis points in 2016, to 140 basis points in 2017. International activity recorded the opposite trend, with cost of risk growing to 70 basis points by the end of 2017, versus 58 basis points recorded in the previous year, due to the challenging macroeconomic environment in Mozambique.

OTHER IMPAIRMENTS AND PROVISIONS

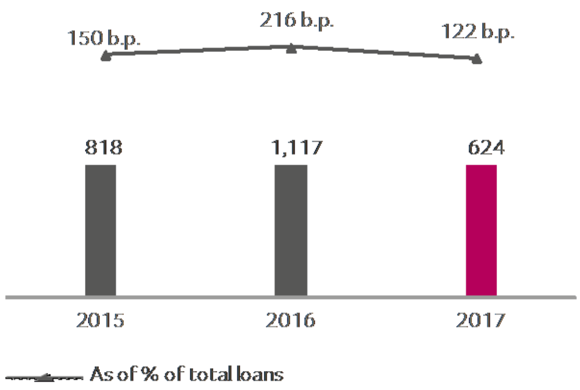
Other impairments and provisions include charges for impairment of other financial assets, impairment of other assets, in particular repossessed assets arising from the termination of loan contracts with customers, for impairment of goodwill, as well as charges for other provisions.

Other impairment and provisions totalled 301 million Euros in 2017, showing a 37.4% decrease from 481 million Euros recorded in 2016. This decrease was driven by the evolution of the activity in Portugal, whose impairment charges fell 217 million Euros, mainly due to the smaller need for provisions regarding corporate restructuring funds, debt instruments, goodwill and guarantees and other risks, despite the reinforcement of the impairment charges for non-current assets held for sale.

In the international activity, the statements show a 37 million Euros increase in other impairments and provisions, mainly translating the higher impairment of the goodwill of Banco Millennium Atlântico recognized pursuant to the application of IAS 29.

IMPAIRMENT CHARGES (NET)

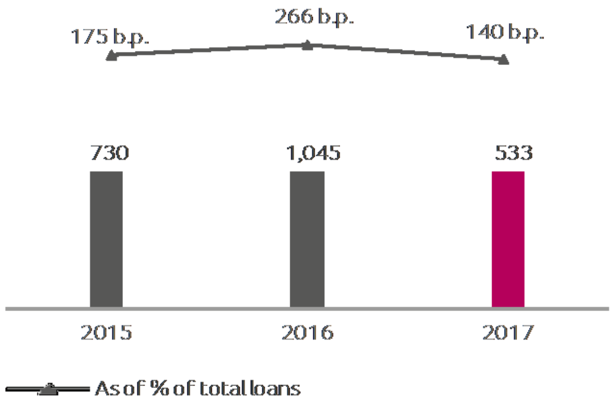
Million euros



IMPAIRMENT CHARGES (NET)

Activity in Portugal

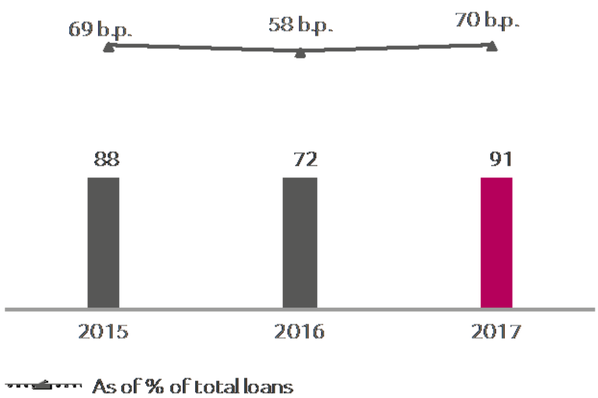
Million euros



IMPAIRMENT CHARGES (NET)

International activity

Million euros



LOAN IMPAIRMENT CHARGES (NET OF RECOVERIES)

Million euros

	2017	2016	2015	Chan. % 17/16
Loan impairment charges	641	1,151	847	-44.3%
Credit recoveries	17	34	29	-49.9%
TOTAL	624	1,117	818	-44.2%
COST OF RISK:				
Impairment charges as a % of total loans	126 b.p.	222 b.p.	156 b.p.	-96 b.p.
Impairment charges (net of recoveries) as a % of total loans	122 b.p.	216 b.p.	150 b.p.	-94 b.p.

Note: cost of risk adjusted from discontinued operations.

INCOME TAX

Income tax (current and deferred) reached 30 million Euros in 2017, compared to 382 million Euros posted in 2016.

These taxes include current tax costs of 102 million Euros (cost of 113 million Euros in 2016), net of deferred tax income of 72 million Euros (income of 495 million Euros in 2016).

Deferred tax income in 2017 includes profits from deferred taxes associated to impairment losses not deductible for purposes of calculating taxable profit, amounting to 120 million Euros (445 million Euros in 2016), mitigated by costs with deferred taxes associated to reportable taxable losses that attained 85 million Euros (133 million Euros in profits in 2016).

NON-CONTROLLING INTERESTS

Non-controlling interests incorporate the part attributable to third parties of the net income of the subsidiary companies consolidated under the full method in which the 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, only in 2016, 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 totalled 103 million Euros in 2017, which compare to 122 million Euros in 2016, and the decrease is mainly justified by the fact that the previous year included the income of the former Banco Millennium Angola (18 million Euros) generated only in the first four months of 2016.

REVIEW OF THE BALANCE SHEET

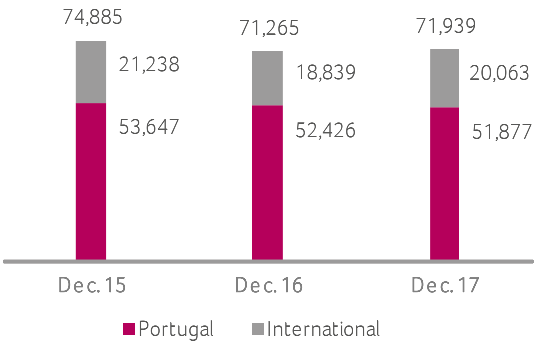
The performance of Millennium bcp's consolidated balance sheet in 2017 was mainly marked by the Bank's share capital increase and by the early reimbursement of the CoCo bonds in the first quarter of the year, by the decrease in the commercial gap (reflecting the downward trend in loans and the increase in customer funds) and the continuous reduction in net funding from the ECB.

Total assets stood at 71,939 million Euros as at 31 December 2017 vs. 71,265 million Euros on 31 December 2016, underlining the increase in the securities portfolio and in loans and advances to credit institutions and Central Banks and the decrease in loans to customers.

Consolidated loans to customers (gross) stood at 50,955 million Euros on 31 December 2017, which compares to 51,758 million Euros recorded on the same date of the previous year, embodying the decrease in the activity in Portugal (-3.5%), partly offset by the increase in international activity (+4.5%).

TOTAL ASSETS

Million euros



BALANCE SHEET AT 31 DECEMBER

Million euros

	2017	2016	2015	Chan. % 17/16
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions (1)	3,529	3,079	3,538	14.6%
Loans and advances to customers	47,633	48,018	51,970	-0.8%
Financial assets held for trading	898	1,049	1,189	-14.4%
Other financial assets held for trading at fair value through profit or loss	142	147	152	-3.0%
Financial assets available for sale	11,472	10,596	10,779	8.3%
Financial assets held to maturity	412	511	495	-19.4%
Investments in associated companies	571	599	316	-4.6%
Non current assets held for sale	2,165	2,250	1,765	-3.8%
Other tangible assets, goodwill and intangible assets	655	636	882	3.0%
Current and deferred tax assets	3,164	3,202	2,605	-1.2%
Other (2)	1,299	1,178	1,194	10.2%
TOTAL ASSETS	71,939	71,265	74,885	0.9%
LIABILITIES				
Resources from credit institutions	7,487	9,938	8,591	-24.7%
Resources from customers	51,188	48,798	51,539	4.9%
Debt securities issued	3,008	3,513	4,768	-14.4%
Financial liabilities held for trading	399	548	723	-27.1%
Subordinated debt	1,169	1,545	1,645	-24.3%
Other (3)	1,509	1,659	1,938	-9.0%
TOTAL LIABILITIES	64,760	66,000	69,204	-1.9%
EQUITY				
Share capital	5,601	4,269	4,094	31.2%
Treasury stock	0	-3	-1	89.8%
Share premium	16	16	16	
Preference shares	60	60	60	
Other capital instruments	3	3	3	
Fair value reserves	82	-131	23	162.8%
Reserves and retained earnings (4)	133	144	192	-7.6%
Profit for the year attributable to shareholders	186	24	235	678.6%
Total equity attributable to shareholders of the bank	6,081	4,382	4,623	38.8%
Non-controlling interests	1,099	883	1,057	24.4%
TOTAL EQUITY	7,180	5,265	5,681	36.4%
TOTAL LIABILITIES AND EQUITY	71,939	71,265	74,885	0.9%

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

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

(3) Includes Hedging derivatives, Provisions for liabilities and charges, Current and deferred income tax liabilities and Other liabilities.

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

Total liabilities fell 1.9%, standing at 64,760 million Euros on 31 December 2017, in comparison with 66,000 million Euros registered on 31 December 2016. This was determined by the reductions in resources from credit institutions and Central Banks, debt securities issued, financial liabilities held for trading and subordinated debt, in this case namely due to the reimbursement of the remaining tranche of CoCo bonds (700 million Euros), despite the increase in customer funds, based on the strategy to keep the stable resources of the balance sheet.

Customer deposits (that correspond to resources from customers) attained 51,188 million Euros by the end of 2017, evidencing a 4.9% increase versus figures recorded on 31 December 2016 (48,798 million Euros), due to both the activity in Portugal (3.7%) and the international activity (7.6%).

The increase in customer deposits, together with the decreasing loans, led to a reduction of the commercial gap and, subsequently, of the loan-to-deposit ratio (net loans over customer deposits), which stood at 93.8% on 31 December 2017, versus 99.2% on the same date of the previous year.

Within the scope of the item other debt securities issued, one must underline the amortization in May 2017 of a mortgage bond issue placed with the market, which was refinanced by a new 5-year maturity 1.0 billion Euro issue, making it the Bank's return to medium-/long-term debt markets, 7 years after the last mortgage bonds were issued.

In addition, the Bank went back to the debt markets in the 4th quarter of 2017, placing 300 million Euros of 10-year subordinated debt in Portugal and 168 million Euros in Poland (corresponding to 700 million zloty, refinancing a 150 million Euros issue that reached maturity in December 2017), both qualifying as Tier 2 capital.

Equity, including non-controlling interests, totalled 7,180 million Euros on 31 December 2017 comparing to 5,265 million Euros recorded at the end of 2016.

LOANS TO CUSTOMERS

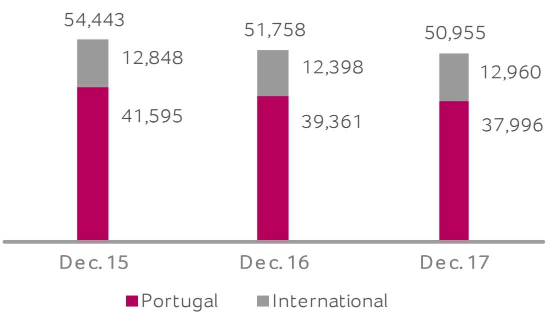
In the Portuguese banking system, assets have been in a downward trend since 2010, mainly caused by the decrease in loans to customers, despite the slowdown of the decrease observed recently.

At Millennium bcp, the consolidated loans to customers portfolio (gross) amounted to 50,955 million Euros as at 31 December 2017, comparing to 51,758 million Euros presented on the same date of the previous year. This performance, versus the end of 2016, was influenced by the decrease of the activity in Portugal (-3.5%), partially offset by the increase showed by the international activity (+4.5%).

The performance of loans to customers throughout 2017 was also influenced by the decrease in loans to individuals (-3.1% versus 31 December 2016), mainly due to the activity in Portugal, and by the increase in loans to companies (+0.3% versus 31 December 2016), the latter based on the international operations.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and on a comparable basis: excludes the impact from discontinued operations.

In the activity in Portugal, loans to customers stood at 37,996 million Euros as at 31 December 2017, decreasing 3.5% from the amount recorded as at 31 December 2016 (39,361 million Euros). This performance was marked by the continued effort to reduce Non-Performing Exposures (NPEs), which fell by Euro 1.8 billion in 2017, while the performing loan portfolio increased, for the first time in 8 years, essentially due to the growth in the production of loans to individuals. 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.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Million euros

	2017	2016	2015 comparable (*)	Chan. % 17/16
INDIVIDUALS				
Mortgage loans	23,408	24,018	25,040	-2.5%
Consumer credit	3,795	4,058	4,045	-6.5%
	27,203	28,076	29,085	-3.1%
COMPANIES				
Services	9,244	9,104	10,023	1.5%
Commerce	3,472	3,190	3,188	8.8%
Construction	2,405	2,859	3,353	-15.9%
Other	8,632	8,529	8,794	1.2%
	23,753	23,682	25,358	0.3%
LOANS AND ADVANCES TO CUSTOMERS				
Individuals	27,203	28,076	29,085	-3.1%
Companies	23,753	23,682	25,358	0.3%
	50,955	51,758	54,443	-1.6%
Discontinued operations (*)	–	–	996	
TOTAL	50,955	51,758	55,438	-1.6%

(*) In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016 and, for comparative purposes, the information of December 2015 was re-presented, through the inclusion of the BMA credit in a line of discontinued operations.

In the international activity, loans to customers increased 4.5% compared to the amount as at 31 December 2016, induced by the performance of Poland (+6.8%). Excluding exchange rate effects, loans to customers decreased 0.8%, reflecting the performance of the operation in Mozambique (-19.5%).

Between 31 December 2016 and 2017, the structure of the loans to customers portfolio (gross), before impairment for loans, maintained identical patterns of diversification, with loans to individuals representing 53.4% (2016: 54.2%) and loans to companies 46.6% (2016: 45.8%) of loans to customers.

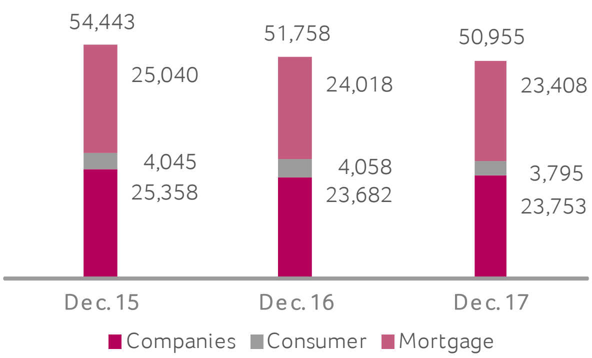
Loans to individuals stood at 27,203 million Euros on 31 December 2017, a 3.1% decrease in comparison with 28,076 million Euros registered on 31 December 2016. This performance was mainly explained by the 2.5% reduction of mortgage loans, which represented 86.1% of loans to individuals, totalling 23,408 million Euros on 31 December 2017 (24,018 million Euros at the end of 2016).

In 2017, the performance of mortgage loans reflected simultaneously the 3.1% decrease in the activity in Portugal (-553 million Euros), despite the historically low levels of market interest rates, and the 0.9% decrease recorded in the international activity (-57 million Euros), compared to 31 December 2016, mainly driven by the performance of the mortgage loans portfolio in the subsidiary in Poland.

Loans to companies stood at 23,753 million Euros on 31 December 2017, in comparison with 23,682 million Euros registered on 31 December 2016 (+0.3%). In this period of time, this loan portfolio strengthened its weight in the consolidated loan portfolio by attaining 46.6% of the total (2016: 45.8%).

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and on a comparable basis: excludes the impact from discontinued operations.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Million euros

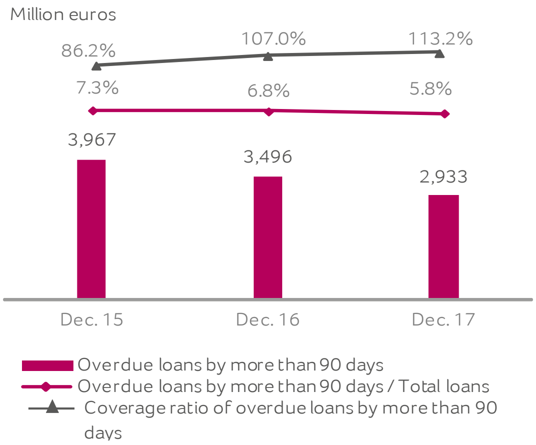
	2017	2016	2015 comparable (*)	Chan. % 17/16
MORTGAGE LOANS				
Activity in Portugal	17,145	17,698	18,465	-3.1%
International Activity	6,263	6,320	6,575	-0.9%
	23,408	24,018	25,040	-2.5%
CONSUMER CREDIT				
Activity in Portugal	1,988	2,435	2,423	-18.4%
International Activity	1,807	1,623	1,622	11.4%
	3,795	4,058	4,045	-6.5%
COMPANIES				
Activity in Portugal	18,863	19,227	20,708	-1.9%
International Activity	4,890	4,455	4,650	9.8%
	23,753	23,682	25,358	0.3%
LOANS AND ADVANCES TO CUSTOMERS				
Activity in Portugal	37,996	39,361	41,595	-3.5%
International Activity	12,960	12,398	12,848	4.5%
	50,955	51,758	54,443	-1.6%
Discontinued operations (*)	–	–	996	
TOTAL	50,955	51,758	55,438	-1.6%

(*) In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016 and, for comparative purposes, the information of December 2015 was re-presented, through the inclusion of the BMA credit in a line of discontinued operations.

Loans to companies in Portugal, year-over-year, went down 1.9% (-364 million Euros). This evolution was due to the continuous decrease in NPEs, together with the change in the portfolio profile. Throughout 2017, loans to companies had a 19.2% (-491 million Euros) decrease shown in loans to construction companies, in spite of the various relevant sales initiatives undertaken, namely those related to projects worth more than 600 million Euros funded under the "Portugal 2020" project, which contributed to regain the growth of performing loans. The international activity rose 9.8% (+435 million Euros), mainly based on a 578 million Euros rise (+17.8%; +11.6% in local currency) recorded by Bank Millennium in Poland, despite the 120 million Euros (-13.2%; -18.8% in local currency) reduction observed in the operation in Mozambique.

Credit quality, determined by loans overdue by more than 90 days as a percentage of total loans, showed a favourable performance, decreasing from 6.8% as at 31 December 2016 to 5.8% as at 31 December 2017, benefiting from the continuous focus on selection and monitoring of credit risk control procedures, as well as of initiatives undertaken by commercial areas and by credit recovery areas so as to decrease the amount of past due loans.

CREDIT QUALITY (*)



(*) On a comparable basis: excludes the impact from descontinued operations.

CREDIT QUALITY

Million euros

	2017	2016	2015 (comparable(**))	Chan. % 17/16
ON A COMPARABLE BASIS: EXCLUDES THE IMPACT FROM DISCONTINUED OPERATIONS				
Loans and advances to customers (*)	50,955	51,758	54,443	-1.6%
Overdue loans (>90 days)	2,933	3,496	3,967	-16.1%
Overdue loans	3,022	3,631	4,088	-16.8%
Impairments (balance sheet)	3,322	3,741	3,420	-11.2%
Restructured loans	4,184	5,046	5,393	-17.1%
Overdue loans (>90 days) / Loans and advances to customers (*)	5.8%	6.8%	7.3%	
Overdue loans / Loans and advances to customers (*)	5.9%	7.0%	7.5%	
Non-performing exposures / Loans and advances to customers (*)	15.0%	18.1%	20.1%	
Restructured loans / Loans and advances to customers (*)	8.2%	9.7%	9.9%	
Coverage ratio (Overdue loans > 90 days)	113.2%	107.0%	86.2%	
Coverage ratio (Overdue loans)	109.9%	103.0%	83.7%	
Coverage of Non-performing exposures by impairments	43.4%	39.9%	31.3%	

(*) Before credit impairments.
(**) In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016 and, for comparative purposes, the information of December 2015 was re-presented.

The coverage ratio for overdue loans for more than 90 days by impairment improved to 113.2% as at 31 December 2017, compared to 107.0% at the end of 2016, and the coverage ratio of the total overdue loans portfolio by impairment also improved to stand at 109.9% as at 31 December 2017, compared to 103.0% as at 31 December 2016.

Overdue loans by more than 90 days stood at 2,933 million Euros on 31 December 2017, a 16.1% decrease in comparison with 3,496 million Euros registered on 31 December 2016. Total overdue loans volume in 2016 also fell 16.8%, amounting to 3,022 million Euros in 2017 (3,631 million Euros in 2016), benefiting from the performance of overdue loans in the activity in Portugal which decreased 19.2%, (-639 million Euros) versus the 3,328 million Euros recorded in the previous year.

Overdue loans associated with loans to companies continue to represent the largest component of the total overdue loans portfolio, representing 79.0% as at 31 December 2017, mainly concentrated in the service sector. The ratio of overdue loans to companies, measured by the ratio between overdue loans and loans granted to companies, increased to 10.1%, compared to 11.8% recorded at the end of 2016, reflecting the slight rise in loans to companies held in the portfolio and the decrease in the overdue amounts. As at 31 December 2017, overdue loans associated with loans to companies showed a coverage level of 113.4% (2016: 106.0%) by the respective impairment in the balance sheet.

In what regards to loans to individuals, overdue consumer and mortgage loans represented 12.6% and 8.4% of the total overdue loans portfolio respectively. The ratio of overdue consumer loans over loans granted improved to 10.1% (13.3% by the end of 2016), as did the ratio of overdue mortgage loans that stood at 1.1% as at 31 December 2017 (1.3% by the end of 2016).

Non-performing exposures amounted to 7,742 million Euros, of which 7,658 million Euros corresponded to unsecuritized credit as of December 31, 2017, showing a decrease of 1,716 million Euros compared to 9,374 million Euros (corresponding to unsecuritized credit) in December 31, 2016. The NPE ratio stood at 15.0% (2016: 18.1%) and at the same time NPE coverage by provisions was 43.4% (2016: 39.9%).

OVERDUE LOANS AND IMPAIRMENTS AS AT 31 DECEMBER 2017

Million euros

	Overdue loans	Impairment for loan losses	Overdue loans/ Total loans	Coverage ratio
INDIVIDUALS				
Mortgage loans	253	241	1.1%	95.0%
Consumer credit	381	374	10.1%	97.9%
	634	614	2.3%	96.8%
COMPANIES				
Services	1,177	1,534	12.7%	130.4%
Commerce	214	190	6.2%	89.0%
Construction	617	548	25.6%	88.8%
Other	380	436	4.4%	114.6%
	2,388	2,708	10.1%	113.4%
CONSOLIDATED				
Individuals	635	614	2.3%	96.8%
Companies	2,387	2,708	10.1%	113.4%
TOTAL	3,022	3,322	5.9%	109.9%

CUSTOMER FUNDS

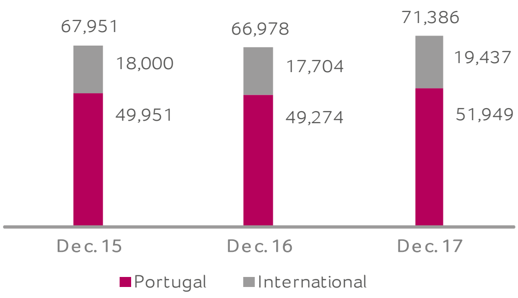
The evolution of the assets funding structure in the Portuguese banking system has shown, in the last few years, a stronger weight of customer deposits and a decrease in the weight of debt represented by securities.

Total customer funds of Millennium bcp were redefined, with reference to 31 December 2017, reflecting, since then, a broader concept in order to include amounts held by customers as part of existing agreements for their placement and management, considering comparable amounts for 2016 and 2015.

Total customer funds increased 6.6% as at 31 December 2017 from 66,978 million Euros registered as at 31 December 2016, amounting to 71,386 million Euros, showing the positive performance of both Portugal and the international activity, based on the growth of balance sheet customer funds and on off-balance sheet customer funds.

TOTAL CUSTOMER FUNDS (*)

Million euros



(*) On a comparable basis: excludes the impact from descontinued operations.

In the activity in Portugal, total customer funds showed a 5.4% increase from 49,274 million Euros accounted at the end of the previous year, reaching Euro 51,949 million as at 31 December 2017, boosted by both the growth in off-balance sheet customer funds (+ 11.4%), and in balance sheet customer funds (+3.1%), highlighting the growth of resources from customers.

Total customer funds in the international activity increased 9.8% compared to 17,704 million Euros registered as at 31 December 2016, and stood at 19,437 million Euros as at 31 December 2017, mainly supported by the performance of the subsidiary in Poland, namely in resources from customers.

TOTAL CUSTOMER FUNDS

Million euros

	2017	2016	2015 comparable (4)	Chan. % 17/16
BALANCE SHEET CUSTOMER FUNDS				
Resources from customers	51,188	48,798	49,847	4.9%
Debt securities (1)	1,501	1,636	2,311	-8.3%
	52,688	50,434	52,158	4.5%
OFF BALANCE SHEET CUSTOMER FUNDS				
Assets under management and investment funds (2)	8,792	7,657	7,242	14.8%
Capitalisation products (3)	9,906	8,888	8,552	11.5%
	18,698	16,544	15,793	13.0%
TOTAL CUSTOMER FUNDS	71,386	66,978	67,951	6.6%
Discontinued operations (4)	–	–	1,692	
TOTAL	71,386	66,978	69,643	6.6%

(1) Corresponds to the heading of debt securities issued.

(2) Total customer funds were redefined, with reference to 31 December 2017 and, consequently, on a comparable basis to the end of December 2015 and December 2016, reflecting a broader concept in order to include amounts held by customers as part of existing agreements for its placement and management.

(3) Includes Unit linked and Retirement savings deposits.

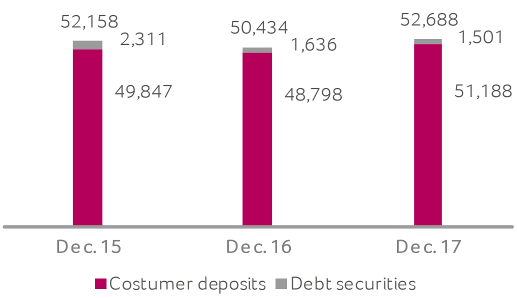
(4) Adjusted from discontinued operations, namely Millennium bcp Gestão de Activos (sold in May 2015). In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016 and, for comparative purposes, the information of 2015 was re-presented, through the inclusion of the BMA customer funds in a line of discontinued operations.

Balance sheet customer funds, which comprise debt securities and resources from customers, showed a 4.5% increase, to reach 52,688 million Euros as at 31 December 2017 (50,434 million Euros at the end of 2016), reflecting the 4.9% increase in resources from customers (+2,390 million Euros), despite the 8.3% decrease in debt securities (-136 million Euros). The pursuit of the strategy implemented by Millennium bcp for the addition of new customers, associated with a strong commercial activity, translated into a sharp rise in customer funds in Portugal and abroad.

As at 31 December 2017, balance sheet total customer funds represented 73.8% of total customer funds, with resources from customers representing 71.7% of total customer funds.

BALANCE SHEET CUSTOMER FUNDS (*)

Million euros



(*) On a comparable basis: excludes the impact from descontinued operations.

Customer deposits totalled 51,188 million Euros as at 31 December 2017 (48,798 million Euros at the end of 2016) driven by both the activity in Portugal (+3.7%) and the international activity (+7.6%). Comparing to 31 December 2016, the performance of resources from customers in the international activity was supported fundamentally by the performance of the subsidiary in Poland, which grew 8.3% (+2.5% in local currency).

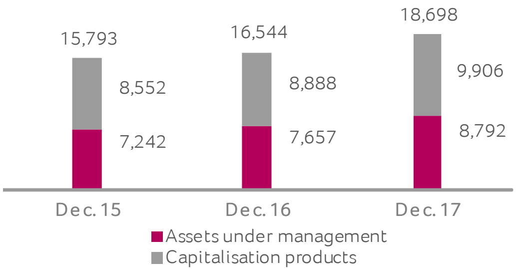
Debt securities, comprising the Group's debt securities subscribed by customers amounted to 1,501 million Euros on 31 December 2017, comparing with 1,636 million Euros recorded at the end of the previous year.

Off-balance sheet customer funds, including assets under management and investment funds and capitalization products, increased by 13.0% between 31 December 2016 and 31 December 2017, reaching 18,698 million Euros as at 31 December 2017 (compared to 16,544 million Euros recorded as at the same date of 2016). This evolution benefited simultaneously from the positive performance in assets under management and investment funds (+14.8%) and capitalization products (+11.5%).

Assets under management and investment funds, resulting from the provision of the individual and collective portfolio asset management services within the scope of agreements for their placement and management, increased to 8,792 million Euros at the end of 2017, compared to 7,657 million Euros as at 31 December 2016, having benefited from the 11.3% growth in the activities in Portugal (+597 million Euros), through the increased volume of the asset portfolios mainly acquired by the Private Banking network, and from the 22.8% rise recorded in the international operations (+538 million Euros), especially Bank Millennium in Poland.

OFF BALANCE SHEET CUSTOMER FUNDS (*)

Million euros



(*) On a comparable basis: excludes the impact from descontinued operations.

The resources allocated to capitalization products including capitalization operations contracts, insurances linked to investment funds (unit-linked) and savings plans (PPR, PPE and PPR/E), stood at 9,906 million Euros on 31 de December 2017 (8,888 million Euros by the end of 2016), influenced by the 11.5% increase (+964 million Euros) in the activity in Portugal, with special relevance for insurance contracts linked to investment funds (unit-linked) and to retirement saving plans (PPR) (+7.7%).

The performance showed by the capitalization products in international activity showed an 11.3% growth (+54 million Euros) on 31 December 2017, if compared with 31 December 2016, justified by Bank Millennium's performance in Poland.

TOTAL CUSTOMER FUNDS

Million euros

	2017	2016	2015 comparable (2)	Chan. % 17/16
BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	36,681	35,567	37,056	3.1%
International Activity	16,007	14,867	15,102	7.7%
	52,688	50,434	52,158	4.5%
OFF BALANCE SHEET CUSTOMER FUNDS (1)				
Activity in Portugal	15,268	13,707	12,895	11.4%
International Activity	3,430	2,837	2,898	20.9%
	18,698	16,544	15,793	13.0%
TOTAL CUSTOMER FUNDS				
Activity in Portugal	51,949	49,274	49,951	5.4%
International Activity	19,437	17,704	18,000	9.8%
	71,386	66,978	67,951	6.6%
Discontinued operations (2)	–	–	1,692	
TOTAL	71,386	66,978	69,643	6.6%

(1) Total customer funds were redefined, with reference to 31 December 2017 and, consequently, on a comparable basis to the end of December 2015 and December 2016, reflecting a broader concept in order to include amounts held by customers as part of existing agreements for its placement and management.
Adjusted from discontinued operations, namely Millennium bcp Gestão de Activos (sold in May 2015). In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016 and, for comparative purposes, the information of 2015 was re-presented, through the inclusion of the BMA customer funds in a line of discontinued operations.

LOANS AND AMOUNTS OWED TO CREDIT INSTITUTIONS

The deposits owed to credit institutions and Central Banks, net of loans and advances to other credit institutions, amounted to 6,126 million Euros as at 31 December 2017 (8,433 million Euros on the same date of 2016). This performance reflects a decrease of wholesale funding needs, attributable mainly to the capital increase operation, net of the amount of CoCo bonds reimbursed, to the decrease of the commercial gap in Portugal and to the funds released by the commercial activity, whose overall effect was mitigated by the growth of the securities portfolio.

In net terms, the refinancing needs with the ECB showed in 2017 a continuous decrease of Euro 1.4 billion, to Euro 3.0 billion, being also followed by a significant decrease of Repo financing in Portugal (Euro 1.5 billion). Within this context, one must highlight the fact that the reduction of collateralised funding from the ECB corresponded at the end of 2017 to the balance of the targeted long term refinancing operations, TLTRO, (Euro 4.0 billion), below than the Bank's borrowing limit.

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.

FINANCIAL ASSETS HELD FOR TRADING, OTHER FINANCIAL ASSETS HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS AVAILABLE FOR SALE

The portfolio of financial assets, with the exception of financial assets held to maturity, including (i) assets held for trading, (iii) other financial assets held for trading at fair value through profit or loss and (iii) financial assets available for sale, reached the total of 12,512 million Euros as at 31 December 2017, compared to 11,792 million Euros at the same date of 2016, representing 17.4% of total assets on 31 December 2017 and 16.5% on 31 December 2016. This performance mainly shows the increase in fixed yield securities of 908 million Euros, versus 31 December 2016, due to Treasury Bills and bonds of other foreign issuers, despite the decrease in bonds from domestic and foreign public issuers.

ASSETS HELD FOR TRADING, OTHER FINANCIAL ASSETS HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS AVAILABLE FOR SALE AS AT 31 DECEMBER

Million euros

	2017		2016		2015		Chan. %
	Amount	% in total	Amount	% in total	Amount	% in total	17/16
FIXED INCOME SECURITIES							
Treasury Bills and other Government bonds	1,369	10.9%	745	6.3%	1,215	10.0%	83.6%
Bonds issued by Government and public entities (Portuguese)	3,051	24.4%	3,469	29.4%	2,984	24.6%	-12.1%
Bonds issued by Government and public entities (foreign issuers)	3,301	26.4%	3,398	28.8%	3,003	24.8%	-2.9%
Bonds issued by other Portuguese entities	1,302	10.4%	1,306	11.1%	1,160	9.6%	-0.3%
Bonds issued by other foreign entities	1,615	12.9%	811	6.9%	1,220	10.1%	99.1%
	10,637	85.0%	9,730	82.5%	9,582	79.1%	9.3%
VARIABLE INCOME SECURITIES							
Shares and other variable income securities	50	0.4%	56	0.5%	177	1.5%	-11.2%
Investment fund units	1,087	8.7%	1,170	9.9%	1,440	11.9%	-7.1%
	1,137	9.1%	1,226	10.4%	1,617	13.3%	-7.3%
IMPAIRMENT FOR OVERDUE SECURITIES	(4)		(13)		(4)		71.5%
TRADING DERIVATIVES	741	5.9%	849	7.2%	925	7.6%	-12.7%
TOTAL	12,512	100.0%	11,792	100.0%	12,120	100.0%	6.1%

The fixed yield securities portfolio reached the value of 10,637 million Euros as at 31 December 2017 (9,730 million Euros at the end of 2016), representing 85.0% of the total securities portfolio (82.5% in 2016). This portfolio is mainly composed of bonds of national and foreign public issuers which, as a whole, amounted to 6,351 million Euros (6,867 million Euros at the end of 2016), representing 59.7% (2016: 70.6%) of the portfolio of fixed yield securities and 50.8% (2016: 58.2%) of the total financial assets portfolios. In this portfolio structure, note should also be made of the performance of treasury bills and other public debt securities which reached 1,369 million Euros on 31 December 2017 (compared to 745 million Euros as at 31 December 2016), showing an 83.6% increase versus the portfolio of the previous year, as well as of the bonds of other foreign issuers with a 99.1% rise, reaching 1,615 million Euros on 31 December 2017 (811 million Euros as at 31 December 2016).

The variable yield securities portfolio decreased by 7.3%, from 1,226 million Euros recorded at the end of 2016 to 1,137 million Euros as at 31 December 2017, showing the 7.1% reduction of the investment fund units' portfolio, from 1,170 million Euros to 1,087 million Euros in the same period.

Trading derivatives totalled 741 million Euros on 31 December 2017, a 12.7% decrease versus the 849 million Euros recorded on 31 December 2016, particularly the reduction recorded in the swap contracts portfolio (-113 million Euros).

OTHER ASSET ELEMENTS

Other asset elements, which include assets with repurchase agreement, hedging derivatives, investments in associates, investment property, non-current assets held for sale, other tangible assets, goodwill and intangible assets, current and deferred tax assets, and other assets, represented 10.9% of total consolidated assets (11.0% at the end of 2016), standing at 7,853 million Euros as at 31 December 2017, compared to 7,865 million Euros recorded as at 31 December 2016.

EQUITY

Equity, including non-controlling interests, totalled 7,180 million Euros on 31 December 2017, 1,915 million Euros more than the 5,265 million Euros recorded at the end of 2016. This performance was mainly driven by the share capital increase (+1,287 million Euros after expenses and taxes) resolved on 9 January 2017 and made through a Rights Offering, by the variation in fair value reserves (+231 million Euros), mainly due to the recognition of potential gains associated to financial assets available for sale, by the net income for the year attributable to Shareholders (+186 million Euros), as well as by the foreign exchange differences resulting from the consolidation of the Group's companies (+49 million Euros), mostly related to the operation in Mozambique.

Additional information and detail on the performance of equity is provided in the Consolidated Accounts of the alterations in Equity for the period ended on 31 December 2017 and 2016 of the Accounts and Notes to the Consolidated Accounts.

Business Areas

ACTIVITY BY SEGMENT

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.

Following the commitment undertaken with the Directorate-General of the European Commission (DG Comp), an additional segment has been considered, the Non-Core Business Portfolio, in accordance with the criteria agreed therein.

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 Real Estate Business 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) (**)
Non Core Business Portfolio	In accordance with the criteria agreed with DG Comp (***)
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.

(***) Loan Portfolios in Portugal to discontinue gradually under the commitments undertaken with the DG Comp.

(****) In the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, Banco Millennium in Angola was considered as a discontinued operation in March 2016. After the completion of the merger, in May 2016, the new merged entity, Banco Millennium Atlântico, started being consolidated using the equity method.

The figures reported for each business segment resulted from aggregating the subsidiaries and business units integrated in each segment, also reflecting the impact from capital allocation and balancing process of each entity in the balance sheet and income statement, based on average figures. The balance sheet headings for each subsidiary and business unit were re-calculated, taking into account the replacement of the equity book values by the amounts attributed through the allocation process, based on the regulatory solvency criteria.

Thus, as the process of capital allocation complies with the regulatory criteria of solvency in force, the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a capital ratio target to the risks managed by each segment, reflecting the application of the Basel III methodologies previously referred. Each operation is balanced through internal transfers of funds, 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.

Operating costs related to the business segments do not include gains from the Collective Labour Agreement negotiation and restructuring costs in 2017and 2016.

Total customer funds were redefined, with reference to 31 December 2017 and, consequently, on a comparable basis to the end of December 2016, reflecting a broader concept in order to include amounts held by customers as part of existing agreements for its placement and management, but which were previously processed by the Bank's commercial management information system that already integrated the resources of the business segments in Portugal. However, in order to increase the comparability of information, the sources of information used were standardized, so that, whenever applicable, the figures for the year 2016 were restated.

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 2017.

RETAIL

HIGHLIGHTS

- 130.000 new Mass Market Clients, 30% of which are Young Clients aged 18 to 30 years old.
- 2.5 million active digital clients, +16% versus 2016.
- More than one million Clients with an integrated solution.
- Customer addition abroad increased 41% in 2017.
- 61% of the active accounts use the E-Statement.
- Loans to individuals went up 35% versus the same period of 2016 with an increase in the market share.
- A 8.6% increase in the number of transactions with debit and pre-paid cards and of 8.3% in terms of volume invoiced year-over-year.
- 8.5% rise in the number of transactions with credit cards and 5.7% increase in the volume invoiced, year-over-year.
- Larger number of Millennium bcp POS machines available with 7,000 new POS contracts, representing a 14.9% growth and a market share increase of 1.5 p.p..
- Factoring and Confirming lines with a 37% growth in the portfolio and Trade Finance, with a 20% rise in the number of transactions and of 37% in the amount.
- Millennium bcp financed 286 new microcredit operations, totalling 2.9 million Euros of credit granted and the creation of 492 new jobs. The volume of active credit granted to the 982 operations in the portfolio, up to 31 December 2017, totalled 6.5 million Euros.
- The Bank also participated in the organization, set up and distribution of the 3 issues of Obrigações do Tesouro de Rendimento Variável (OTRV), which took place in 2017.

STRATEGY

- Increase of the Client base, binding the sub-segments with a higher value and increased customer service experience, proximity and agility, focused on the digital component.
- Strong bet on innovation, particularly in digital.
- Decrease in the cost of liability products, maintaining the focus on the retention of customer funds.
- Increase in credit operations origination with good risk customers to renew and improve the quality of the loan portfolio.
- Maintain and increase the use of debit and credit cards of Millennium bcp which, apart from the comfort they offer to Clients for the comprehensive nature of the offer and reliable use, also enable to strengthen the Client's relation with the Bank as well as the Client's loyalty and increment of the respective share of wallet.
- Capture of new clients through POS supported by the Bank and strengthening the relations with current clients.
- Implementation of a business model promoting a more specialized customer service for Prestige clients, enabling servicing clients in their preferential channels, always with the follow-up of a Manager, in a Branch or through a Remote Personalized Management service.
- Establishment of more protocols with associations and partner banks and maintenance of a business model supported by Representation Offices in countries such as Brazil, United Kingdom, South Africa, Germany, Switzerland, etc.

- Leading bank in innovation, being the 1st Bank to launch a digital POS with the Millennium Moove App, provision of new tools on the website and on the M Empresas App, such as the new simplified registry and exclusive services in the App for the best company clients (Clients Aplauso).

ACTIVITY

Mass Market

- Concerning the capture of Mass Market Clients, it is worth mentioning the campaign "Conseguimos Mais" (We can achieve more) more institutionally focused during the first stage and more focused on the product during the second stage. Aimed at a stronger binding of new clients via the payment of their salary through Millennium bcp, the offer consists in the attribution of 10% of the first salary deposited in a savings account as a way to increase the Customers' appetite for savings from the moment one starts to work.
- Moreover, the bank launched the campaign Queres ir ao SOMNII? Então GO!" (Do you want to go to SOMNII? Then GO!) addressed to the youth segment and intended to increase the capture of new clients, offering a double ticket and also the campaign GO/MEO SUDOESTE offering a ticket to the MEO SUDOESTE 2018 festival for new clients subscribing to the integrated solution Millennium GO.
- Creation of an integrated offer for new Clients with benefits in anchor products (insurance policies, integrated solutions, wage advantage and term deposit "Aqui Consigo").

Prestige

- Maintenance of the Bank's position as the main private Bank for upper and upper middle class clients (Basef/Marktest) and a 33% increase in the capture of new Prestige Clients, versus the same period of 2016, via i) the improved commercial system, ii) the promotion of more cross networking and member get member actions and iii) campaigns such as the institutional campaign "Conseguimos Mais 10% do seu ordenado", which attributed to new Clients 10% of the value of the 1st salary, placed in a Salary Savings Account or Salary PPR, up to 400 Euros.
- Launching of a differentiated offer for remote personalized management and of innovative digital tools, such as pending transactions on the website and App - distance sale of products without the need for the Client to go to a Branch or sign documents - the co-browsing - assisted use of the website -, video calling and chat - new ways to contact the Client Manager.
- Enhancing the retirement solutions by association with the conference "Portugal em Exame - Tempo de investir, poupar e crescer", an annual initiative promoted by Exame magazine, from the Impresa group, to stress the importance of saving and of medium-long term investment.
- Launching of a campaign for the capture of securities accounts with the attribution of Stock Exchange transactions price exemptions and discounts to increase the use of MTrader, a platform for trading and visualization of the different securities traded on the major world stock exchanges and with real time research.
- Gradual increase of the loans granted to clients from the Prestige segment, with competitive spreads in mortgage loans and in personal loans (online and pre-approved) and non-financial benefits, namely at the moment the real estate property is acquired.
- Relational Marketing actions with the Prestige Clients at events such as the Millennium Estoril Open, the Tennis Schools with João Sousa in Lisbon and in Porto or the test-drive in partnership with Tesla.

Clients Residing Abroad

- A 41% growth in the number of new Clients residing abroad in 2017, supported by referral, communication and strengthening of the relation with the Clients in countries with the largest communities of emigrants and via protocols for the capture of Non-habitual Residents and individuals with Golden Residence Permits.
- Increase in the number of monthly regular transfers applied in products more oriented towards the diversification of investment and retirement and increase in the credit granting to residents abroad and foreign individuals, mainly for the purchase of a residence in Portugal.
- Increase of proximity through the reinforcement of the contact actions at Easter, Portugal's National Holiday and Christmas, by carrying out 4 Millennium summer festivals that welcomed more than 10,000 visitors, Resident Clients and Employees.

Business

- Consolidation of the businesses carried out by micro companies through the increase in the number of clients, the volume of credit granted, influencing the capture of treasury and funds of corporate clients.
- Promotion of the Credit Line Capitalizar and launching of the Crédito Avançar in an online version with preferential conditions, which accelerated funding to small companies and self-employed individuals by means of increasingly digital processes.
- Support to companies within the scope of the Portugal 2020 Programme, during the application stage and in the execution of the project and the promotion, in the entire country, of Portugal 2020 meetings with sessions oriented towards the economic sectors of each region.
- Increase of the share in 2017 Leader SME to 20%.
- Consolidation of Millennium bcp's presence with franchising business models (Master and Franchisee), through meetings with Brands and by participating in the most significant events held by the sector.

Products and payment means

- Strong bet in digital giving the Client the possibility of making the loan requests on the website, on the Millennium App and on the Mobile website. Regarding personal loans, possibility of formalizing the loan online.
- The Bank developed several actions in consumer loans, namely special price conditions and targeted sales, which translated into an increase in the number of consumer loans granted.
- Expansion of the real estate loans through the loan campaign offering 3 or 6 months free of interest, a unique offer in the market; continuing to be strongly focused on fixed rate solutions, as well as on special conditions for loan transfers and home moves.
- Presentation of investment solutions to diversify the financial assets of Clients, with products such as Certificates, Indexed Deposits, Investment Funds and Financial Insurance policies. Noteworthy is also the major focus on retirement solutions with the objective of safeguarding the Client's future.
- The Bank developed a set of initiatives with the objective of implementing the regulatory requirements of Markets in Financial Instruments Directive (MiFID II) adapting the business model in order to provide an upgrade in the value proposal for Clients. The Bank also trained Client managers certifying them for the provision of information.
- Exclusive sponsorship of Restaurant Week, an event with significant media coverage at a national level and a strong component of solidarity.
- The exclusive partnership with NOS with the offer of a movie ticket against the purchase of one and provided that the payment is made with a Millennium bcp credit card.
- Launching of a new POS Avançar which gave a strong contribution for the growth recorded, with a more flexible pricing structure, better adjusted to the businesses; the retailer only pays for what he/she invoices, having only to record over 500 Euros in sales every month.
- Launching of a new totally digital payment solution, the Millennium Moove App launched in October, which enables the acceptance of payments with cards and MB Way using a smartphone or tablet, with full user mobility.
- Integration of the Western Union service in the Bank's Mobile App to ensure a greater comfort and access to this service that enables the swift transfer of money to any part of the world.
- Launching of an exclusive and integrated solution for Prestige Direct Clients, with a self-directed profile, promoting the capture of new Prestige clients and fostering their relation with the Bank and offering an integrated solution for children, exclusive in Portugal.
- Launching of a new account opening process for companies, enabling these Clients to experience a simpler and faster process on their first contact with the Bank.
- Launching of the 1st Life Insurance without a medical questionnaire in Portugal.
- Campaign "Seguros é Aqui Comigo" with a prize drawing for 2 cars.

- Launching of Móbis App and Millennium Seguros App, together with an increased digital promotion of insurance policies with several advertising campaigns. The purchase of risk insurance policies through the website of Millennium bcp increased significantly.
- The digital e-statement continued to play a significant role in sales, and new operational procedures were launched to provide a more agile and simple access to digital documents.
- The digital onboarding actions and the digital subscription campaigns were reinforced, namely through the draw of electronic devices for the new subscribers, as part of the strong strategic bet in digital.

ActivoBank

In 2017, the Bank remained focused on the strategic objectives of expanding its customer base and increasing customers' involvement with the Bank. Each one of these two strategic objectives was developed according to the following vectors:

Attracting Customers

- Launching and development of new services demonstrating the innovative skills of the Bank;
- Enhancement of the value proposal, together with the implementation of new differentiating products and services and the launch of institutional communication campaigns.

Customer Loyalty

- Fine-tuning of a model aimed at strengthening loyalty and segmentation, directed at the identification and satisfaction of the Customers' financial needs;
- Launch of new products and services;
- Promotion of a new platform for trading on the stock exchange (ActivoTrader).

In order to reach the objective of adding new clients and increasing their involvement with the Bank, several initiatives were developed, amongst which we underline the following:

- Improving the pre-opening of the online account procedure, through the Bank's website.
- Development of new and more appealing tools to support customer relationship management processes.
- Development of account opening and special products campaigns landing pages;
- Carrying out of three institutional communication and product campaigns. The first campaign was especially targeted at the capture of deposits and at the required filling-in of the Investment adequacy assessment questionnaire. The second campaign, which began in July, promoted personal loans at a very competitive rate. The third campaign consisted in a regular presence in social networks and in digital media (search engines).
- Brand activation actions during the summer, based on sports and lifestyle, of which we highlight the sponsoring of the Oeiras Triathlon and support for the beach handball championship;
- Introduction of a new home loan simulator and mortgage loan request on the website and App.
- Implementation of a process for the granting of personal loans which, in addition to the simulation, enables Clients who meet all the necessary conditions to get immediate funding.

The set of actions undertaken, together with the focus on innovation, contributed to close the year with around 163,000 clients (+33%), over 140,000 followers on Facebook, and to surpass 1,300 million Euros in assets under management.

INCOME

Million euros

RETAIL BANKING	31 Dec. 17	31 Dec. 16	Chg. 17/16
PROFIT AND LOSS ACCOUNT			
Net interest income (*)	413	391	5.4%
Other net income (*)	370	351	5.2%
	782	743	5.3%
Operating costs (*)	472	489	-3.5%
Impairment (*)	54	113	-52.4%
Income before tax	256	141	82.4%
Income taxes (*)	75	40	86.9%
Income after tax	181	100	80.6%
SUMMARY OF INDICATORS			
Allocated capital	556	518	7.3%
Return on allocated capital	32.6%	19.4%	
Risk weighted assets	5,517	4,906	12.5%
Cost to income ratio	60.4%	65.9%	
Loans to Customers (net of impairment charges) (*)	16,865	16,918	-0.3%
Total Customer funds	35,927	34,002	5.7%

Notes:

Allocated capital, loans to customers (net of recoveries) and total customer funds and figures based on average balance.
(*) Balances according to the Note 51 – Consolidate Balance Sheet and Income Statement by Segments, of the notes to the accounts.

Income after tax from the Retail Banking segment of Millennium bcp in Portugal totalled 181 million Euros in 2017 showing a significant growth compared with 100 million Euros in 2016. This favourable performance is mainly explained by the increase in total operating income, by the reduction of operating costs and by lower impairment charges. Regarding the evolution of the main Income Statement headings, the following aspects should be highlighted:

- Net interest income went up to 413 million Euros in 2017 and grew by 5.4% compared to 2016 (391 million Euros), mainly due to the continued decrease in the rate of deposits, despite the decline in the yield of credit portfolios.
- Other net profits rose up from 351 million Euros in 2016 to 370 million Euros in 2017, a 5.2% increase.
- Operating costs decreased 3.5% from 2016, reflecting the continuous implementation of the initiatives that were set out in the Strategic Plan.
- Impairment charges amounted to 54 million Euros in 2017, comparing favourably to 113 million Euros recorded in 2016, reflecting the recovery of the Portuguese economy and the progressive normalization of the cost of risk.
- In December 2017, loans to customers (net) totalled 16,865 million Euros, maintaining a level similar to the position at the end of 2016 (16,918 million Euros), while total customer funds increased by 5.7 % in the same period to 35,927 million Euros by the end of December 2017 (34,002 million Euros recorded in 2016), due to both the further increase in customer deposits and increased diversification for off-balance sheet products.

COMPANIES, CORPORATE AND INVESTMENT BANKING

HIGHLIGHTS

- Support for the new investment of companies, with emphasis on the "Millennium 2020 Solution" an integrated offer of support for companies from application to execution;
- Positive evolution in terms of volumes, with a 7% growth in customer funds;

- Factoring and confirming activity, in 2017, recorded increases of 22% and 15% respectively in terms of invoices for collection and the factoring credit balance;
- Continuation of the strategic partnership established with the Portuguese State for the support to companies, participating in several protocol credit lines;
- Within the scope of correspondent banking relations, the Bank pursued a proactive approach in the establishment of partnerships, especially focused on the markets where the Portuguese companies mostly develop their international activities or on those revealing greater growth potential;
- In terms of international custody, the Bank remained a national reference player, recognized by its clients and peers, for the quality and competitiveness of the services provided.
- For trade finance, the year of 2017 represented the affirmationof this business segment, with the Bank reaching the goals set forth (i) for the main business components (Clients, Margin, Visits to Clients) and (ii) for digital operations (number of operations made in the companies website versus the ones made via the Branch).
- Consolidation of the market share in international business at 20.6%, after a steady rise in the last 5 years.

STRATEGY

Companies and Corporate

- Positioning of the Bank as a partner of the companies, pursuing the development of its strategy to support companies in the SME, Corporate and arge Corporate segments, through the provision of funding solutions for investment and for the operating cycle.

Investment Banking

- Efforts to generate new deals carried out by the origination areas, focused on the BCP Group's core markets, mainly on investment flows involving Portugal, Poland, Angola, Mozambique, Brazil and China, but also the Latin-American market, namely Colombia, due to the relevance that this region has to the Millennium bcp customer base.
- Strategic initiatives to increase the cooperation with other networks of the Bank, to enhance proximity with the customer base of the BCP Group, developing the network through international institutional investors and strategic partners in different markets.

Real estate business

- The Bank continues to make a close follow-up of Clients and projects, with the purpose of reducing the risk of the financing associated with real estate and improve the contribution to the Bank's consolidated earnings.
- Regarding the sale of real estate assets, the strategic priorities during 2017 mainly consisted in selling as much as possible, maximizing the market’s current potential.

Interfundos

- Reinforcement of the continuity and financial stability of the Organismos de Investimento Imobiliário (OII) (Real Estate Investment Entities) , undertakings for investment in real-estate, and the creation of liquidity conditions for the participants, together with the consolidation of our market leadership position.

International

- Positioning of the Bank in order to adapt itself to the structural changes introduced in the markets and businesses where the intervention of the Financial Institutions Department is more relevant (trade finance, transactional banking and international custody), due to regulatory and technological alterations.
- Promotion of cooperation approaches between the participants in the correspondent relations aiming to drastically accelerate innovation in this area and finding new value creation dimensions for all Stakeholders.

Trade Finance

- Increase of the Customer base by the capture and reactivation of Clients in all the Bank’s commercial networks, by organizing events with Clients, seizing opportunities in the main countries where the bank operates, scheduling meetings with Clients and holding training sessions.

- Increase the supply of products and services, including promotion of increased use of the companies website for making documentary operations and the implementation of new international factoring solutions.

ACTIVITY

Companies and Corporate

- Launching of the new Millennium EIF Innovation II credit line, up to 200 million Euros, benefiting from the guarantee provided by the European Investment Fund (EIF). The purpose of this Line is to fund investment projects of innovative companies aiming to modernize their production processes, launching new products and services or even the strengthening the company's means of operation. Since 2015, the Bank has financed more than 240 operations, reaching a total amount of 200 Million Euros in new loans.
- The Millennium EIB 2017 credit line with a 500 million Euro ceiling is addressed to SMEs (companies with fewer than 250 workers) and MidCaps (companies with 250 to 3,000 workers), with the possibility of granting funds up to 12.5 million Euros per project (in the case of SMEs) or up to 25 million de Euros (for MidCaps), with maximum terms of 8 years.
- The 2017 Forest Fires EIB Millennium credit line with a global limit of 75 million Euros is meant to help companies affected by the forest fires in Portugal in 2017 and its goal is to relaunch their activities in the near future through the lending of funds under special conditions.
- Since 2013, Millennium bcp contracted EIB lines globally amounting to 1,580 million Euros, and these lines enabled the Bank to finance more than 1,900 companies with a global funding exceeding 1,000 million Euros.
- The Capitalizar Credit Line, a line with a global ceiling of 1,600 million Euros, is meant to be used as working capital and to fund new investments (namely projects approved within the scope of the Portugal 2020 programme), preferably by SME. During 2017, BCP financed around 1,900 companies under the PME Crescimento 2015 and Capitalizar credit lines in an amount of approximately 200 million Euros, continuing to pursue the strategy adopted since the launching of the first PME Investe line in 2008, which was able to grant financing amounting to approximately 1,000 million Euros.
- Reinforcement of the Line to Support the Qualification of Offer with an additional 75 million Euros. The purpose of this line is to finance projects for the re-qualification of existing tourism undertakings and the creation of tourism undertakings able to provide an offer that differs from the existing one; this reinforcement was made due to the full takeup of the initial protocol amount of 60 million Euros established in 2016.
- Launching of the Agro Futuro Programme, as part of a global line of 250 million Euros to increase investment and support treasury, involving solutions for the financing of projects part of PDR 2020, purchase of equipment, support for innovation and anticipation of subsidies approved by the IFAP and factoring and confirming solutions.
- Support for new investments made by companies, including the "Solution Millennium 2020," an integrated offer that provides support to companies from the application for the investment and up to its execution. Since the launching of the tenders associated with Portugal 2020, BCP has financed around 650 projects involving an amount in excess of 550 million Euros.
- Contracting of new leasing operations in an amount of approximately 450 million Euros, leveraging the increase of corporate investment associated with the growth recorded by the tourism industry (namely in rent-a-car activities) and of new industrial and commercial projects associated with the Incentives System of Portugal 2020.
- Institutional campaign *Cash on Time Plus*, with preferential conditions in terms of fees, increasing the Bank's visibility in factoring and confirming solutions to support company treasury management.
- Attribution of the Awards "Millennium Horizontes" (Millennium Horizons) with the objective of publicizing the companies that cross borders thanks to their know-how and innovative and unique products, stressing the Bank's commitment to the growth strategy of the Portuguese companies that stand out in international business. The "Millennium Horizontes" awards distinguish SMEs in three separate categories: "Exports", "Internationalization" and "Innovation". They also distinguish micro companies that, for their strategy, vision and implementation are cases of success and are recognized as such in Portugal.
- The Bank carried out 4 more editions of the Roteiros Millennium Exports, dedicated to Colombia, Canada, Poland and China, with the objective of supporting the Portuguese exporting companies by providing them with the opportunity of getting a more detailed knowledge on markets with a high development potential, enabling them to diversify their exports.

Investment Banking

- Advisor in several M&A transactions, particularly the advisory services provided to EDP in the sale of EDP Gás and of 49% of EDPR PT – PE (wind parks), the advisory services to Mota-Engil and ES Concessões regarding the sale of assets owned by Group Ascendi, advisory services to the Global Media Group regarding the entry of a new investor in its share capital and advisory services to Mota Gestão e Participações in the sale of Sunviauto.
- Effort to redirect the Project Finance activity, increasing its focus on international core markets and on structures that favour disintermediation. In Portugal, highlights include the Trustwind, Tagusgás and CBF transactions and several operations in the renewable energies segment. Also worth mentioning are the participation of Millennium bcp in the project Oil&Gas of area 4 ("Floating LNG") in Mozambique and the number of relevant projects currently under way in core regions.
- The analysis, structuring, negotiating and setting up of new funding operations in Portugal (recreation, construction, energy, industry, transportation, etc.), Angola (energy, engineering and health) and Mozambique (energy, food, construction, engineering and public sector), as well as several restructuring operations for large companies and economic groups in Portugal, particularly the successful closing of funding operations for investment projects (Eurocast), acquisition finance (MD Group and Ardian/Ascendi PT II), asset backed (Sodim) and corporate (EDP Finance) finance.
- Contribution given by Millennium Investment Banking in the issue of OTRVs and in the setting up of the issues of Saudaçor, of the Autonomous Region of Azores and Madeira and of Secil. At the same time, MIB continued to take part in the issues made by recurrent market issuers, such as EDP and Brisa.
- In the segment Equity Capital Markets, highlights include MIB's contribution to the share capital increase of Millennium bcp and in the structuring of the takeover bid launched by EDP for EDP Renováveis.

FINANCIAL ADVISORY Financial advisory to the EDP Group in the sale of EDP Gás to REN 532.400.000 € 2017	MANDATED LEAD ARRANGER Acquisition Finance Undisclosed 2017	International Company of the Energy sector present in Portugal MANDATED LEAD ARRANGER Refinancing of Wind Farm Portfolio 283.200.000 € 2017	MANDATED LEAD ARRANGER Refinancing of Tagusgás 41.300.000 € 2017	LEAD MANAGER Bond Issues Due 2019 and 2021 160.000.000 € 2017
CORAL SOUTH FLNG MANDATED LEAD ARRANGER Financing of floating LNG upstream in Area 4 of the Rovuma Basin 4.625.000.000 USD 2017	FINANCIAL ADVISORY Investment operation carried out as a share capital increase 15.000.000 € 2017	LENDER Debt Push Down 295.000.000 € 2017	FINANCIAL ADVISORY Advisory to EDP in the Public Tender Offer over the equity of EDPR 1.323.164.066 € 2017	JOINT LEAD MANAGER Bond Issue Due 2022 220.000.000 € 2017
Eurocast MANDATED LEAD ARRANGER Financing the French GMD group investment in Portugal 30.000.000 € 2017	RIGHTS OFFERING COORDINATOR Rights Issue 1.331.920.365 € 2017	FINANCIAL ADVISORY Advisory to MGP in the MBO of Sunviauto backed by Oxy Capital Undisclosed 2017	MANDATED LEAD ARRANGER Financing of Fundão Forest Biomass Power Plant 40.825.000 € 2017	JOINT LEAD MANAGER 2,375% Notes Due 2027 300.000.000 € 2017

Real estate business

- Commercial follow up of the real estate promotion Customers involving all stages of their activity;
- The incentive for M Imóveis, a commercial programme for Customers' undertakings, to create better conditions for the sale of the financed projects, continues to leverage the commercial activity;
- The diagnosis, restructuring and valuation models continue to be developed as well as new opportunities to place credits (assets);
- Development of partnerships for the sale of the real estate properties outside Portugal, by attending several real estate events in France and welcoming several entities from different countries.
- Consolidating the sales channels in Portugal by betting on partnerships established with real estate brokers specialized in non-housing properties.
- Campaigns, regional and nationwide, and promotions for each asset segment together with exclusive campaigns on the M imóveis website, "Place your bid".
- The Bank continued to uphold its policy to defend the value of its real estate properties and to assume this in the sales.
- Development in segmentation and specialization in the distribution of real estate properties in the Portuguese market, enhancing the presence of bank employees near mediators so as to privilege the information on the assets, recording the best year ever in terms of sales of assets.
- Regularisation, repositioning and conclusion of real estate properties, aiming to enable and speed up the sale process and to decrease the time during which the assets are owned by the Bank;
- The diagnosis, re-structuring and valuation models of real estate trade related assets continued to be developed, as well as the ongoing operation and consolidation of new channels to place these assets.

Interfundos

- Global sales reached 121 million Euros, corresponding to 307 real estate properties in total;
- Extension of the term for the duration of six OII (Real Estate Investment Organisms) (Intercapital, Oceanico III, Sand Capital, Stone Capital, Inogi Capital and Imovalue).
- Interfundos carried out six capital increases (OII Oceanico III – two operations, OII MR, OII Sand Capital, OII Stone Capital and OII Predicapital) and nine capital decreases (OII Património, OII Sand capital, OII Stone Capital – two operations, OII I Marope, OII Imoport, OII Imoal, OII Funsita and OII Imorenda);
- Establishment of an OII (Predicapital) and assumption of the management of one OII (TDF).
- Granting of the building permit for the construction of housing lots regarding the Urban Rehabilitation Contract of D. João I block – a real estate property owned by OII AF Portfólio Imobiliário and Imopromoção – and beginning of the excavation and peripheral containment works, inner structure and signing of the project's purchase and sale promissory agreement.
- By the end of 2017, the volume of assets of the 37 OIIs managed by Interfundos totalled 1,549 million Euros.

International

- Provision of support to Portuguese companies operating in most countries through a global network of correspondent banks and cross-border payment solutions, involving different currencies.
- The Bank also reinforced the services provided as depositary bank for risk capital funds, and the number of funds doubled (from 10 by the end of 2016 to 20 by the end of 2017). The capital generated by these funds more than doubled in value, from 721 million to 1,490 million Euros. Regarding international custody, the bank recorded a 16% increase in assets under custody.
- Maintenance of the proximity and cooperation with the relevant multilateral and supra national entities within the scope of the international activity, particularly with group EIB/EIF, entities with whom the bank developed an ongoing work to support the Portuguese companies, particularly SMEs, notably: i) the agreement established regarding 2 credit lines for SMEs & *Midcaps* amounting to 250 million Euros and 75 million Euros, being the lower amount aimed at aiding the companies affected by the forest fires in June and October; ii) in the last quarter of 2017 the EIF guarantee for a credit portfolio to SME, for innovation, was renewed by 100 million Euros (1st portion) and a 2nd portion was agreed on for the beginning of 2018; and iii) extension of the support in trade operations with other countries, achieving a commercial limit of 70 million USD from the sovereign Brazilian multilateral BNDES.

Trade Finance

- The trade finance activity recorded, by the end of 2017, a total amount of 65.5 billion Euros, showing a year-on-year increase of 20.9%. The number of operations made in 2017 rose to around 2 million, a 10.4% increase versus 2016. The number of Clients increased 9.2% when compared with 2016.

INCOME

Income after tax from the Companies, Corporate and Investment Banking segment in Portugal totalled 6.7 million Euros in 2017, showing a significant improvement compared to the loss of 143 million Euros presented in 2016, mainly caused by the decrease in impairment charges. The performance of this segment is globally explained by the following variations:

- Net interest income stood at 256 million Euros in 2017, 7.4% less than the 277 million Euros recorded in 2016, driven by the impact of the decrease in average interest rates for credit.
- Other net profits rose from 152 million Euros in 2017, compared to 154 million Euros in 2016.
- Operating costs totalled 93 million Euros in 2017, a 4.6% decline from 2016 (97 million Euros), as a result of the efforts made to optimize resources and simplify structures.
- Impairment charges stood at 307 million Euros in 2017, down 42.9% from 538 million Euros recorded at the end of December 2016, reflecting the trend towards a normal cost of risk in the activity in Portugal, after the recognition of additional impairment in 2016, allowing the reinforcement of coverage levels.
- As at December 2017, loans to customers (net) totalled 10,783 million Euros (10,934 million Euros in 2016), while total customer funds as at December 2017 reached 10,852 million Euros (10,137 million Euros recorded in the same period of 2016) showing a rise in customers' deposits and off-balance sheet customer funds.

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING	31 Dec. 17	31 Dec. 16	Chg. 17/16
PROFIT AND LOSS ACCOUNT			
Net interest income (*)	256	277	-7.4%
Other net income (*)	152	154	-1.4%
	408	431	-5.3%
Operating costs (*)	93	97	-4.6%
Impairment (*)	307	538	-42.9%
Income before tax	8	(205)	-103.8%
Income taxes (*)	1	(62)	-101.8%
Income after tax	7	(143)	-104.7%
SUMMARY OF INDICATORS			
Allocated capital	767	753	1.8%
Return on allocated capital	0.9%	-19.0%	
Risk weighted assets	7,649	7,441	2.8%
Cost to income ratio	22.8%	22.6%	
Loans to Customers (net of impairment charges) (*)	10,783	10,934	-1.4%
Total Customer funds	10,852	10,137	7.0%

Notes:
Allocated capital, loans to customers (net of recoveries) and total customer funds and figures based on average balance.
(*) Balances according to the Note 51 – Consolidate Balance Sheet and Income Statement by Segments, of the notes to the accounts.

PRIVATE BANKING

HIGHLIGHTS

- The Private Banking Customer base increased 2%.
- Private Banking recorded a 16% increase in fees, particularly in those regarding assets under management.
- The results achieved by the Customer Satisfaction Survey consider Millennium bcp a bank close to its customers, a position evidenced by the high levels of satisfaction with the private banker and with the core services provided by this network, i.e. the advising provided by the investment expert and the portfolio management service.
- Implementation of the compulsory IT alterations and developments in order to prepare the network for the challenges presented by MiFID II.

STRATEGY

- Provide its contribution to the Bank's sustained growth.
- Privilege an increase in the assets deposited with the Bank via new clients and an increased involvement with the current ones.
- Continue to manage the Client's assets with 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.

ACTIVITY

- Within the scope of the training plan for the implementation of MiFID II, all the employees of the Private Banking network were certified as advisers.
- Development of relational marketing actions in sporting and cultural events and also in those handling economic matters, notably the Millennium Estoril Open and the exclusive concerts for Private Banking Clients in Lisbon and Oporto.
- More insurance policies were sold by the Private Banking network due to the implementation of the action "Seguros de Venda Ativa Risco" throughout 2017, increasing cross-selling and Customer loyalty.

INCOME

Million euros

PRIVATE BANKING	31 Dec. 17	31 Dec. 16	Chg. 17/16
PROFIT AND LOSS ACCOUNT			
Net interest income (*)	15	15	1.1%
Other net income (*)	40	31	30.4%
	55	46	21.0%
Operating costs (*)	16	15	6.5%
Impairment (*)	4	0	>200%
Income before tax	35	30	16.6%
Income taxes (*)	10	9	16.6%
Income after tax	25	21	16.6%
SUMMARY OF INDICATORS			
Allocated capital	13	10	30.9%
Return on allocated capital	183.9%	206.5%	
Risk weighted assets	156	102	53.8%
Cost to income ratio	29.6%	33.7%	
Loans to Customers (net of impairment charges) (*)	221	172	28.6%
Total Customer funds	5,214	4,571	14.1%

Notes:
Allocated capital, loans to customers (net of recoveries) and total customer funds and figures based on average balance.
(*) Balances according to the Note 51 – Consolidate Balance Sheet and Income Statement by Segments, of the notes to the accounts.

From a geographic segmentation standpoint, income after tax from the Private Banking business in Portugal totalled 25 million Euros in 2017 comparing favourably to 21 million Euros recorded in 2016, mainly due to the increase of the other net profits, slightly mitigated by the increase in impairment charges. Considering the main items of the income statement, the relevant situations are highlighted as follows:

- Net interest income went up to 15 million Euros in 2017, keeping in line with the figures accounted in the previous year.
- Other net profits rose to 40 million Euros in 2017, a 30.4% increase over 2016 figures, mainly driven by the higher volume of income recognized with commissions.
- Operating costs amounted to 16 million Euros in 2017 versus 15 million Euros in 2016.
- Loans to customers totalled 221 million Euros by the end of December 2017, an increase of 49 million Euros compared to the figures accounted in the same period of 2016 (172 million Euros), while total customer funds climbed 14.1% in the same period, from 4,571 million Euros in December 2016 to 5,214 million Euros in December 2017, due to the performance of assets under management and investment funds.

FOREIGN BUSINESS

HIGHLIGHTS

- Improvement in profitability and operating efficiency of Bank Millennium; net income reached 160 million Euros in 2017 and core income increased 12.3%. *The Return on Equity ratio (ROE) reached 9.3%, and the Cost-to-Income ratio stood at 45.8%.* Comfortable liquidity and capital positions and a very good quality of assets with a loans/deposits ratio of 82%, a consolidated total capital ratio of 22%, boosted by the Tier 2 issue of 700 million Zlotys and a stable credit impairment ratio of 4.6%, covered by a provisioning of 67%.

- Improvement in profitability and in operating efficiency of Millennium bim; net income increased 23.2%, with ROE standing at 24.2%. The Bank's customer base increased 11%, exceeding 1.8 million Clients. The bank had 445,000 active mobile Clients, +17% than at the end of 2016.

STRATEGY

- The most important medium term goals of Bank Millennium are centred on the protection and recovery of profitability, which suffered the negative impact of extraordinary legal, regulatory and tax events, focusing on the main business segments: retail and companies. The main objectives to reach until 2020 are the following: double the number of new active clients; achieve a core income growth of 30% versus 2017; two digit growth in selected core areas; continue to be in the Polish banks top 3 in the Net Promoter Score; achieve a cost-to-income ratio of 40%; alignment of the cost of risk with the historical trend; achieve a net income above one billion Zlotys and an ROE matching the one of the Top 3 of Polish banks, both excluding the impact of extraordinary regulatory or tax measures.
- The 3 pillars of the strategic plan of Millennium bim for 2017 were: Human resources; Management of risk, ensuring i) prudence in liquidity management, ii) reduction of the exposure to high risk clients, replacing it with new credit with a better risk and iii) providing support to clients in a proactive manner to avoid default situations and, consequently, recording impairments; and Earnings, maintaining i) focus on increasing the number of clients as a way to ensure a sustained net income, ii) reduction of operating costs in spite of the inflationary context and currency depreciation, and iii) good solvency and efficiency ratios, ensuring the achievement of a solid and distinctive position in the market.
- Millennium Banque Privée continued to provide discretionary management services to individual and institutional customers of the Group with large assets, as well as financial advisory and orders execution services.
- The Macau Branch of Millennium bcp continues to centralize its activity in the provision of services to the Bank's networks by supporting individuals and company customers of the Bank, in broadening the base of local customers and in expanding its activity around the platform China – Macau – Portuguese speaking countries- focusing on the offer of investment banking services.

ACTIVITY

European Operations

Poland

- The previous strategic plan (3 years) ended in 2017 and the following should be highlighted: i) the growth in active clients that, at the end of those 3 years totalled 351,000, exceeding the 300,000 objective; ii) increase of the market share in retail deposits (5.7%); iii) the good positioning in the *Net Promoter Score*; iv) the increasing use of digital channels, recording 1.1 million active users, of which 700,000 are mobile clients, evidencing an annual growth of 39%.
- Due to the development of external trade between Poland and China, the Bank offers a comprehensive package of services in renminbi, comprising transfers, foreign exchange operations and trade finance solutions.
- Customer funds increased 5.3% and the credit portfolio increased 1.1%, wherein loans to companies increased 12%. Factoring and leasing also increased 15%. The significant growth in customer funds reflects mainly the performance of investment products (+26%).
- Net income of 160.2 million Euros, with a 9.3% ROE. The decrease versus 2016 reflects the impact of the Visa transaction, which recorded a net gain of €58.2 million in 2016. The good performance is evidenced by the 11.6% increase in net interest income (pro forma), of fees (14.2%) and of operating costs (3.9%).
- 1.6 million active clients, a 10% growth versus 31 December 2016, with 1.1 million active digital clients (+16%).

BANK MILLENNIUM

Million euros

	2017	2016	2015	Change % 17/16	2016	Change % 17/16
					excluding FX effect	
Total assets	17,037	15,598	15,534	9.2%	16,475	3.4%
Loans to customers (gross)	11,713	10,971	11,218	6.8%	11,588	1.1%
Loans to customers (net)	11,354	10,661	10,875	6.5%	11,261	0.8%
Customer funds	15,948	14,343	14,084	11.2%	15,149	5.3%
Of which: on balance sheet	13,826	12,761	12,456	8.3%	13,478	2.6%
Off-balance sheet (*)	2,122	1,582	1,628	34.2%	1,671	27.0%
Shareholders' equity	1,861	1,574	1,511	18.3%	1,662	12.0%
Net interest income	399.0	344.1	326.5	16.0%	354.2	12.7%
Other net income	194.9	220.5	155.6	-11.6%	227.0	-14.1%
Operating costs	272.0	254.2	260.0	7.0%	261.6	3.9%
Impairment and provisions	60.1	52.8	57.7	13.7%	54.4	10.5%
Net income	160.2	160.3	130.7	0.0%	164.9	-2.9%
Number of customers (thousands)	1,643	1,499	1,376	9.6%		
Employees (number) (**)	5,830	5,844	5,911	-0.2%		
Branches (number)	355	368	411	-3.5%		
Market capitalisation	2,597	1,428	1,582	81.9%	1,508	72.3%
% Of share capital held	50.1%	50.1%	50.1%			

Note: the source of the information presented in this table was the statutory financial statements of the subsidiary converted at the indicated exchange rate.

Source: Bank Millennium

FX rates:

Balance Sheet 1 euro =	4.1756	4.4103	4.2639	zloties
Profit and Loss Account 1 euro =	4.2514	4.3756	4.1817	zloties

(*) Customer funds registered off-balance sheet with change of criteria on capitalization products, from 2015 onwards.

(**) Number of employees according to Full-Time Equivalent (FTE) criteria.

Switzerland

- By the end of December 2017, total customer funds totalled 2.800 million Euros, representing a 7% growth versus December 2016 (excluding the effect of foreign exchange variations).
- Despite the pressure on margins in the private banking industry, operating income reached 9.3 million Euros, representing a 6.9% increase versus the same period in 2016 mainly due to the growth in Customers assets and the improvement of the mix of services provided by the Bank by intensifying the discretionary management service.
- In spite of the fall in the net interest income rate, net interest income grew 11% to 4.8 million Euros as a result of the increase in loans to customers (+6.7%) and the appreciation of the USD interest rate during the second half of 2017. Other Net Income increased 5.7%, to 26.2 million Euros. Operating costs increased 5.4% to stand at 21.7 million Euros, mainly due to costs associated with the development of the Bank's technological platform.
- In 2017, earnings before provisions increased by 1.3 million Euros, to reach 8.8 million Euros.
- Net income stood at 6.7 million Euros, representing an 18.3% growth if compared with the previous year.

MILLENNIUM BANQUE PRIVÉE

Million euros

	2017	2016	2015	Change % 17/16	2016	Change % 17/16
					excluding FX effect	
Total assets	496	536	525	-7.5%	492	0.8%
Loans to customers (gross)	259	265	207	-2.1%	243	6.7%
Loans to customers (net)	257	263	206	-2.2%	241	6.5%
Customer funds	2,800	2,852	2,639	-1.8%	2,617	7.0%
Of which: on balance sheet	408	437	425	-6.7%	401	1.7%
Off-balance sheet	2,392	2,415	2,214	-0.9%	2,216	8.0%
Shareholders' equity	76	84	90	-8.8%	77	-0.6%
Net interest income	4.8	4.4	4.3	9.4%	4.3	11.3%
Other net income	26.2	25.2	25.7	3.9%	24.8	5.7%
Operating costs	21.7	20.9	21.9	3.6%	20.6	5.4%
Impairment and provisions	0.5	1.1	0.1	-56.3%	1.0	-55.5%
Net income	6.7	5.8	6.0	16.2%	5.7	18.3%
Number of customers (thousands)	1.9	1.6	1.6	20.7%		
Employees (number)	71	72	71	-1.4%		
Branches (number)	1	1	1	0.0%		
% Of share capital held	100.0%	100.0%	100.0%			

Note: the source of the information presented in this table was the financial statements reported by the subsidiary for the purpose of consolidated financial statements, whenever available.

FX rates:

Balance Sheet 1 euro =	1.1704	1.0739	1.0835	swiss francs
Profit and Loss Account 1 euro =	1.1117	1.0925	1.0631	swiss francs

Other international businesses

Mozambique

- Inauguration of 10 new branches, three of which in rural areas and part of an innovative partnership, unique in Mozambique, established between Millennium bim and Correios de Moçambique (post offices).
- Focus on remote channels. The bank increased the number of ATMs to 505, and exceeded 9,500 POS, an increase of 6% and 18%, respectively.
- Expansion of the Agents JáJá, enabling the bank to offer financial services in remote regions. Millennium bim is the only bank with branches in all districts of Mozambique.
- Launching of Platinum debit and credit cards, exclusive for the Private segment, and of the cards Corporate and Business for the companies segment.
- Introduction of new tools in the Mobile channel, such as the subscription of travel insurance and the IZI withdrawal, a tool for cash withdrawals in ATM or POS without the need of using a debit or credit card.
- The website was improved in terms of IT safety and the Prestige website was launched. Millennium bim is the only financial institution in Mozambique certified by PCI-SSC (Payment Card Industry – Security Standards Council).
- Development of the Facebook page that already has more than 270,000 followers;
- Inauguration of the first "Innovation" Branch, a space equipped with the latest technology where the Clients may benefit from a true digital experience;
- Launching of the Millennium bim Academy (MBA), with the purpose of reinforcing the professional competences and qualifications of the staff of BIM within an environment of continuous learning and sharing of knowledge. The training programme comprised 130 branches, around 75% of the network.
- Launching of a programme for the attribution of scholarships for masters and licentiate degrees for the employees wishing to pursue their studies.

- Several initiatives were carried out by Millennium bim for the promotion of health and well-being of its Employees, namely lectures together with counselling sessions and health tests; Engagement of pharmaceutical services for the supply of anti-retroviral drugs; making health tests in the building of the head office on the World Aids Day; the Bank was appointed for the Presidency of EcoSIDA - Associação dos Empresários para Saúde e Bem-Estar do Trabalhador.
- Net income increased 23.2%, with a ROE of 24.2%, based on the 13.2% increase of the banking product, triggered by the increase in the net interest income (+27.9%) and of fees (+2,4%), despite the 9.2% increase in operating costs. Customer funds increased 1.8% and the credit portfolio decreased 19.5%.

MILLENNIUM BIM

Million euros

	2017	2016	2015	Change % 17/16	2016	Change % 17/16
					excluding FX effect	
Total assets	1,950	1,838	2,355	6.1%	1,965	-0.7%
Loans to customers (gross)	965	1,121	1,378	-13.9%	1,199	-19.5%
Loans to customers (net)	872	1,039	1,297	-16.1%	1,111	-21.6%
Customer funds	1,414	1,299	1,744	8.9%	1,389	1.8%
Of which: on balance sheet	1,414	1,299	1,744	8.9%	1,389	1.8%
Shareholders' equity	404	309	396	30.7%	330	22.2%
Net interest income	173.2	139.7	140.8	24.0%	135.5	27.9%
Other net income	50.9	64.5	100.6	-21.1%	62.5	-18.6%
Operating costs	84.9	80.2	106.1	5.9%	77.8	9.2%
Impairment and provisions	26.7	23.6	29.4	13.1%	22.9	16.7%
Net income	85.1	71.2	84.2	19.5%	69.1	23.2%
Number of customers (thousands) (*)	1,339	1,272	1,200	5.2%		
Employees (number)	2,631	2,551	2,505	3.1%		
Branches (number)	186	176	169	5.7%		
% Of share capital held	66.7%	66.7%	66.7%			

Note: the source of the information presented in this table was the financial statements reported by the subsidiary for the purpose of consolidated financial statements, whenever available.

FX rates:				
Balance Sheet 1 euro =	70.4400	75.3100	51.1600	meticais
Profit and Loss Account 1 euro =	71.6902	69.4927	43.7413	meticais

(*) Number of customers with change of criteria to active customers, from 2015 onwards.

Macau

- The Macau branch acts as a support base for the Portuguese companies with business in Macau;
- Expansion of trade finance operations to support Portuguese enterprises in exports to China and/or imports from China;
- Attracting companies trading in the Angolan capital market that have international trade operations with China.
- Support for Chinese Clients who apply for the golden visa.
- Increase the contacts established between the Investment Banking area of Millennium bcp with Chinese companies seeking investment solutions in Portuguese-speaking countries.
- It is also worth mentioning the continuing development/modernization of the technological platform of the Branch, namely the solution for trade finance operations.
- In December 2017, customer funds stood at 643 million Euros (-40.4%) and gross loans reached 324 million Euros (-24.5%).
- Net earnings amounted to 11.2 million Euros (-34.6% in MOP and -43.1% in Euros), negatively influenced by the reduction in credit granted versus 2016.

Cayman Islands

- In 2017, customer funds of Bank & Trust stood at 369 million Euros (-3.7%) and gross loans reached 22 million Euros (-46.3%).
- Net earnings amounted to 2.3 million Euros and have been adjusted by non-relevant foreign exchange impacts on a consolidated basis.

MILLENNIUM BCP BANK & TRUST

Million euros

	2017	2016	2015	Change % 17/16
Total assets	678	710	802	-4.6%
Loans to customers (gross)	22	41	45	-45.3%
Loans to customers (net)	19	39	41	-50.6%
Customer funds	369	383	491	-3.8%
Of which: on balance sheet	359	371	478	-3.2%
Off-balance sheet	10	13	12	-19.8%
Shareholders' equity	318	335	317	-5.2%
Net interest income	6.4	5.7	7.8	11.5%
Other net income (*)	(0.9)	1.2	2.5	-171.8%
Operating costs	1.7	2.1	2.9	-17.4%
Impairment and provisions	1.5	(2.7)	2.4	156.7%
Net income (*)	2.3	7.5	4.9	-69.2%
Number of customers (thousands)	0.2	0.2	0.3	-14.6%
Employees (number)	6	7	12	-14.3%
Branches (number)	0	0	0	
% Of share capital held	100.0%	100.0%	100.0%	

Note: the source of the information presented in this table was the financial statements reported by the subsidiary for the purpose of consolidated financial statements, whenever available.

(*) Other net income and Net income have been adjusted by 19.7 million euro in 2017 and -10.3 million euros in 2016, concerning non relevant foreign exchange impacts on consolidated basis.

INCOME OF FOREIGN BUSINESS AREA

Million euros

FOREIGN BUSINESS	31 Dec. 17	31 Dec. 16	Chg. 17/16
PROFIT AND LOSS ACCOUNT			
Net interest income (*)	574	477	20.1%
Other net income (*) (**)	262	277	-5.1%
	836	754	10.9%
Operating costs (*)	367	342	7.3%
Impairment (*)	138	82	67.9%
Income before tax	332	330	0.4%
Income taxes (*)	84	85	-1.3%
Income after tax from continuing operations	248	245	1.0%
Income from discontinued operations (***)	-	37	-100.0%
Income after tax	248	282	-12.2%
SUMMARY OF INDICATORS			
Allocated capital	1,390	1,233	12.7%
Return on allocated capital	17.8%	22.8%	
Risk weighted assets	11,293	10,634	6.2%
Cost to income ratio	43.9%	45.3%	
Loans to Customers (net of impairment charges) (*)	12,502	12,003	4.2%
Total Customer funds	19,437	17,704	9.8%

(*) Balances according to the Note 51 – Consolidate Balance Sheet and Income Statement by Segments, of the notes to the accounts.
(**) Includes accounted earnings related to the investment in Banco Millennium Atlântico, the new merged entity resulted from the merger process of Banco Millennium Angola with Banco Privado Atlântico in May 2016.
(***) Corresponds to total net income from Banco Millennium Angola (from the first four years of 2016).

Income after tax from Foreign Business, according to the geographic segments, stood at 248 million Euros in 2017 versus 282 million Euros achieved in the same period of 2016, being affected by specific impacts resulting mainly from the application of IAS 29 on Banco Millennium Atlântico in 2017 due to the classification of Angola as an economy with high inflation by the international audit firms and by gains in 2016 with the sale of the stake held by Bank Millennium Poland in Visa Europe.

The application of IAS 29 to Banco Millennium Atlântico caused a negative impact of 28 million Euros in the income after tax from the Foreign Business segment in 2017, reflected in other net income (equity accounted earnings) and impairment (goodwill), while gains obtained last year by Bank Millennium in Poland with the sale of the stake held in Visa Europe had a positive impact of 57 million Euros on income after tax of this segment in 2016, resulting all these effects on a lower amount of 85 million Euros in income after tax in 2017, compared to 2016.

Taking into account the different items in the income statement, the performance of Foreign Business can be analyzed as follows:

- Net interest margin rose to 574 million Euros in 2017 (477 million Euros in 2016). Excluding foreign exchange effects, the increase would have been 16.8%, reflecting the positive contribution of all subsidiaries and mainly by Millennium bim.
- Other net income excluding the equity accounted earnings related to the stake held in Banco Millennium Atlântico and the impact of the sale of Visa Europe, by Bank Millennium in Poland, shows a 15.1% increase (14.8% excluding foreign exchange effects) despite the higher level of mandatory contributions in Poland.
- Operating costs amounted to 367 million Euros in 2017, 7.3% up from the same period of 2016. This evolution was mainly due to the contribution of Bank Millennium in Poland. Excluding foreign exchange effects, operating costs would have risen 6.0%, mainly influenced by the operations in Mozambique and Poland.
- Impairment charges, excluding foreign exchange effects and the impact from the application of IAS 29 on Banco Millennium Atlântico in 2017, would have risen 18.1%, mainly caused by the performance of Mozambique and Poland.
- Loans to customers (net) stood at 12,502 million Euros, a 4.2% increase from the 12,003 million Euros of 31 December 2016. Excluding foreign exchange effects, loans decreased 1.2%, influenced by the performance of Mozambique despite the inverse performance in Poland.

- Total customer funds from business abroad increased by 9.8% from the 17,704 million Euros reported on 31 December 2016, standing at 19,437 million Euros on 31 December 2017, mainly due to the performance of Poland and mostly to the customers' deposits and other loans. Excluding the foreign exchange effects, total customer funds increased 5.3%.

OTHER

Millennium bcp Ageas

Within a context of recovery of the Portuguese economy and a challenging competitive market, 2017 was marked by the continuation of the implementation of the defined strategic agenda.

Several projects were carried out and, combining the excellence in the experience provided to the customer with the creation of value proposals, contributed to strengthening the Bank's position as an international reference in the distribution of insurance policies through banking channels.

The Life insurance business, with a production of 1,400 million Euros, recorded a 1.8% increase versus the same period of 2016, especially driven by the performance recorded by the closed unit linked and PPR products, increasing 24.2% and 70.9%, respectively, versus 2016.

The good operating performance and technical solidity of the life operation enabled the generation of a significant contribution of 35.5 million Euros of net income for Millennium bcp, 36.5% more than in 2016.

In the Non-Life business, the strong focus of the commercial networks of Millennium bcp permitted a 7% increase in production compared with the same period in 2016, strengthening its leading position in non-life insurance in the bancassurance channel with a market share of 35.8%.

This performance was triggered by some commercial initiatives such as the strong multimedia campaign of Médis, and other campaigns launched throughout the four business cycles, which contributed positively in both the Retail and Companies network, which grew 6.2% e 11.2% vs. 2016, respectively.

Main indicators	Dec-2017	Dec-2016	Variation
Market Share - Premiums			
Life Insurance	20.2%	21.0%	-0.8 p.p.
Non-Life Insurance	7.4%	7.4%	0 p.p.
Market Share– Premiums in *Bancassurance*			
Life Insurance	24.4%	27.2%	-2.8 p.p.
Non-Life Insurance	35.8%	35.8%	0 p.p.

STRATEGY

Vision, Mission and Value Creation

BCP intends to be a benchmark Bank in customer service ...

BCP's vision is to become the benchmark Bank in Customer service, based on innovative distribution platforms, where a relevant part of the resources will be allocated to Retail and Companies, in markets of high potential with excellent efficiency levels, translated into a commitment to an efficiency ratio placed at reference levels for the banking industry and with tight discipline in capital, liquidity and cost management.

... whose mission is to create value for the Stakeholders ...

The Bank's mission is to create value for the stakeholders through high quality banking and financial products and services, complying with rigorous and high standards of conduct and corporate responsibility, growing profitably and sustainably, so as to provide an attractive return for Shareholders, in a manner that supports and strengthens the bank's strategic autonomy and corporate identity.

... defining ambitious goals ...

On 12 January 2017, the Bank confirmed its financial and operational business goals for 2018 pursuant to the share capital increase:

- CET1 (phased in) and CET1 (fully implemented) of around 11%;
- Loans to deposits ratio at less than 100%;
- Cost-to-Core Income ratio under 50%;
- Cost-to-Income ratio under 43%;
- Cost of risk under 75 b.p.;
- ROE[5] of approximately 10%.

... and knowing how to attain them.

In the recent past, BCP overcame challenging and demanding times. Its Employees worked hard to turn BCP into a benchmark for commercial banking in Portugal.

The country went through a Financial Aid Programme, showing a weakened economy and a financial system with its credibility damaged. Clients became more demanding and changed the way they relate with the Bank, showing their increasing preference for alternative digital channels, rather than going to a branch.

The contraction showed by banking activity was enormous, interest rates stood at historically low levels, banking supervision was transferred to the European Central Bank and the Supervisor became more demanding and distant. The competitors are currently adjusting to this environment and the Employees of BCP worked daily on the transformation of BCP in order to ensure its sustainability.

The Bank adapted to the changes around it and responded with innovation and ability to adapt to a new reality, bearing in mind at all times the way it wishes to do banking.

Banking with values in the daily relations with Clients, Shareholders, Employees and other Stakeholders.

[5] Based on a fully implemented CET1 ratio of 11%.

Millennium bcp is and will increasingly be a bank that is:

Agile, Modern, Personal, Simple and Sustainable

These are the principles defining how each Employee of BCP must act in his/her relations with other Employees, Customers, Shareholders, other Stakeholders and with the Community and the Surrounding Environment.

Strategy

In September 2012, BCP presented a Strategic Plan with three stages (definition of the basis for a future sustainable development, creation of conditions for growth and profitability and, lastly, achieving a sustained growth) to be implemented until 2017. The Strategic Plan was updated in September 2013, following the approval of BCP's Restructuring Plan by the European Commission and in June 2013, after a share capital increase operation, its targets were also updated. This strategic plan was completed with success.

In 2017, the Bank sped up the implementation of strategic initiatives, betting on innovation and customer experience.

In relation to BCP's business model, 6 work fronts were adopted:

- Redefining the Retail distribution network, exploiting the potential of new technologies, namely in the digital area (Internet Banking and Mobile Banking, among others).
- Relaunching the affluent individuals segment, by adjusting the service model and taking up a position of leadership.
- Consolidating the position of leadership in providing support to micro and small enterprises.
- Adjust the business model of the growth-oriented corporate segment, in order to be the reference Bank in providing support to the Portuguese economy.
- Transform the credit recovery business through an integrated strategy of reduction of the non-core business portfolio, which may include the sale of assets and the optimisation of the recovery operating model.
- Build on the operating model of the Bank, by simplifying and automating processes, with a view to optimising the levels of service provided to the Customer.

In order to transform the Bank into a stronger organisation and with greater involvement with the shareholders, there are 3 organisation-wide work fronts under way:

- Definition of the level of risk to be adopted in each business area with the implementation of the “Risk Appetite” rules.
- Promotion of a business sharing culture between business areas and geographies.
- Launch of a cultural transformation programme of the organisation with a focus on the development of human resources, the improvement of its satisfaction and the consolidation of a set of values that guide the action of the Bank.

The implementation of this Agenda showed visible results at a business level, there was a significant growth in the number of new clients and in the number of digital clients, an increase of digital sales, improvement of the efficiency of the analytics and CRM model. The Bank also launched new products developed by multi-disciplinary teams, like the online credit and the M2020 App.

In Poland, the bank disclosed its "Strategy 2020", announcing a net income target of 1000 million Zlotys, a core income 30% higher than in 2017 and a cost-to-income of 40%, maintaining the cost of risk in line with the historical average. The Bank is evolving, becoming more digital in both the affluent and the mass market segments.

In Mozambique, the bank is focused on the management of the major risk sources, improving namely the control of operating risk, and on its modernization, namely through Mobile (IZi and Smart Izi) and the development of payment solutions. In terms of business segments, one must underline the development shown by the Prestige segment.

The General Meeting of Shareholders will elect the Bank’s corporate bodies for the next three-year period, namely a new Executive Committee. Afterwards, the Bank will present to the market a new Strategic Plan to continue to enhance the Bank’s position as a modern bank, close to its stakeholders and increasingly sustainable.

RISK AND OUTLOOK

Internal Control System

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

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

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

The internal control system is based on:

- An adequate internal control environment;
- A solid risk management system, aimed at the identification, evaluation, follow-up and control of all risks which might influence the Group's activities;
- An efficient information and communication system, designed to guarantee the collection, processing and transmission of relevant, encompassing and consistent data, within a timeframe and manner that allows for an effective and timely management and control of the institution's activity and risks;
- An effective monitoring process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, to immediately identify any flaws (defined as the group of existing, potential or real defects, or opportunities for the introduction of improvements that will strengthen the internal control system), and ensuring the triggering of corrective action; and
- Strict compliance with all the legal and regulatory provisions in force by the Group's employees in general, and by the people who hold senior or managerial positions, including members of the management bodies, to ensure compliance with the Group's Code of Conduct and other codes of conduct applicable to the banking, financial, insurance and brokerage (of securities or derivatives) activities.

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

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

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

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

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

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

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

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

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

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

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

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

Main Risks and Uncertainties

Risk	Sources of risk	Risk level	Trend	Interactions
ENVIRONMENT				
Regulatory	▪ More demanding Capital Requirements (SREP) and liquidity and implementation of MREL ▪ Regular practice of conducting Stress Tests by the ECB ▪ Changes to accounting standards, namely IFRS 9, as of January 2018, which includes into a transition from an incurred loss model to an expected loss model ▪ Absence of fiscal framework for the IFRS 9 transition ▪ Legal void for the tax treatment of credit impairments ▪ European Commission and ECB guidelines on NPL provisioning ▪ EBA's guidelines on IRB models	High	↔	▪ Total CET1 requirements in 2018: 8.8125% ▪ Disclosure of LCR, NFSR and Leverage ratio ▪ IFRS9 could result in a greater Income Statement volatility and in a greater loan granting procyclicality ▪ Most guidelines have already been translated into our risk models, which, pursuant to continuous dialogue with the ECB, have become very conservative when compared with most banks in Europe ▪ 56% RWA density
Sovereign	▪ Low potential growth ▪ Low interest rates and compression of the spread for active interest rates ▪ High indebtedness of the public sector and of the private sector ▪ Deceleration of the fall of public debt as a percentage of GDP ▪ Deceleration of the correction of the unbalances of the country's current account and capital account ▪ Exposure to Portuguese and Mozambican sovereign debt ▪ Exposure to emerging countries strongly dependent on commodities ▪ Exposure to credits held by Mozambican entities ▪ Angola was considered an economy undergoing hyperinflation	Medium	↔	▪ Recovery of profitability limited by the low nominal interest rates and by the low potential growth ▪ Still high level of NPE ▪ Lower funding costs ▪ Profitability of the pension fund ▪ Increase in risk premiums may worsen future regulatory requirements, namely those related to the MREL ▪ Future regularization of the ECB's monetary policy leads to pressure on public debt yields but the increasing steepness of the interest rates curve favours the banks' profitability
FUNDING AND LIQUIDITY				
Access to WSF markets and funding structure	▪ Irregular functioning of WSF/MMI markets ▪ Progressive replacement of the funding obtained from the ECB by funding obtained in the IMM/WSF ▪ Incentive to the placement of financial instruments with Retail investors ▪ Need to fulfil eventual *gaps* versus MREL requirements ▪ Continuation of the deleveraging process by the internal economic agents versus growth of active loans	Low	↓	▪ Balance sheet customer deposits and funds paramount in the funding structure ▪ Limited scope for decreasing cost of funding ▪ Credit portfolio may continue to contract ▪ Maintenance of the NPE decrease rhythm ▪ Return to profitability in Portugal independent from volume growth ▪ Need for access to the financial markets to meet MREL requirements, which may impact the banks' funding structure

Risk	Sources of risk	Risk level	Trend	Interactions
CAPITAL				
Credit risk	▪ Still high NPA stock ▪ Execution of NPE and CRF Reduction Plans may not meet market expectations ▪ Exposure to real estate assets, directly or by participating in real estate investment or restructuring funds ▪ Exposure to emerging countries strongly dependent on commodities	High	↔	▪ Impact on SREP from high level of NPE ▪ Need to decrease the time recovery processes take, for both loans and/or companies ▪ Evolution of available income / evolution of unemployment rate / level of companies' default ▪ Need to decrease exposure to real estate risk, despite the positive trend in real estate prices generating a positive context for the resolution of the NPE and CRF stock in the bank's balance sheet ▪ Deterioration of the quality of loans granted directly to emerging countries or to companies in those countries or to Portuguese companies with business relationships with those countries
Market risk	▪ Volatility in capital markets ▪ Adverse behaviour of the real estate market	Low	↔	▪ Market uncertainty ▪ Monetary policies of the various Central Banks ▪ Profitability of the pension fund ▪ Smaller profits from trading
Operational risk	▪ Inherent to the Group's business	Low	↔	▪ Streamlining processes ▪ Degrading controls ▪ Increased risk of fraud ▪ Business Continuity
Concentration risk	▪ Concentration of assets of some size	Medium	↔	▪ Need to reduce the weight of the main Customers in the total credit portfolio
Reputational, legal and compliance risk	▪ Inherent to the Group's business ▪ Incentives to place financial products that enable recovery of profitability, not matching the clients' risk profile or needs ▪ Reputational risk worsened by the recent resolutions of BES and Banif, after the problems with BPN and BPP	Medium	↔	▪ Negative public opinion may hinder the ability to attract Clients (particularly depositors) ▪ Eventual complaints from Clients ▪ Eventual sanctions or other unfavourable procedures resulting from inspections ▪ Unstable regulatory framework applicable to financial activities ▪ AML and counter terrorism financing rules
Profitability	▪ Low nominal interest rates ▪ Discussions on the banks' obligation to fully reflect the negative value of the Euribor in mortgage loans rate ▪ More limited space to reduce rates on term deposits in new production ▪ Regulatory pressures on fees ▪ Increase of the coverage of problematic assets by impairment ▪ Exposure to emerging markets, including countries specifically affected by the fall in the commodities price ▪ Fintech competition	Medium	↔	▪ Negative impact on the financial margin: price effect, volume effect and past due credit effect ▪ Need to continue to control operating costs ▪ Keeping adequate hedging of problematic assets by provisions ▪ Reformulation of the business model and digital transformation

Risk Management

The Group's Risk Management System (SGR) is one of the elements of the Internal Control System (SCI) - together with the Internal Audit and Compliance functions - and decisively contributes to a solid control and risk limitation environment in which the Group carries out its business activities, sustainably and in accordance with its Risk Appetite Statement (RAS).

In 2017, the main activities related to developments, responses and achievements within the scope of the control and monitoring of the various risks that the Group faces were, in summary, the following:

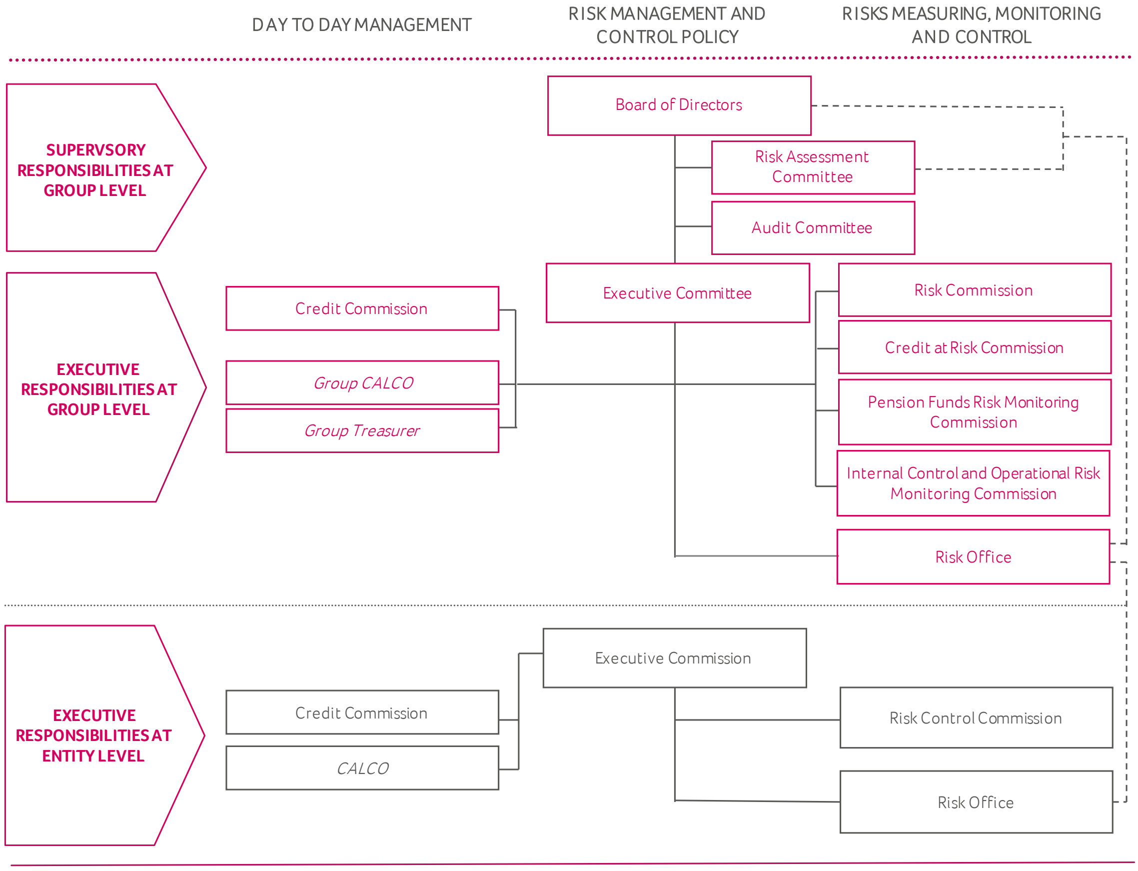
- Updating of the Non-performing Assets (NPA) Reduction Plan, concerning the Non-performing Exposures (NPE) and the foreclosed assets (or received in lieu of payment), the performance of which has registered very positive results, above the forecasts;
- Participation in the European Banking Authority (EBA) benchmarking exercise related to the approved internal models for capital requirements calculation of high default portfolios - Retail and SME Corporate - and for market risks;
- Undertaking of the internal developments necessary for the implementation of IFRS9, together with the participation in the impact studies regarding this new framework, with report to EBA;
- Execution of the stress testing exercise of 2017, specifically regarding the interest rate risk of the banking book;
- Drawing up of a Plan for the follow-up and (and projection) of the disinvestments in Corporate restructuring funds (FRE), that went on at a steady rhythm and with positive results in 2017;
- Approval of the new risk taxonomy for ICAAP(*) purposes, with the identification and quantification of risks within the scope of this process and execution of Pillar 2 report;
- Review and update of the RAS metrics, incorporating new variables to monitor credit concentration risk, reputational risk and cyber-risk;
- Supervisory approval of the new Retail LGD/ELBE models of Bank Millennium (Poland);
- Supervisory approval of the IRB approach for financial assets stemming from the Group's participation (in Portugal) in Collective Investment Undertakings;
- Response to various SSM inspections of the Group's activity in Portugal - namely, concerning the estimation model for CCF, the ILAAP(**), IT risks, the internal models for the Retail portfolio (TRIMIX), Defaults' tagging and the process of liquidity control - as well as a supervisory 'deep dive' on the ICAAP;
- Submission of authorization request for the PPU (Permanent Partial Use) of the standard approach for exposures related to tariffs' credits over the national electricity system and for intra-group credit exposures;
- Submission of authorization requests for material changes to LGD/ELBE Retail and Corporate models for Portugal, with new estimates and segmentations for these parameters. The authorizations for the LGD/ELBE models were granted at the beginning of 2018;
- Participation in the Bank's new products' approval policy, through the risk analysis of 145 new products and services;
- Implementation of updates to the internal market risk model (VaR);
- Implementation of a software solution to support the management and registration of internal models (MRM), aiming at the reinforcement of model risk governance practices;
- Launching of the BCBS 239 (Principles for effective risk data aggregation and risk reporting) Project and nomination of the Chief Data Officer (CDO), in view of the Bank's compliance with the principles of the Basel Committee on data governance and data quality;
- Participation in the update of the Group's Recovery Plan.

It is also important to remember that the commitments established with DG COMP (from the European Commission) that resulted from the Bank's recapitalization plan, ended on 31/12/2017. This formally marked the end of a period of around four years during which the Group faced and surmounted crucial challenges, in which risk management - among other control functions - has played a very relevant role and contributed unequivocally to the evidenced business resilience.

(*) *Internal Capital Adequacy Assessment Process.*
(**) *Internal Liquidity Adequacy Assessment Process.*

RISK MANAGEMENT GOVERNANCE

The following figure illustrates the risk management governance, referred to on 12/31/2017, exerted through various bodies:



The compositions, competences and responsibilities of the bodies intervening in the risk management governance – besides the Board of Directors (BoD) and the Executive Committee (EC) - are the following:

RISK ASSESSMENT COMMITTEE

The Risk Assessment Committee is composed of three non-executive members of the BoD and has the following responsibilities:

- Monitoring of the overall levels of credit, market, liquidity and operational risk, ensuring that these are compatible with the objectives, available financial resources and strategies approved for the development of the Group's activity;
- Supervision of the Group's 'Risk Appetite' definition and implementation, proposing the respective Risk Appetite Statement (RAS) to the BoD;
- Supervision of the ICAAP and monitoring of the RAS indicators, verifying their alignment with the defined thresholds and levels, as well as monitoring the action plans designed to ensure compliance with the established risk limits;
- Approval of the Group's Capital and Liquidity Contingency Plan and of the business continuity management plans (Disaster Recovery Plan and Business Recovery Plan);
- Advising the BoD on matters related to the definition of risk strategy, capital and liquidity management and market risks management.

The Risk Officer has functional reporting duties to this Committee and participates in its meetings, presenting the evolution of the key risk metrics and indicators and of the credit impairment, as well as all incidents, changes and evolutions relative to the Risk Management System.

AUDIT COMMITTEE

The Audit Committee is composed of three non-executive members of the BoD. Within the risk management governance, this body stands out for its corporate global monitoring and supervising capacities (e.g. in what concerns the follow-up of the Group risk levels), as well as for its competences related to the Internal Control System, namely:

- Control of the Risk Management and the Internal Control Systems' effectiveness (and, also, of the Internal Audit System);
- Issuing of a prior opinion concerning the entity defined by the Bank to assess the adequacy and effectiveness of the Internal Control System.

The Risk Officer participates in this committee's regular meetings, reporting on the evolution of the main indicators and metrics concerning risks and credit impairment, as well as on the implementation status of the recommendations that concern the Risk Management System (within the scope of internal control or issued by the supervisory/regulatory authorities).

RISK COMMISSION

This commission is responsible, at an executive level, for the Group's risk management and control framework, establishing its respective principles, rules, limits and procedures for the Group's entities, in accordance with the defined risk limits.

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

This commission is composed of all the members of the EC(*), the Risk Officer, the Compliance Officer and the Heads of the following Divisions: Internal Audit; International, Treasury and Markets; Research, Planning and ALM; Credit; Rating; Models Monitoring and Validation Office.

CREDIT AT RISK COMMISSION

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

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

This commission is composed of three EC members (responsible for the credit, financial and risk areas) and the Heads of the following Divisions: Credit; Risk Office; Rating; Specialised Recovery; Specialised Monitoring; Retail Recovery; Real Estate Business; Legal Advisory and Litigation; and Management Information.

(*) With a minimum of three Executive Directors.

PENSION FUNDS RISK MONITORING COMMISSION

The mission of this specialised commission is the monitoring of the performance and risk of the Group's Pension Funds in Portugal.

The Commission has the following competences:

- Assess the performance and risk of the Pension Funds;
- Establish appropriate investment policies.

This commission is composed of three members of the EC (one of these being the responsible for the insurance area), the Risk Officer, the head of Human Resources and of the Research, Planning and AML Divisions and, by invitation, representatives of the Fund's management entities.

INTERNAL CONTROL AND OPERATIONAL RISK MONITORING COMMISSION

This commission is responsible for defining the operational risk management framework and its implementation in the Group's operations.

The Commission monitors all matters related with internal control and operational risk.

It is composed of three EC members, the Risk Officer, the Compliance Officer and the Heads of the Internal Audit, IT and Operations Divisions. Depending on the specific subjects concerning processes to be addressed by this commission, macro-process owners will participate in the meetings.

CREDIT COMMISSION

This commission's functions are to assess and decide on loan granting to Customers of Banco Comercial Português, in accordance with the competences established by an internal regulation ('Credit Granting, Monitoring and Recovery'). This commission may also issue, when justifiable, advisory opinions on credit proposals from Group subsidiaries.

The Commission sub-divides into different commissions: one for decisions on core business credit applications, the other for decisions upon NPE clients' operations.

The Credit Commission is composed of all of the EC members(*), the Risk Officer, the Compliance Officer, the Company Secretary, the Heads of the proponent areas, the 'Level 3' managers, the subsidiary entities' Credit Commission members (whenever there are proposals originated in those entities) and the Heads of commercial areas. The Heads of the following Divisions are also members of this commission: Credit; Specialised Monitoring; Legal Advisory and Litigation; Investment Banking; Real Estate Business; Rating; Specialised Recovery; Retail Recovery.

GROUP CALCO

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

- Monitoring and management of the interest rate risk associated with the assets and liabilities structure;
- Planning and proposals for capital allocation;
- Preparation of proposals for an appropriate definition of liquidity and interest rate risk management policies, at the level of the Group's consolidated balance sheet.

The Group CALCO is composed of all the members of the EC(**) and the heads of the following Divisions: Research, Planning and ALM; Risk Office; Large Corporate; Companies and Corporate; Management Information; Companies Marketing; Retail Marketing; International, Treasury and Markets; Investment Banking; Business Development (upon invitation). Other people, according to the matters addressed, may be requested to participate in the Group CALCO.

(*) With a minimum of three Executive Directors and mandatory participation of the responsible for credit and the Directors from proponent areas (or the alternate Directors of Credit and the proponent areas).

(**) With a minimum of three Executive Directors.

RISK OFFICE

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

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

The Head of Risk Office is appointed by the BoD and reports to the Board of Directors and its Executive Committee, as well as, on a functional or close relationship basis, to the Risk Assessment Committee and the Audit Committee.

CREDIT RISK

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

Control and mitigation of this risk are carried out through a solid and reliable structure of risk analysis and assessment, based on internal rating systems suited to the different business segments and a model for the early detection of potential default of the portfolio and through structural units that are exclusively dedicated to credits recovery, for non-performing situations.

EVOLUTION AND BREAKDOWN OF THE LOAN PORTFOLIO

The credit portfolio volume's evolution between 31/12/2016 and 31/12/2017, is presented in the next table, in terms of EAD (Exposure at Default)(*) considering the three main Group geographies - Portugal, Poland and Mozambique - which represented around 99.6% of the Group's EAD by 31/12/2017.

(Million euros)

Geography	Dec 17	Dec 16	Change	
			Amount	%
Portugal	**47,405**	47,856	(451)	-0.9%
Poland	**17,488**	16,015	1,473	9.2%
Mozambique	**1,879**	1,997	(118)	-5.9%
PT + PL + MZ	**66,772**	**65,867**	**905**	**1.4%**

In 2017, the Group's portfolio growth was 1.4%, in euros (EUR), to which the increase of 1.473 million euros registered in Poland has decisively contributed. In Portugal, the credit portfolio decreased slightly (- 451 million euros, representing a contraction of 0.9%), mainly due to the effect of the NPE Reduction Plan (reduction of 1.784 million in 2017).

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

The evolution of the portfolio volumes in the most representative original currencies in the two main foreign geographies (respectively PLZ and CHF in Poland; meticais (MZN) and US dollars in Mozambique) was influenced by the FX variation of these currencies against the euro in 2017: +5.6% for PLN, -8.2% for CHF, +6.9% for MZN and -12.2% for USD.

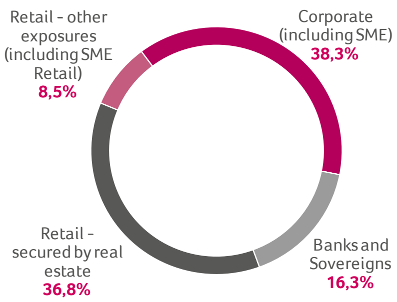
In Poland, for the two most representative currencies of the local portfolio, there was an annual growth of 14.7% of the portfolio denominated in PLN and a decrease of 7.2% of the portfolio expressed in CHF (in the original currencies). The contraction of the portfolio in CHF corresponded to the continuation of the progressive reduction of the mortgage loans portfolio denominated in CHF. At the end of 2017, the weights of the portfolios denominated in PLN and CHF were of, respectively, 76% and 20% of the total portfolio (measured in EUR), against 68% and 26% at the end of 2016.

Thus, in spite of the relevant appreciation of the PLN against the EUR, the change in the volume of the credit portfolio in Poland when measured in the Group's reference currency, was offset by the strong depreciation of the CHF recorded and the effective contraction of the portfolio denominated in that currency, globally growing only about 9% in EUR.

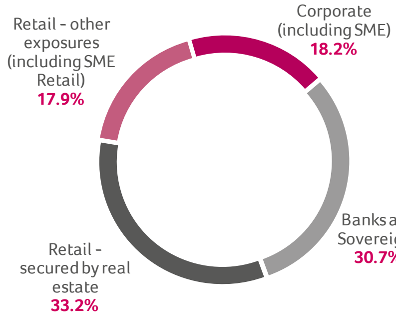
In Mozambique, there was an overall annual decrease in the portfolio (measured in EUR) of around 6%. This reduction was mainly due to the reduction of the local portfolio denominated in USD as well as to the strong depreciation of this currency against the EUR. In fact, MZN's portfolio (representing around 77% of the total portfolio in EUR at the end of 2017) recorded a strong annual growth: 7.8% in original currency and 15.3% in EUR (due to the strong appreciation of the MZN against the EUR). Thus, the effective and FX-driven contraction of the portfolio denominated in USD prevailed over the growth of the portfolio denominated in local currency.

The breakdown of the portfolio by risk class is illustrated by the following graphs, representative of the portfolio composition on 31/12/2017, which show a strong diversification:

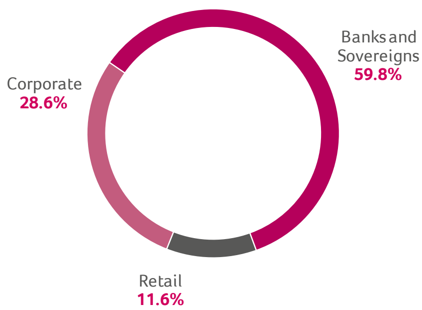
PORTUGAL



POLAND



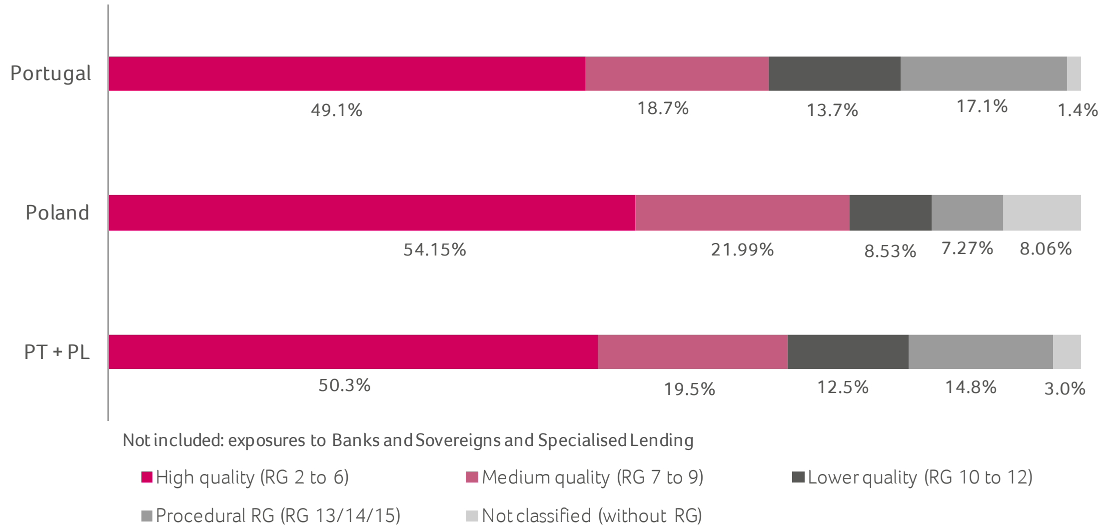
MOZAMBIQUE



This portfolio breakdown for Portugal and Poland at 31/12/2017 does not present relevant changes in relation to the end of 2016.

In what concerns Mozambique, there was an increase in the weight of the “Banks and Sovereigns” risk class, together with a noticeably equivalent decrease in the weight of the “Corporate” risk class, while the weight of the “Retail” risk class remained practically unchanged. These risk classes represented, on 31/12/2016 respectively, weights of 50.9%, 36.2% and 12.9% of the portfolio (EAD). This evolution is mainly due to the conversion of financing to Mozambican state-owned enterprises (or owned by the Mozambican State) into sovereign Debt of that country.

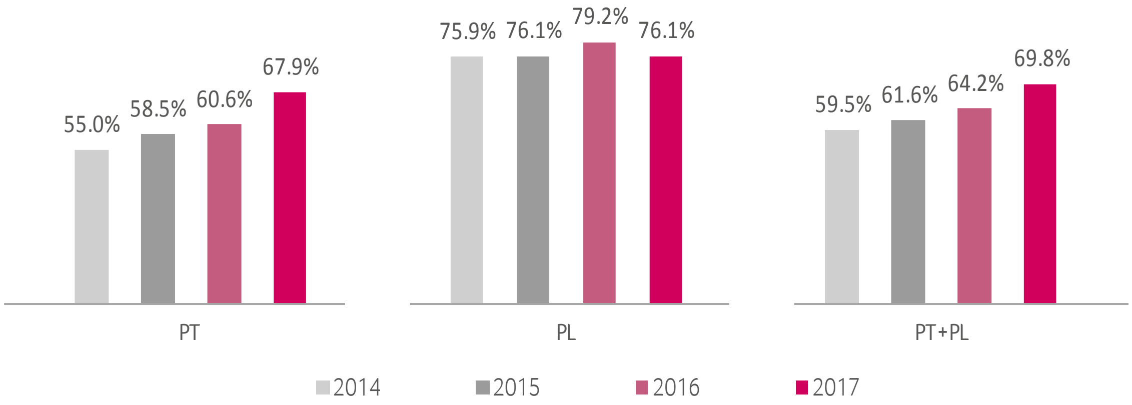
The following chart presents the portfolio breakdown (EAD) in terms of the internal risk grades of the debtors, in Portugal and Poland, as at 31/12/2017:



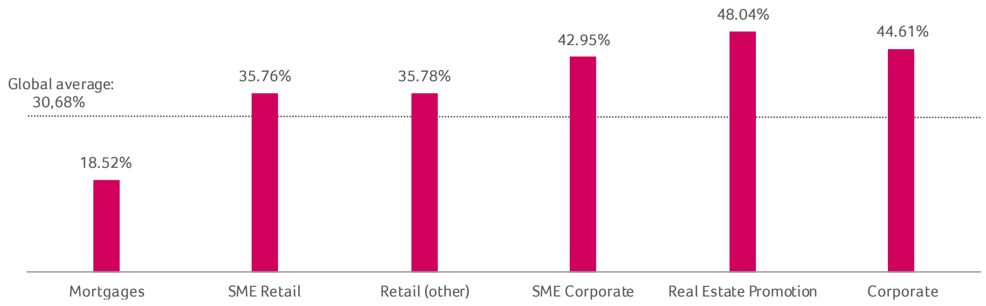
This distribution of EAD by risk grades (RG) represents an improvement in creditworthiness quality compared to the end of 2016: the weight of EAD corresponding to medium and higher quality risk grades increased in the two geographies as a whole, reaching 69.8% in 31/12/2017 which compares with 64.2% as at 31/12/2016. This positive evolution was based on the largest part of EAD associated with clients with higher and medium quality risk grades in Portugal, whose weights were of, respectively, 43.1% and 17.4% (total of 60.5%) at 31/12/2016.

The exposure associated with clients with procedural RG - clients with financial difficulties, including debtors of NPE (in which customers in Default are included) - also showed a favourable evolution, since it had a weight of 18.5% as at 31/12/2016 (21.8% in Portugal).

The following graph shows the annual evolution (31/12/2014-2017) of the EAD volume corresponding to customers with higher and medium quality RG.



In what concerns the LGD (Loss given default) parameters, the average effective values used in the RWA (Risk Weighted Assets) calculation, as at 31/12/2017, were the following:



MAIN CREDIT RISK INDICATORS

The quarterly evolution of the main credit risk indicators, between 31/12/2016 and 31/12/2017, for the Group and the portfolios of Portugal, Poland and Mozambique:

	Dec 17	Sep 17	Jun 17	Mar 17	Dec 16
CONSOLIDATED					
NPE/Total credit	**15.0%**	15.9%	17.0%	17.5%	18.1%
NPE/Total credit (*)	**11.1%**	11.6%	13.0%	13.9%	14.5%
Non-performing credit/Total credit (**)	**5.3%**	5.6%	5.9%	5.9%	6.2%
Past due credit (> 90 d)/Total credit (**)	**8.2%**	8.6%	9.0%	9.2%	9.5%
Impairment/Total credit (**)	**6.2%**	6.4%	6.7%	6.8%	6.8%
PORTUGAL					
NPE/Total credit	**17.8%**	18.9%	20.2%	21.1%	21.7%
Non-performing credit/Total credit (**)	**6.3%**	6.7%	7.0%	7.1%	7.4%
Past due credit (> 90 d)/Total credit (**)	**9.7%**	10.1%	10.7%	11.1%	11.5%
Impairment/Total credit (**)	**7.1%**	7.3%	7.7%	7.8%	7.9%
POLAND					
Past due credit (> 90 d)/Total credit (**)	**2.8%**	2.7%	2.7%	2.6%	2.6%
Impairment/Total credit (**)	**3.1%**	3.1%	3.0%	2.9%	2.8%
MOZAMBIQUE					
Past due credit (> 90 d)/Total credit (**)	**11.8%**	11.9%	11.8%	6.5%	4.6%
Impairment/Total credit (**)	**8.3%**	8.1%	7.9%	7.2%	6.1%

NPE = Non-performing Exposures; NPL = Non-performing Loans

(*) NPE including debt securities and Off-Balance Sheet (**) Total credit = Direct credit to clients, excluding Bonds

The evolution of these indicators was globally positive in 2017, both for Portugal and in consolidated terms. The Group level indicators were mainly influenced by the improvement in Portugal's indicators, given the weight of the domestic portfolio in the Group's total.

The NPE reduction in Portugal - referred to ahead, within the scope of the NPA Reduction Plan - was very strong in 2017 and resulted in an improvement in the NPE ratio from around 23% at the end of 2016 to less than 19% at the end of 2017.

In Poland, credit risk indicators remained relatively stable throughout 2017, with non-significant aggravations between the end of 2017 and the end of 2016.

In Mozambique, the deterioration in the past-due loans ratio stems, mainly, from the unfavourable economic climate of this country and, in particular, from the defaulting of some large loans, some of which State-guaranteed. It should also be noted, for this geography, the consequent increase in the level of provisioning of the portfolio by impairment.

NPA/NPE REDUCTION PLAN

The Group continued the implementation of its NPA (Non-performing assets) Reduction Plan, in what concerns both the loans (NPE - Non-performing exposures) and the foreclosed assets, based on an integrated strategy of NPE reduction drawn up in 2016. This plan mainly focuses on the portfolios of non-performing loans and of real estate properties held for sale in Portugal.

The NPA Reduction Plan is framed by clear definitions of specific Governance and by a robust management framework, organized by specialised areas of credit recovery (by business/clients segments and for real estate properties received in lieu of payment). Recovery strategies are systematically defined, stemming from automated analysis and decision models (for Retail) or based in the relationship of recovery managers with their Corporate clients, allowing for tailor-made solutions. Also, in what concerns the foreclosed assets (FA), circuits and procedures established privilege the speed of the reception-preparation-sale cycle and the enhancement of the properties' values, in order to facilitate the sale of these assets.

The NPA Reduction Plan also benefits from:

- The monitoring that is provided by the Operational Plan for NPA Reduction, which defines initiatives aiming at accelerating and conferring effectiveness to the recovery or sales processes (both of loans and real estate properties), distributed throughout the several phases of the recovery and NPA reduction processes: prevention; collection; executions; FA reception and treatment; sales;
- The regular and specific measurement concerning the fulfilment of the reduction goals for each unit involved in the NPA Reduction Plan, both in what regards Management Information or focused areas (specific measurements) defined under the Operational Plan for NPA Reduction referred above – with report to top management, in any of the cases;
- A technological environment that provides specific IT infrastructures for the activities connected with credit recovery and NPE reduction.

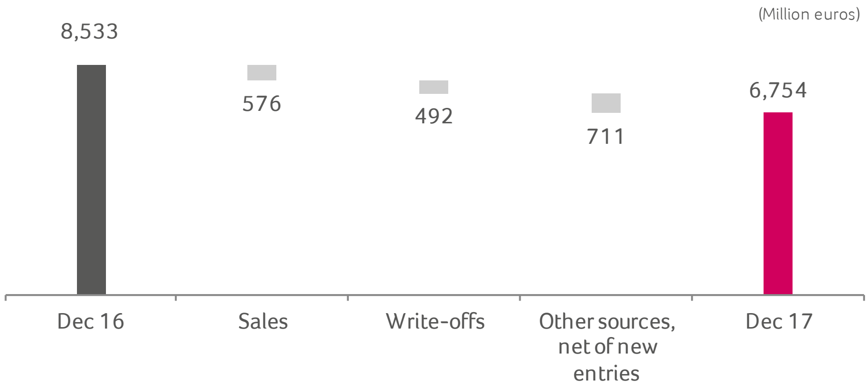
The Bank's implementation of this Plan, under both its scopes, registered unequivocal success and results above projections. For example, at the end of 2017, the portfolio of NPE in Portugal amounted to 6,754 million euros, which clearly exceeded the objective assumed and disclosed for that date: "NPE portfolio in Portugal of less than 7,500 million euros". The following table presents the evolution of NPE volumes between 31/12/2014 and 31/12/2017, for the Group and for Portugal:

(Million euros)

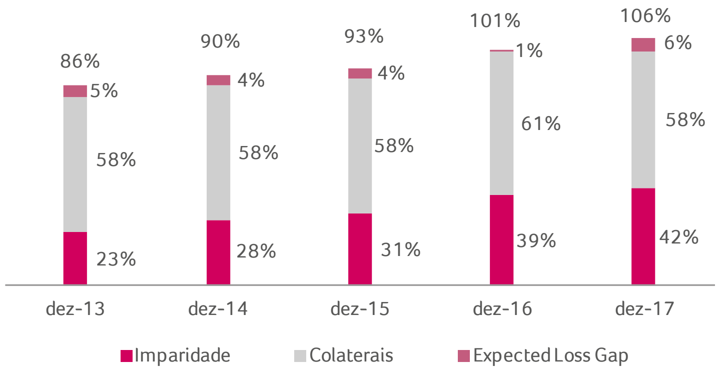
	Dec 17	Sep 17	Jun 17	Mar 17	Dec 16	Dec 15	Dec 14
CONSOLIDATED	**7,658**	8,080	8,761	9,159	9,374	10,933	11,906
PORTUGAL	**6,754**	7,168	7,816	8,320	8,538	9,777	10,921

From 2014 to 2017, the NPE reduction reached 4,167 million euros in Portugal, with the pace of reduction of the NPE accelerating progressively - about 10% in 2015, 13% in 2016 and 21% in 2017 - which evidences the effectiveness of the measures taken by the Bank under the NPA Reduction Plan.

The breakdown of the NPE reduction in 2017, by the different reduction sources at stake, is shown in the next chart (the Plan considered a stock of 8,533 million euros for the NPE portfolio).



It should also be noted that the NPE portfolio coverage by impairment, collateral and 'Expected Loss Gap' reached 106% by 31/12/2017. The increase in NPE coverage was mainly supported by the growing coverage by impairment, which almost doubled in the last 4 years, as illustrated by the following graph:



In what concerns foreclosed assets, the next chart shows the evolution of its breakdown in the several asset types, between December 2014 and December 2017, without impairment:

(million euros)

	Dec 17	Dec 16	Dec 15	Dec 14
Real estate properties	**1,778**	1,782	1,448	1,263
Real estate Funds and companies	**466**	538	460	450
Other assets (non-Real estate)	**95**	75	55	55
SUB-TOTAL - Portugal	**2,339**	**2,395**	**1,963**	**1,769**
Other geographies Foreclosed Assets	**37**	18	37	33
GROUP TOTAL	**2,376**	**2,413**	**2,000**	**1,802**

It is also worth mentioning that the impairment coverage of the foreclosed assets rose from 12.2% to 15.5% between 31/12/2016 and 31/12/2017.

Also, the real estate market risk that impends over these assets held for sale is mitigated by the current valuation expectation for this market: for the EBA stress testing purposes and as defined by this Regulator, the projected real estate price evolution in Portugal (baseline scenario) is of +4.4% for 2018 and of +3.8% for 2019 and 2020.

Finally, a highlight is made upon two other aspects concerning the real estate assets' portfolio that is held for sale:

- The sales have been proceeding at an appropriate and increasing rate: in 2017, 3,852 properties were sold, compared with 2,566 properties sold in 2016, with an increase in sales value (428 M € in 2017, compared with 272 M € in 2016) (*);
- The selling prices of real estate properties have been above their accounting value.

CREDIT CONCENTRATION RISK

The figures concerning credit concentration, as at 31/12/2017, measured by the weight of the 20 largest Group (non-NPE) exposures, in terms of EAD and excluding Banks and Sovereigns, in the total exposure, are presented in the following chart:

Customer Groups	Exposure weight in total (EAD)
Group 1	1.5%
Group 2	0.7%
Group 3	0.7%
Group 4	0.6%
Group 5	0.6%
Group 6	0.6%
Group 7	0.5%
Group 8	0.5%
Group 9	0.4%
Group 10	0.4%
Group 11	0.4%
Group 12	0.4%
Group 13	0.3%
Group 14	0.3%
Group 15	0.3%
Group 16	0.3%
Group 17	0.3%
Group 18	0.2%
Group 19	0.2%
Group 20	0.2%
Total	**9.5%**

The weight of 9.5% for these 20 largest 'non-NPE' exposures is in line with the weight of the equivalent 20 largest Group exposures as at 31/12/2016; so, by this measure, there was a maintenance of the concentration level of credit risk in 2017.

It should be noted that the Group has specific goals defined for the control of credit concentration, materialised into RAS metrics. Besides, metrics for specific concentration types are followed-up regularly: *single-name*, by sectors of activity, by country, for Institutions and for Sovereign risks.

(*) The properties sold by the Real estate Funds are not included in these figures.

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

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

OPERATIONAL RISK

Operational risk consists of the occurrence of losses as a result of failures or inadequacies of internal processes, systems or people, or as a result of external events.

In the management of this type of risk, the Group adopts duly documented principles and practices, which are expressed in control mechanisms subject to continuous improvement. This framework has a variety of features, such as: function segregation; lines of responsibility and respective authorisations; exposure definition and tolerance limits; ethical codes and codes of conduct; risks self-assessment (RSA) exercises; key risk indicators (KRI); access controls (physical and logical); reconciliation activities; exception reports; contingency plans; contracting of insurance; internal training on processes, products and systems.

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

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

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

During 2017, the various participants in the management of this risk carried out the usual tasks of operational risk management - aiming at an effective and systematic identification, assessment, mitigation and control of exposures - as well as the corresponding reporting duties, either to the Group’s management bodies or within the regulatory sphere. Due to its relevance, a highlight should be made on the launching of initiatives aiming at the reinforcement and improvement of the effectiveness of the risk of outsourcing control mechanisms, namely, the issuance of an internal regulation and the definition of risk and performance indicators to monitor the outsourcers’ services.

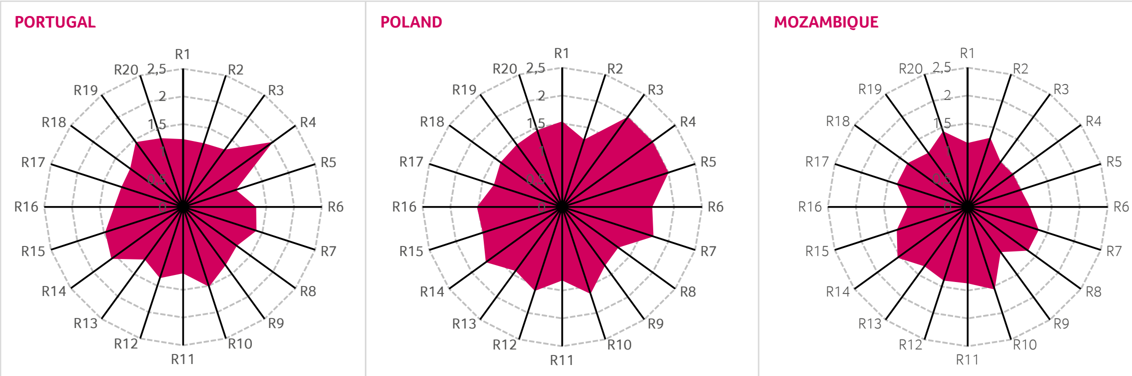
RISKS SELF ASSESSMENT (RSA)

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

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

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

In 2017, RSA exercises were conducted in the main Group geographies, the results of which are presented in the next graphs. These show the average score for each of the 20 subtypes of operational risk considered, for the set of processes of each geography. The outer line represents a score of 2.5 on a scale of 1 (lowest exposure) to 5 (highest exposure).



R1 Internal fraud and theft
R2 Execution of unauthorised transactions
R3 Employee relations
R4 Breach of work health & safety regulations
R5 Discrimination over employees
R6 Loss of key staff
R7 Hardware and Software
R8 Communications infrastructure
R9 Systems security
R10 Transaction, capture, execution & maintenance
R11 Monitoring and reporting errors
R12 Customer related errors
R13 Products or services flaws/errors
R14 External fraud and theft
R15 Property and disasters risks
R16 Regulatory and tax risks
R17 Inappropriate market and business practices
R18 Project risks
R19 Outsourcing related problems
R20 Other third parties' related problems

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

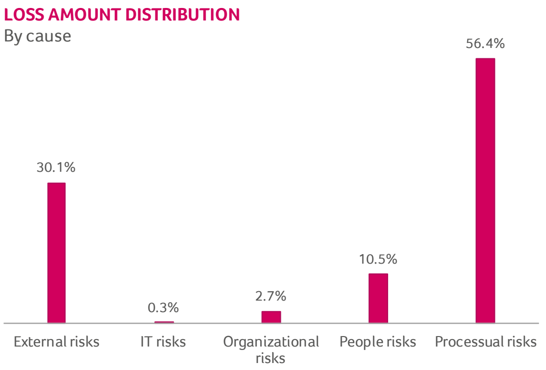
OPERATIONAL LOSSES CAPTURE

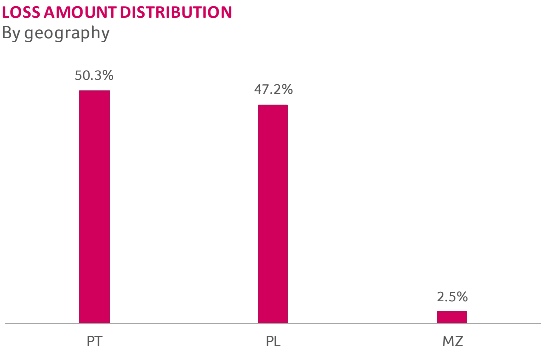
The operational losses data capture (i.e. the identification, registration and characterisation) of operational losses and of the originating events aims at the strengthening of the awareness of this risk and to provide relevant information to process owners, for incorporation within their process management.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

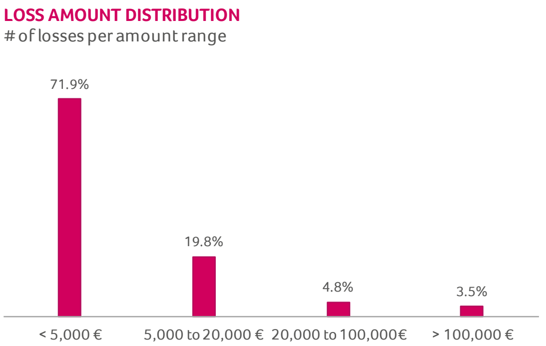
The detection and reporting of operational losses is a responsibility of all employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible.

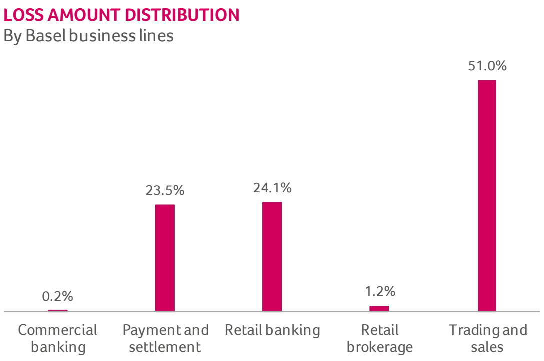
The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of processes to which the losses are related, including the description of the respective cause-effect and, when applicable, the valuation of the loss and the description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause).

The following graphs present the profile of the losses captured in the respective database in 2017:









For many of the criteria represented, there were no significant differences with respect to previous years. It should be pointed out that the majority of the losses was originated by procedural risks, related to failures in the formalization of a discontinued product (in Poland), as well as internal and external frauds. It should be highlighted that the ratio between gross losses and the relevant indicator calculated within the Standard Approach (gross income) has consistently been of less than 1%, which compares very favourably with international benchmarks and is testament to the robustness of the Group's operational control environment.

KEY RISK INDICATORS (KRI)

KRIs draw attention to changes in the profile of the operational risks or in the effectiveness of control, enabling the identification of the need to introduce corrective actions within the processes, so as to prevent potential risks from materialising into losses. These indicators currently encompass all of the processes in the main Group operations (Portugal, Poland and Mozambique).

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

SCENARIO ANALYSIS

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

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

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

BUSINESS CONTINUITY MANAGEMENT

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

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

These continuity plans are regularly tested and updated, through exercises aimed at improving and deepening the coordination between emergency response, technological recovery, crisis management and business recovery. 14 exercises of business recovery and 2 exercises of technological recovery (DRP) were carried out in 2017.

INSURANCE CONTRACTING

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

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

MARKET RISKS

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

For purposes of profitability analysis and market risks quantification and control, the following management areas are defined for each entity of the Group:

- Trading - Management of positions whose objective is the achievement of short term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;
- Funding - Management of institutional funding (wholesale funding) and money market positions;
- Investment - Management of all the positions in securities to be held to maturity (or for a longer period of time) or positions which are not tradable on liquid markets;
- Commercial - Management of positions arising from commercial activity with Customers;
- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM - Assets and Liabilities Management.

The definition of these areas allows for an effective management separation of the trading and banking books, as well as for the correct allocation of each operation to the most suitable management area, according to its respective context and strategy.

In order to ensure that the risk levels incurred in the different portfolios of the Group comply with the predefined levels of tolerance to risk, various market risks limits are established, at least yearly, being applicable to all portfolios of the risk management areas over which the risks are incident. These limits are monitored on a daily basis (or intra-daily, in the case of financial markets) by the Risk Office.

Stop Loss limits are also defined for the financial markets areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. When these limits are reached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

TRADING BOOK MARKET RISKS(*)

The Group uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured through standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The table below presents the amounts at risk for the Trading Book, between 31/12/2016 and 31/12/2017 and measured by the methodologies referred to above, that registered moderate levels along the period under analysis:

(thousand euros)

	Dec 17	Max	Avg	Min	Dec 16
GENERIC RISK (VAR)	2,546	5,808	3,099	993	3,921
Interest rate risk	2,450	5,790	2,946	834	3,855
FX risk	790	497	835	443	354
Equity risk	36	11	145	24	37
Diversification effects	730	490	827	308	325
SPECIFIC RISK	100	1,026	386	81	440
NON-LINEAR RISK	7	67	7	1	8
COMMODITIES RISK	6	24	18	3	16
GLOBAL RISK	**2,660**	**6,058**	**3,510**	**1,537**	**4,385**

VAR MODEL MONITORING AND VALIDATION

In order to check the appropriateness of the internal VaR model to the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

The VaR model's hypothetical back-testing exercise for the trading book of Portugal, between 31/12/2016 and 31/12/2017, resulted in 5 excesses over the model's predictive results (4 positive and 1 negative), representing a frequency of 1.9% in 257 days of observation. Hence, this backtesting result allows the validation of the model, as appropriate for measuring the risk at stake.

STRESS TESTS ON THE TRADING BOOK

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identifying risk concentrations that have not been captured by the VaR model and, also, to test for other possible dimensions of loss.

(*) Positions registered at the Trading Management Area (not specifically included in the accounting Trading Book).

The results of these tests on the Group's trading book, as at 31/12/2017, in terms of impacts over this portfolio's results, were the following:

(thousand euros)

	Negative result scenario	Result
STANDARD SCENARIOS	+ 100 b.p.	-10,518
Parallel shift of the yield curve by +/- 100 bps	+ 25 b.p.	-2,141
Change in the slope of the yield curve (for maturities from 2 to 10 years) by +/- 25 bps	+ 100 bps and + 25 bps	-12,431
Combinations of the previous 2 scenarios	+ 100 bps and - 25 bps	-8,553
Variation in the main stock market indices by +/- 30%	+30%	-241
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-4,837
Variation in swap spreads by +/- 20 bps	- 20 bps	-747
NON-STANDARD SCENARIOS		
Widening/narrowing of the bid-ask spread	Widening	-5,606
Customized scenario (1)		-179
Historical scenarios (2)	07/Apr/2011	-1,882
	22/Sep/2011	128

(1) The main historical risk factors (within a 3 year horizon) are applied as a simulation over the current portfolio, sothat the potential impacts of those factors are measured.

(2) In these scenarios, past crisis market changes are applied over the current portfolio; in the cases at stake, there was great volatility of the portuguese public debt yields.

These results show that the exposure of the Group's trading book to the different risk factors considered remains relatively limited and that the main adverse scenario at stake refers to a general increase in interest rates, especially when the slope of the yield curve also increases for terms between 2 and 10 years (higher increase in longer terms than ins shorter terms).

INTEREST RATE RISK OF THE BANKING BOOK

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

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long term perspective (EVE method). The main risk factors arise from the repricing mismatch of the portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, but with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

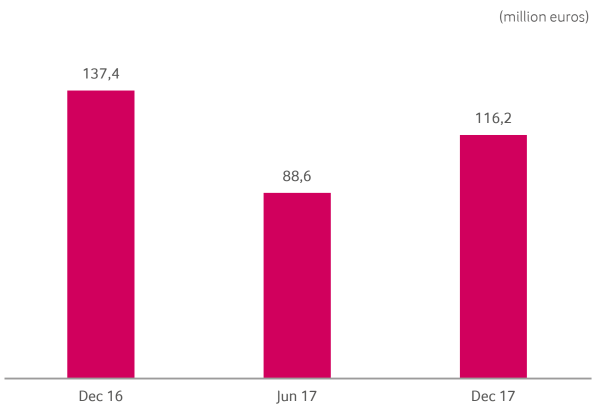
The measurement of this risk, referred to 31/12/2017 and based on the calculation of the difference between the present value of the interest rate mismatch (discounted at market interest rates) and the value of this mismatch discounted at a level of rates with +100 basis points (for all terms) results in a positive impact of approximately 211 million euros (for the EUR-denominated positions), as presented in the following table that shows the breakdown of this impact by each of the banking book's management areas and for the different residual terms of the positions in question.

		(thousand euros)					
	Repricing terms-to-maturity						
	< 1 Y	1 - 3 Y	3 - 5 Y	5 - 7 Y	> 7 Y	**Total**
Commercial area activity	10,120	74,687	478,079	-16,216	-35,547	**511,122**
Structural area activity	1,661	6,342	4,137	636	25,613	**38,389**
SUBTOTAL	11,781	81,028	482,216	-15,580	-9,934	**549,511**
Hedging	-15,106	-164,674	-394,928	11,901	39,312	**-523,495**
COMMERCIAL AND STRUCTURAL TOTAL	-3,325	-83,646	87,288	-3,679	29,379	**26,017**
Funding and hedging	6,721	2,309	-3,709	-102	-21	**5,197**
Investment portfolio	-12,516	-12,303	-2,786	-1,292	-7,508	**-36,405**
ALM	28,651	162,855	77,572	-19,421	-33,755	**215,903**
BANKING BOOK TOTAL (31/12/2017)	19,530	69,215	158,365	-24,494	-11,905	**210,712**
BANKING BOOK TOTAL (31/12/2016)	27,783	16,989	80,759	-15,955	-30,196	**79,381**
Impact of a -100 bps parallel shift of the yield curve (*)						
BANKING BOOK TOTAL (31/12/2017)	4,064	3,140	-93,693	9,632	11,477	**-65,380**

(*) Scenario is limited to non-negative interest rates (implying effective chages smaller than 100 bps, particularly in the shorter terms).

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

So as to capture the net interest margin sensitivity, several simulations are processed corresponding to 10 different scenarios of the market's interest rates evolution. Considering the scenario in which interest rates globally increase +100 bps combined with the most agressive betas scenario for deposits and other interest-generating liabilities, the estimated impact over the 12 months' NII, as at December 2017, June 2017 and December 2017 is represented in the following graph:



The positions at risk which are not subject to specific market hedging operations are transferred internally to two market areas (Funding and ALM), thus becoming an integral part of the respective portfolios. As such, they are assessed daily based on the market risk control model for the trading book already identified (VaR).

FOREIGN EXCHANGE AND EQUITY RISK IN THE BANKING BOOK

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialisation model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations, taking into consideration the defined policy and the conditions and availability of instruments.

As at 31/12/2017, the Group's holdings in USD, CHF e PLN were fully hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, in this case through a 'Fair Value Hedge' methodology.

Regarding equity risk, the Group maintains a series of small size and low risk equity positions, essentially in the investment portfolio, which are not held for trading purposes. The management of these positions is carried out by a specific area of the Group, with the respective risk being controlled on a daily basis, through the indicators and limits defined for market risks' control.

LIQUIDITY RISK

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

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

In 2017 there was a reduction of 3,264 million euros in WSF needs in consolidated terms, to which concirred the capital increase in February 2017 (of 1,332 million euros) and the reduction of the commercial gap in Portugal, the effect of which was mitigated by the liquidity utilization resulting from the growth of the Group's securities portfolio in this period.

On the other hand, along with the reduction of liquidity needs, there were movements in 2017 that changed the financing structure with some relevance:

- Reimbursement of the remaining portion of contingent capital ("CoCo's"), of 700 million euros;
- Amortization of MTN placed at Institutions, by 328 million euros;
- Reduction of 870 million euros, to 4000 million euros, of the collateralised borrowing from the ECB, which corresponds to the balance of TLTRO (Targeted longer-term refinancing operations);
- Launching of 1,000 million euros of a covered bonds issue (to refinance another bond issue that matured), of two subordinated debt issues in Portugal and Poland and new loans taken at the European Investment Bank (EIB).

The table below illustrates the WSF structure as at 31/12/2016 and 2017, in terms of the relative weight of each of the instruments used:

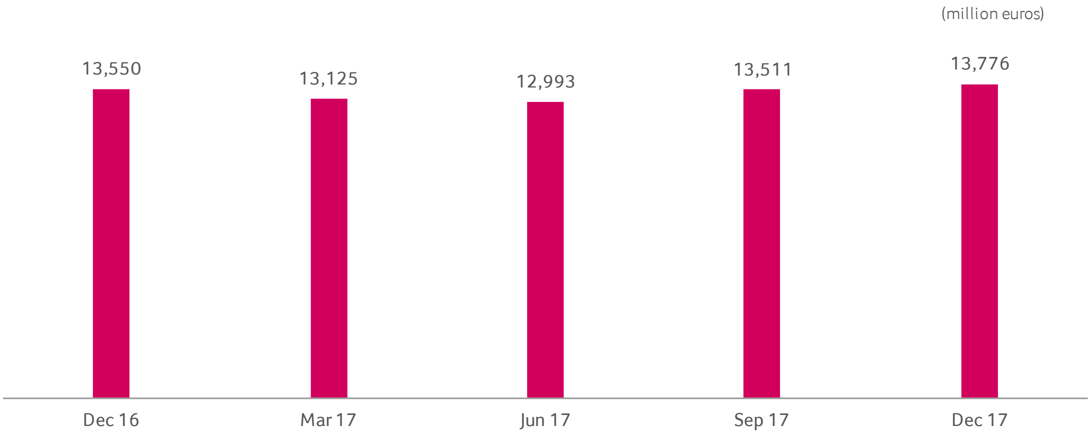
	Dec 17	Dec 16	Change in weight
MM	**-0.2%**	4.1%	-4.3%
BCE	**48.9%**	42.6%	6.4%
CoCo's	**0.0%**	6.1%	-6.1%
Private placements	**1.8%**	1.6%	0.2%
Repos	**10.1%**	20.3%	-10.1%
Loan agreements	**20.9%**	12.7%	8.3%
Schuldschein	**0.0%**	0.2%	-0.2%
EMTN	**0.0%**	2.9%	-2.9%
Covered Bonds	**12.2%**	8.0%	4.2%
Subordinated Debt	**6.1%**	1.6%	4.5%
Total	**100%**	**100%**	

Although the weight, in this structure, of the ECB financing is considerable and has increased, it should be referred that the Bank's net borrowing from the ECB has reduced significantly, attaining 3,049 million euros by 31/12/2017 (around less 1,388 million euros than at 31/12/2016).

The other highlights regarding the evolution of this financing structure are:

- The exit of the contingent capital (CoCo's), since it was reimbursed by February 2017;
- The money markets' instruments weight reduction (Repos and interbank market), corresponding to an increase in the use of medium/long term instruments (loan agreements, covered bonds and subordinated debt).

The further decrease in the net funding at the Eurosystem has allowed for a reinforcement of the liquidity buffer at the ECB, which totalled 9,278 million euros by the end of December 2017, against 7,614 million euros in December 2016. The recent evolution of the ECB-discountable collateral is illustrated by the next graph.



Global portfolio, including eligible assets mobilized and not mobilized for the ECB's monetary policy pool. The values in December 2016 and 2017 include, on a pro-forma basis, the collateral in excess of the covered bonds program which, under the form of own issues to reinforce the ECB eligible collateral portfolio, would represent an amount never lower than € 1,500 M and € 1,000 M respectively (after haircuts and assuming ECB assessments in line with those for the remaining retained emissions).

It should also be highlighted that, in addition to the eligible collateral graphically represented above (effective + pro-forma), the Group also had in its portfolio, as at 31/12/2017, Treasury Bills (USA) in the amount (not used as collateral) of 324 million euros. Even if this asset is not eligible to collateralize funding at the ECB, it is highly liquid and should be considered, in a broad sense, as part of the liquidity buffer. Hence, the safety margin provided by the liquidity buffer so considered attained 11,052 million euros (1,398 million euros above the corresponding amount in December 2016).

LIQUIDITY RISK CONTROL

For short term time horizons (up to 3 months), the control of the Group's liquidity risk is carried out daily based on two internally defined indicators: the immediate liquidity indicator and the quarterly liquidity indicator, which measure the maximum fund-taking requirements that could arise cumulatively over the respective time horizons, considering cash flow projections for periods of 3 days and of 3 months, respectively.

These indicators, as at 31/12/2017, showed a zero value in the Treasuries of Portugal and Poland, signifying surplus liquidity in these geographic regions, both in immediate terms and at 3 months, reflecting the prudent management of the different Treasuries of the Group towards this risk.

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

The Group controls the structural liquidity profile through the regular monitoring of a set of indicators defined both internally and by the regulations, aimed at characterising liquidity risk, such as the loans-to-deposits ratio (93% as at 31/12/2017), the regulatory ratios LCR (Liquidity coverage ratio) and NSFR (Net stable funding ratio) - respectively, 158% and 124% as at 31/12/2017 - and also the relative dimension of the excess of available collateral for discounting at UE central banks, *vis-à-vis* total clients' deposits.

PENSION FUND RISK

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

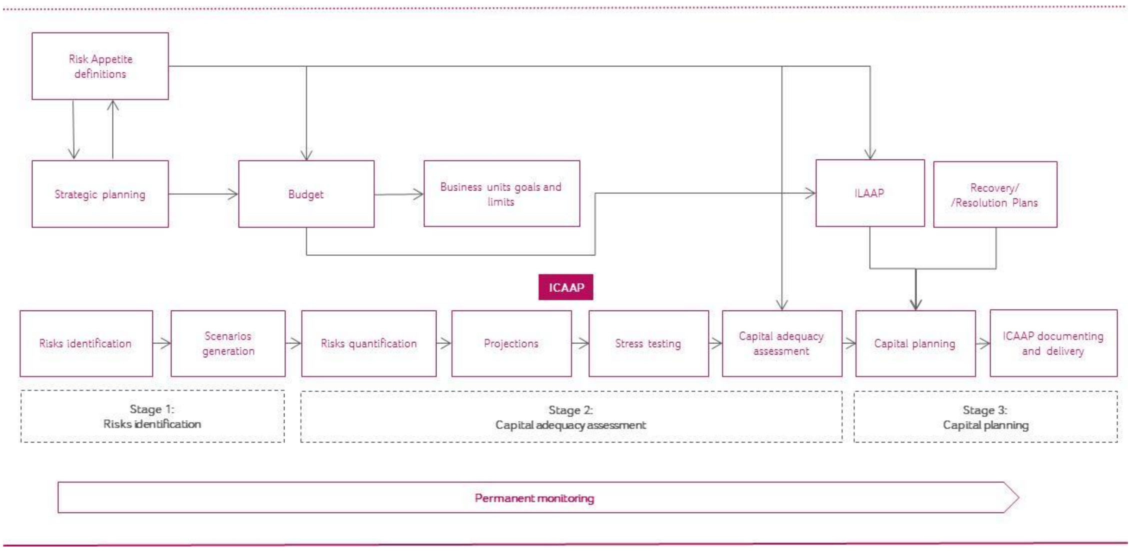
The regular monitoring of this risk and the follow-up of its management is a responsibility of the Pension Funds Risk Monitoring Commission.

In 2017, the Pension Fund registered a time-weighted rate of return (TWR), net of management and deposit fees, of 4.15%. Besides the valuation of more than 11% of the higher risk assets – namely, equities - the Debt classes also registered a significant valuation, especially in the fixed rate component, through the Portuguese sovereign debt assets. The Fund only registered a negative performance in the direct real estate holdings, due to the reappraisal of specific properties.

It should be noted that it is expected that the defined Benefit Fund's responsibilities will be decreasing over time, since the pensions for new employees will be assured by the Social Welfare. On the other hand, the Fund's assets exceed the responsibilities at stake by around 117 million euros.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

MODELS VALIDATION AND MONITORING

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

GAVM's scope of action encompasses the credit risk systems and models (rating systems) and the market risks models, as well as the ICAAP´s validation, Hence, the GAVM interacts with the owners of risk models and systems, with the Validation Committees and with the Risk Commission.

In 2017, several validation and monitoring works were carried out, either in relation to systems and models already in use or concerning the extensions and changes within the framework of the roll-out plan established for the Group for advanced models. These tasks aim at ensuring confidence regarding the models performance and their compliance with the regulatory provisions in force, as well as to reinforce the identification and reaction of changes to their predictive powers (and the reaction capabilities to those changes).

Within the scope of the annual validation processes, the most significant advanced models for credit risk are the probability of default (PD) models for the Small, Mid and Large Corporate segments (Corporate risk class), for the

Real Estate promotion segment and for the Small Business and Mortgage Loan segments in (Retail risk class), as well as the loss given default (LGD) models and credit conversion factors (CCF) models in the Retail and Corporate risk classes.

Within the scope of models' monitoring, the Group regularly participates in the regulatory Benchmarking and the TRIM (Targeted Review of Internal Models) exercises.

The 2017 TRIM over credit risk models for Retail (Portugal), executed between September and December involving an on-site inspection team, should be highlighted, due its importance and allocated resources.

In 2017, a Model Risk Management project was launched, aiming at providing the Bank with a management and assessment tool for models risk, based on a functional and approval workflow frameworked by a set of internal documentation requirements fully aligned with applicable regulations and supervisory expectations. This application became available to be used in the beginning of 2018.

RECOVERY PLAN

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

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

The priorities, responsibilities and specific measures to be taken in a liquidity contingency situation are defined by the Recovery Plan, which is supported by an Early Warning Signals (EWS) system, for the anticipation of the occurrence of possible capital and liquidity crisises.

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

BCP ratings

In 2017, there was significant improvement in the macroeconomic indicators for Portugal, with the public deficit at 1.2% of the GDP 2017, a historically low figure, and with Banco de Portugal and the IMF revising their economic growth forecasts upwards for 2017-20. Rating agencies recognised the progress achieved, and three upgraded the Portuguese Republic to investment grade.

The Portuguese banks continued to pursue their activities within a challenging context in 2017, with interest rates at rather low levels, which restricts the financial margin and in turn the profitability of the financial system. Yet, the conditions for the Portuguese financial system to become more stable are improving.

The rating agencies main concerns are still the high amount of non-performing assets and the ability of Portuguese banks returning to profitability in a sustainable manner.

In 2017, Moody's upgraded BCP's intrinsic rating by 1 notch and S&P revised upwards the intrinsic rating, the counterparty rating and the senior debt rating, also by 1 notch. S&P and Fitch give positive outlook to BCP's rating.

Moody's

Baseline Credit Assessment	b2
Adjusted Baseline Credit Assessment	b2
Counterparty Credit Rating LT / ST	Ba2/NP
Deposits LT / ST	B1/NP
Senior Unsecured LT / ST	B1/NP
Outlook	Stable/ Negative
Subordinated Debt - MTN	(P) B3
Preference Shares	Caa2 (hyb)
Other short term debt	P (NP)
Covered Bonds	A3

Rating Actions

24 November 2017 - Confirmed BCP long-term deposit and senior debt ratings at 'B1', as well as its long-term Counterparty Risk Assessment at 'Ba2' and upgraded the following ratings: (1) the Bank's Baseline Credit assessment (BCA) and adjusted BCA to 'b2' from 'b3'; (2) the bank's subordinated programme ratings to '(P) B3' from '(P) Caa1'; and (3) the bank's preference shares to 'Caa2 (hyb)' from 'Caa3 (hyb)'. The outlook on the long-term deposit ratings is stable and on the senior unsecured debt is negative.

Standard & Poor's

Stand-alone credit profile (SACP)	bb-
Counterparty Credit Rating LT / ST	BB-/B
Senior Secured LT / Unsecured LT / ST	BB-/B
Outlook	Positive
Subordinated Debt	B-
Preference Shares	D

Rating Actions

23 February 2017 - Upgraded to 'BB-' from 'B+' the long-term counterparty credit rating on BCP and affirmed 'B' short-term rating. S&P also raised issue ratings on BCP's senior unsecured debt by one notch to 'BB-' from 'B+', and its subordinated debt by two notches to 'B-' from 'CCC'. The issue ratings of the preference shares remain at 'D' as BCP has not yet resumed the coupon payments on the preference shares. The outlook is stable.

5 December 2017 - Confirmed the long-term Counterparty and Senior ratings at 'BB-' and the short-term 'B' rating. The outlook was upgraded to Positive.

Fitch Ratings

Viability Rating	bb-
Support	5
Support Floor	No Floor
Deposits LT / ST	BB-/B
Senior unsecured debt issues LT / ST	BB-/B
Outlook	Positive
Subordinated Debt Lower Tier 2	B+
Preference Shares	B-
Covered Bonds	BBB+

Rating Actions

21 December 2017 - Reaffirmed the LT rating of Banco Comercial Português at 'BB-', as well as the other BCP ratings. The Outlook was upgraded to Positive.

DBRS

Intrinsic Assessment (IA)	BB (high)
Critical obligations	BBB/R-2(high)
Short-Term Debt LT / ST	BB (high) / R-3
Deposit LT / ST	BB (high) / R-3
Trend	Stable
Dated Subordinated Notes	BB (low)
Covered Bonds	A

Rating Actions

15 June 2017 - Confirmed BCP ratings, including the Issuer Rating and Senior Long-Term Debt & Deposit Rating at 'BB (high)' and the Short Term Debt & Deposit rating at 'R-3', the subordinated debt rating of 'BB (low)' and the 'BBB/R-2 (high)' and assigned the Critical Obligations Ratings (COR). All ratings have a Stable Trend.

Capital

According to our interpretation of CRD IV/CRR to date, the CET1 estimated ratio as at 31 December 2017 stood at 13.2% and at 11.9% phased-in and fully implemented, respectively, favourably evolving from 12.4% and 9.7% presented as at 31 December 2016, and above the minimum required ratios under the 2017 SREP (CET1 8.15%, T1 9.65% and Total 11.65%).

This CET1 favourable performance mainly reflects:

- the capital increase operation performed in February 2017 and the full reimbursement of the remaining CoCo's, which determined a CET1 increase of 677 million Euros and a 228 million Euros increase of RWA (+166 basis points in CET1 phased-in ratio);
- the phase-in progression, which determined reductions of CET1 by 512 million Euros and RWA by 147 million Euros as at 1 January 2017 (-127 basis points in CET1 phased-in ratio);
- the changes performed in the Retail LGD/ELBE models, decreased the CET1 in 239 million Euros, due to expected losses, despite the 409 million Euros risk weighted assets' increase (-72 basis points in CET1 phase-in ratio).

The organic generation of capital, based on the positive net income, as well as on the fair value reserves' favourable evolution, also contributed to the positive performance of capital ratios on this period.

SOLVABILITY RATIOS

(Euro million)

	31 Dec. 17	31 Dec. 16	31 Dec. 17	31 Dec. 16
	PHASED-IN		FULLY IMPLEMENTED	
OWN FUNDS				
Common Equity Tier 1 (CET1)	5 319	4 874	4 738	3 730
Tier 1	5 319	4 874	4 809	3 744
TOTAL CAPITAL	5 932	5 257	5 457	4 060
RISK WEIGHTED ASSETS	40 171	39 160	39 799	38 597
CAPITAL RATIOS (*)				
CET1	13,2%	12,4%	11,9%	9,7%
Tier 1	13,2%	12,4%	12,1%	9,7%
Total	14,8%	13,4%	13,7%	10,5%

(*) Includes the cumulative net income recorded in each period.

In the beginning of 2018 came into force the IFRS 9, which establishes new requirements regarding the classification and measurement of financial assets and liabilities, the impairment calculation methodology and for the application of hedge accounting rules. The Group's regulator issued a transitional guidance within the scope of the IFRS 9 implementation, which allows choosing between two approaches for the recognition of the impacts on regulatory capital. The Group chose to defer the impact, as defined in Article 473a of the CRR. The estimated impact, of the IFRS 9 application, on the CET1 pro-forma ratio as at 31 December 2017 is -36 basis points fully implemented and -25 basis points considering the deferement above mentioned.

The Bank informed the market of the European Central Bank's (ECB) decision regarding the minimum prudential requirements to be fulfilled from January 1st, 2018, based on the results of the Supervisory Review and Evaluation Process (SREP). In addition, BCP was informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII). These decisions define, concerning minimum own funds requirements, as from January 1st, 2018, the following ratios, determined as a percentage of total risk weighted assets (RWA): 8.8125% CET1, 10.3125% T1 and 12.3125% Total. In addition to the minimum requirements set by CRR article 92 these minimum own funds requirements include 2.25% of Pillar 2, 1.875% of additional conservation buffer and 0.1875% of other systemically important institutions (O-SII) buffer.

Also on the scope of SREP, the CET1 deduction of irrevocable payment commitments for the Resolution Fund and the Deposits Guarantee Fund is required from January 1st, 2018.

It is also worth noting that the year 2018 will have the last phased-in progression with substantial impact on capital ratios.

The estimated impact on CET1 pro-forma ratio, considering the application of the SREP result and the phase-in progression as for January 1st, 2018, stood at -31 basis points in fully implemented ratio and -157 basis points in phased-in ratio.

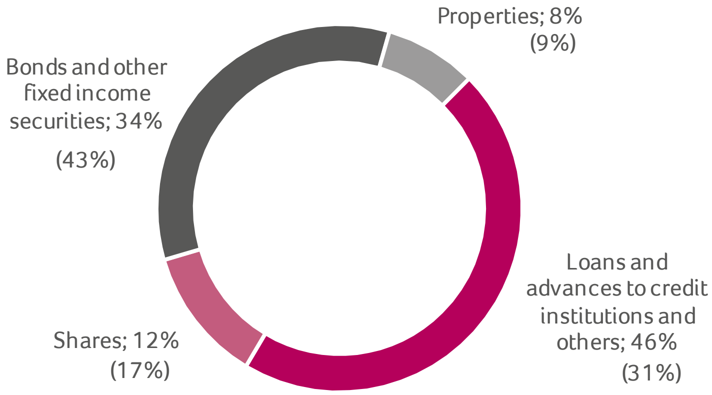
Pension Fund

The Group's responsibilities with pensions on retirement and other benefits stood at 3,050 million Euros as at 31 December 2017, comparing with 3,093 million Euros as at 31 December 2016. These responsibilities are related with the payment to Employees of pensions on retirement or disability.

As of 31 December 2017 the Pension Fund's assets reached 3,166 million Euros (3,124 million Euros as of 31 December 2016) and a positive rate of return of 4.2%, which favourably compares to the assumed actuarial rate of 2.1%.

The main asset categories in the Pension Fund's portfolio, as of 31 December 2017 and at the end of 2016, were as follows:

STRUCTURE OF THE PENSION FUND'S ASSETS AS AT 31 DECEMBER 2017



(xx%) Proportion as at 31 de December 2016

The main actuarial assumptions used to determine the Pension Fund's liabilities in 2015, 2016 and 2017 are shown below:

ASSUMPTIONS	2015	2016	2017
Discount rate	2.50%	2.10%	2.10%
Increase in future compensation levels	0.75% until 2017 1% after 2017	0.25% until 2019 0.75% after 2019	0,25% until 2019 0,75% after 2019
Rate of pensions increase	0% until 2017 0.5% after 2017	0% until 2019 0.5% after 2019	0% until 2019 0.5% after 2019
Projected rate of return on fund's assets	2.50%	2.10%	2.10%
Mortality tables			
Men	TV 73/77 - 2 years	TV 88/90	TV 88/90
Women	TV 88/90 - 3 years	TV 88/90 - 3 years	TV 88/90 - 3 years
Disability rate	Not applicable	Not applicable	Not applicable
Turnover rate	Not applicable	Not applicable	Not applicable

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

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

The Group's responsibilities were fully funded and kept at a higher level than the minimum set by Banco de Portugal, presenting a coverage rate of 104% as of 31 December 2017, higher than the coverage rate of 101% reached at the 2016 year end (pro-forma coverage ratio, presented on a comparable basis, assuming that the extra-fund liabilities would have been formally incorporated into the Group's Pension Fund as of 31 December 2016).

In 2017 an amount of 29 million Euros of positive actuarial deviations, before taxes, was recognized (303 million Euros of negative actuarial deviations), of which 53 million Euros referring to positive differences arising from the return on Pension Fund's assets (170 million Euros of negative differences in 2016).

The main indicators of the Pension Fund as at the end of 2015, 2016 and 2017 are as follows:

MAIN INDICATORS	2015	2016	2017
Liabilities with pensions	3,136	3,093	3,050
Value of the Pension Fund	3,158	3,124	3,166
Coverage rate (*)	101%	101%	104%
Return on Pension Fund	-0.8%	-2.6%	4.2%
Actuarial (gains) and losses	111	303	-29

In 2015 and 2016, the coverage rate corresponds to a pro-forma ratio, presented on a comparable basis, assuming that the extra-fund liabilities would have been formally incorporated into the Group's Pension Fund in those years.

Information on trends

Despite the acceleration of the economic recovery in Portugal, the stabilisation of the banking industry and the decrease in public and private indebtedness, Portuguese banks continued to operate in a challenging environment in 2017. Banks are operating within a context of very low interest rates, thus exercising pressure on the financial margin. Moreover, the Portuguese Banks still have a significant number of non-interest bearing assets in their balance sheets. Besides, the context is marked by fast technological evolution and, pursuant to the Payment Services Directive 2 (PSD2), by the competition from new players in the market (Fintech). There are also new regulatory requirements, namely the adoption of IFRS9 as of January 2018.

Banco de Portugal's forecasts for the Portuguese economy in the 2017-20 time frame point towards the recovery of economic activity at a quicker pace than in the last few years and close to expected GDP growth for the Euro Area. GDP is expected to grow on average 2.6% in 2017, 2.3% in 2018, 1.9% in 2019 and 1.7% in 2020. It is expected that, between 2017-20, the contribution provided by investment and net exports will increase its importance in GDP's growth. According the data disclosed by INE (Portuguese Statistics Institute), the public deficit stood at 1.4% of the GDP in 2017, the lowest ever since Portugal joined the Euro Area.

Two of the four rating agencies that rate the Portuguese Republic upgraded their ratings at the end of 2017. By the end of 2017, three rating agencies give an investment grade rating to the Portuguese Republic, which translated, together with the improvement of the market's perception of the Portuguese Republic, into the sharp decrease in sovereign risk premiums and bank premiums.

In accordance with Banco de Portugal, the funding operations made by the Portuguese banks with the ECB fell to 22.1 billion Euros in December 2017, figures which are consistent with the general trend existing since the second half of 2013. These figures show an improvement in the liquidity position of the domestic banks which has benefited from a resilient performance from deposits, namely from individuals (null variation year-on-year by the end of 2017, with demand deposits up 10.8% and term deposits down 4.7%, also year on year).

Moreover, the deleveraging of the Portuguese financial sector continues and the total credit to individuals and to companies decreased 2.8%, respectively, in December 2017, if compared with the same period in the previous year. One must be aware that the loan to deposit ratio of the banking sector in Portugal stood under 100% by the end of December 2017 versus 128% by the end of 2012 and 158% by the end of 2010.

The credit granted by BCP continues to decrease within a context of deleveraging of the non-financial economic sectors resulting in a lower search for credit. Yet active loans rose for the first time in 8 years, in December 2017. At the same time, deposits also continued to grow despite the fact that the Bank let go of some institutional deposits, requiring a larger remuneration, complying with a policy for the preservation of the financial margin. As the commercial gap closes, BCP has also been reducing its use of funding from the ECB to 3,000 million Euros in December 2017. In the next few months, one expects that the trends mentioned above will continue be visible, being highly likely that the credit/deposit ratio will continue to fall, together with the maintenance of funding from the ECB under 4,000 million Euros.

At the end of December 2017, Millennium bcp was the largest Portuguese privately-owned bank, with a robust asset structure, a phased-in CET1 ratio of 13.2%, above regulatory requirements (SREP) and a credit/deposits ratio of 93%.

The maintenance of very low money market interest rates is contributing to decrease the spread on term deposits of the Portuguese banks, a trend that persisted in 2017, more than offsetting the lower spreads in credit.

The rates of the new term deposits reached, by December 2017, values under 20 basis points, and the portfolio's average rate should converge to these levels over the course of next year.

The price effect on the financial margin should continue to be globally positive, translating the improvement of the interest margin on operations with Customers (differential between the credit global rate and the global rate at which the banks remunerate the deposits). Notwithstanding, the continued reduction in the credit granted (volume effect) will probably continue to condition the financial margin.

The profitability of the Portuguese banks is expected to continue to be conditioned by the prospects of low short term interest rates continuing to apply. Various institutions should continue to apply restructuring plans, to increase operating efficiency and the adjustment of business models, which translates into the decrease in the number of branches and employees and in the release of capital allocated to non-core activities. Profitability in the banking industry is still affected by a high NPE stock. The profitability levels recorded by the banking system as of the beginning of the financial crisis continue to limit the capacity to generate capital internally.

The BCP Group has a relevant exposure to Poland where there are risks due to legislative amendments with impact on the Polish financial system. A proposal has been recently presented to solve the issue of the conversion of the credits into Swiss francs in Poland, and it received the support from the central bank and the supervisor. This plan implies a quarterly contribution of up 0.5% (2% annually) on the mortgage loans in a foreign currency into a new restructuring fund for a long period of time. The objective is to promote the conversion of the loans into zloty.

At the end of 2017, the Polish supervisor defined additional requirements for banks with mortgage loans portfolio in foreign currencies (based on the weight of the total foreign currency mortgage loans portfolio and based on the weight of 2007-2008 vintages in the total foreign currency mortgage loans portfolio).

There are still some risks connected with the economic context experienced by some African countries, with potential impact on the Group namely Angola and Mozambique, whose economic activity is decelerating, with high inflation and faced a significant depreciation of their currency in 2017.

Angola's contribution to earnings was null and resulted from the difference between:

- Angola's equity accounted earnings, before application of IAS 29, of 28.5 million Euros; and
- Net effect resulting from the increase in equity accounted earnings after application of IAS 29 of 11.3 million Euros and goodwill impairment of 39.7 million Euros, i.e. -28.4 million Euros.
- While Angola is classified as an economy experiencing hyperinflation, this type of adjustments will continue to occur.

The continuous improvement in core income as well as the continuation of the restructuring and reduction of costs should play a positive role and contribute to the improvement of the 2017 results although conditioned by the economic conjuncture.

There is great focus on the management of the stock of problematic assets and respective hedging levels and measures should be adopted to reduce these assets, together with other preventive measures, to be applied within the scope of prudential supervision and targeted at new Non-Performing Exposures (NPEs) so as to foster a more pro-active management of NPEs, including measures to remove the blocking factors in legal, judicial and tax systems. The NPLs issue is particularly important within a European context, conditioning the profitability of European banks, namely Portuguese. The Bank has an on-going plan to reduce NPEs having recorded an accrued reduction of 3,000 million Euros in the 2016-2017 periods and of 6,800 million Euros since 2013.

It is not yet possible to determine what will be the final impact of the resolution of BES on BCP as an institution participating in the resolution fund created by Decree Law nr.31-A/2012, of 10 February (the "Resolution Fund").

In March 2017, the conditions for loans granted by the State to the Resolution Fund were altered. The maturity of the loans was revised to December 2046, so that the annual payment owed by the Banks is met by the income from the regular contribution charged to the banking sector, keeping the banks' contributions unaltered at the current level.

The revision of the loans enables the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions.

The revision of the conditions of the State loan to the Resolution Fund, though it does not alter the banking sector's liabilities towards the Resolution Fund, represents yet another measure to ensure financial stability, after a deep recession, and to favour the reinforcement of the capitalisation of Portuguese banks, as well as the competitiveness of the Portuguese economy.

The European Commission agreed with the revision of the terms and conditions of the agreements and removes the uncertainty surrounding the future annual liabilities of banks, regardless of the contingencies that come to fall on the Resolution Fund.

Banco de Portugal and the Resolution Fund completed in October 2017 the sale of Novo Banco to Lone Star against the payment of 750 million Euros by the new shareholder, which was followed by a new capital payment of 250 million Euros. Novo Banco is now held by Lone Star and by the Resolution Fund with shareholdings of 75% and 25%, respectively. This operation also included the obligation for the Resolution Fund to undertake a capitalisation operation.

After informing about its reservations regarding the contingent capitalization obligation of the Resolution Fund in Novo Banco's sale agreement, Banco Comercial Português decided, when faced with the legal term and for caution's sake, to request a legal appraisal of such obligation in administrative proceedings, which are exclusively focused on the contingent capitalization obligation.

On March 28, 2018, Novo Banco announced the results for the year 2017, which resulted in the activation of the contingent capitalization mechanism established in the agreements entered into in connection with the sale of the Novo Banco. According to the calculation made on the referred date, the amount to be paid to the Novo Banco in 2018 by the Resolution Fund, compared to the accounts for 2017, amounts to 792 million Euros. This payment results from the agreements concluded in March 2017. The payments to be made by the Resolution Fund, if the conditions set out in the contingent capitalization mechanism provided for in the Novo Banco's sale agreement are met, are subject to a maximum limit of 3,890 million Euros.

Directive nr. 2014/59/EU - the Bank Recovery and Resolution Directive (BRRD) - foresees a joint resolution regime in the European Union enabling the authorities to cope with the insolvency of bank institutions. The shareholders and creditors will have to internalize an important part of the costs associated with the insolvency of a bank, minimizing taxpayers' costs.

To prevent bank institutions from structuring their liabilities in a way which may compromise the efficiency of the bail-in or of other resolution tools and to avoid the contagion risk or a bank run, the Directive establishes that the institutions must comply with a minimum requirement for own funds and eligible liabilities (MREL). BCP estimates that there may be a manageable gap, to be accomplished mainly by issuing non-preferential senior debt.

IFRS 9's final impacts on BCP are still being assessed. Estimates point towards an impact on the fully loaded CET1 ratio of 34 bp and on the phased-in ratio of 36 bp (25 bp if considered the transitory period) and a 3 pp rise in NPE impairment coverage from IFRS 9 on a fully implemented base.

This assessment, although preliminary since the transition process to IFRS 9 is not yet finalized, is the best expectation of the impact of adopting the standard on this date. The current impact of the adoption of IFRS 9 through 1 January 2018 may change as:

- IFRS 9 requires the Group to review its accounting procedures and internal control mechanisms and the validation of the new processes is not yet complete;
- although the Bank has made a parallel in the second half of 2017, changes in IT systems and associated controls have not yet reached an advanced stage of maturity;
- the Group did not finalise the validation of existing controls in its IT system or complete the changes in its governance structure;
- the Group is refining and finalising the Expected Credit Loss (ECL) calculation models;
- policies, assumptions, decisions and calculation methods are subject to change until the publication of their audited financial statements for the year 2018; and
- there is currently a legal vacuum regarding the tax treatment of the transition adjustment to IFRS9.

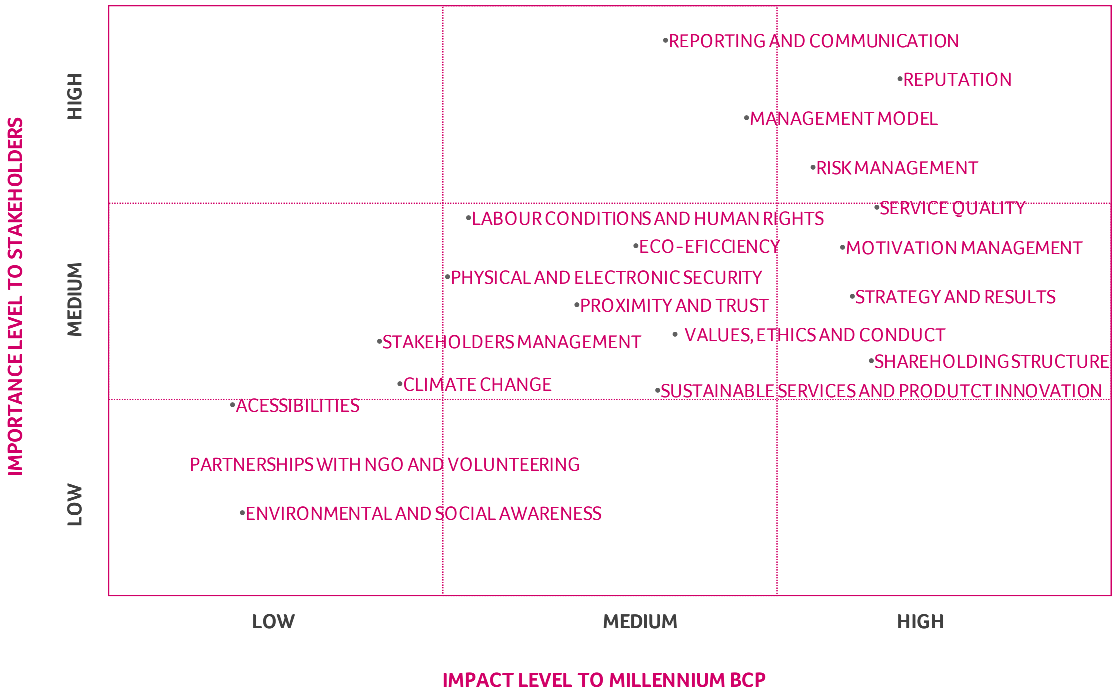
NON-FINANCIAL STATEMENT

Involvement of Stakeholders

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

Materiality Matrix

The identification and the ongoing follow-up of the themes considered material by the Stakeholders of Millennium bcp enabled the Bank to know the areas that show better performances within the scope of Sustainability, but also enabled it to rapidly detect improvement opportunities representing a strong contribution for the adoption of an appropriate sustainability strategy adapted to new realities, challenges and requirements.



Sustainability Policy

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

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

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

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

In the wake of the subscription in 2005 to the United Nations Global Compact Principles, Group BCP also commits to support these 10 Principles establishing a set of values in what concerns human rights, labour conditions, the environment and anti-corruption and already published in 2017 the Communication on Progress (COP) in the level GC Advanced.

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

Sustainability Plan

The Sustainability Plan 2014/17 which, through a close, transparent and consequent relation, intends to face the main expectations identified during the regular surveys made to the Bank's main Stakeholders foresees, in its different aspects, the following initiatives and actions:

SUSTAINABILITY MASTER PLAN 2014 (SMP) - 2014/2017

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

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

Decree Law 89/2017, of 28 July	Chapter/section	Page/s
Art. 3 (cfr. Art. 66-B and 508-G of the CC): The non-financial statement must contain information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, gender equality, non-discrimination, respect for human rights, anti-corruption and bribery matters, including:		
a) A brief description of the undertaking's business model	2017 Annual Report Information on the BCP Group Business Model	Page 9-26 Page 33-39
b) A description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented	2017 Annual Report Involvement of Stakeholders	Page 134-135
c) The outcome of those policies	2017 Annual Report Value added to each Stakeholder Group Environmental impact	Page 137-149 Page 150-153
d) The principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks	2017 Annual Report Main Risks and Uncertainties Risk Management Value added to each Stakeholder Group	Page 100-101 Page 102-124 Page 137-149
e) Non-financial key performance indicators relevant to the particular business	2017 Annual Report Summary of Indicators Main Highlights Value added to each Stakeholder Group	Page 12-13 Page 10-11 Page 137-149
Art. 4 (cfr. Art. 245 1.r and 2 of the CC): Description of the diversity policy applied in relation to the undertaking's management and supervisory bodies with regard to aspects such as age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period.	2017 Annual Report Non-financial statement 2017 Corporate Governance Report	Page 133-153 Sections on the diversity policy of the corporate bodies and on the competences of the Committee for Nominations and Remunerations

Value added to each Stakeholder Group

A SOLID BANK, (MORE) PREPARED FOR THE FUTURE

In 2017, the Bank recorded earnings of 186.4 million Euros, benefiting from the continuous expansion of the core income, which amounted to 1,103.8 million Euros, comparing to 1,094.0 million Euros in 2016. Millennium bcp is one of the most efficient banks in the euro area, with cost-to-core income and cost-to-income ratios of 46% and 43%, respectively, in 2017. In this period of time, there was an improvement in profitability, with ROE at 3.3%.

The improvement in asset quality, reflected in the decrease in Non-Performing Exposures (NPE) in Portugal to 6.8 billion Euros, as at 31 December 2017 must be emphasized, which shows a fast descent since 2013 (1,500 million Euros a year on average), and the maintenance of a comfortable level of liquidity, seen in the loan-to-deposit ratio (95%) and in the balance sheet loans to funds ratio (93%). Common Equity Tier 1 ratios, according to the fully implemented and phased-in criteria, stood at 11.9% and 13.2%.

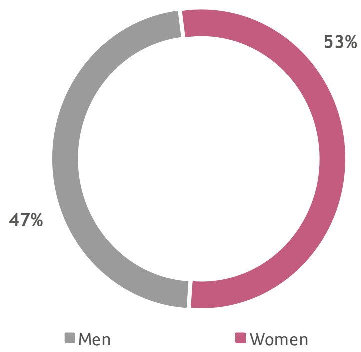
During 2017, the BCP share was up 47%, exceeding the performance of the domestic reference index PSI 20 (+15%) and the European banks index Eurostoxx 600 Banks (+8%).

EMPLOYEES

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

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

BREAKDOWN BY GENDER
Percentage



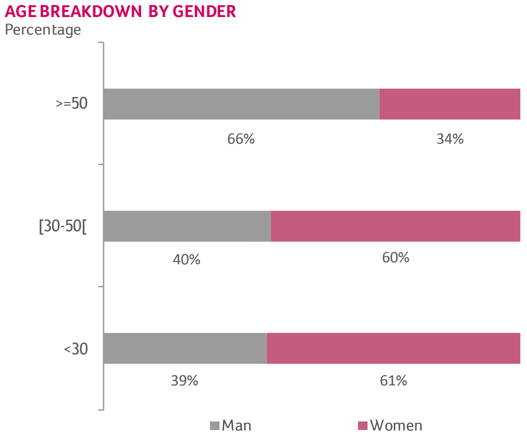
The commitments undertaken by Group BCP within the scope of human rights, labour conditions and equal opportunities are also enshrined in the corporate policies, of which the policies on Human Rights, Equality and Non-Discrimination and Occupational Health and Safety are an example. These policies are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

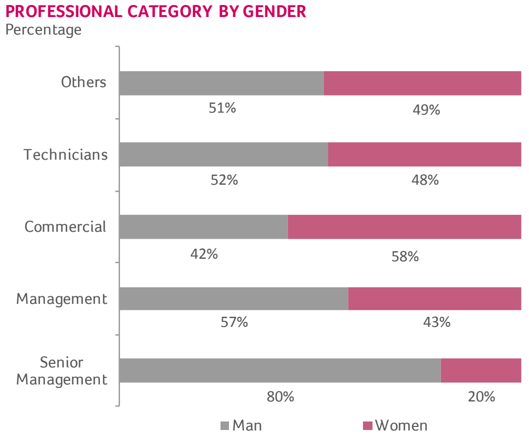
https://ind.millenniumbcp.pt/en/Institucional/sustentabilidade/Pages/cod_internos.aspx).

BCP assumed a commitment for the achievement of a higher gender balance in the composition of its Board of Directors and 30% of this management body is to be composed of women until the end of 2018.

Within the scope of gender diversity in the Board of Directors, in 2017, globally, in the Group 16% of these functions are performed by women – 16% in Portugal, 17% in Poland, 15% in Mozambique and 14% in Switzerland.

Within the scope of gender diversity in management functions (Senior Management and Management) in 2017, globally, 40% of these functions are performed by women – 20% in Portugal, 59% in Poland, 30% in Mozambique and 18% in Switzerland. In commercial functions, this figure increases to 58% in the Group, i.e. 45% in Portugal, 75% in Poland and 59% in Mozambique.





Information about the number of employees (not FTE's - Full Time Equivalent) for: Portugal, Mozambique, Switzerland and Poland.

TRAINING

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

TRAINING

	2017	2016	2015	Change % 17/16
NUMBER OF PARTICIPANTS [1]				
Classroom	**47,731**	39,350	23,881	21.3%
E-learning	**270,833**	194,499	185,474	39.2%
Distance Learning	**62,143**	68,914	45,975	-9.8%
NUMBER OF HOURS				
Classroom	**326,841**	241,384	284,650	35.4%
E-learning	**469,357**	94,199	109,515	398.3%
Distance Learning	**143,575**	171,046	76,590	-16.1%
BY EMPLOYEE	**59**	**32**	**29**	**86.5%**

Note: Data for 2016 and 2017 do not include Angola, whose operation was discontinued in 2016.
(1) The same Employee could have attended several training courses.

In overall terms, 5,839 training actions were ministered, corresponding to over 939,000 hours of training, with an average of 59 training hours per Employee. During 2017, the training effort kept its focus not only on the commercial areas, but also on technical, operational and compliance areas and on team management.

TALENT MANAGEMENT

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

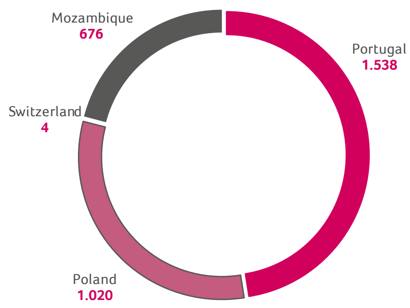
The development programmes implemented in the different geographic areas of Group BCP are thus a specific response to Employees with high performance and potential, enabling: i) recently recruited Employees to acquire a transversal overview of the business and best practices of the organisation; and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

Evaluation and Recognition

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

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

PROMOTIONS
Number of Employees



Evaluation and Recognition

Since the employees are one of the strategic pillars of Group BCP, their level of satisfaction with the services provided by the different internal areas – with a direct influence in the quality of the service provided to Clients – is an important endogenous indicator for the assessment of the efficiency perceived by the Bank.

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

SATISFACTION WITH INTERAL SERVICE
Index points

In Portugal, the total value of 80.2 i.p. reflected a significant increase compared to the previous year confirming the improvement trend recorded in the last three years.

BENEFITS

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

HEALTH SERVICES (1)

	2017	2016	2015	Change % 17/16
MEDICAL SERVICES				
Appointments held	**21,409**	25,171	26,426	-14.9%
Check-ups made	**8,831**	8,318	8,413	6.2%
HEALTH INSURANCE				
People covered	**40,392**	47,286	50,277	-14.6%

Note: Data for 2016 and 2017 do not include Angola, whose operation was discontinued in 2016.
(1) Includes active and retired Employees.

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

CREDIT TO EMPLOYEES (1)

Million euros

	2017		2016		2015	
	AMOUNT	EMPLOYEES	AMOUNT	EMPLOYEES	AMOUNT	EMPLOYEES
MORTGAGE						
In portfolio	661.2	9,405	719.6	9,973	790.1	10,558
Granted in the reporting year	24.7	328	22.6	323	23.9	338
SOCIAL PURPOSES						
In portfolio	12.3	2,800	10.3	2,910	20.5	3,683
Granted in the reporting year	3.2	885	3.4	907	7.5	1,288

Note: Data for 2016 and 2017 do not include Angola, whose operation was discontinued in 2016.
(1) Includes active and retired Employees.

STAFF - EVOLUTION

In 2017, the number of employees of Group BCP decreased 0.5% (-84 Employees) versus 2016. Of the 15,836 Employees of the Group, 55% performed functions in the international operations and 45% in Portugal.

EMPLOYEES (1)

	2017	2016	2015	Change % 17/16
TOTAL IN PORTUGAL	7,189	7,333	7,459	-2.0%
Poland	5,945	5,964	5,992	-0.3%
Switzerland	71	72	71	-1.4%
Mozambique	2,631	2,551	2,505	3.1%
TOTAL INTERNATIONAL	8,647	8,587	8,568	0.7%
TOTAL	15,836	15,920	16,027	-0.5%

(1) Information about the number of Employees (not FTE's - Full Time Equivalent) for: Portugal, Mozambique, Switzerland and Poland.

Note: Does not include Millennium bcp Bank & Trust employees.

In Portugal, the downward trend in the number of Employees continued, with 211 having left, 84% of whom through mutual agreement and/or retirement plans, while 48 new Employees were admitted. Among the Employees who left, 54% worked in the commercial areas and 17% in management functions.

In Poland, the total staff number also declined (-0.3% relative to 2016), with 1,254 having left, 71% of whom of their own initiative, and 76% allocated to commercial areas, which was partially offset by the recruitment process, with the integration of 1,244 Employees.

However, in Mozambique, the bank maintained its trend of growth in Employees (3.1%) with the recruitment of 239 Employees, while 159 Employees left the Bank, 38% of the latter of their own initiative and 56% allocated to commercial areas.

CUSTOMERS

SATISFACTION SURVEYS

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

In 2017, the Net Promoter Score indicator (NPS) of Prestige Customers, which reflects the Bank recommendation level, increased to 57.5 points, corresponding to +2.2 points more than in 2016, following the increased percentage of Promoter Customers from 64.3% to 66.6% and the stabilisation of the percentage of Detractor Customers. For Mass Market Customers, the percentage of Promoter Customers increased from 72.1% to 74.5%, and the percentage of Detractor Customers fell by 0.8%, reflected in an increase of the Millennium bcp NPS from 62.7 to 65.9 (+3.2 points). The NPS of Business Customers also improved, having increased to 56.9 (54.6 in 2016), with 8.7% of Detractor Customers and 65.6% of Promoter Customers. Based on these results per segment, the global NPS of Millennium bcp is 64.4%, favourably comparing with 61.1% in 2016. Over 118,000 Customers were surveyed.

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

After the behaviour and commercial techniques training carried out in 2016, for all Employees servicing Mass Market customers, in 2017 the Bank continued the training program – "Training #1" -, monthly training moments that take place at the Branches with the objective of consolidating the acquired knowledge and enhancing the practices and behaviours able to provide excellent experiences to our Customers.

Taking into consideration the success achieved with Mass Market Clients and Employees in 2018 the programme will also be implemented in the Prestige segment.

The Bank also undertook another "Mystery Client" action which, with 4 phases, totalled more than 2,400 visits to Mass Market Branches. In 2017, the results achieved are in line with the figures recorded in 2016 and reached, by the end of the year, the target of 85% of completion of the customer service choreography defined by the Bank.

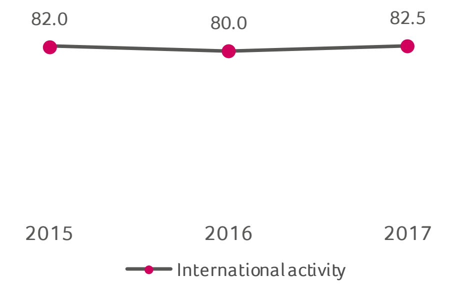
In order to strengthen the measurement of satisfaction and loyalty in the various Customer segments, Millennium bcp continued to monitor various market studies carried out by specialised companies, so as to obtain indicators to position the Bank in the sector and assess, in an evolutionary way, market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

Within this context, the first place in the ranking of CSI Banca and being distinguished with the Consumers Choice Award, the latter in 2018, are bioth recognition of the effort that Millennium bcp has been making to modernize and simplify bank products and services, but also of the significant bet on the proximity with the Clients and on faster servicing.

In the international activity, Customer overall satisfaction levels with the Bank recorded a value of 82.5 index points (i.p.), influenced by the upturn recorded in Mozambique, which shifted from 75 to 79 i.p.

In Poland, with 86 i.p. of global satisfaction, the internet banking and mobile banking channels reached 96% of positive reviews in 2016.

COSTUMERS SATISFACTION
Index points



Information not available for Switzerland.

COMPLAINTS

In Portugal, complaints are managed by the Customer Care Centre (CAC). The total number of claims in this operation showed an increase if compared with the previous year for a total of 22,104. The majority, 75.5%, are claims related to current account debit/credit entries, card transactions. The effort made aiming at a rapid resolution of the claims has been a constant concern of the Bank which has been able to guarantee an average response deadline of 5 business days, with 64% of the complaints being solved in up to 3 days.

Regarding international activity: i) Poland recorded 0.9% fewer complaints than in the previous year, with 71% regarding current accounts, mortgage loans, card transactions and automatic services; ii) in Mozambique, the number of complaints remained stable, with cards and current accounts being the most frequently mentioned issues.

COMPLAINTS

	2017	2016	2015	Change % 17/16
CLAIMS REGISTERED				
Activity Portugal	22,104	20,423	27,529	8.2%
International Activity	54,814	53,940	50,907	1.6%
CLAIMS RESOLVED				
Activity Portugal	20,649	18,454	26,739	11.9%
International Activity (1)	54,535	51,894	50,141	5.1%

Note: Data for 2016 and 2017 include Angola, whose operation was discontinued in 2016.
(1) Includes valid claims related with the disregard of the privacy of Customers in Poland (65) and in Mozambique (7) based on the wrong processing of personal data and operational errors.

The average response time recorded was 16 consecutive days in Poland, and 7 business days in Mozambique.

CULTURE AND RIGOUR

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

Against this background, the implementation of specific training activities and the monitoring of the Compliance Office teams have been a constant feature and a priority. Thus, joint action with the different business areas enabled the training, in Portugal, of 28,097 employees in various topics related to the activity of the Compliance Office, always focused on the Employees' awareness of the need to adopt a professional conduct and behaviour in accordance with a culture of ethics and rigour when performing daily duties. These figures, which represent a very significant increase if compared to 2016, result from the reinforcement of training actions on Internal Control, which included an universal training on the new Code of Conduct (13,422 trainees), but also on the prevention of money laundering and terrorism financing. To provide Employees with the necessary competences to deal with complex diligence processes, namely those presenting non-negligible risks, in order to decrease operational and fraud risks continues to be part of the Group's activities plan.

TRAINED EMPLOYEES (1)

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

	2017	2016	2015	Change % 17/16
Activity in Portugal	28,123	747	262	3664.8%
International Activity	9,093	5,725	6,857	58.8%
TOTAL	**37,216**	**6,472**	**7,119**	**475.0%**

(1) The same Employee could have attended several training courses.

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

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

Relations of cooperation and loyalty have also been maintained with the judicial authorities and with national and international conduct supervision authorities. Within this scope and by its own initiative, the bank made a total of 528 communications to local Judicial Entities and replied to 1,185 requests.

Social and Environmental Products and Services

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

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

In Portugal, Millennium bcp Microcredit continues to be recognised as an alternative for the funding and feasibility of entrepreneurial action and own-job creation, having approved 286 new operations, which corresponds to total credit granted of 2,953 thousand Euros, and helped to create 483 jobs. The volume of loans granted to the 982 operations in the portfolio stood at 12,385 thousands Euros, corresponding to principal of 6,520 thousands Euros.

With the objective of continuing to support Clients in financial difficulties and prevent default, Millennium bcp also maintained its focus on the stimulation and applicability of SAF packages (Financial Follow-up Service). In this context, 22,345 contractual amendments were made during 2017 (8,275 mortgage loans and 14,070 consumer credit), with a restructuring value of 603 million Euros (529 mortgage loans and 74 consumer credit) and comprised 21,188 Clients (7,361 mortgage loans and 13,827 consumer loans).

For Entities of the social sector, Millennium bcp has kept the Non-Profit Associations Account available, a current account with special conditions, which does not require a minimum opening amount and is exempt from maintenance and overdraft fees. 461 accounts with these features were opened, corresponding to a total of 3,848 accounts in the Bank's portfolio.

As for students who have decided to continue their academic path, the Bank granted 136 new loans in 2017, amounting to 1,636 million Euros, under the University Credit Line. The volume of credit granted to the 348 operations in the portfolio amounted to 4.2 million Euros.

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

- Support to enterprise creation investment projects by unemployed persons, through the following credit lines: i) Microinvest Line - which financed 67 entrepreneurs to a total of 688,000 Euros; and ii) Invest+ Line which supported 41 entrepreneurs, to a total value of 1,490 thousand Euros.
- Support for companies which need to meet treasury needs and seek to implement investment projects; 24 operations were financed to a total of 2,015 thousand Euros through the INVESTE QREN Line.
- Funding lines (SME Growth and SME Invest) aimed at SMEs intending to carry out investment projects or increase their working capital. Completion of 1,867 operations, with total funding of 186,073 thousand Euros.
- Regarding support to companies in the agricultural and/or fisheries sector, 128 operations were conducted involving a total financing of 8,534 thousand Euros through the PRODER/PROMAR and IFAP Short Term credit lines.

- A credit line - Social Invest - was launched in 2013 to facilitate the inclusion of Third Sector institutions in the financial system. In 2017, the Bank kept a portfolio of 9 operations, totalling 320,000 Euros.
- Credit Lines to Support Tourism, aimed at supporting, with favourable conditions, companies that develop activities related to tourism. 10 operations were financed, totalling 3,463 thousand Euros.
- The Bank also made available the Linha Capitalizar Mais, a protocol established between Millennium bcp, the Instituição Financeira de Desenvolvimento (IFD) and the Mutual Guarantee Societies that created a Credit Line with mutual guarantee to finance projects to be implemented in mainland Portugal to help reinforce the entrepreneurial capacity of the SME for the development of goods and services that are innovative in terms of processes, products, organization or marketing. Millennium bcp financed 31 operations totalling 12.797 million Euros in credit.

In Poland, the WWF Millennium MasterCard credit card, offered since 2008, takes up an environmental commitment. For each card subscribed, the Bank transfers to WWF Poland (World Wide Fund For Nature) half of the first annuity and a percentage of each transaction made.

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

- In Portugal, the funds are available through: The online platform of Millennium bcp – which marketed 4 environmental funds in the area of energy, amounting to a portfolio value above 22,332 thousand Euros on 31 December; and ii) ActivoBank – offering 16 investment funds, of which 8 are ethical funds and 8 are environmental funds, with a total portfolio value above 797,000 Euros. On 31 December, 10 of these funds had participation units subscribed during the year, with a global subscribed value amounting to 220,000 Euros, an increase versus the 65 subscribed in 2016.
- In Poland, Bank Millennium also has a solid offer of SRI funds, fundamentally aimed at Customers of the Prestige and Private segment, reflecting the investment in businesses whose principles incorporate environmental concerns, namely regarding climate change. The 4 available funds were subscribed by 1.242 Clients, assuring a subscribed value of 17.1 million Euros.

Support to the Community

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

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

- In the context of the Food Bank's food collection campaigns, Millennium bcp once again was present at the warehouses, helping to separate and store the food. In 2017, in the two campaigns made regularly, the Bank helped at a national level and ensured a participation of more than 190 volunteers, Employees and their relatives.
- The Bank supports Junior Achievement Portugal (JAP) in its entrepreneurial, creativity and innovation projects, through the Bank Employees' participation as volunteers. During the school year 2016/2017, 46 volunteers of Millennium bcp monitored more than 839 students of 38 schools in the various programmes of Junior Achievement Portugal, in a total of 533 hours of corporate volunteer work.

The Bank has also been organizing, supporting and following up internal solidarity actions that promote a culture of proximity and add social value and are also a significant contribution for the materialization of its Social Responsibility Policy in Portugal. Among these initiatives, which received a special boost from the Direct Banking, Retail Marketing, Operations, Quality and Network Support, we highlight:

- Campanha "Papel por Alimentos 2017", developed by DB, aimed at the collection of used paper in favour of the Food Bank and enable the collection of 2.8 tons of paper;
- "Millennium Solidário", campaign addressed to families and persons affected by the 2017 forest fires. The objective of this campaign was to collect food, hygiene products, clothes and household articles. It was possible to collect 70 boxes with donated goods, which were delivered to the Food Bank and to Entreajuda, the Bank's partners in this initiative;
- Internal action for the collection of plastic recipients in favour of Refood, with the objective of distributing meals to the local communities.

Millennium bcp also carried out a number of supporting actions to institutions and initiatives capable of generating social value, of which we highlight:

- Participation in the 4th edition of Marketplace Lisboa, a social market drawing together companies, local authorities and non-profit institutions, where the participants display their offers and needs, promoting a sharing of knowledge and experiences which give rise to the exchange of goods and services. Millennium bcp, which was present for the third time at this event, established 6 agreements for donation of material with different social solidarity institutions and already provided support, during these three editions, to a total of 25 institutions;
- Regular support to institutions through the donation of IT equipment and office furniture that is no longer used, but is in condition to be reused. Currently, the Bank has a protocol signed with Entreajuda, the main beneficiary Entity. In 2017, the Bank donated over 3,020 items of IT equipment and furniture to 92 institutions, 226 of which to Entreajuda.
- Culturally speaking, we must point out the Festival ao Largo, which every year presents on stage at Largo de São Carlos a series of shows with the best of opera, ballet and symphonic music. This action intends to take art to a wider public, thus contributing to the cultural enrichment of the country.

- The event “Portugal Restaurant Week”, enabled the attribution of a financial support to the solidarity institutions Acreditar and Casa Mimar. With a donation of one Euro for each “Restaurant Week” menu, the total amount donated exceeded 20,000 euros;
- Millennium bcp participated for the 4th time in the annual edition of the ECO Movement - Companies against Wild Fires, a civil society project that aims to contribute to the prevention of forest fires and raise public awareness on risky behaviour.
- Provision by Millennium bcp of a location in Tagus Park for charitable organisations to collect funds and disclose the work carried out. In the first six months of 2017, an example of this practice is the CERCI Oeiras Pirilampo Mágico 2017;
- Due to the numerous wild fires that affected the country, causing considerable human and material damages, Millennium bcp placed at the disposal of the Clients who had their homes damaged by the wild fires, a number of special conditions, namely within the scope of mortgage loans. The bank also created the “Solidarity Account for the Fire of Pedrogão Grande” with the purpose of getting funds to help the victims of the wild fires.

In terms of financial management and financial literacy, Millennium bcp contributed to increase the level of financial literacy and the adoption of adequate financial behaviours:

- The promotion, in its institutional website, of the following instruments – Savings Centre, Finance Managers and the Kit for unexpected expenses which, despite being independent tools, have the same purpose: supporting the client to balance his/her personal budget. In the M Vídeos area of the website it is also possible to find tutorials and savings suggestions;
- The Bank continued to regularly share contents related with financial planning at the “Mais Millennium” Facebook page.
- The Bank also participated in the Work Group of the Associação Portuguesa de Bancos (Portuguese Banks Association), together with several financial institutions and the Instituto de Formação Bancária, whose mission was to develop and support initiatives for the promotion of the financial education of all citizens. An example of the activity developed already in 2017 is the promotion of the “European Money Week” (EMW) - , launched by the European Banking Federation (EBF), which counted with the participation of more than 30 countries, which was promoted in Portugal by APB, during the month of March, together with Instituto de Formação Bancária and in partnership with Junior Achievement. During this week, Millennium bcp received a group of students who had the possibility of knowing the "backstage" of the institution and talking with the Bank's CEO.

In Poland, Bank Millennium continues to carry out a significant number of actions, notably:

- Corporate volunteering program “Milantrop” addressed to all Bank Employees and aimed at supporting local communities. The programme enables two types of volunteer service - the organization of personal initiatives or the participation in projects envisaged by the Foundation. 11 projects were developed with the involvement of 312 volunteers;
- “Financial ABCs”, a financial literacy programme of Foundation Bank Millennium, whose object is to give basic financial concepts to pre-school children. In 2017, the Foundation carried out 600 workshops in 200 kindergartens involving more than 15,000 children throughout the country. This program also had the support of the Ministry of Education and of the Children’s Ombudsman, support that reaffirms its educational value;

- Concerning education, we must highlight the following: i) the programme Millennium Bankers, aiming to help university students in their first contacts with the labour market; ii) “Expert Start-up”, a program which provides free of charge workshops for students.

In Mozambique, the Bank's social commitment is embodied in the "More Mozambique for Me" programme, one of the references of the BCP Group under Corporate Social Responsibility aimed at tightening relations with local communities, which continues to focus on projects in the area of health, education, culture, children and youth sports, and community development:

- Millennium bim Mini Basketball Tournament - in its 12th edition, involved 1,400 athletes, aged between 6 and 11 years old, from 11 Mozambican cities;
- Millennium bim Race - 12th Edition of an event that intends to foster the development of this sporting activity, finding new talents and adopting healthy habits. More than 1,000 athletes participated;
- 7ª Edition of the Helpo Solidarity Race – Millennium bim supported this event once again which was held in four Mozambican cities and also in Vila Real, in Portugal, and São Tomé, in São Tomé and Príncipe. 600 children participated in an initiative for the eradication of poverty and the promotion of a healthy life and sports. In Maputo, the race Helpo counted with the presence of the Portuguese triathlon athlete, Vanessa Fernandes;
- “Uma Cidade Limpa pra Mim” (A Clean City for Me)– i) An environmental education project the purpose of which is to create new waste treatment habits in students, betting on recycling and its importance for the city cleaning; ii) Ecological Christmas Tree of Millennium bim, resulting from the collection and recycling of 7,000 plastic bottles by students and teachers, with the participation of 10 schools;
- Millennium bim Responsible – internal campaign “Ajude-nos a Ajudar” (Help us to help), wherein the employees donated essential relief items which were later distributed by two child care institutions;
- “Millennium bim - Banking Olympics", a project on financial literacy whose objective is to introduce basic financial concepts, providing students and teachers with knowledge that will enable them to make balanced decisions in the management of their savings and pursue entrepreneurial projects. In its 8th edition, this initiative counted with the participation of 400 students, representing 10 schools. After trials, 40 finalists were selected.
- Partnership with the Girl Move Foundation, whose objective is to support the Leadership and Entrepreneurial Skills Advanced Program for young women with a licentiate degree;
- Project supporting the construction of school rooms in the Napacala School, together with Helpo. Within the scope of corporate volunteer actions, the bank undertook an action where 35 employees cleaned, painted and organized the school rooms;
- Action for the renovation of the Nursery of the Neonatology Unit of Hospital Central de Maputo, wherein 35 employees painted, assembled and installed new furniture.

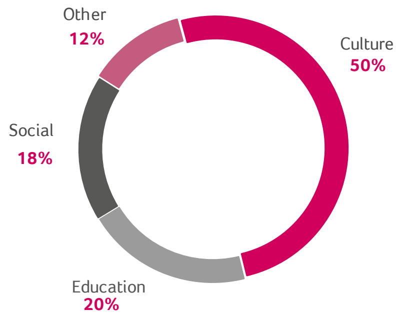
FUNDAÇÃO MILLENNIUM BCP

The Millennium bcp Foundation, under the institutional social responsibility and cultural patronage policies, represents an agent of creation of value in society, in the different areas of its intervention, namely Culture, Education/Research and Social Solidarity.

During 2017, the Foundation provided support to 127 projects in the three areas mentioned above and carried out 6 exhibits.

During 2017, the Foundation assumed a new graphic identity, more dynamic and better adjusted to the several activities it pursues. This new graphic identity was launched in September 2017.

DONATIONS ALLOCATED BY INTERVENTION AREA
Percentage



The purpose of this new identity is to position the Foundation and an institution that promotes contemporary art. This way, one is able to have a more modern perception of Fundação Millennium bcp, in line with the Bank's communication strategy.

The cultural icon with several components reflects the versatility of Fundação Millennium regarding the several types of art it supports and the exhibits it carries out.

In Culture, the area where the Foundation promotes more initiatives and apart from the projects to disclose the works of art owned by Millennium bcp, it promoted 65 initiatives on several aspects of the cultural production, of which 22 within the scope of museums and arts, 8 concerning recovery of cultural heritage, 3 in the area of music, 7 in Portuguese literature, 2 in architecture and 23 in other areas. From those initiatives, we may highlight:

- Maintenance of the Archaeological Center of the Rua dos Correeiros (ANRC) and management of the guided tours. It received 11,911 visitors;
- Millennium Gallery, an exhibition space which received 9,629 visitors in 2017 distributed over the following temporary exhibitions: i) "Unspoken Dialogues", with 1,369 visitors; ii) "A Pressão da Luz – Álvaro Siza por Nuno Cera", with 1,388 visitors; iii) Within the scope of "Lisboa 2017 – Capital Ibero-Americana para a Cultura", three exhibitions were carried out: "Itacoaria – Cicatriz de Tordesilhas", by Rigo (Portugal); "O Tempo Desenhado: Iconographies of an Amerindian People in the Amazon", and "Archivo Alexander Von Humboldt, receiving a total of 1,984 visitors; iv. Within the project "Shared Art", the exhibition "A Partir do Surrealismo", with 4,889 visitors until 31 de December 2017.

Both spaces participated in the International Day of Monuments and Sites, Museums Night with the opening of the ANRC and Millennium Gallery with extended visiting hours.

Supporting projects to modernise important Portuguese museums and to promote museum activities and other cultural activities, of which we highlight:

- Museu Nacional de Arte Antiga ((National Museum of Ancient Art) (MNAC)– support to the modernization of the museum , the Library, the Capela das Albertas and to events carried out by the Museum;
- National Coach Museum – support to the Exhibit "300 anos Embaixada D. João V";
- Portuguese Museum of Contemporary Art– Museu do Chiado (MNAC): support to the exhibition "Sedução Modernidade" and to the activities carried out by the Museum.
- Museu Nacional do Azulejo (Portuguese Tile Museum) - Translation from Portuguese into English for the exhibition "O encanto na hora da descoberta";
- Museu Nacional de Soares dos Reis - Exhibit "A Cidade Global - Lisboa no Renascimento".

Within the scope of cultural heritage recovery, architecture and other cultural areas, we may highlight the following:

- Regional Department for Northern Culture - support to the recovery of churches in the historical centre of Oporto and support to the conservation of Santa Clara Church, in Oporto;
- Regional Directorate of Algarve - recovery of Castelo de Paderne;
- World Monuments Fund Portugal (Association) - Conservation of the arches of the church of the Monastery of Jerónimos;

- Palácio Nacional de Mafra – construction of a scale model of the Real Edifício de Mafra and project for the lighting of the Throne Room;
- Association of Portuguese Archaeologists – restoration of the Axial Door of the Carmo Convent;
- São Pedro de Faro Church – Conservation and restoration of the painting of the altar of Nossa Senhora da Victória.

Science and education are paramount for the construction of a developed society and for the exercise of a responsible and informed citizenship. Therefore, the Foundation increased its participation in several projects for education, scientific investigation and disclosure of knowledge. It provided financial aid to 33 educational projects, 28 in Universities and 5 in basic Education.

- A scholarship programme of Fundação Millennium bcp, aimed at students from Portuguese-speaking African countries and from Timor (PALOP)
- Partnership with Millennium bim for the attribution of scholarships (several areas) in Universities of Mozambique to young people evidencing academic merit and who lack economic means;
- Universidade Católica Portuguesa: i) School of Economics and Management – Lisbon MBA scholarships; ii) Political Studies Institute – sponsoring the chair of European Legal Studies; iii) Health Sciences Institute: Pedipedia project, development of an online encyclopaedia; iv) School of the Arts – Masters in Conservation and Restoration of Cultural Heritage;
- Universidade Nova de Lisboa – Lisbon MBA scholarships;
- MAAT - Museum of Art, Architecture and Technology partnering with the Institute for History of Art of Universidade Nova and with Instituto Superior Técnico of the Universidade de Lisboa – Support to the Conference "Post Internet Cities"
- Instituto Superior Técnico da Universidade de Lisboa – Exhibition of the final works in the masters of Architecture and support to the General Meeting of the network TIME – Top Industrial Managers Europe;
- Fundação Rui Osório de Castro: attribution of an award to scientific investigation in the area of paediatric oncology;
- Start Up Programme (10th edition) of Junior Achievement Portugal – development of entrepreneurship programmes among university students;
- Instituto Camões – Award for the best student of Portuguese language 2017, in the United Kingdom.
- ACEGE (Christian Association of Entrepreneurs and Businesspeople) – support to the program the objective of which is promoting a responsible management of the Portuguese companies. The entity held 97 events, with the participation of around 3,000 leaders.

Lastly, in the Social Solidarity area, the Foundation supported different actions promoted by several entities. These actions comprised several intervention sub areas, such as childhood/adolescence, poverty, disability, among other. The Foundation supported 21 projects, 6 of which targeted early childhood, 6 for situations of poverty, 5 dealt in health and disability and 4 of several other areas, of which we point out:

- Associação Portuguesa de Famílias Numerosas (APFN) (Portuguese Association of Large Families):- i) Observatory of the Family Responsible Municipalities to distinguish the municipalities following best practices in this area; ii) "Estudo Comparativo dos Tarifários de Abastecimento de Água em Portugal", presented at the Millennium bcp Auditorium, in Lisbon;
- AESE Business School – Programme GOS (Management of Social Organizations) – programme developed in a partnership established between the AESE - Escola de Direção de Negócios and ENTRAJUDA. The programme intends to improve the practice of management by heads of non-governmental charitable organizations through training actions addressed to their managing bodies;
- Portuguese Food Bank – in terms of food collection campaigns: i) support to the production of bags; and ii) donation for the purchase of tuna;
- BUS Association - Social Utility Assets - the institution collects, free of charge, useful goods for different purposes given away by people wishing to get rid of them and forwards them to institutions and families in need;
- Fundação Portuguesa de Cardiologia - Support to the Month of the Heart which took place in May, this year under the theme "The heart in sports";
- Associação Terra dos Sonhos – Attribution of a Scholarship – "Unidade Felicidade" – contributing for the carrying out of a Musical celebrating the 10th anniversary of the Association, made in several stages at Teatro Tivoli BBVA, receiving a total of 4,484 spectators.

SUPPLIERS

At the BCP Group, the process for selecting suppliers mainly obeys criteria of global competence of the company, functionality, quality and flexibility of the specific solutions to acquire and continuous capacity of providing the service. In all the Group's operations, it is given preference to purchasing from Suppliers of the respective country, with 86.5% in payments to local suppliers.

The Bank's main suppliers are companies which publish their economic, environmental and social performance, ensuring the responsible contracting of products and services.

Since 2007, Group BCP, namely in Poland and Portugal, includes, as an attachment to the agreements it establishes with suppliers, the Principles for Suppliers which include several aspects, such as compliance with the law, good environmental and labour practices, including human rights and the application of those principles in the engagement of third parties.

Millennium bcp assesses its suppliers through the application of a performance questionnaire including parameters related with the level of observance with the Principles for Suppliers. In 2017, suppliers were subject to continuous monitoring.

Within the scope of the monitoring, Millennium bcp's suppliers are subject to a permanent evaluation process, based on: i) the relationship they maintain with Technical Competence Centres; ii) performance assessment actions and the identification of areas for improvement; and iii) on existing decision-making processes to execute investments and renew contracts.

In 2017, Millennium bcp subscribed the Principles Letter from BCSD Portugal - Conselho Empresarial para o Desenvolvimento Sustentável. This document establishes the principles that are the guidelines for good corporate management, enabling the subscribing companies to be recognized by their clients, suppliers and by the society in general for the adoption of solid sustainability commitments. The Letter, which the Bank will now promote near its suppliers, encourages the subscribers to go beyond legal compliance, adopting rulings and practices recognized and in line with management, ethical, social, environmental and quality standards in any context of global economy.

Environmental Impact

ENVIRONMENTAL RESPONSABILITY

Group BCP, in compliance with its digital and technological strategic goals, develops a sustainability strategy that incorporates and promotes a culture of environmental responsibility and fight against climate changes. It is within this context that the protection of the environment, the preservation of natural resources and the rationalization of consumptions (mainly energy, water and paper, based on the dematerialization of processes) are objectives that are part of the core of the environmental policy implemented in all its operations (available for consultation at the sustainability area of the Bank's website at

https://ind.millenniumbcp.pt/en/Institucional/sustentabilidade/Documents/Internal_Codes_2.pdf).

The Bank regularly monitors a series of environmental performance indicators which measure the Bank's eco-efficiency with regard to its main consumption of resources. Globally, in 2017, the Bank's level of eco-efficiency continued to improve as a result of the continuous investment in new equipment - as the new PV central for self-consumption of Tagus Park - better procedures and in the changes introduced in the Employees' behaviour, positively influenced by the internal awareness campaigns. Apart from the less environmental impact associated with the Bank's activity, these eco-efficiency measures are reducing the operating costs.

Apart from the monitoring of the environmental indicators, BCP has an area in charge of the business continuity management that identifies the risks related with climate change and the incorporation of standard policies and of defined procedures in order to ensure the Bank's ongoing activity in case of natural disasters able of discontinuing it. The Bank also manages indirect environmental risks, during the credit and project finance evaluation and granting process and is able to carry out environmental impact studies, in accordance with the applicable legislation in effect.

BCP ensures, on a regular basis, the follow-up of initiatives carried out in all countries where it operates, in view of its local circumstances, and monitors a number of indicators which enable it to measure its environmental efficiency and impact concerning its main resources consumption.

MAIN MEASURES TO REDUCE THE ENVIRONMENTAL IMPACT

Operational Efficiency	Environmental Awareness
Installation of LED lighting in Taguspark Reduction in the consumption of energy by 40%, able of reducing 211,850 kWh, corresponding to a reduction of around 99.6 tons of CO2.	**Environmental Signs Campaign** In Portugal, the Bank continued its internal environmental communication campaign, an information and communication action that intends to contribute to the adoption of increasingly responsible environmental practices by the Employees.
Automation of the thermal power stations at TagusPark Operating in view of the needs, representing an annual savings of around 10,800 kWh, also avoiding 5.1 tons of C02.	**Informing the heads of the organizational areas of the respective consumption of paper (prints) and of ink and toner cartridges.**
The thermal power in Building 7 does not work during the night Incorporation of a direct expansion cooling system for the Dealing Room that functions 24/7, with an energy saving potential of 196,000 kWh, equivalent to avoiding 92.2 tons of CO_2.	**Internal campaign for the collection of paper to exchange for food** in favour of the Food Bank, which enabled the collection of around 3 tons of used paper.

Installation of a Photovoltaic Solar Energy Plant with around 1 MW capacity
Installation of 3,703 photovoltaic panels on three buildings of Millennium bcp in Tagus Park, Oeiras. This plant is able to produce around 1.3 GW/year, preventing the emission of 570 tons of CO_2, similar to the energy required to supply 490 residences. The Bank estimates having a 16% saving in annual energy costs.

The plant was inaugurated in November 2017 and in two months it generated 145.7 MWh of energy for self-consumption, cutting CO2 emissions by 68.5 tons.

Green IT Programme Reduction in local printing, giving preference to digital archive tools in the purchase of software development services Cut back of 11.3 million prints due to the Paperless programme, an 11% reduction in prints made in Branches if compared with the same period of 2016.	**Sustainable mobility measures** Promote the use of videoconference and e-learning instead of travels In Poland, the replacement of almost all company cars for hybrid cars. This will prevent 500 tons of CO_2 emissions, a 20.6% reduction if compared with the period prior to the replacement.
Using digital documents such as, for example, the bank statement in digital format Definition of a business strategic goal to increase the number of clients with digital access: > 35% of clients until 2018; and of digital transactions: > 50% until 2018; **Clients with e-statement:** more than 1,400,000 accounts in clients in Portugal; 1,685,746 clients in Poland (82%); 20,744 clients in Mozambique; and 75% of clients in Switzerland **Digital sale of financial products:** In 2017 there were exponential growths in the sale of risk insurances via millenniumbcp.pt, and another digital sale product was launched - the life risk insurance associated with personal loan transactions. Apart from that, Millennium bcp and ActivoBank implemented the 100% digital account opening process.	**Environmental Guide for Customers and Employees in Poland** **Planting 200 trees**, involving 40 volunteer employees and their families under the corporate volunteer actions of Fundação Bank Millennium.
Project Go Paperless from the client's standpoint: implementation of the electronic signature of the client and of the Digital Price List; and from an internal procedures standpoint: digital daily maps of account opening and closing processes 100% of the retail branches and internal operations have the application PAB Paperless, which enabled the branches to stop printing 98% of the documents, thus substantially decreasing the ecological footprint	**Project "Uma Cidade Limpa Para Mim - Recicla e Ganha" (A Clean City For Me), a partnership with AMOR -** Associação Moçambicana de Reciclagem: support to the construction of an ecological Christmas Tree with 7,000 plastic bottles in Mozambique **Project for the decoration and painting of garbage cans in a partnership with ISARC - Instituto Superior de Artes e Cultura**, in Mozambique, continuing its commitment of fostering a responsible environmental attitude in the community.
Program Kaizen that raises daily the Employees awareness so that they make their activities more simple, more agile and more modern, with less paper, less costs and higher quality. The teams involved created during 2017 around 90 new initiatives, of which 6% are related to the elimination of paper and represent 1,100 less prints per month.	**MUDA - Movimento pela Utilização Digital Ativa,** Millennium bcp is part of this project with the objective of contributing to increase the use of digital technology by the Portuguese people within a joint effort that, besides the Portuguese State also involves companies, associations and universities.

Ecological Footprint

As noted above, the BCP Group regularly monitors a series of environmental performance indicators which measure the Bank's eco-efficiency with regard to its main consumption of resources[6].

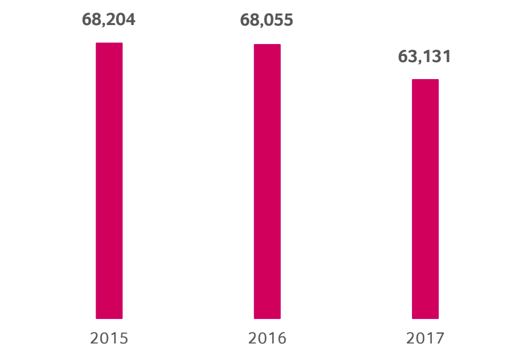
Globally, the Bank recorded again a year of improvement of the eco-efficiency levels due to the optimization of the thermal power stations, installation of the photovoltaic central, the ongoing investment in the optimization of procedures, focusing on dematerialization and on the alteration of the daily behaviour of the Employees regarding the rational use of resources.

[6] The environmental performance of all the Bank's operations was monitored in 2017, namely in Portugal, Mozambique, Switzerland and Poland, and the consumptions of previous years were presented within the same geographical scope in order to ensure an effective comparability of the results, with the exception of Mozambique whose energy (direct and indirect) and water consumption figures regarding 2016 are not available.

The Bank's consumption of energy is mostly of indirect origin, which corresponds to electricity and thermal energy and meets 60% of the Bank's energy needs. In 2017, the Bank continued to reduce its consumption of indirect energy, which fell around 7% versus 2016, due to reductions in the several countries where the bank operates. The direct energy use recorded a decrease of approximately 5%.

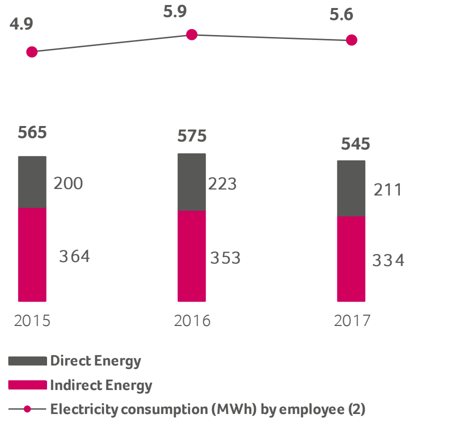
Concerning the domestic activity, BCP in Portugal reduced all types of energy consumption by 4% in total, and succeeded in attaining its annual target (-3%). Electricity from the utilities grid fell 5% vs. 2016, as mentioned above, a reduction which enabled to avoid the emission of around 658 tons of CO_2 and to save more than 300 thousand euros.

ELECTRICITY CONSUMPTION[1]
MWh



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

TOTAL ENERGY CONSUMPTION



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

BCP assumes the commitment to adjust itself to climate change, providing its contribution for the reduction of the greenhouse gas emissions. The Group's carbon footprint is assessed every year. The Bank also took part in the CDP (Carbon Disclosure Project), and kept its Leadership A- classification in 2017.

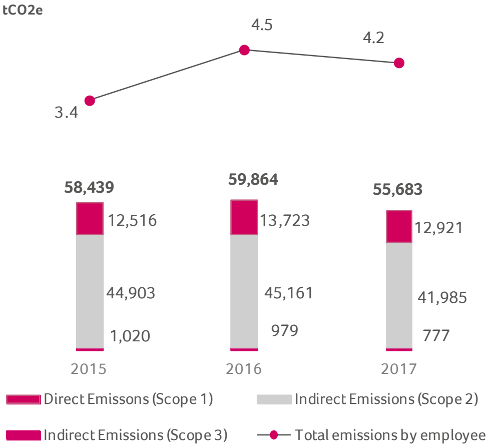
In 2017, in overall terms, there was a decrease of approximately 5% in GEE (Greenhouse gas emissions) associated with the banking activity of the Group, caused by the ongoing implementation of a set of energy efficiency measures, which are identified and detailed in the 2017 Sustainability Report.

In overall terms, the emissions associated with fuel consumption (scope 1) recorded a slight decrease of 5.8% compared to the previous year, mainly caused by a reduction in emissions associated with the car fleet. Emissions associated to electricity/heat consumption (scope 2) reduced by 7%. Yet, emissions associated to mobility (scope 3) decreased by around 20.6%, imputable mainly to the 27.9% reduction in air travel.

Regarding the activity in Portugal, Millennium bcp presented a 7% reduction in its GEE versus 2016, although it did not reach the defined goal (-4% CO_2 emissions).

Direct emissions fell 4.5% year-on-year, mainly due to the decrease in the consumption of fuel, namely diesel. Indirect emissions associated with the consumption of electricity presented a slight reduction versus the previous year. Regarding the emissions associated with service travels (scope 3) showed a very significant decrease of 28.4%, due to less plane travel and the replacement of travel by plane by webcasting tools (video conferences).

GHG EMISSIONS *
tCO2e

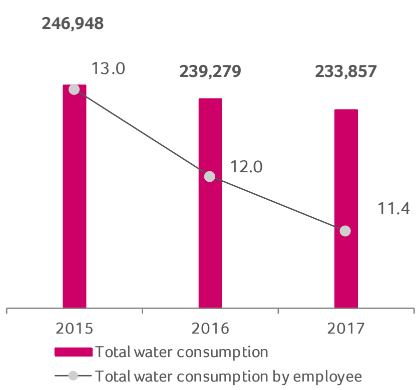


(*) Does not include Mozambique.

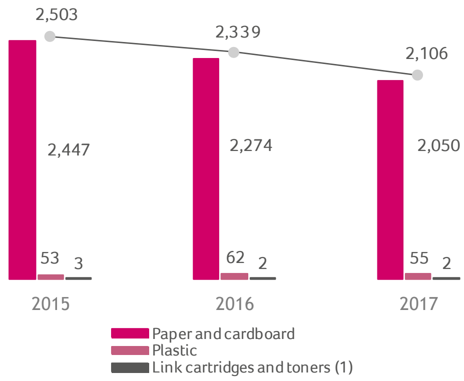
In overall terms in 2017, the total consumption of water in Group BCP rose approximately 6%, partly due to the consumption of water for irrigation.

In Portugal, total water consumption was 161,779 m3, up 3%, which did not enable the Bank to surpass the annual goal (-4% of water consumption). Of total water consumption, 89% corresponds to water from the public network and 11% to rainwater reuse.

WATER CONSUMTION*
m3



MATERIALS CONSUMPTION*
t



In overall terms, BCP continued to progressively reduce the consumption of its main materials (paper and cardboard, plastic, ink cartridges and toners), due to the optimisation measures.

The most consumed materials in terms of weight and quantity continue to be paper and cardboard, which, in overall terms, fell by 10% in relation to 2016, as a result of the dematerialisation initiatives implemented in all the geographic areas. Ink and toner cartridges also showed a 27% reduction due to measures adopted to decrease printed documents and promote scanning.

In Portugal, paper and cardboard consumption decreased 24%, once again exceeding the established annual goal (-7%). We must point out that the A4 and A3 paper brand used by the Bank has an Eco-label certificate of the European Union which certifies that the paper manufacturing process is environmentally sound.

Further details on the information reported in this chapter - Environmental Responsibility - in particular estimation criteria, the table of Global Reporting Initiative (GRI) indicators and correspondence with the Global Compact Principles, are available for viewing on the Bank's Institutional website, at www.millenniumbcp.pt, Sustainability area.

REGULATORY INFORMATION

2017 Consolidated Financial Statements

Consolidated income statement for the financial years ended at 31 December 2017 and 2016

(Thousands of euros)

	2017	2016
Interest and similar income	1,914,210	1,909,997
Interest expense and similar charges	(522,935)	(679,871)
NET INTEREST INCOME	1,391,275	1,230,126
Dividends from equity instruments	1,754	7,714
Net fees and commissions income	666,697	643,834
Net gains / (losses) arising from trading and hedging activities	45,346	101,827
Net gains / (losses) arising from financial assets available for sale	103,030	138,540
Net gains from insurance activity	4,212	4,966
Other operating income / (loss)	(110,606)	(104,547)
Total operating income	2,101,708	2,022,460
Staff costs	526,577	356,602
Other administrative costs	374,022	373,570
Amortizations and depreciations	53,582	49,824
TOTAL OPERATING EXPENSES	954,181	779,996
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,147,527	1,242,464
Loans impairment	(623,708)	(1,116,916)
Other financial assets impairment	(63,421)	(274,741)
Other assets impairment	(163,205)	(66,926)
Goodwill impairment of subsidiaries	(4)	(51,022)
Impairment for investments in associated companies	(57,764)	-
Other provisions	(16,710)	(88,387)
NET OPERATING INCOME / (LOSS)	222,715	(355,528)
Share of profit of associates under the equity method	91,637	80,525
Gains / (losses) arising from sales of subsidiaries and other assets	4,139	(6,277)
Net income / (loss) before income taxes	318,491	(281,280)
Income taxes		
Current	(102,113)	(113,425)
Deferred	71,954	495,292
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	288,332	100,587
Income arising from discontinued or discontinuing operations	1,225	45,228
NET INCOME AFTER INCOME TAXES	289,557	145,815
Net income for the year attributable to:		
Bank's Shareholders	186,391	23,938
Non-controlling interests	103,166	121,877
NET INCOME FOR THE YEAR	289,557	145,815
Earnings per share (in Euros)		
Basic	0.014	0.019
Diluted	0.014	0.019

Consolidated balance sheet as at 31 December 2017 and 2016

(Thousands of euros)

	2017	2016
ASSETS		
Cash and deposits at Central Banks	2,167,934	1,573,912
Loans and advances to credit institutions		
Repayable on demand	295,532	448,225
Other loans and advances	1,065,568	1,056,701
Loans and advances to customers	47,633,492	48,017,602
Financial assets held for trading	897,734	1,048,797
Other financial assets held for trading at fair value through profit or loss	142,336	146,664
Financial assets available for sale	11,471,847	10,596,273
Assets with repurchase agreement	-	20,525
Hedging derivatives	234,345	57,038
Financial assets held to maturity	411,799	511,181
Investments in associated companies	571,362	598,866
Non-current assets held for sale	2,164,567	2,250,159
Investment property	12,400	12,692
Other tangible assets	490,423	473,866
Goodwill and intangible assets	164,406	162,106
Current tax assets	25,914	17,465
Deferred tax assets	3,137,767	3,184,925
Other assets	1,052,024	1,087,814
TOTAL ASSETS	71,939,450	71,264,811
LIABILITIES		
Resources from credit institutions	7,487,357	9,938,395
Resources from customers	51,187,817	48,797,647
Debt securities issued	3,007,791	3,512,820
Financial liabilities held for trading	399,101	547,587
Hedging derivatives	177,337	383,992
Provisions	324,158	321,050
Subordinated debt	1,169,062	1,544,555
Current tax liabilities	12,568	35,367
Deferred tax liabilities	6,030	2,689
Other liabilities	988,493	915,528
TOTAL LIABILITIES	64,759,714	65,999,630
EQUITY		
Share capital	5,600,738	4,268,818
Share premium	16,471	16,471
Preference shares	59,910	59,910
Other equity instruments	2,922	2,922
Legal and statutory reserves	252,806	245,875
Treasury shares	(293)	(2,880)
Fair value reserves	82,090	(130,632)
Reserves and retained earnings	(120,220)	(102,306)
Net income for the year attributable to Shareholders	186,391	23,938
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,080,815	4,382,116
Non-controlling interests	1,098,921	883,065
TOTAL EQUITY	7,179,736	5,265,181
	71,939,450	71,264,811

Application of Results

Considering:

A. The provisos of the law and of the by-laws concerning the legal reserve;

B. That in the financial year of 2017, Banco Comercial Português, S.A registered consolidated net earnings amounting to 186,390,783.40 Euros and individual net earnings amounting to 118,021,411.94 Euros,

It is proposed

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b), both of the Companies Code, the appropriation of the individual net earnings on the individual balance sheet, amounting to 118,021,411.94 Euros, as follows:

- 11,802,141.20 Euros for reinforcement of the Legal Reserve;
- 106,219,270.74 Euros for Retained Earnings.

Lisbon, April 23rd 2018

The Board of Directors

António Vítor Martins Monteiro

(Chairman)

Carlos José da Silva

(Vice-Chairman)

Nuno Manuel da Silva Amado

(Vice-Chairman)

Álvaro Roque de Pinho Bissaia Barreto

(Member)

André Magalhães Luiz Gomes

(Member)

António Henriques de Pinho Cardão

(Member)

António Luís Guerra Nunes Mexia

(Member)

Cidália Maria Mota Lopes

(Member)

Jaime de Macedo Santos Bastos

(Member)

João Manuel de Matos Loureiro

(Member)

João Nuno de Oliveira Jorge Palma

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José Jacinto Iglésias Soares

(Member)

José Miguel Bensliman Schorcht da Silva Pessanha

(Member)

Lingjiang Xu

(Member)

Maria da Conceição Mota Soares de Oliveira Callé Lucas

(Member)

Miguel de Campos Pereira de Bragança

(Member)

Miguel Maya Dias Pinheiro

(Member)

Raquel Rute da Costa David Vunge

(Member)

Rui Manuel da Silva Teixeira

(Member)

Glossary of the Performance Alternative Measures

Balance sheet total customer funds - debt securities and customer deposits.

Capitalisation products – includes unit linked saving products and retirement saving plans ("PPR", "PPE" and "PPR/E").

Commercial gap – total loans to customers net of BS impairments accumulated for risk of credit minus on-balance sheet total customer funds.

Core income - net interest income plus net fees and commission income.

Core net income - corresponding to net interest income plus net fees and commission income deducted from operating costs.

Cost of risk, gross (expressed in bp) - ratio of impairment charges accounted in the period to loans to customers (gross).

Cost of risk, net (expressed in bp) - ratio of impairment charges (net of recoveries) accounted in the period to loans to customers (gross).

Cost to core income - operating costs divided by core income (net interest income and net fees and commission income).

Cost to income – operating costs divided by net operating revenues.

Coverage of non-performing loans by balance sheet impairments – total BS impairments accumulated for risks of credit divided by NPL.

Debt securities - debt securities issued by the Bank and placed with customers.

Dividends from equity instruments - dividends received from investments in financial assets held for trading and available for sale.

Equity accounted earnings - results appropriated by the Group related to the consolidation of entities where, despite having a significant influence, the Group does not control the financial and operational policies.

Loan to Deposits ratio (LTD) – Total loans to customers net of accumulated BS impairments for risks of credit divided by total customer deposits.

Loan to value ratio (LTV) – Mortgage amount divided by the appraised value of property.

Net commissions - net fees and commission income.

Net interest margin (NIM) - net interest income for the period as a percentage of average interest earning assets.

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, equity accounted earnings and other net operating income.

Net trading income - net gains/losses arising from trading and hedging activities, net gains/losses arising from available for sale financial assets, net gains/losses arising from financial assets held to maturity.

Non-performing exposures (NPE, according to EBA definition) – Non-performing loans and advances to customers more than 90 days past-due or unlikely to be paid without collateral realisation, even if they recognised as defaulted or impaired.

Non-performing loans (NPL) – Overdue loans more than 90 days including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Non-performing loans ratio – Loans more than 90 days overdue and doubtful loans reclassified as overdue for provisioning purposes divided by total loans (gross).

Operating costs - staff costs, other administrative costs and depreciation.

Other impairment and provisions - other financial assets impairment, other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, goodwill impairment and other provisions.

Other net income – net commissions, net trading income, other net operating income, dividends from equity instruments and equity accounted earnings.

Other net operating income – net gains from insurance activity, other operating income/(loss) and gains/(losses) arising from sales of subsidiaries and other assets.

Overdue loans - loans in arrears, not including the non-overdue remaining principal.

Overdue loans by more than 90 days coverage ratio - total BS impairments accumulated for risk of credit divided by total amount of loans overdue with installments of capital and interest overdue more than 90 days.

Overdue loans coverage ratio – total BS impairments accumulated for risks of credit divided by total amount of overdue loans.

Return on average assets (Instruction from the Bank of Portugal no. 16/2004) – Net income (before tax) divided by the average total assets.

Return on average assets (ROA) – Net income (before minority interests) divided by the average total assets.

Return on equity (Instruction from the Bank of Portugal no. 16/2004) – Net income (before tax) divided by the average attributable equity + non-controlling interests.

Return on equity (ROE) – Net income (after minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments.

Securities portfolio - financial assets held for trading, financial assets available for sale, assets with repurchase agreement, financial assets held to maturity and other financial assets held for trading at fair value through net income.

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

Total customer funds - balance sheet customer funds, capitalisation products, assets under management and investment funds.

Porto Salvo, 23rd April 2018

The Board of Directors

ACCOUNTS AND NOTES TO THE 2017 CONSOLIDATED ACCOUNTS

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Thousands of euros)

	Notes	2017	2016
Interest and similar income	3	1,914,210	1,909,997
Interest expense and similar charges	3	(522,935)	(679,871)
NET INTEREST INCOME		1,391,275	1,230,126
Dividends from equity instruments	4	1,754	7,714
Net fees and commissions income	5	666,697	643,834
Net gains / (losses) arising from trading and hedging activities	6	45,346	101,827
Net gains / (losses) arising from financial assets available for sale	7	103,030	138,540
Net gains from insurance activity		4,212	4,966
Other operating income / (loss)	8	(110,606)	(104,547)
TOTAL OPERATING INCOME		2,101,708	2,022,460
Staff costs	9	526,577	356,602
Other administrative costs	10	374,022	373,570
Amortizations and depreciations	11	53,582	49,824
TOTAL OPERATING EXPENSES		954,181	779,996
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		1,147,527	1,242,464
Loans impairment	12	(623,708)	(1,116,916)
Other financial assets impairment	13	(63,421)	(274,741)
Other assets impairment	27 and 32	(163,205)	(66,926)
Goodwill impairment of subsidiaries	30	(4)	(51,022)
Impairment for investments in associated companies	26	(57,764)	-
Other provisions	14	(16,710)	(88,387)
NET OPERATING INCOME / (LOSS)		222,715	(355,528)
Share of profit of associates under the equity method	15	91,637	80,525
Gains / (losses) arising from sales of subsidiaries and other assets	16	4,139	(6,277)
NET INCOME / (LOSS) BEFORE INCOME TAXES		318,491	(281,280)
Income taxes			
Current	31	(102,113)	(113,425)
Deferred	31	71,954	495,292
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		288,332	100,587
Income arising from discontinued or discontinuing operations	17	1,225	45,228
NET INCOME AFTER INCOME TAXES		289,557	145,815
Net income for the year attributable to:			
Bank's Shareholders		186,391	23,938
Non-controlling interests	44	103,166	121,877
NET INCOME FOR THE YEAR		289,557	145,815
Earnings per share (in Euros)			
Basic	18	0.014	0.019
Diluted	18	0.014	0.019

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Thousands of euros)

2017	Continuing operations			Discontinued or discontinuing operations				Attributable to	
	Gross value	Taxes	Net value	Gross value	Taxes	Net value	Total	Bank's Shareholders	Non-controlling interests
NET INCOME / (LOSS) FOR THE YEAR	318,491	(30,159)	288,332	1,225	-	1,225	289,557	186,391	103,166
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT									
Fair value reserves	298,533	(67,182)	231,351	-	-	-	231,351	212,722	18,629
Exchange differences arising on consolidation	54,808	-	54,808	-	-	-	54,808	200	54,608
IAS 29 application									
Effect on equity of Banco Millemmiun Atlântico, S.A (note 43)	28,428	-	28,428	-	-	-	28,428	28,428	-
Others	(3,965)	-	(3,965)	-	-	-	(3,965)	(3,965)	-
	377,804	(67,182)	310,622	-	-	-	310,622	237,385	73,237
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT									
Actuarial losses for the year									
BCP Group Pensions Fund	28,994	(44,726)	(15,732)	-	-	-	(15,732)	(15,732)	-
Pension Fund - other associated companies	4,135	(2,239)	1,896	-	-	-	1,896	571	1,325
	33,129	(46,965)	(13,836)	-	-	-	(13,836)	(15,161)	1,325
Other comprehensive income / (loss) for the year	410,933	(114,147)	296,786	-	-	-	296,786	222,224	74,562
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	729,424	(144,306)	585,118	1,225	-	1,225	586,343	408,615	177,728

(Thousands of euros)

2016	Continuing operations			Discontinued or discontinuing operations				Attributable to	
	Gross value	Taxes	Net value	Gross value	Taxes	Net value	Total	Bank's Shareholders	Non-controlling interests
NET INCOME / (LOSS) FOR THE YEAR	(281,280)	381,867	100,587	50,356	(5,128)	45,228	145,815	23,938	121,877
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT									
Fair value reserves	(238,137)	59,653	(178,484)	586	(176)	410	(178,074)	(152,163)	(25,911)
Effect in fair value reserves of Banco Millennium Angola, S.A. (*)	-	-	-	(4,902)	1,471	(3,431)	(3,431)	(1,719)	(1,712)
Exchange differences arising on consolidation	(152,683)	-	(152,683)	(76,219)	-	(76,219)	(228,902)	(120,816)	(108,086)
Effect in reserves of the exchange differences arising on consolidation of Banco Millennium Angola, S.A. (*)	-	-	-	156,794	-	156,794	156,794	78,554	78,240
	(390,820)	59,653	(331,167)	76,259	1,295	77,554	(253,613)	(196,144)	(57,469)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT									
Actuarial losses for the year									
BCP Group Pensions Fund	(302,644)	69,290	(233,354)	-	-	-	(233,354)	(233,354)	-
Pension Fund - other associated companies	(1,061)	(61)	(1,122)	-	-	-	(1,122)	(781)	(341)
	(303,705)	69,229	(234,476)	-	-	-	(234,476)	(234,135)	(341)
Other comprehensive income / (loss) for the year	(694,525)	128,882	(565,643)	76,259	1,295	77,554	(488,089)	(430,279)	(57,810)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	(975,805)	510,749	(465,056)	126,615	(3,833)	122,782	(342,274)	(406,341)	64,067

(*) Under the scope of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017 AND 2016

(Thousands of euros)

	Notes	2017	2016
ASSETS			
Cash and deposits at Central Banks	19	2,167,934	1,573,912
Loans and advances to credit institutions			
Repayable on demand	20	295,532	448,225
Other loans and advances	21	1,065,568	1,056,701
Loans and advances to customers	22	47,633,492	48,017,602
Financial assets held for trading	23	897,734	1,048,797
Other financial assets held for trading at fair value through profit or loss	23	142,336	146,664
Financial assets available for sale	23	11,471,847	10,596,273
Assets with repurchase agreement		-	20,525
Hedging derivatives	24	234,345	57,038
Financial assets held to maturity	25	411,799	511,181
Investments in associated companies	26	571,362	598,866
Non-current assets held for sale	27	2,164,567	2,250,159
Investment property	28	12,400	12,692
Other tangible assets	29	490,423	473,866
Goodwill and intangible assets	30	164,406	162,106
Current tax assets		25,914	17,465
Deferred tax assets	31	3,137,767	3,184,925
Other assets	32	1,052,024	1,087,814
TOTAL ASSETS		71,939,450	71,264,811
LIABILITIES			
Resources from credit institutions	33	7,487,357	9,938,395
Resources from customers	34	51,187,817	48,797,647
Debt securities issued	35	3,007,791	3,512,820
Financial liabilities held for trading	36	399,101	547,587
Hedging derivatives	24	177,337	383,992
Provisions	37	324,158	321,050
Subordinated debt	38	1,169,062	1,544,555
Current tax liabilities		12,568	35,367
Deferred tax liabilities	31	6,030	2,689
Other liabilities	39	988,493	915,528
TOTAL LIABILITIES		64,759,714	65,999,630
EQUITY			
Share capital	40	5,600,738	4,268,818
Share premium	40	16,471	16,471
Preference shares	40	59,910	59,910
Other equity instruments	40	2,922	2,922
Legal and statutory reserves	41	252,806	245,875
Treasury shares	42	(293)	(2,880)
Fair value reserves	43	82,090	(130,632)
Reserves and retained earnings	43	(120,220)	(102,306)
Net income for the year attributable to Bank's Shareholders		186,391	23,938
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,080,815	4,382,116
Non-controlling interests	44	1,098,921	883,065
TOTAL EQUITY		7,179,736	5,265,181
		71,939,450	71,264,811

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Thousands of euros)

	2017	2016
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,699,189	1,770,704
Commissions received	836,581	787,068
Fees received from services rendered	60,514	63,003
Interests paid	(522,214)	(667,682)
Commissions paid	(128,186)	(89,798)
Recoveries on loans previously written off	16,966	33,867
Net earned insurance premiums	19,847	13,744
Claims incurred of insurance activity	(10,891)	(9,214)
Payments to suppliers and employees	(1,086,602)	(929,400)
Income taxes (paid) / received	(118,676)	(57,941)
	766,528	914,351
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	28,747	(106,683)
Deposits held with purpose of monetary control	(37,653)	59,473
Loans and advances to customers receivable	(244,376)	1,788,925
Short term trading account securities	36,195	52,033
Increase / (decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	(51,702)	(28,040)
Deposits from credit institutions with agreed maturity date	(2,380,305)	1,423,509
Deposits from clients repayable on demand	3,430,158	2,357,657
Deposits from clients with agreed maturity date	(970,378)	(3,369,608)
	577,214	3,091,617
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of shares in subsidiaries and associated companies which results loss control (*)	-	(496,194)
Acquisition of shares in subsidiaries and associated companies	(787)	-
Dividends received	102,759	47,085
Interest income from available for sale financial assets and held to maturity financial assets	253,783	212,042
Sale of available for sale financial assets and held to maturity financial assets	8,046,852	5,617,817
Acquisition of available for sale financial assets and held to maturity financial assets	(42,160,122)	(29,050,145)
Maturity of available for sale financial assets and held to maturity financial assets	33,937,652	22,239,293
Acquisition of tangible and intangible assets	(88,393)	(69,281)
Sale of tangible and intangible assets	8,014	15,581
Decrease / (increase) in other sundry assets	(304,789)	(518,526)
	(205,031)	(2,002,328)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	472,742	6,705
Reimbursement of subordinated debt	(852,386)	(121,210)
Issuance of debt securities	1,312,759	188,936
Reimbursement of debt securities	(1,994,444)	(1,513,220)
Issuance of commercial paper and other securities	188,076	57,588
Reimbursement of commercial paper and other securities	(9,674)	(19,202)
Share capital increase	1,295,148	174,582
Dividends paid to non-controlling interests	(7,787)	(20,907)
Increase / (decrease) in other sundry liabilities and non-controlling interests	(384,203)	(365,046)
	20,231	(1,611,774)
Exchange differences effect on cash and equivalents	48,915	(72,108)
Net changes in cash and equivalents	441,329	(594,593)
Cash (note 19)	540,290	625,311
Deposits at Central Banks (note 19)	1,033,622	1,215,006
Loans and advances to credit institutions repayable on demand (note 20)	448,225	776,413
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,022,137	2,616,730
Cash (note 19)	540,608	540,290
Deposits at Central Banks (note 19)	1,627,326	1,033,622
Loans and advances to credit institutions repayable on demand (note 20)	295,532	448,225
CASH AND EQUIVALENTS AT THE END OF THE YEAR	2,463,466	2,022,137

(*) As in 2016 the Banco Millennium Angola, S.A. started to be considered as discontinuing operation, the related values net of intercompany operations, were incorporated in cash flows arising from investing activities.

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THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Thousands of euros)

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Fair value reserves	Reserves and retained earnings	Net income for the year attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non--controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2015	4,094,235	16,471	59,910	2,922	223,270	(1,187)	23,250	(31,046)	235,344	4,623,169	1,057,402	5,680,571
Net income for the year	-	-	-	-	-	-	-	-	23,938	23,938	121,877	145,815
Fair value reserves (note 43)	-	-	-	-	-	-	(152,163)	-	-	(152,163)	(25,911)	(178,074)
Actuarial losses	-	-	-	-	-	-	-	(234,135)	-	(234,135)	(341)	(234,476)
Effect in fair value reserves related to the merger (a)	-	-	-	-	-	-	(1,719)	-	-	(1,719)	(1,712)	(3,431)
Effect in reserves of the exchange differences arising on consolidation related to the merger (a)	-	-	-	-	-	-	-	78,554	-	78,554	78,240	156,794
Exchange differences arising on consolidation	-	-	-	-	-	-	-	(120,816)	-	(120,816)	(108,086)	(228,902)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(153,882)	(276,397)	23,938	(406,341)	64,067	(342,274)
Results apllications:												
Legal reserve	-	-	-	-	22,605	-	-	-	(22,605)	-	-	-
Transfers for Reserves and retained earnings	-	-	-	-	-	-	-	212,739	(212,739)	-	-	-
Share capital increase (note 40)	174,583	-	-	-	-	-	-	-	-	174,583	-	174,583
Regrouping of shares	-	-	-	-	-	-	-	(1,047)	-	(1,047)	-	(1,047)
Costs related to the share capital increase	-	-	-	-	-	-	-	(6,437)	-	(6,437)	-	(6,437)
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	-	1,352	-	1,352	-	1,352
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	-	-	-	-	-	-	-	-	-	-	(210,395)	(210,395)
Dividends (b)	-	-	-	-	-	-	-	-	-	-	(20,907)	(20,907)
Treasury shares (note 42)	-	-	-	-	-	(1,693)	-	1	-	(1,692)	-	(1,692)
Other reserves (note 43)	-	-	-	-	-	-	-	(1,471)	-	(1,471)	(7,102)	(8,573)
BALANCE AS AT 31 DECEMBER 2016	4,268,818	16,471	59,910	2,922	245,875	(2,880)	(130,632)	(102,306)	23,938	4,382,116	883,065	5,265,181
Net income for the year	-	-	-	-	-	-	-	-	186,391	186,391	103,166	289,557
Fair value reserves (note 43)	-	-	-	-	-	-	212,722	-	-	212,722	18,629	231,351
Actuarial losses	-	-	-	-	-	-	-	(15,161)	-	(15,161)	1,325	(13,836)
Exchange differences arising on consolidation	-	-	-	-	-	-	-	200	-	200	54,608	54,808
Application of IAS 29 - effect as at 1 january 2017 (notes 26 and 59):												
Effect on equity of Banco Millenniun Atlântico, S.A (c)	-	-	-	-	-	-	-	44,248	-	44,248	-	44,248
Impairment for investments in associated	-	-	-	-	-	-	-	(44,248)	-	(44,248)	-	(44,248)
Application of IAS 29 excluding the effect on net income for the year (notes 26 and 59):												
Effect on equity of Banco Millenniun Atlântico, S.A (c)	-	-	-	-	-	-	-	28,428	-	28,428	-	28,428
Others	-	-	-	-	-	-	-	(3,965)	-	(3,965)	-	(3,965)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	212,722	9,502	186,391	408,615	177,728	586,343
Results apllications:												
Legal reserve (note 41)	-	-	-	-	6,931	-	-	-	(6,931)	-	-	-
Transfers for Reserves and retained earnings	-	-	-	-	-	-	-	17,007	(17,007)	-	-	-
Share capital increase (note 40)	1,331,920	-	-	-	-	-	-	-	-	1,331,920	-	1,331,920
Costs related to the share capital increase	-	-	-	-	-	-	-	(36,772)	-	(36,772)	-	(36,772)
Tax related to costs arising from the share capital increase (d)	-	-	-	-	-	-	-	(8,264)	-	(8,264)	-	(8,264)
Dividends (a)	-	-	-	-	-	-	-	-	-	-	(7,787)	(7,787)
Treasury shares (note 42)	-	-	-	-	-	2,587	-	1,083	-	3,670	-	3,670
Other reserves (note 43)	-	-	-	-	-	-	-	(470)	-	(470)	45,915	45,445
BALANCE AS AT 31 DECEMBER 2017	5,600,738	16,471	59,910	2,922	252,806	(293)	82,090	(120,220)	186,391	6,080,815	1,098,921	7,179,736

(a) Under the scope of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.

(b) Dividends of Banco Millennium Angola S.A., BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.

(c) Bank Millennium Atlântico, S.A.

(d) Includes the derecognition of deferred taxes related to tax losses from previous years associated to costs arising from the share capital increase

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

1. ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the years ended 31 December 2017 and 2016.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002 and Bank of Portugal Notice no. 1/2005 (revoked by Bank of Portugal Notice no. 5/2015), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU'). IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and their predecessor bodies. The consolidated financial statements presented were approved on 23 April 2018 by the Bank's Board of Directors. The financial statements are presented in thousands of euros, rounded to the nearest thousand.

All the references in this document related to any normative always report to current version.

The consolidated financial statements for the year ended 31 December 2017 were prepared in terms of recognition and measurement in accordance with the IFRS adopted by the EU and effective on that date.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2017, as referred in note 54. The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

The Group's financial statements are prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets available for sale, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are covered under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the past liabilities with pensions net of the value of the fund's assets.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, on the advice of the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or for which assumptions and estimates are considered to be significant are presented in note 1 ad).

B. BASIS OF CONSOLIDATION

As from 1 January 2010, the Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (the Group), and the results attributable to the Group financial investments in associates.

i) Investments in subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed or has rights to variable returns from its involvement with the entity and is able to take possession of those results through the power it holds over the relevant activities of that entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise negative non-controlling interests.

On a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired, is booked against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revaluated at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

ii) Investments in associates

Investments in associated companies are consolidated by the equity method from the date that the Group acquires significant influence until the date it ceases to exist. Associates are those entities in which the Group has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, more than 20% or of the voting rights of the investee. If the Group holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Group and the investee;
- interchange of the management team;
- provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of associated companies accounted on an equity basis. When the Group's share of losses exceeds its interest in the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred in a legal obligation to assume those losses on behalf of an associate.

iii) Goodwill

Business combinations are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed. Costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

Positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the year the business combination occurs.

Goodwill is not adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement, or in equity, when applicable.

The recoverable amount of the goodwill registered in the Group's asset is assessed annually in the preparation of the accounts with reference at the end of the year or whenever there are indications of eventual loss of value. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

iv) Purchases and dilution of non-controlling interests

The acquisition of the non-controlling interests that does not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, is not recognised additional goodwill resulting from this transaction. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of controlling interests, that does not impact the control position of a subsidiary, are always recognised against reserves.

v) Loss of control

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

vi) Investments in foreign subsidiaries and associates

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euros at the official exchange rate at the balance sheet date. The exchange rates used by the Group are presented in note 52.

Regarding the investments in foreign operations that are consolidated under the full consolidation or equity methods, for exchange differences between the conversion to Euros of the opening equity at the beginning of the year and their value in Euros at the exchange rate ruling at the balance sheet date for consolidated accounts are charged against consolidated reserves - exchange differences. The changes in fair value resulting from instruments that are designated and qualified as hedging instruments related to foreign operations are registered in equity in "Reserves and retained earnings". Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss of the year.

The income and expenses of these subsidiaries are converted to Euros at an approximate rate of the rates ruling at the dates of the transactions, and it is used a monthly average taking into account the initial and final exchange rate of each month. Exchange differences from the conversion to Euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in "Reserves and retained earnings - exchange differences resulting from the consolidation of Group's companies".

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves, are transferred to profit and loss as part of the gains or loss arising from the disposal.

The Group applies IAS 29 - Financial reporting in hyperinflationary economies in financial statements of entities that present accounts in functional currency of an economy that has hyperinflation.

In applying this policy, non-monetary assets and liabilities are adjusted based on the price index from the date of acquisition or the date of the last revaluation to the balance sheet date. The restated values of assets are reduced by the amount that exceeds their recoverable amount, in accordance with the applicable IFRS.

Equity components are also updated taking into account the price index from the beginning of the period or date of the contribution, if it is earlier.

When the classification as a hyperinflationary economy is applied to associated companies, its effects are included in the Group's financial statements by applying the equity method of accounting on the financial statements restated in accordance with the requirements of IAS 29. The effects of the application of IAS 29 with impact on capital items are recorded against the item "Reserves and retained earnings".

vii) Transactions eliminated on consolidation

The balances and transactions between Group's companies, or any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's investment in those entities.

C. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers includes loans and advances originated by the Group which are not intended to be sold in the short term and are recognised when cash is advanced to customers.

The derecognition of these assets occurs in the following situations: (i) the contractual rights of the Group have expired; or (ii) the Group transferred substantially all the associated risks and rewards.

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, being presented in the balance sheet net of impairment losses.

i) Impairment

The Group’s policy consists in a regular assessment of the existence of objective evidence of impairment in the loan portfolios. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed against results, in a subsequent period.

After the initial recognition, a loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, can be classified as impaired when there is an objective evidence of impairment as a result of one or more events and when these have an impact on the estimated future cash flows of the loan or of the loan portfolio that can be reliably estimated.

According to IAS 39, there are two methods of calculating impairment losses: (i) individually assessed loans; and (ii) collective assessment.

1) Individually assessed loans

Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Group assesses, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors are considered:
- group's aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to which loan;
- a significant downgrading in the customer's rating;
- the assets available on liquidation or insolvency situations;
- the ranking of all creditors claims;
- the amount and timing of expected receipts and recoveries.

Impairment losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, with its current carrying value, being the amount of any loss charged in the income statement. The carrying amount of impaired loans is presented in the balance sheet net of impairment loss. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, which was applicable in the period that the impairment was determined.

Loans that are not identified as having an objective evidence of impairment are grouped on the basis of similar credit risk characteristics, and assessed collectively.

2) Collective assessment

Impairment losses are calculated on a collective basis under two different scenarios:

- for homogeneous groups of loans that are not considered individually significant; or
- losses which have been incurred but have not yet been reported (IBNR) on loans for which no objective evidence of impairment is identified (see last paragraph (i)).

The collective impairment loss is determined considering the following factors:

- historical loss experience in portfolios with similar risk characteristics;
- knowledge of the current economic and credit conditions and its impact on the historical losses level;
- the estimated period between a loss occurring and its identification.

The methodology and assumptions used to estimate the future cash flows are reviewed regularly by the Group.

Loans, for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allows the Group's recognition of losses whose identification in individual terms only occurs in future periods.

Loans and advances to customers are written-off when there is no realistic expectation, from an economic perspective, and for collateralised loans when the funds from the realization of the collateral have already been received, by the use of impairment losses when they correspond to 100% of the credits value considered as non-recoverable.

D. FINANCIAL INSTRUMENTS

(i) Classification, initial recognition and subsequent measurement

Financial assets are recognized on the trade date, thus, in the date that the Group commits to purchase the asset and are classified considering the intent behind them, according to the categories described below:

1) Financial assets and liabilities at fair value through profit and loss

a) Financial assets and liabilities held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares, those which are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in "Net gains / (losses) arising on trading and hedging activities".

The interest from debt instruments is recognised as net interest income.

Trading derivatives with a positive fair value are included in Financial assets held for trading and the trading derivatives with negative fair value are included in "Financial liabilities held for trading".

b) Other financial assets and liabilities at fair value through profit and loss (“Fair Value Option”)

The Group has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Group's credit risk related to financial liabilities accounted under the Fair Value Option are disclosed in the note Net gains / (losses) arising from trading and hedging activities (note 6).

The designation of other financial assets and liabilities at fair value through profit and losses (Fair Value Option) may be performed whenever at least one of the following requirements is fulfilled:

- the financial assets and liabilities are managed, evaluated and reported internally at its fair value;
- the designation eliminates or significantly reduces the accounting mismatch of the transactions;
- the financial assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

Considering that the transactions carried out by the Group in the normal course of its business are in market conditions, the assets and liabilities financial instruments at fair value through profit or loss are recognised initially at their fair value, with the costs or income associated with the transactions recognised in results at the initial moment, with subsequent changes in fair value recognized in profit or loss. Patrimonial variations in the fair value are recorded in "Net gains / (losses) arising from trading and hedging activities" (note 6). The accrual of interest and the premium / discount (when applicable) is recognised in "Net interest income" based on the effective interest rate of each transaction, as well as the accrual of interest from derivatives associated with financial instruments classified in this category.

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Group, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale are subsequently measured at fair value. The changes in fair value are accounted for against "Fair value reserves". On disposal of the financial assets available for sale or if impairment loss exists, the accumulated gains or losses recognised as fair value reserves are recognised under "Net gains / (losses) arising from available for sale financial assets" or "Impairment for other financial assets", in the income statement, respectively. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in profit and losses when the right to receive the dividends is attributed.

3) Financial assets held-to-maturity

The financial assets held-to-maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Group has the intention and ability to maintain until the maturity of the assets and that were not included in other categories of financial assets. These financial assets are initially recognised at fair value and subsequently measured at amortised cost. The interest is calculated using the effective interest rate method and recognised in Net interest income. The impairment losses are recognised in profit and loss when identified.

Any reclassification or disposal of financial assets included in this category that does not occur close to the maturity of the assets, or if it is not framed in the exceptions stated by the rules, will require the Group to reclassify the entire portfolio as Financial assets available for sale and the Group will not be allowed to classify any assets under this category for the following two years.

4) Loans and receivables - Loans represented by securities

Non-derivative financial assets with fixed or determined payments, that are not quoted in a market and which the Group does not intend to sell immediately or in a near future, may be classified in this category.

In addition to loans granted, the Group recognises in this category unquoted bonds and commercial paper. The financial assets recognised in this category are initially accounted at fair value and subsequently at amortised cost net of impairment. The transaction costs are included in the effective interest rate for these financial instruments. The interest accounted based on the effective interest rate method are recognised in Net interest income.

The impairment losses are recognised in profit and loss when identified.

5) Other financial liabilities

Other financial liabilities are all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category includes money market transactions, deposits from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in "Net interest income".

The financial gains or losses calculated at the time of repurchase of other financial liabilities are recognised as "Net gains / (losses) from trading and hedging activities", when occurred.

6) Securitizations operations

a) Traditional securitizations

As referred in note 22, the Bank has four residential mortgage credit securitizations operations (Magellan Mortgages No.1, No.2, No.3 e No.4) which portfolios were accounted derecognized of the individual balance of the Bank, as the residual notes of the referred operations were sold to institutional investors and consequently, the risks and the benefits were substantially transferred.

With the purchase of a part of the residual note, the Group maintained the control of the assets and the liabilities of Magellan Mortgages No.2 e No.3, these Special Purpose Entities (SPE or SPV) are consolidated in the Group Financial Statements, in accordance with accounting policy referred in note 1 b).

The four operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Titularization Fund, which has financed this purchase through the sale of titularization units to an SPE with office in Ireland. At the same time this SPE issued and sold in the capital markets a group of different classes of bonds.

b) Synthetic securitizations

The Group has two synthetic operations. Caravela SME No.3, which operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies.

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies).

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

(ii) Impairment

At each balance sheet date, an assessment is made of the existence of objective evidence of impairment. A financial asset or group of financial assets are impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quoted price, and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reasonably. According to the Group's policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Reversal of impairment losses on equity instruments, classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (there is no reversal in profit and losses).

(iii) Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives, if the economic risks and benefits of the embedded derivative are not closely related to the host contract, as long as the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives are classified as trading and recognised at fair value with changes through profit and loss.

E. DERIVATIVES HEDGE ACCOUNTING

(i) Hedge accounting

The Group designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of hedged risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual period of the hedged item.

(iii) Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- Deferred over the residual period of the hedged instrument; or
- Recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

(iv) Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness has to be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

(v) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity are transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

F. RECLASSIFICATIONS BETWEEN FINANCIAL INSTRUMENTS CATEGORIES

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer financial assets from Financial assets at fair value through profit and loss – trading to Financial assets available for sale, to Loans and Receivables - Loans represented by securities or to Financial assets held-to-maturity, as long as the requirement referred in the standard namely when there is some event that is uncommon and highly improbable that will occur again in the short term, that is, the event can be classified as a rare circumstance. The Group adopted this possibility for a group of financial assets.

The analysis of the reclassifications is detailed in note 23 - Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale. Transfers of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables - Loans represented by securities and to Financial assets held-to-maturity are allowed, in determined and specific circumstances.

Transfers from and to Other financial assets and financial liabilities at fair value through profit and loss (Fair value option) are prohibited.

G. DERECOGNITION

The Group derecognises financial assets when all rights to future cash flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or the Group does not maintain control over the assets.

The Group derecognises financial liabilities when these are cancelled or extinguished.

H. EQUITY INSTRUMENTS

A financial instrument is an equity instrument only if (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity and (b) if the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the Group and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognised when the obligation to pay is established and are deducted to equity.

I. COMPOUND FINANCIAL INSTRUMENTS

Financial instruments that contain both a liability and an equity component (example: convertible bonds) are classified as compound financial instruments. For those instruments classified as compound financial instruments, the terms of its conversion to ordinary shares (number of shares) cannot change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability. Financial liabilities are measured at amortised cost through the effective interest rate method. The interests are recognised in Net interest income.

J. SECURITIES BORROWING AND REPURCHASE AGREEMENT TRANSACTIONS

(i) Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

(ii) Repurchase agreements

The Group performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions. The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

K. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OR DISCONTINUING OPERATIONS

Non-current assets, groups of non-current assets held for sale (groups of assets together with related liabilities that include at least a non current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets or group of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and its sale is highly probable. In order for the sale to be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group), and must have been initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected the sale to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5 and that the Group remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable. Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term are consolidated until the moment of its sale.

Non-operating real estate (INAE)

The Group also classifies non-current assets held for sale the non-operating real estate (INAE), which include properties acquired by the Group as a result of the resolution of customer credit processes, as well as own properties that are no longer used by the Group's services.

Properties held by real estate companies and real estate investment funds, which are part of the Group's consolidation perimeter, whose capital or units acquired by the Group as a result of the recovery loans are treated as INAE.

At the time of acquisition, real estate classified as INAE is recognised at the lower of the value of the loans existing on the date on which the recovery occurs or the judicial decision is formalised, and the fair value of the property, net of estimated costs for sale.

Subsequent measurement of INAE is made at the lower of their book value and the corresponding fair value, net of the estimated costs for their sale and are not subject to amortization. Impairment losses are recorded in the results of the period in which they arise.

The fair value is determined based on the market value, which is determined based on the expected sales price obtained through periodic evaluations made by expert external evaluators accredited to the CMVM.

The principles used to determine the net fair value of selling costs of a property apply, whenever possible, apply, whenever possible, to real estate similar to INAE held by Real Estate Companies and Real Estate Investment Funds for the purpose of consolidating Group accounts.

Whenever the net fair value of the selling costs calculated for an INAE is less than the amount by which the same is recognized in the Group's balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against income for the year.

If the net fair value of the selling costs of an INAE, after recognition of impairment, indicates a gain, the Bank may reflect that gain up to the maximum of the impairment that has been recorded on that property.

L. LEASE TRANSACTIONS

In accordance with IAS 17, the lease transactions are classified as financial whenever their terms transfer substantially all the risks an rewards associated with the ownership of the property to the lessee. The remaining leases are classified as operational. The classification of the leases is done according to the substance and not the form of the contract.

i) Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded at the beginning as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

Assets received arising from the resolution of leasing contracts and complying with the definition of assets held for sale classified in this category, are measured in accordance with the accounting policy defined in note 1k).

ii) Operational leases

At the lessee's perspective, the Group has various operating leases for properties and vehicles. The payments under these leases are recognised in Other administrative costs during the life of the contract, and neither the asset nor the liability associated with the contract is evidenced in its balance sheet.

M. INTEREST RECOGNITION

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest income or expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised in net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

For financial asset or a group of similar financial assets for which impairment losses were recognised, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans' portfolio, the following aspects are considered:
- interest income for overdue loans with collaterals are accounted for as income, up to the limit of the valuation of the collateral on a prudent basis, in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
- the interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off from the Bank's financial statements and are recognised only when received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains / (losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component is recognised under interest income or expense (Net interest income).

N. RECOGNITION OF INCOME FROM SERVICES AND COMMISSIONS

Income from services and commissions are recognised according to the following criteria:

- when are earned as services are provided, are recognised in income over the period in which the service is being provided;
- when are earned on the execution of a significant act, are recognised as income when the service is completed.

Income from services and commissions, that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

O. FINANCIAL NET GAINS / LOSSES (NET GAINS / LOSSES ARISING FROM TRADING AND HEDGING ACTIVITIES, FROM FINANCIAL ASSETS AVAILABLE FOR SALE AND FROM FINANCIAL ASSETS HELD TO MATURITY)

Financial net gains / losses includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This balance also includes the gains and losses arising from the sale of available for sale financial assets and financial assets held to maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this balance.

P. FIDUCIARY ACTIVITIES

Assets held in the scope of fiduciary activities are not recognised in the Group's consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

Q. OTHER TANGIBLE ASSETS

Other tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other tangible assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash-flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of the fixed tangible assets are recognised in profit and loss for the year.

R. INVESTMENT PROPERTY

Real estate properties owned by the investment funds consolidated in the Group, are recognised as Investment properties considering, that the main objective of these buildings is the capital appreciation on a long term basis and not its sale in a short term period, or its maintenance for own use.

These investments are initially recognised at its acquisition cost, including the transaction costs and subsequently revaluated at its fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in results as "Other operating income / (costs)" (note 8).

The experts responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

S. INTANGIBLE ASSETS

i) Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

ii) Software

The Group accounts, as intangible assets, the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three years. The Group does not capitalise internal costs arising from software development.

T. CASH AND EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits with Central Banks and loans and advances to credit institutions.

U. OFFSETTING

Financial assets and liabilities are offset and recognised at their net book value when: i) the Group has a legal right to offset the amounts recognised and transactions can be settled at their net value; and ii) the Group intends to settle on a net basis or perform the asset and settle the liability simultaneously. Considering the current operations of the Group, no compensation of material amount is made. In case of reclassifications of comparative amounts, the provisions of IAS 1.41 are disclosed: i) the nature of the reclassification; ii) the amount of each item (or class of items) reclassified and iii) the reason for the reclassification.

V. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available-for-sale, for which the difference is recognised against equity.

W. EMPLOYEE BENEFITS

i) Defined benefit plans

The Group has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the two collective labour arrangements. These benefits are estimated in the pension's plans 'Plano ACT' and 'Plano ACTQ' of the Pension Plan of BCP Group.

Until 2011, along with the benefits provided in two planes above, the Group had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September, 2006 (Complementary Plan). The Group at the end of 2012 decided to extinguish ("cut") the benefit of old age Complementary Plan. As at 14 December 2012, the ISP ("Instituto de Seguros de Portugal" - Portuguese Insurance Institute) formally approved this change to the benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Group also proceeded to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The Bank supports the remaining difference for the total pension assured in Collective Labour Agreement.

This integration has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in accordance with the "Unit Credit Projected" during the average lifetime of the pension until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated taking into account the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognized under the heading "Current service costs".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the IRCT - Instrument of Collective Regulation of Work of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the Collective Labour Agreement (ACT) was reached between the BCP Group and the two unions representive of the Group's employees, which introduced changes in the Social Security chapter and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT has already been published by the Ministry of Labour in Bulletin of Labour and Employment on 15 February 2017 and their effects were recorded in the financial statements of 31 December 2016, for employees associated with these two unions.

The negotiation with the " Sindicato dos Bancários do Norte”" ("SBN"), which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labour and Employment, with the effects of this new ACT recorded in the financial statements as at 31December 2017, for employees associates of SBN.

The most relevant changes occurred in the ACT were the change in the retirement age (presumed disability) that changed from 65 years to 66 years and two months in 2016, and the subsequent update of a further month for each year, at the beginning of each calendar year, and can not, in any case, be higher than which it is in force at any moment in the General Regime of Social Security, the change in the formula for determining the employer's contribution to the SAMS and a new benefit called the End of career premium that replaces the Seniority premium.

These changes described above were framed by the Group as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs ".

In 2017, after the authorization of the Insurance and Pension Funds Supervision Authority (ASF), the BCP group's pension fund agreement was amended. The main purpose of the process was to incorporate into the pension fund the changes introduced in the Group's ACT in terms of retirement benefits and also to pass to the pension fund, the responsibilities that were directly chargeable to the company's (extra-fund liabilities). The pension fund has a part exclusively affected to the financing of these liabilities, which in the scope of the fund are called Additional Complement. The End of career premium also became the responsibility of the pension fund under the basic pension plan.

The Group’s net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimate. The responsibilities with past service are calculated using the Unit Credit Projected method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the Insurance Supervision Authority and Pension Fund (ASF).

The Group's net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

Extra-fund liability refers to pension supplements allocated to various employees under the retirement's negotiation processes with the aim of encouraging them to join staff reduction programs.

The income / cost of interests with the pension plan is calculated, by the Group, multiplying the net asset / liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income / cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under "Other comprehensive income".

The Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of retirement.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each Group company according to a certain plan contributions to ensure the solvency of the fund. The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

ii) Defined contribution plan

For Defined Contribution Plan, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

As at 31 December 2017, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group, and does not have a performance criterion.

iii) Share based compensation plan

As at 31 December 2017 there are no share based compensation plans in force.

iv) Variable remuneration paid to employees

The Executive Committee decides on the most appropriate criteria of allocation among employees, whenever it is attributed. This variable remuneration is charged to income statement in the period to which it relates.

X. INCOME TAXES

The Group is subject to the regime established by the Income Tax Code ("CIRC"). Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In 2016, a group of entities of the BCP Group adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of taxation of income tax, with BCP being the dominant entity.

Under the scope of taxation under this regime, the Group chose to consider that the effects of the determination of the taxable income according to RETGS are reflected in the tax calculation of each entity's fiscal year, which includes the effect on the current tax due to the use of tax loss carry forwards generated by another entity of the Group.

Y. SEGMENTAL REPORTING

The Group adopted the IFRS 8 - Operating Segments for the purpose of disclosure financial information by operating and geographic segments. A business segment is a Group's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance, and (iii) for which separate financial information is available.

The Group controls its activity through the following major operating segments:

Portugal activity:
- Retail Banking, also including ActivoBank;
- Companies, Corporate and Investment Banking;
- Private Banking;
- Non-core business portfolio;
- Other.

"Other" (Portugal activity) includes the activities that are not allocated to remaining segments namely centralized management of financial investments, corporate activities and insurance activity.

Foreign activity:
- Poland;
- Mozambique;
- Other.

"Other" (foreign activity) includes the activity developed by subsidiaries in Switzerland and Cayman Islands and also the contribution of the participation in an associate in Angola.

In the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, which agreement occurred in 22 April 2016 and the conclusion of the process of the necessary authorizations in 3 May 2016, Banco Millennium Angola was considered as a discontinued operation in March 2016, with the impact of its results presented in the balance Income / (loss) arising from discontinued or discontinuing operations and restated for the previous periods. At the consolidated balance, the assets and liabilities of Banco Millennium Angola, S.A. continued to be consolidated by the purchase method till April 2016.

After the completion of the merger, in May 2016, the assets and liabilities of Banco Millennium in Angola stopped being considered in the consolidated balance sheet and the investment of 22.5 % in Banco Millennium Atlântico, the new merged entity, started being consolidated using the equity method and its contribution to the Group's results have been recognised in the consolidated accounts from May 2016 onwards, in the balance "Share of profit of associates under the equity method".

Z. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

i) Provisions

Provisions are recognised when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities); (ii) it is probable that a payment will be required to settle (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into account the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent in the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

ii) Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits is not remote.

The group registers a contingent liability when:

(a) it is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
ii) the amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

iii) Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

AA. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share. If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

AB. INSURANCE CONTRACTS

i) Classification

The Group issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is accounted for as a financial instrument.

ii) Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long-term contracts are recognised as income when due from the policyholders. The benefits and other costs are recognised concurrently with the recognition of income over the life of the contracts. This specialization is achieved through the establishment of provisions / liabilities of insurance contracts and investment contracts with discretionary participating features.

The responsibilities correspond to the present value of future benefits payable, net of administrative expenses directly associated with the contracts, less the theoretical premiums that would be required to comply with the established benefits and related expenses. The liabilities are determined based on assumptions of mortality, costs of management or investment at the valuation date.

For contracts where the payment period is significantly shorter than the period of benefit, premiums are deferred and recognised as income in proportion to the duration period of risk coverage. Regarding short-term contracts, including contracts of non-life insurance, premiums are recorded at the time of issue. The award is recognised as income acquired in a pro-rata basis during the term of the contract. The provision for unearned premiums represents the amount of issued premiums on risks not occurred.

iii) Premiums

Gross premiums written are recognised for as income in the period to which they respect independently from the moment of payment or receivable, in accordance with the accrual accounting principle. Reinsurance premiums ceded are accounted for as expense in the period to which they respect in the same way as gross premiums written.

iv) Provision for unearned premiums from direct insurance and reinsurance premiums ceded

The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the pro-rata temporis method applied to each contract in force.

v) Liability adequacy test

At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

AC. INSURANCE OR REINSURANCE INTERMEDIATION SERVICES

The Banco Comercial Português and Banco ActivoBank are entities authorized by the 'Autoridade de Supervisão de Seguros e Fundos de Pensões' (Portuguese Insurance Regulation) to practice the activity of insurance intermediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree-Law n. º 144/2006, of July 31, developing the activity of insurance intermediation in life and non-life.

Within the insurance intermediation services, these banks perform the sale of insurance contracts. As compensation for services rendered for insurance intermediation, they receive commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements / protocols established with the Insurance Companies.

Commissions received by insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions which receipt occurs at different time period to which it relates are subject to registration as an amount receivable in "Other Assets".

AD. ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

IFRS set forth a range of accounting treatments that requires that the Board of Directors, on the advice of the Executive Committee, to apply judgments and to make estimates in deciding which treatment is most appropriate. The most significant of these accounting estimates and judgments used in the accounting principles application are discussed in this section in order to improve understanding of how their application affects the Group's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, on the advice of the Executive Committee, the Group's reported results would differ if a different treatment was chosen. The Board of Directors, on the advice of the Executive Committee, believes that the choices made are appropriate and that the financial statements present the Group's financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

i) Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment losses on a regularly basis, as described in note 1 c). The evaluation process in determining whether an impairment loss should be recorded is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows received, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in Group's Income Statement.

ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the total amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Group considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to the taxable and the interpretation of the tax legislation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors, namely the ability to generate estimated taxable income and the interpretation of the tax legislation.

The taxable profit or tax loss reported by the Bank or its subsidiaries located in Portugal can be corrected by the Portuguese tax authorities within four years except in the case it has been made any deduction or used tax credit, when the expiration date is the period of this right report. The Executive Committee believes that any corrections resulting mainly from differences in the interpretation of tax law will not have material effect on the financial statements.

Regarding the activity in Portugal, the specific rules regarding the tax regime for credit impairment and guarantees for the tax periods beginning on or after 1 January 2018 are not defined, since the reference to the Bank of Portugal Notice No. 3/95 was only applicable until 31 December 2017 and the regime that will be effective as at 1 January 2018 has not yet been defined. In this context, the Executive Committee is considering, for the purpose of calculating taxable income and the deferred tax recording with reference to 31 December 2017, that the impairment of the credit and guarantees recorded which is deductible for IRC purpose is limited to the amount of the deductible provisions that would have been verified if the Bank of Portugal Notice No. 3/95 still remained in force.

In the projections of future taxable income, the Bank considered the future maintenance of the tax regime applicable to impairment of loans and guarantees, based on the minimum limits applicable under Bank of Portugal Notice 3/95, which was in force in 2015 (pursuant to Regulatory Decree No. 19/2015 of 30 December), 2016 (pursuant to Regulatory Decree No. 5/2016 of 18 November) and 2017 (under the terms of Regulatory Decree n. 11/2017, of 28 December).

iii) Non-current assets held for sale (real estate) valuation

The properties registered in the portfolio of non-current assets held for sale are subject to periodic real estate valuations, carried out by independent experts registered at the CMVM, from their registration and until their derecognition, to be carried out on a property by property basis, according to the circumstances in which each property is and consistent with the disposal strategy. The preparation of these evaluations involves the use of several assumptions. Different assumptions or changes occurred in them may affect the recognised value of these assets.

iv) Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rate, mortality table, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund is based on an analysis performed over the market yield regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros - related to a diverse and representative range of issuers.

v) Impairment of financial assets available for-sale

The Group determines that financial assets available for-sale are impaired when there has been a significant or prolonged decrease in the fair value. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the volatility in the prices of the financial assets. According to the Group's policies, 30% of depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in profit and loss of the Group.

vi) Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values. Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different results from the ones reported.

vii) Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying some of its non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment.

In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances — for example, selling an insignificant amount close to maturity — it will be required to reclassify the entire class as available-for-sale with its consequently fair value measure and not at the amortization cost. The investments would therefore be measured at fair value instead of amortised cost. Held-to-maturity investments are subject to impairment tests made by the Group. The use of different assumptions and estimates could have an impact in profit and loss of the Group.

viii) Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assess whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and it is able to take possession of those results through the power it holds (de facto control). The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimates and assumptions to determine what extend the Group is exposed to the variable returns and its ability to use its power to affect those returns. Different estimates and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in consolidated income.

ix) Goodwill impairment

The recoverable amount of the goodwill recorded in the Group's asset is assessed annually in the preparation of accounts with reference to the end of the year or whenever there are indications of eventual loss of value. For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

AE. SUBSEQUENT EVENTS

The Bank analyses events occurring after the balance sheet date, that is, favorable and / or unfavorable events occurring between the balance sheet date and the date the financial statements were authorized for issue. In this context, two types of events can be identified:

i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and
ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurring after the date of the statement of financial position that are not considered as adjustable events, if significant, are disclosed in the notes to the consolidated financial statements.

2. NET INTEREST INCOME, NET GAINS ARISING FROM TRADING AND HEDGING ACTIVITIES AND FROM FINANCIAL ASSETS AVAILABLE FOR SALE

IFRS requires separate disclosure of net interest income and net gains arising from trading and hedging activities and from financial assets available for sale, as presented in notes 3, 6 and 7. A particular business activity can generate impact in each of these captions, whereby the disclosure requirement demonstrates the contribution of the different business activities for the net interest margin and net gains from trading and hedging and from financial assets available for sale.

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Net interest income (note 3)	1,391,275	1,230,126
Net gains from trading and hedging assets (note 6)	45,346	101,827
Net gains from financial assets available for sale (note 7)	103,030	138,540
	1,539,651	1,470,493

3. NET INTEREST INCOME

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Interest and similar income		
Interest on loans	1,513,194	1,547,745
Interest on trading securities	4,915	6,447
Interest on other financial assets valued at fair value through profit or loss account	3,422	3,688
Interest on available for sale financial assets	230,045	199,404
Interest on held to maturity financial assets	19,231	9,983
Interest on hedging derivatives	92,488	96,627
Interest on derivatives associated to financial instruments through profit or loss account	15,865	17,176
Interest on deposits and other investments	35,050	28,927
	1,914,210	1,909,997
Interest expense and similar charges		
Interest on deposits and other resources	(352,999)	(388,905)
Interest on securities issued	(78,847)	(140,295)
Interest on subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	(6,343)	(65,525)
Others	(58,373)	(57,091)
Interest on hedging derivatives	(21,150)	(16,637)
Interest on derivatives associated to financial instruments through profit or loss account	(5,223)	(11,418)
	(522,935)	(679,871)
	1,391,275	1,230,126

The balance Interest on loans includes the amount of Euros 45,514,000 (2016: Euros 42,672,000) related to commissions and other gains accounted for in accordance with the effective interest method, as referred in the accounting policy described in note 1 m).

The balances Interest on securities issued and Interest on subordinated debt include the amount of Euros 42,250,000 (2016: Euros 66,052,000) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

The balance Interest and similar income includes, the amount of Euros 116,339,000 (2016: Euros 135,047,000) related to interest income arising from customers with signs of impairment (individual and collective analysis).

4. DIVIDENDS FROM EQUITY INSTRUMENTS

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Dividends from financial assets available for sale	1,750	7,709
Dividends from financial assets held for trading	4	5
	1,754	7,714

The balance of Dividends from financial assets available for sale includes dividends and income from investment fund units received during the year.

5. NET FEES AND COMMISSIONS INCOME

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Fees and commissions received		
From guarantees	61,699	68,342
From commitments	4,465	3,816
From banking services	480,000	409,009
From insurance activity commissions	1,054	1,239
From securities operations	87,577	96,614
From management and maintenance of accounts	103,839	90,556
From fiduciary and trust activities	656	758
From other commissions	41,924	73,521
	781,214	743,855
Fees and commissions paid		
From guarantees received provided by third parties	(5,885)	(5,694)
From banking services	(83,889)	(69,257)
From insurance activity commissions	(1,543)	(1,137)
From securities operations	(10,098)	(12,031)
From other commissions	(13,102)	(11,902)
	(114,517)	(100,021)
	666,697	643,834

The balance Fees and commissions received - From banking services includes the amount of Euros 78,108,000 (2016: Euros 76,705,000) related to insurance mediation commissions in Portugal, as referred in note 50 c).

6. NET GAINS / (LOSSES) ARISING FROM TRADING AND HEDGING ACTIVITIES

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Gains arising on trading and hedging activities		
Foreign exchange activity	1,627,679	1,673,984
Transactions with financial instruments recognised at fair value through profit or loss		
Held for trading		
Securities portfolio		
Fixed income	8,625	9,423
Variable income	982	25,332
Certificates and structured securities issued	51,114	43,511
Derivatives associated to financial instruments at fair value through profit or loss	30,383	40,110
Other financial instruments derivatives	377,901	449,526
Other financial instruments at fair value through profit or loss		
Other financial instruments	4,050	4,221
Repurchase of own issues	1,252	3,030
Hedging accounting		
Hedging derivatives	113,120	146,924
Hedged items	8,168	123,233
Credit sales	14,167	39,395
Other operations	4,183	2,354
	2,241,624	2,561,043
Losses arising on trading and hedging activities		
Foreign exchange activity	(1,555,219)	(1,589,392)
Transactions with financial instruments recognised at fair value through profit or loss		
Held for trading		
Securities portfolio		
Fixed income	(4,541)	(8,670)
Variable income	(881)	(29,132)
Certificates and structured securities issued	(124,426)	(62,095)
Derivatives associated to financial instruments at fair value through profit or loss	(22,890)	(33,390)
Other financial instruments derivatives	(294,654)	(413,502)
Other financial instruments at fair value through profit or loss		
Securities portfolio		
Fixed income	(4,329)	(5,362)
Other financial instruments	(9,825)	(7,417)
Repurchase of own issues	(372)	(2,121)
Hedging accounting		
Hedging derivatives	(118,042)	(235,401)
Hedged items	(35,999)	(23,518)
Credit sales	(23,396)	(46,450)
Other operations	(1,704)	(2,766)
	(2,196,278)	(2,459,216)
	45,346	101,827

During 2017, the balance Net gains arising from trading and hedging activities includes for Deposits from customers - Deposits at fair value through profit and loss, a loss of Euros 499,000 (2016: gain of Euros 3,239,000) related to the fair value changes arising from changes in own credit risk (spread), as referred in note 34.

This balance also includes for Debt securities at fair value through profit and loss, a gain of Euros 34,000 (2016: loss of Euros 1,368,000) as referred in note 35, and for derivatives liabilities associated to financial instruments a loss of Euros 29,000 (2016: gain of Euros 597,000), related to the fair value changes arising from changes in own credit risk (spread).

During 2017, the caption Net gains / (losses) arising from trading and hedging activities - Hedging accounting includes a net gain of Euros 868,000 as a result of the sale of available for sale financial assets subject to hedge accounting, which are offset in the caption Net gains / (losses) arising from financial astes available for sale (note 7).

The caption Transactions with financial instruments measured at fair value through profit and loss - Other financial instruments measured at fair value through profit and loss, did not present any material impact on differences in the initial recognition between fair value and transaction price of financial assets or financial liabilities at fair value through profit and loss (IAS 39 paragraphs 43A and AG76 and IFRS 7.28).

The result of repurchase of own issues is determined in accordance with the accounting policy described in note 1 d).

7. NET GAINS / (LOSSES) ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Gains arising from financial assets available for sale		
Fixed income	86,701	37,304
Variable income	18,626	107,830
	105,327	145,134
Losses arising from financial assets available for sale		
Fixed income	(2,179)	(4,859)
Variable income	(118)	(1,735)
	(2,297)	(6,594)
	103,030	138,540

During 2017, the balance Gains arising from financial assets available for sale - Fixed income - includes the amount of Euros 57,268,000 (2016: Euros 11,185,000) related to gains resulting from the sale of Portuguese Treasury bonds.

The balance Gains arising from financial assets available for sale - Variable income included, in 2016, the amount of Euros 96,204,000 (of which Euros 69,851,000 regards to Bank Millennium, S.A and Euros 26,353,000 to BCP) related to gains arising from the sale of the investment held in Visa Europe occurred in June 2016.

8. OTHER OPERATING INCOME / (COSTS)

The amount of this account is comprised of:

(Thousands of euros)

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

The balance Contribution over the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile on the basis of the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF take into account the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) No 2015/63 and European Parliament and of the Council Regulation (EU) No 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

During 2017, the Group delivered the amount of Euros 18,246,000 (2016: Euros 21,166,000) to the Single Resolution Fund. The total value of the contribution attributable to the Group amounted to Euros 21,466,000 (2016: Euros 24,901,000) and the Group opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,220,000 (2016: Euros 3,735,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014.

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

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

9. STAFF COSTS

The amount of this account is comprised of:

(Thousands of euros)

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

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

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

The average number of employees by professional category, at service in the Group, is analysed as follows by category:

	2017	2016
Portugal		
Top Management	995	1,005
Intermediary Management	1,679	1,722
Specific/Technical functions	2,963	2,949
Other functions	1,655	1,746
	7,292	7,422
Abroad	8,502	8,483
	15,794	15,905

10. OTHER ADMINISTRATIVE COSTS

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Rents and leases	96,276	99,539
Outsourcing and independent labour	77,022	76,377
Advertising	26,707	23,736
Communications	21,167	22,531
Maintenance and related services	17,130	18,887
Information technology services	18,432	18,546
Water, electricity and fuel	15,416	15,682
Advisory services	18,119	13,441
Transportation	7,850	8,002
Travel, hotel and representation costs	8,070	7,599
Legal expenses	6,462	6,285
Consumables	4,429	4,343
Insurance	4,324	4,261
Credit cards and mortgage	6,360	4,891
Training costs	2,019	1,144
Other specialised services	19,198	22,436
Other supplies and services	25,041	25,870
	374,022	373,570

The balance Rents and lease includes the amount of Euros 78,956,000 (2016: Euros 82,957,000) related to rents paid regarding buildings used by the Group as lessee.

In accordance with accounting policy 1l), under IAS 17, the Group has various operating leases for properties and vehicles. The payments under these leases are recognised in the profit and loss during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity, are as follows:

(Thousands of euros)

	2017			2016		
	Properties	Vehicles	Total	Properties	Vehicles	Total
Until 1 year	80,533	209	80,742	86,339	502	86,841
1 to 5 years	157,785	172	157,957	88,765	394	89,159
Over 5 years	44,126	-	44,126	13,503	-	13,503
	282,444	381	282,825	188,607	896	189,503

The item Other specialised services includes fees for services rendered by the Statutory Auditor of the Group, currently in functions, and by companies in its network as part of its statutory audit functions, as well as other services, is analysed as follows:

(Thousands of euros)

	2017	2016
Auditing services		
Legal certification	1,934	1,977
Other assurance services	1,464	1,070
Other services	1,177	853
	4,575	3,900

The Statutory Auditor was appointed on 28 April 2016, with effect from 2 May 2016.

11. AMORTIZATIONS AND DEPRECIATIONS

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Intangible assets amortizations (note 30):		
Software	11,060	10,197
Other intangible assets	837	527
	11,897	10,724
Other tangible assets depreciations (note 29):		
Properties	19,417	19,443
Equipment		
Computer equipment	9,572	7,469
Motor vehicles	4,233	4,287
Interior installations	2,050	1,793
Furniture	1,964	1,694
Security equipment	1,609	1,582
Machinery	644	691
Other equipment	2,196	2,141
	41,685	39,100
	53,582	49,824

12. LOANS IMPAIRMENT

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Loans and advances to customers:		
Impairment charge for the year	939,919	1,381,442
Reversals for the year	(299,245)	(230,658)
Recoveries of loans and interest charged-off (note 22)	(16,966)	(33,866)
	623,708	1,116,918
Loans and advances to credit institutions:		
Reversals for the year	-	(2)
	-	(2)
	623,708	1,116,916

The balance Loans impairment records the variation of the estimate of incurred losses determined according with the evaluation of objective evidence of impairment, as referred in accounting policy described in note 1 c).

13. OTHER FINANCIAL ASSETS IMPAIRMENT

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Impairment of financial assets available for sale		
Charge for the year	63,421	274,741

The balance Impairment of financial assets available for sale - Charge for the period includes the impairment losses on shares and on participation units held by the Group in the amount of Euros 63,401,000 (2016: Euros 235,557,000). This amount includes Euros 45,956,000 (2016: Euros 218,381,000) related to impairment losses on investments held in restructuring funds, as described in note 57.

14. OTHER PROVISIONS

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Provision for guarantees and other commitments (note 37)		
Charge for the year	18,537	64,536
Reversals for the year	(15,953)	(8,644)
	2,584	55,892
Other provisions for liabilities and charges (note 37)		
Charge for the year	16,463	44,928
Reversals for the year	(2,337)	(12,433)
	14,126	32,495
	16,710	88,387

15. SHARE OF PROFIT OF ASSOCIATES UNDER THE EQUITY METHOD

The main contributions of the investments accounted for under the equity method are analysed as follows:

(Thousands of euros)

	2017	2016
Banco Millennium Atlântico, S.A.		
appropriation relating to the current year (*)	28,534	13,306
appropriation relating to the previous year	(14)	-
Effect of the application of IAS 29 (notes 26 and 59):		
revaluation of the net non-monetary assets of the BMA	(9,092)	-
revaluation of the goodwill associated to the investment in BMA	20,417	-
	11,325	-
	39,845	13,306
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	35,413	26,036
Unicre - Instituição Financeira de Crédito, S.A.	6,860	27,332
Banque BCP, S.A.S.	3,515	2,981
SIBS, S.G.P.S, S.A.	3,268	11,723
Banque BCP (Luxembourg), S.A.	8	51
Other companies	2,728	(904)
	91,637	80,525

(*) In 2016, the appropriation of the results of the BMA, through the application of the equity method, occurred from May 2016.

16. GAINS / (LOSSES) ARISING FROM SALES OF SUBSIDIARIES AND OTHER ASSETS

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Sale of 41.1% investment held in Nanium	(3,821)	-
Liquidation of Propaço related to the 52.7% of investment held	(2)	-
Sale of 3.7% investment held in Banque BCP, S.A (Luxembourg)	-	465
Sale of 31.3% the investment in Quinta do Furão - Sociedade de Animação Turística e Agrícola de Santana, Lda	-	(521)
Other assets	7,962	(6,221)
	4,139	(6,277)

The caption Gains / (losses) arising from sales of subsidiaries and other assets - Other assets corresponds, namely, to the losses arising from the sale of assets of the Group classified as non-current assets held for sale (note 27), as also the gains/ (losses) arising on sales and revaluations of investment properties (note 28).

17. INCOME / (LOSS) ARISING FROM DISCONTINUED OR DISCONTINUING OPERATIONS

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Appropriated net income / (loss) before income taxes		
Net income before income taxes of Banco Millennium Angola, S.A.	-	41,934
Gains arising from the merger of Banco Millennium Angola, S.A. and Banco Privado Atlântico, S.A.	-	7,330
Gains arising from the sale of Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	1,225	1,092
	1,225	50,356
Taxes		
Banco Millennium Angola, S.A.	-	(5,128)
	1,225	45,228

Under the merger by incorporation of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A, in April 2016, and in accordance with the provisions of IFRS 5, this operation was considered as discontinued in March 2016, and the impact on results presented in a separate line of the income statement named "Income / (loss) arising from discontinued operations". The financial statements of Banco Millennium Angola, S.A. that have been incorporated in this caption, are detailed in note 58.

18. EARNINGS PER SHARE

The earnings per share are calculated as follows:

(Thousands of euros)

	2017	2016
Continuing operations		
Net income / (loss)	288,332	100,587
Non-controlling interests	(103,166)	(103,511)
Appropriated net income / (loss)	185,166	(2,924)
Discontinued or discontinuing operations		
Net income / (loss)	1,225	45,228
Non-controlling interests	-	(18,366)
Appropriated net income / (loss)	1,225	26,862
Adjusted net income / (loss)	186,391	23,938
Average number of shares	13,321,460,739	1,231,541,411
Basic earnings per share (Euros):		
from continuing operations	0.014	(0.003)
from discontinued or discontinuing operations	0.000	0.022
	0.014	0.019
Diluted earnings per share (Euros):		
from continuing operations	0.014	(0.003)
from discontinued or discontinuing operations	0.000	0.022
	0.014	0.019

The Bank's share capital, as at 31 December 2017, amounts to Euros 5,600,738,053.72 and is represented by 15,113,989,952 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

In December 2016 there were not considered in the calculation of diluted earnings per share, the qualifying hybrid instruments as common equity tier 1 issued in June 2012 and subscribed fully by the State (CoCos), due to the negative net losses for the period (there is no dilution effect). As referred in note 47, on 9 February 2017, BCP has reimbursed in advance to the Portuguese State, the remaining amount of these instruments (Euros 700 million).

There were not identified another dilution effects of the earnings per share as at 31 December 2017 and 2016, so the diluted result is equivalent to the basic result.

19. CASH AND DEPOSITS AT CENTRAL BANKS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Cash	540,608	540,290
Central Banks		
Bank of Portugal	939,852	433,534
Central Banks abroad	687,474	600,088
	2,167,934	1,573,912

The balance Central Banks includes deposits at Central Banks of the countries where the Group operates in order to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

20. LOANS AND ADVANCES TO CREDIT INSTITUTIONS REPAYABLE ON DEMAND

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Credit institutions in Portugal	8,394	659
Credit institutions abroad	160,389	232,152
Amounts due for collection	126,749	215,414
	295,532	448,225

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions. These balances are settled in the first days of the following month.

21. OTHER LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Other loans and advances to Central Banks abroad	50,114	12,461
Other loans and advances to credit institutions in Portugal		
Very short-term applications	39,742	-
Loans	39,220	15,586
Other applications	10,328	4,801
	89,290	20,387
Other loans and advances to credit institutions abroad		
Very short-term applications	388,327	180,347
Short-term applications	262,339	548,564
Loans	-	4
Other applications	274,837	294,439
	925,503	1,023,354
	1,064,907	1,056,202
Overdue loans - Over 90 days	661	499
	1,065,568	1,056,701

Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"), the caption Other loans and advances to credit institutions includes the amounts detailed below:

(Thousands of euros)

	2017	2016
Other loans and advances to credit institutions in Portugal		
Other applications	1,010	2,840
Other loans and advances to credit institutions abroad		
Short-term applications	27,639	242,896
Other applications	269,284	275,180
	297,933	520,916

These deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Bank.

This balance is analysed by the period to maturity, as follows:

(Thousands of euros)

	2017	2016
Up to 3 months	287,211	995,667
3 to 6 months	744,567	13,567
6 to 12 months	16,918	4,869
1 to 5 years	6,872	42,099
Over 5 years	10,000	-
Undetermined	-	499
	1,065,568	1,056,701

22. LOANS AND ADVANCES TO CUSTOMERS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Public sector	853,393	1,041,191
Asset-backed loans	27,885,255	29,011,503
Other guaranteed loans	3,932,216	3,985,120
Unsecured loans	7,779,063	6,821,163
Foreign loans	1,852,420	2,099,860
Factoring operations	2,106,173	1,794,778
Finance leases	3,525,058	3,373,561
	47,933,578	48,127,176
Overdue loans - less than 90 days	88,500	134,934
Overdue loans - Over 90 days	2,933,345	3,496,343
	50,955,423	51,758,453
Impairment for credit risk	(3,321,931)	(3,740,851)
	47,633,492	48,017,602

As at 31 December 2017, the balance Loans and advances to customers includes the amount of Euros 12,146,649,000 (31 December 2016: Euros 12,027,960,000) regarding credits related to mortgage loans issued by the Group.

As referred in note 52, the Group, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As at 31 December 2017 and as referred in note 57, the Group performed a set of sales of loans and advances to customers for Specialized Loan Funds in the amount of Euros 1,586,114,000 (31 December 2016: Euros: 1,586,114,000). During 2017, no credits have been sold to these funds.

As referred in note 50, the Group provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 2% or more of the share capital, identified in the Board of Directors report and in note 40.

As at 31 December 2017, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 213,436,000 (31 December 2016: Euros 237,707,000), as referred in note 50 a). The amount of impairment recognised for these contracts amounts to Euros 77,000 (31 December 2016: Euros 130,000).

The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee.

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of euros)

	2017	2016
Loans not represented by securities		
Mortgage loans	23,307,977	23,952,257
Loans	13,766,728	13,689,736
Finance leases	3,525,058	3,373,561
Factoring operations	2,106,173	1,794,778
Current account credits	1,556,279	1,625,812
Overdrafts	1,456,141	1,339,874
Discounted bills	232,169	284,378
	45,950,525	46,060,396
Loans represented by securities		
Commercial paper	1,702,941	1,843,345
Bonds	280,112	223,435
	1,983,053	2,066,780
	47,933,578	48,127,176
Overdue loans - less than 90 days	88,500	134,934
Overdue loans - Over 90 days	2,933,345	3,496,343
	50,955,423	51,758,453
Impairment for credit risk	(3,321,931)	(3,740,851)
	47,633,492	48,017,602

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2017, is as follows:

(Thousands of euros)

	2017						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	83,770	85,208	121,933	290,911	16,167	307,078	0.60%
Fisheries	7,647	14,990	7,707	30,344	237	30,581	0.06%
Mining	46,801	22,963	5,645	75,409	8,059	83,468	0.16%
Food, beverage and tobacco	406,227	217,506	78,238	701,971	17,287	719,258	1.41%
Textiles	263,418	97,526	85,797	446,741	24,668	471,409	0.93%
Wood and cork	106,540	83,890	41,619	232,049	11,704	243,753	0.48%
Paper, printing and publishing	137,597	42,439	46,919	226,955	5,915	232,870	0.46%
Chemicals	469,779	206,012	143,183	818,974	45,707	864,681	1.70%
Machinery, equipment and basic metallurgical	577,905	402,079	190,651	1,170,635	62,540	1,233,175	2.42%
Electricity and gas	52,500	51,571	428,318	532,389	150	532,539	1.05%
Water	43,071	107,570	114,534	265,175	4,410	269,585	0.53%
Construction	802,563	278,120	707,968	1,788,651	616,806	2,405,457	4.72%
Retail business	641,116	319,037	294,334	1,254,487	84,765	1,339,252	2.63%
Wholesale business	1,241,500	575,687	186,806	2,003,993	128,818	2,132,811	4.19%
Restaurants and hotels	94,566	173,810	738,235	1,006,611	75,955	1,082,566	2.12%
Transports	449,414	473,383	383,534	1,306,331	31,780	1,338,111	2.63%
Post offices	2,651	1,896	81	4,628	381	5,009	0.01%
Telecommunications	101,052	151,880	68,419	321,351	6,490	327,841	0.64%
Services							
Financial intermediation	461,156	423,951	1,048,733	1,933,840	298,984	2,232,824	4.38%
Real estate activities	322,251	334,323	645,482	1,302,056	357,905	1,659,961	3.26%
Consulting, scientific and technical activities	1,279,466	570,563	379,585	2,229,614	217,534	2,447,148	4.80%
Administrative and support services activities	243,651	201,178	85,256	530,085	29,603	559,688	1.10%
Public sector	95,623	447,957	447,731	991,311	312	991,623	1.95%
Education	38,157	25,431	69,813	133,401	2,642	136,043	0.27%
Health and collective service activities	111,055	88,342	103,455	302,852	2,532	305,384	0.60%
Artistic, sports and recreational activities	41,021	38,808	238,174	318,003	6,030	324,033	0.64%
Other services	170,760	104,857	50,183	325,800	261,021	586,821	1.15%
Consumer credit	1,111,151	1,508,862	793,285	3,413,298	381,412	3,794,710	7.45%
Mortgage credit	369,380	1,352,665	21,432,674	23,154,719	253,258	23,407,977	45.94%
Other domestic activities	2	13	-	15	5,096	5,111	0.01%
Other international activities	461,005	250,793	109,181	820,979	63,677	884,656	1.74%
	10,232,795	8,653,310	29,047,473	47,933,578	3,021,845	50,955,423	100%

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2016, is as follows:

(Thousands of euros)

	2016						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	108,926	83,579	108,386	300,891	39,686	340,577	0.66%
Fisheries	7,038	15,999	18,364	41,401	11,981	53,382	0.10%
Mining	62,562	24,753	8,052	95,367	6,875	102,242	0.20%
Food, beverage and tobacco	365,344	148,471	71,361	585,176	19,221	604,397	1.17%
Textiles	238,126	104,689	101,875	444,690	26,075	470,765	0.91%
Wood and cork	95,148	75,229	37,914	208,291	14,702	222,993	0.43%
Paper, printing and publishing	70,701	75,111	52,141	197,953	10,010	207,963	0.40%
Chemicals	363,117	205,728	113,358	682,203	66,517	748,720	1.45%
Machinery, equipment and basic metallurgical	468,225	345,115	184,444	997,784	63,945	1,061,729	2.05%
Electricity and gas	129,048	73,735	374,745	577,528	971	578,499	1.12%
Water	56,254	34,608	114,947	205,809	3,884	209,693	0.41%
Construction	937,900	282,397	812,991	2,033,288	826,013	2,859,301	5.52%
Retail business	623,863	291,102	237,644	1,152,609	120,173	1,272,782	2.46%
Wholesale business	1,022,257	526,029	215,238	1,763,524	153,696	1,917,220	3.70%
Restaurants and hotels	92,372	181,660	582,587	856,619	117,557	974,176	1.88%
Transports	419,444	517,356	482,739	1,419,539	72,317	1,491,856	2.88%
Post offices	2,965	2,853	51	5,869	471	6,340	0.01%
Telecommunications	94,241	112,614	65,741	272,596	106,998	379,594	0.73%
Services							
Financial intermediation	1,256,275	1,062,314	1,176,613	3,495,202	565,769	4,060,971	7.85%
Real estate activities	294,076	288,054	559,104	1,141,234	344,475	1,485,709	2.87%
Consulting, scientific and technical activities	448,582	189,895	213,138	851,615	42,432	894,047	1.73%
Administrative and support services activities	184,782	179,336	95,493	459,611	38,371	497,982	0.96%
Public sector	150,003	150,417	439,440	739,860	979	740,839	1.43%
Education	32,948	14,670	74,968	122,586	3,388	125,974	0.24%
Health and collective service activities	87,721	67,994	120,952	276,667	4,491	281,158	0.54%
Artistic, sports and recreational activities	75,893	24,643	265,225	365,761	15,811	381,572	0.74%
Other services	159,650	397,386	62,521	619,557	16,304	635,861	1.23%
Consumer credit	979,162	1,801,945	737,839	3,518,946	538,843	4,057,789	7.84%
Mortgage credit	368,626	1,336,889	22,004,342	23,709,857	308,450	24,018,307	46.40%
Other domestic activities	8	1	-	9	7,879	7,888	0.02%
Other international activities	509,282	276,093	199,759	985,134	82,993	1,068,127	2.06%
	9,704,539	8,890,665	29,531,972	48,127,176	3,631,277	51,758,453	100%

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	41,491	79,849	732,053	853,393	265	853,658
Asset-backed loans	1,790,993	3,011,766	23,082,496	27,885,255	1,502,718	29,387,973
Other guaranteed loans	1,571,652	1,371,367	989,197	3,932,216	335,606	4,267,822
Unsecured loans	4,343,298	1,852,701	1,583,064	7,779,063	888,057	8,667,120
Foreign loans	421,166	546,644	884,610	1,852,420	149,805	2,002,225
Factoring operations	1,548,343	512,249	45,581	2,106,173	23,892	2,130,065
Finance leases	515,852	1,278,734	1,730,472	3,525,058	121,502	3,646,560
	10,232,795	8,653,310	29,047,473	47,933,578	3,021,845	50,955,423

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2016, is as follows:

(Thousands of euros)

	2016					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	124,754	366,857	549,580	1,041,191	27	1,041,218
Asset-backed loans	1,862,811	3,343,083	23,805,609	29,011,503	1,832,217	30,843,720
Other guaranteed loans	1,678,537	1,336,693	969,890	3,985,120	443,626	4,428,746
Unsecured loans	3,806,214	1,619,086	1,395,863	6,821,163	1,053,539	7,874,702
Foreign loans	504,058	595,976	999,826	2,099,860	128,959	2,228,819
Factoring operations	1,304,834	445,597	44,347	1,794,778	23,588	1,818,366
Finance leases	423,331	1,183,373	1,766,857	3,373,561	149,321	3,522,882
	9,704,539	8,890,665	29,531,972	48,127,176	3,631,277	51,758,453

The caption Loans and advances to customers includes the effect of traditional securitization transactions owned by Special Purpose Entities (SPEs) consolidated following the application of IFRS 10, in accordance with accounting policy 1 b) and synthetic securitization. The characterization of these operations is described in note 1 d) 6 ii).

TRADITIONAL SECURITIZATIONS

Securitization transactions engaged by the Group refer to mortgage loans and are set through specifically created SPE. As at 31 December 2017, the loans and advances referred to these traditional securitization transactions amounts to Euros 464,513,000 (31 December 2016: Euros 527,924,000) As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are consolidated by the full method.

Magellan Mortgages No. 2

On 20 October 2003, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. and by Banco de Investimento Imobiliário, S.A. to the SPE “Magellan Mortgages No. 2 PLC”. Considering that, by having acquired the total subordinated tranches, the Group holds the control of the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 b). As at 31 December 2017, the SPE's credit portfolio associated with this operation amounts to Euros 121,585,000, and the bonds issued with different subordination levels amount to Euros 107,780,000 (this amount excludes bonds already acquired by the Group in the amount of Euros 13,536,000 and Euros 14,000,000 of the most subordinated tranche fully acquired).

Magellan Mortgages No. 3

On 24 June 2005, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. to the SPE "Magellan Mortgages No. 3 PLC". Considering that, by having acquired part of the subordinated tranche, the Group holds the control of the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1 b). As at 31 December 2017, the SPE's credit portfolio associated with this operation amounts to Euros 342,928,000, and bonds issued with different subordination levels amount to Euros 230,231,000 (this amount excludes bonds already acquired by the Group in the amount of Euros 111,647,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

SYNTHETIC SECURITIZATIONS

The Group has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No.3, which operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies. The maturity date is 25 March of 2036 and as at 31 December 2017, the synthetic securitization "Caravela SME No.3" amounts to Euros 2,269,231,000. The fair value of swaps is recorded in the amount of Euros 194,606,000 and the associated cost in 2017 amounts to Euros 17,708,000.

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The maturity date is 21 September of 2043 and as at 31 December 2017, the synthetic securitization "Caravela SME No.4" amounts to Euros 1,144,979,000. The fair value of swaps is recorded at the amount of Euros 66,193,000 and their associated cost in 2017 amounts to Euros 1,491,000.

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

These operations involve the Bank's reduced exposure to the risks associated with the credit granted, but it did not transfer to third parties the majority of the rights and obligations arising from the credits included in them, thus not meeting the criteria set out in paragraphs 16 and subsequent IAS 39 for derecognition.

The Group's credit portfolio, which includes further than loans and advances to customers, the guarantees granted and commitments to third parties, split between loans with or without signs of impairment is analysed as follows:

(Thousands of euros)

	2017	2016
Total loans	55,497,146	56,594,498
Loans and advances to customers with signs of impairment		
Individually significant		
Gross amount	5,234,558	6,535,910
Impairment	(2,520,686)	(2,587,273)
	2,713,872	3,948,637
Collective analysis		
Gross amount	2,721,470	3,829,973
Impairment	(806,351)	(1,164,037)
	1,915,119	2,665,936
Loans and advances to customers without signs of impairment	47,541,118	46,228,615
Impairment (IBNR)	(125,769)	(117,597)
	52,044,340	52,725,591

The total loan portfolio presented in the table above includes loans and advances to customers in the amount of Euros 50,955,423,000 (31 December 2016: Euros: 51,758,453,000) and guarantees granted and commitments to third parties balance (note 45), in the amount of Euros 4,541,723,000 (31 December 2016: Euros 4,836,045,000).

The balances Impairment and Impairment ('IBNR') were determined in accordance with the accounting policy described in note 1 c), including the provision for guarantees and other commitments to third parties (note 37), in the amount of Euros 130,875,000 (31 December 2016: Euros 128,056,000).

The analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, considering its fair value, is as follows:

(Thousands of euros)

	2017	2016
Loans and advances to customers with impairment		
Individually significant		
Securities and other financial assets	491,535	650,949
Residential real estate	372,675	498,915
Other real estate	1,196,156	1,385,860
Other guarantees	644,484	680,523
	2,704,850	3,216,247
Collective analysis		
Securities and other financial assets	21,456	23,271
Residential real estate	1,336,562	1,783,311
Other real estate	197,310	296,815
Other guarantees	76,546	107,704
	1,631,874	2,211,101
Loans and advances to customers without impairment		
Securities and other financial assets	2,029,452	2,178,216
Residential real estate	20,789,178	20,972,631
Other real estate	3,863,924	3,174,211
Other guarantees	3,824,188	3,725,116
	30,506,742	30,050,174
	34,843,466	35,477,522

The captions Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Group (note 52), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Group continued to negotiate additional physical and financial collaterals with its customers.

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

(Thousands of euros)

	2017	2016
Amount of future minimum payments	3,956,596	3,810,114
Interest not yet due	(431,538)	(436,553)
Present value	3,525,058	3,373,561

The amount of future minimum payments of lease contracts, by maturity terms, is analysed as follows:

(Thousands of euros)

	2017	2016
Up to 1 year	846,943	752,119
1 to 5 years	1,831,777	1,723,305
Over 5 years	1,277,876	1,334,690
	3,956,596	3,810,114

The analysis of financial lease contracts, by type of client, is presented as follows:

(Thousands of euros)

	2017	2016
Individuals		
Home	71,331	76,577
Consumer	31,269	25,712
Others	114,892	125,693
	217,492	227,982
Companies		
Equipment	1,673,106	1,499,569
Real estate	1,634,460	1,646,010
	3,307,566	3,145,579
	3,525,058	3,373,561

Regarding operational leasing, the Group does not present relevant contracts as leasor.

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may result in a reinforce of guarantees and / or liquidation of part of the credit and involve an extension of maturities or a different interest rate. The analysis of the non-performing restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	2017	2016
Agriculture and forestry	8,464	23,330
Fisheries	2,019	12,996
Mining	13,338	140
Food, beverage and tobacco	1,020	1,326
Textiles	554	694
Wood and cork	2,977	2,832
Paper, printing and publishing	450	1,899
Chemicals	2,108	4,277
Machinery, equipment and basic metallurgical	17,755	16,156
Electricity and gas	431	270
Water	250	98
Construction	32,135	34,029
Retail business	95,818	8,529
Wholesale business	16,888	8,928
Restaurants and hotels	10,252	12,822
Transports	13,372	9,656
Post offices	30	28
Telecommunications	80,701	238
Services		
Financial intermediation	495	452
Real estate activities	5,969	6,760
Consulting, scientific and technical activities	8,110	1,866
Administrative and support services activities	7,436	721
Public sector	41,070	746
Education	390	540
Health and collective service activities	89	54
Artistic, sports and recreational activities	381	399
Other services	1,546	1,626
Consumer credit	125,646	113,151
Mortgage credit	107,182	102,303
Other international activities	10,434	11,524
	607,310	378,390

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

Regarding the restructured loans, the impairment associated to these operations amounts to Euros 169,912,000 (31 December 2016: Euros 151,810,000).

The Group has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Group's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructurings due to financial difficulties (restructuring with loss of value, recidivism of restructuring, unproductive credit, default on customers with restructured operations);
- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined;
- with regard to collective analysis, and the existence of such operations leads to the integration of the client into a subpopulation with an aggravated impairment rate.

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client.

As mentioned in note 52, as at 31 December 2017, the total restructured loans amount to Euros 4,382,262,000 (31 December 2016: Euros 5,059,571,000).

The definition of Non Performing Loans for more than 90 days (NPL> 90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. As at 31 December 2017, the amount calculated is Euros 4,526,765,000 (31 December 2016: Euros 5,384,717,000).

The definition of Non-Performing Exposure (NPE) is as follows:

a) Total exposure of defaulted customers;
b) Total exposure of customers with signs of impairment;
c) Total exposure of customers whose overdue operations for more than 90 days represents more than 20% of their total on-balance sheet exposure;
d) Total exposure of non-retail customers with at least one overdue operation for more than 90 days;
e) Retail operations overdue for more than 90 days;
f) Operations restructured due to financial difficulties overdue for more than 30 days.

As at 31 December 2017, the NPE amounts to Euros 7,742,399,000 (31 December 2016: Euros 9,814,723,000), of which Euros 7,658,392,000 are associated to loans not represented by securities (31 December 2016: Euros 9,374,848,000) and Euros 84,007,000 associated to loans represented by securities (31 December 2016: Euros 439,875,000).

The changes occurred in impairment for credit risks are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	3,740,851	3,468,084
Transfers resulting from changes in the Group's structure	-	(40,109)
Other transfers	(33,187)	4,642
Impairment charge for the year	939,919	1,381,442
Reversals for the year	(299,245)	(230,658)
Loans charged-off	(1,040,845)	(806,403)
Exchange rate differences	14,438	(36,147)
Balance on 31 December	3,321,931	3,740,851

If the impairment loss decreases in a subsequent period to its initial accounting and this decrease can be objectively associated to an event that occurred after the recognition of the loss, the reduction of the impairment is reversed through profit and loss.

The analysis of impairment, by sector of activity, is as follows:

(Thousands of euros)

	2017	2016
Agriculture and forestry	33,190	38,705
Fisheries	1,003	18,921
Mining	10,933	5,048
Food, beverage and tobacco	15,108	14,806
Textiles	24,333	26,595
Wood and cork	22,020	16,957
Paper, printing and publishing	12,030	14,694
Chemicals	40,858	55,849
Machinery, equipment and basic metallurgical	55,255	47,664
Electricity and gas	1,700	3,198
Water	13,210	9,937
Construction	547,885	614,394
Retail business	73,246	92,880
Wholesale business	116,930	127,132
Restaurants and hotels	110,254	113,459
Transports	37,393	119,507
Post offices	671	500
Telecommunications	16,351	19,591
Services		
Financial intermediation	484,650	1,052,162
Real estate activities	227,813	208,729
Consulting, scientific and technical activities	500,051	60,709
Administrative and support services activities	66,760	33,880
Public sector	2,731	3,584
Education	6,342	7,438
Health and collective service activities	3,979	4,617
Artistic, sports and recreational activities	78,627	89,892
Other services	163,246	50,564
Consumer credit	373,513	473,800
Mortgage credit	240,546	316,087
Other domestic activities	76	555
Other international activities	41,227	98,997
	3,321,931	3,740,851

The impairment for credit risk, by type of credit, is analysed as follows:

(Thousands of euros)

	2017	2016
Public sector	2,678	3,307
Asset-backed loans	2,013,212	2,296,551
Other guaranteed loans	434,783	460,856
Unsecured loans	579,690	652,206
Foreign loans	117,851	140,922
Factoring operations	32,162	30,789
Finance leases	141,555	156,220
	3,321,931	3,740,851

The analysis of loans charged-off, by sector of activity, is as follows:

(Thousands of euros)

	2017	2016
Agriculture and forestry	1,843	13,234
Fisheries	22,020	47
Mining	773	4,200
Food, beverage and tobacco	4,107	2,353
Textiles	8,200	8,385
Wood and cork	3,213	15,697
Paper, printing and publishing	4,563	2,619
Chemicals	9,099	28,023
Machinery, equipment and basic metallurgical	13,492	23,984
Electricity and gas	103	43
Water	397	229
Construction	100,260	184,253
Retail business	38,479	51,680
Wholesale business	41,691	57,244
Restaurants and hotels	14,239	17,481
Transports	94,008	5,683
Post offices	181	46
Telecommunications	3,967	9,575
Services		
Financial intermediation	284,185	104,895
Real estate activities	54,842	43,905
Consulting, scientific and technical activities	18,541	24,954
Administrative and support services activities	9,442	4,159
Public sector	-	2
Education	825	119
Health and collective service activities	830	660
Artistic, sports and recreational activities	5,867	1,123
Other services	4,037	4,843
Consumer credit	264,426	171,378
Mortgage credit	18,725	18,623
Other domestic activities	14,740	671
Other international activities	3,750	6,295
	1,040,845	806,403

In compliance with the accounting policy described in note 1 c), loans and advances to customers are charged-off when there are no feasible expectations, of recovering the loan amount and for collateralised loans, the charge-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

The analysis of loans charged-off, by type of credit, is as follows:

(Thousands of euros)

	2017	2016
Asset-backed loans	7,076	46,878
Other guaranteed loans	13,845	9,115
Unsecured loans	985,712	729,412
Foreign loans	-	29
Factoring operations	1,841	6,149
Finance leases	32,371	14,820
	1,040,845	806,403

The analysis of recovered loans and interest, occurred during 2017 and 2016, by sector of activity, is as follows:

(Thousands of euros)

	2017	2016
Agriculture and forestry	65	58
Fisheries	42	3
Mining	125	184
Food, beverage and tobacco	203	460
Textiles	305	824
Wood and cork	247	333
Paper, printing and publishing	569	55
Chemicals	448	244
Machinery, equipment and basic metallurgical	263	416
Electricity and gas	-	13
Water	1	10
Construction	4,155	20,301
Retail business	1,108	822
Wholesale business	2,206	2,107
Restaurants and hotels	144	117
Transports	1,004	135
Post offices	-	2
Telecommunications	1	12
Services		
Financial intermediation	165	60
Real estate activities	1,106	670
Consulting, scientific and technical activities	82	213
Administrative and support services activities	295	131
Education	-	11
Health and collective service activities	10	-
Artistic, sports and recreational activities	8	2,173
Other services	8	122
Consumer credit	3,515	3,970
Mortgage credit	30	21
Other domestic activities	285	149
Other international activities	576	250
	16,966	33,866

The analysis of recovered loans and interest, occurred during 2017 and 2016, by type of credit, is as follows:

(Thousands of euros)

	2017	2016
Asset-backed loans	16	-
Other guaranteed loans	2,040	389
Unsecured loans	14,221	32,522
Foreign loans	120	594
Factoring operations	74	8
Finance leases	495	353
	16,966	33,866

23. FINANCIAL ASSETS HELD FOR TRADING, OTHER FINANCIAL ASSETS HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS AVAILABLE FOR SALE

The balance Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale is analysed as follows:

(Thousands of euros)

	2017	2016
Bonds and other fixed income securities		
Issued by public entities	7,720,019	7,612,491
Issued by other entities	2,913,550	2,099,070
	10,633,569	9,711,561
Overdue securities	3,722	18,022
Impairment for overdue securities	(3,722)	(13,079)
	10,633,569	9,716,504
Shares and other variable income securities	1,137,064	1,226,456
	11,770,633	10,942,960
Trading derivatives	741,284	848,774
	12,511,917	11,791,734

The caption Bonds and other fixed income securities - issue by public entities includes the amount of Euros 422,257,000 referring to Mozambican sovereign debt (31 December 2016: Euros 126,395,000), according to note 56.

The balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1 d) in the amount of Euros 2,000 (31 December 2016: Euros 195,000).

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale securities, net of impairment, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	2017			
	Trading	Other financial assets at fair value through profit or loss	Available for sale	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	10,035	142,336	2,898,293	3,050,664
Foreign issuers	81,267	-	3,219,421	3,300,688
Bonds issued by other entities				
Portuguese issuers	6,790	-	1,295,359	1,302,149
Foreign issuers	54,619	-	1,560,504	1,615,123
Treasury bills and other Government bonds				
Portuguese issuers	-	-	584,908	584,908
Foreign issuers	-	-	783,759	783,759
	152,711	142,336	10,342,244	10,637,291
Impairment for overdue securities	-	-	(3,722)	(3,722)
	152,711	142,336	10,338,522	10,633,569
Variable income:				
Shares				
Portuguese companies	2,100	-	28,729	30,829
Foreign companies	24	-	18,132	18,156
Investment fund units	764	-	1,086,464	1,087,228
Other securities	851	-	-	851
	3,739	-	1,133,325	1,137,064
Trading derivatives	741,284	-	-	741,284
	897,734	142,336	11,471,847	12,511,917
Level 1	149,910	142,336	8,224,992	8,517,238
Level 2	442,373	-	1,946,229	2,388,602
Level 3	305,451	-	1,300,626	1,606,077

The trading and available for sale portfolios, are recorded at fair value in accordance with the accounting policy described in note 1 d).

As referred in the accounting policy presented in note 1 d), the available for sale securities are presented at market value with the respective fair value accounted against fair value reserves. As at 31 December 2017, the fair value reserves are positive in the amount of Euros 56,883,000 (31 December 2016: negative amount of Euros 233,799,000), as referred in note 43.

As at 31 December 2017, the balances Financial assets held for trading and Financial assets available for sale include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No.1 and No. 4, referred in note 1 d) 6) i), in the amount of Euros 945,000 (31 December 2016: Euros 1,379,000) and Euros 125,000 (31 December 2016: Euros 121,000), respectively.

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale securities, net of impairment, as at 31 December 2016, is analysed as follows:

(Thousands of euros)

	2016			
	Trading	Other financial assets at fair value through profit or loss	Available for sale	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	11,803	146,664	3,310,289	3,468,756
Foreign issuers	108,010	-	3,290,307	3,398,317
Bonds issued by other entities				
Portuguese issuers	13,491	-	1,292,207	1,305,698
Foreign issuers	57,523	-	753,871	811,394
Treasury bills and other Government bonds				
Portuguese issuers	5,642	-	649,286	654,928
Foreign issuers	-	-	90,490	90,490
	196,469	146,664	9,386,450	9,729,583
Impairment for overdue securities	-	-	(13,079)	(13,079)
	196,469	146,664	9,373,371	9,716,504
Variable income:				
Shares				
Portuguese companies	2,083	-	40,333	42,416
Foreign companies	25	-	13,292	13,317
Investment fund units	1,063	-	1,169,277	1,170,340
Other securities	383	-	-	383
	3,554	-	1,222,902	1,226,456
Trading derivatives	848,774	-	-	848,774
	1,048,797	146,664	10,596,273	11,791,734
Level 1	194,943	146,664	8,239,244	8,580,851
Level 2	239,634	-	1,060,858	1,300,492
Level 3	614,220	-	1,296,171	1,910,391

The portfolio of financial assets available for sale, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	2017					
	Amortised cost	Impairment	Amortised cost net of impairment	Fair value hedge adjustments	Fair value reserves	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,809,521	-	2,809,521	146,381	(57,609)	2,898,293
Foreign issuers	3,211,861	-	3,211,861	-	7,560	3,219,421
Bonds issued by other entities						
Portuguese issuers (*)	1,309,423	(87,369)	1,222,054	(1,973)	71,556	1,291,637
Foreign issuers	1,555,832	(1,427)	1,554,405	(391)	6,490	1,560,504
Treasury bills and other Government bonds						
Portuguese issuers	585,072	-	585,072	-	(164)	584,908
Foreign issuers	784,264	(1)	784,263	-	(504)	783,759
	10,255,973	(88,797)	10,167,176	144,017	27,329	10,338,522
Variable income:						
Shares						
Portuguese companies	94,953	(73,106)	21,847	-	6,882	28,729
foreign companies	15,191	(250)	14,941	-	3,191	18,132
Investment fund units	1,475,209	(408,226)	1,066,983	-	19,481	1,086,464
	1,585,353	(481,582)	1,103,771	-	29,554	1,133,325
	11,841,326	(570,379)	11,270,947	144,017	56,883	11,471,847

(*) This caption includes the amount related to impairment of overdue securities

The portfolio of financial assets available for sale, as at 31 December 2016, is analysed as follows:

(Thousands of euros)

	2016					
	Amortised cost	Impairment	Amortised cost net of impairment	Fair value hedge adjustments	Fair value reserves	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	3,527,771	-	3,527,771	77,981	(295,463)	3,310,289
Foreign issuers	3,295,644	-	3,295,644	-	(5,337)	3,290,307
Bonds issued by other entities						
Portuguese issuers (*)	1,379,626	(130,588)	1,249,038	(942)	31,032	1,279,128
Foreign issuers	747,833	(1,582)	746,251	(210)	7,830	753,871
Treasury bills and other Government bonds						
Portuguese issuers	649,256	-	649,256	-	30	649,286
Foreign issuers	90,490	-	90,490	-	-	90,490
	9,690,620	(132,170)	9,558,450	76,829	(261,908)	9,373,371
Variable income:						
Shares						
Portuguese companies	116,404	(86,197)	30,207	-	10,126	40,333
foreign companies	12,672	(281)	12,391	-	901	13,292
Investment fund units	1,506,136	(353,941)	1,152,195	-	17,082	1,169,277
	1,635,212	(440,419)	1,194,793	-	28,109	1,222,902
	11,325,832	(572,589)	10,753,243	76,829	(233,799)	10,596,273

(*) This caption includes the amount related to impairment of overdue securities

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 31 December 2017, by valuation levels, is analysed as follows:

(Thousands of euros)

	2017			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	2,917,764	132,900	-	3,050,664
Foreign issuers	3,153,423	13	147,252	3,300,688
Bonds issued by other entities				
Portuguese issuers (*)	1,201,439	75,782	21,206	1,298,427
Foreign issuers	159,694	1,455,428	1	1,615,123
Treasury bills and other Government bonds				
Portuguese issuers	584,908	-	-	584,908
Foreign issuers	497,264	275,005	11,490	783,759
	8,514,492	1,939,128	179,949	10,633,569
Variable income:				
Shares				
Portuguese companies	1,541	7,101	22,187	30,829
foreign companies	24	-	18,132	18,156
Investment fund units	143	-	1,087,085	1,087,228
Other securities	-	-	851	851
	1,708	7,101	1,128,255	1,137,064
Trading derivatives	1,038	442,373	297,873	741,284
	8,517,238	2,388,602	1,606,077	12,511,917

(*) This caption includes the amount related to impairment of overdue securities

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 31 December 2016, by valuation levels, is analysed as follows:

(Thousands of euros)

	2016			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	3,352,504	116,252	-	3,468,756
Foreign issuers	3,350,226	13	48,078	3,398,317
Bonds issued by other entities				
Portuguese issuers (*)	1,076,804	179,121	36,694	1,292,619
Foreign issuers	120,704	690,690	-	811,394
Treasury bills and other Government bonds				
Portuguese issuers	654,928	-	-	654,928
Foreign issuers	-	78,316	12,174	90,490
	8,555,166	1,064,392	96,946	9,716,504
Variable income:				
Shares				
Portuguese companies	19,428	-	22,988	42,416
foreign companies	25	-	13,292	13,317
Investment fund units	58	45	1,170,237	1,170,340
Other securities	-	-	383	383
	19,511	45	1,206,900	1,226,456
Trading derivatives	6,174	236,055	606,545	848,774
	8,580,851	1,300,492	1,910,391	11,791,734

(*) This caption includes the amount related to impairment of overdue securities

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

During 2017, were made reclassifications from level 2 to level 1 in the amount of Euros 40,436,000 (31 December 2016: Euros 7,202,000) related to securities that became complied with the requirements of this level, as described in note 48.

The variable income securities classified as level 3 includes units in restructuring funds (note 57) in the amount of Euros 1,022,068,000 (31 December 2016: Euros 1,113,482,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, as at 31 December 2017, corresponds to the NAV with reference to that date, except for Vega fund which reports to 30 June 2017, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company. It is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of NAV, nevertheless it should be noted that a variation of + / - 10 % of the NAV has an impact of Euros 102,207,000 (31 December 2016: Euros 111,348,000) in Equity of the Group. This impact includes the effect on Fair value reserves of Euros 13,603,000 (31 December 2016: Euros 41,542,000) and in Net income for the year, of Euros 88,604,000 (31 December 2016: Euros 75,252,000).

The instruments classified as level 3 have associated net gains not performed in the amount of Euros 26,205,000 (31 December 2016: Euros 19,915,000) recorded in fair value reserves. The amount of impairment associated to these securities amounts to Euros 549,752,000 as at 31 December 2017 (31 December 2016: Euros 536,365,000).

The analysis of the impact of the reclassifications performed in prior periods until 31 December 2017, are analysed as follows:

(Thousands of euros)

	At the reclassification date		2017		
	Book value	**Fair value**	**Book value**	**Fair value**	**Difference**
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	20,566	20,566	-
Financial assets held to maturity	2,144,892	2,144,892	188,014	184,457	(3,557)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	4,375	4,313	(62)
Financial assets held to maturity	796,411	796,411	143,318	151,691	8,373
	5,851,627	5,851,627	356,273	361,027	4,754

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2017 related to financial assets reclassified in prior years, are analysed as follows:

(Thousands of euros)

	Net income for the year	Changes	
	Interests	**Fair value reserves**	**Equity**
From Financial assets held for trading to:			
Financial assets available for sale	411	-	411
Financial assets held to maturity	3,183	-	3,183
From Financial assets available for sale to:			
Loans represented by securities	127	-	127
Financial assets held to maturity	15,321	252	15,573
	19,042	252	19,294

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2017, would be as follows:

(Thousands of euros)

	Net income for the year			
	Fair value changes	Retained earnings	Fair value reserves	Equity
From Financial assets held for trading to:				
Financial assets available for sale	755	(736)	(19)	-
Financial assets held to maturity	14,550	(18,107)	-	(3,557)
From Financial assets available for sale to:				
Loans represented by securities	-	-	(62)	(62)
Financial assets held to maturity	-	-	8,373	8,373
	15,305	(18,843)	8,292	4,754

As at 31 December 2016, this reclassification is analysed as follows:

(Thousands of euros)

	At the reclassification date		2016		
	Book value	Fair value	Book value	Fair value	Difference
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	17,744	17,744	-
Financial assets held to maturity	2,144,892	2,144,892	237,513	219,406	(18,107)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	4,375	4,375	-
Financial assets held to maturity	796,411	796,411	175,309	181,728	6,419
	5,851,627	5,851,627	434,941	423,253	(11,688)

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2016, related to financial assets reclassified are analysed as follows:

(Thousands of euros)

	Net income for the year	Changes	
	Interests	Fair value reserves	Equity
From Financial assets held for trading to:			
Financial assets available for sale	490	(791)	(301)
Financial assets held to maturity	4,907	-	4,907
From Financial assets available for sale to:			
Loans represented by securities	120	-	120
Financial assets held to maturity	3,262	252	3,514
	8,779	(539)	8,240

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2016, would be as follows:

(Thousands of euros)

	Net income for the year			
	Fair value changes	Retained earnings	Fair value reserves	Equity
From Financial assets held for trading to:				
Financial assets available for sale	(791)	55	736	-
Financial assets held to maturity	(11,716)	(6,391)	-	(18,107)
From Financial assets available for sale to:				
Financial assets held to maturity	-	-	6,419	6,419
	(12,507)	(6,336)	7,155	(11,688)

The changes occurred in impairment for financial assets available for sale are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	572,589	317,423
Transfers	211	3,719
Impairment against profit and loss	63,421	274,741
Amounts charged-off	(68,046)	(14,395)
Exchange rate differences	(148)	(43)
Others variations	2,352	(8,856)
Balance on 31 December	570,379	572,589

The Group recognises impairment for financial assets available for sale when there is a significant or prolonged decrease in its fair value or when there is an impact on expected future cash flows of the assets. This assessment involves judgment in which the Group takes into consideration, among other factors, the volatility of the securities prices.

Thus, as a consequence of the low liquidity and significant volatility in financial markets, the following factors were taken into consideration in determining the existence of impairment:

- Equity instruments: (i) decreases of more than 30% against the purchase price; or (ii) the market value below the purchase price for a period exceeding 12 months;
- Debt instruments: when there is objective evidence of events with impact on recoverable value of future cash flows of these assets.

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by maturity, as at 31 December 2017 is as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	113,832	1,153,773	1,783,059	-	3,050,664
Foreign issuers	34,481	668,025	2,468,195	129,987	-	3,300,688
Bonds issued by other entities						
Portuguese issuers	27,848	4,378	837,947	428,254	3,722	1,302,149
Foreign issuers	1,455,431	-	66,548	93,144	-	1,615,123
Treasury bills and other Government bonds						
Portuguese issuers	89,554	495,354	-	-	-	584,908
Foreign issuers	73,296	701,516	7,430	1,517	-	783,759
	1,680,610	1,983,105	4,533,893	2,435,961	3,722	10,637,291
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	1,680,610	1,983,105	4,533,893	2,435,961	-	10,633,569
Variable income:						
Companies' shares						
Portuguese companies	-	-	-	-	30,829	30,829
Foreign companies	-	-	-	-	18,156	18,156
Investment fund units	-	1,818	16,307	1,061,438	7,665	1,087,228
Other securities	-	-	-	-	851	851
	-	1,818	16,307	1,061,438	57,501	1,137,064
	1,680,610	1,984,923	4,550,200	3,497,399	57,501	11,770,633

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, by maturity, as at 31 December 2016, is as follows:

(Thousands of euros)

	2016					
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Undetermined**	**Total**
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	55,083	1,011,824	2,401,849	-	3,468,756
Foreign issuers	175,430	657,153	2,516,164	49,570	-	3,398,317
Bonds issued by other entities						
Portuguese issuers	-	73,238	989,532	224,906	18,022	1,305,698
Foreign issuers	605,332	94	67,210	138,758	-	811,394
Treasury bills and other Government bonds						
Portuguese issuers	98,638	556,290	-	-	-	654,928
Foreign issuers	10,183	70,752	8,605	950	-	90,490
	889,583	1,412,610	4,593,335	2,816,033	18,022	9,729,583
Impairment for overdue securities	-	-	-	-	(13,079)	(13,079)
	889,583	1,412,610	4,593,335	2,816,033	4,943	9,716,504
Variable income:						
Companies' shares						
Portuguese companies	-	-	-	-	42,416	42,416
Foreign companies	-	-	-	-	13,317	13,317
Investment fund units	-	1,889	16,590	1,151,405	456	1,170,340
Other securities	-	-	-	383	-	383
	-	1,889	16,590	1,151,788	56,189	1,226,456
	889,583	1,414,499	4,609,925	3,967,821	61,132	10,942,960

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by sector of activity as at 31 December 2017 is as follows:

(Thousands of euros)

	2017				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	-	2	-	-	2
Chemicals	26,753	2	-	-	26,755
Machinery, equipment and basic metallurgical	-	5	-	-	5
Construction	-	4	-	2,394	2,398
Retail business	4,378	1,621	-	-	5,999
Wholesale business	49,619	852	-	126	50,597
Restaurants and hotels	-	46	-	-	46
Transports	828,640	2,168	-	-	830,808
Telecommunications	-	6,424	-	-	6,424
Services					
Financial intermediation (*)	1,655,277	23,912	1,038,421	-	2,717,610
Real estate activities	-	-	41,543	-	41,543
Consulting, scientific and technical activities	220,367	365	-	-	220,732
Administrative and support services activities	-	12,779	-	-	12,779
Public sector	111,833	-	-	-	111,833
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	781	7,265	1	8,047
Other international activities	-	8	850	-	858
	2,913,550	48,985	1,088,079	3,722	4,054,336
Government and Public securities	6,351,352	-	1,368,667	-	7,720,019
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	9,264,902	48,985	2,456,746	-	11,770,633

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,022,068,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 57.

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by sector of activity as at 31 December 2016 is as follows:

(Thousands of euros)

	2016				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	-	11	-	-	11
Chemicals	26,193	7	-	-	26,200
Machinery, equipment and basic metallurgical	-	4	-	-	4
Electricity and gas	8,742	-	-	-	8,742
Construction	-	7	-	2,395	2,402
Retail business	4,501	1,667	-	-	6,168
Wholesale business	-	655	-	126	781
Restaurants and hotels	-	46	-	-	46
Transports	672,408	766	-	-	673,174
Telecommunications	-	21,054	-	-	21,054
Services					
Financial intermediation (*)	1,104,702	20,216	1,120,810	14,299	2,260,027
Real estate activities	-	-	43,251	-	43,251
Consulting, scientific and technical activities	176,390	102	-	-	176,492
Administrative and support services activities	-	10,441	-	-	10,441
Health and collective service activities	89,450	-	-	-	89,450
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	1	736	6,278	1	7,016
Other international activities	-	5	384	-	389
	2,099,070	55,733	1,170,723	18,022	3,343,548
Government and Public securities	6,867,073	-	745,418	-	7,612,491
Impairment for overdue securities	-	-	-	(13,079)	(13,079)
	8,966,143	55,733	1,916,141	4,943	10,942,960

(*) The balance Other financial assets includes restructuring funds, in the amount of Euros 1,113,482,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 57.

The Group, as part of the management process of the liquidity risk (note 52), holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Group operates, which includes fixed income securities. As at 31 December 2017, this caption included Euros 40,821,000 (31 December 2016: Euros 190,985,000) of securities included in the ECB's monetary policy pool.

The analysis of trading derivatives, by maturity, as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	678,483	989,986	9,006,938	10,675,407	419,592	347,497
Interest rate options (purchase)	-	83,417	113,839	197,256	456	-
Interest rate options (sale)	-	-	113,840	113,840	-	397
Other interest rate contracts	567	4,070	181,625	186,262	2,398	2,555
	679,050	1,077,473	9,416,242	11,172,765	422,446	350,449
Stock Exchange transactions:						
Interest rate futures	127,088	-	-	127,088	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	342,762	125,381	20,996	489,139	6,022	6,334
Currency swaps	1,234,112	727,606	14,625	1,976,343	12,282	22,884
Currency options (purchase)	11,168	61,638	-	72,806	1,539	-
Currency options (sale)	10,746	61,638	-	72,384	-	1,514
	1,598,788	976,263	35,621	2,610,672	19,843	30,732
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	345,574	1,323,637	1,251,343	2,920,554	8,406	4,184
Shares/indexes options (purchase)	-	-	2,067	2,067	-	-
Shares/indexes options (sale)	522,088	-	-	522,088	-	-
Others shares/indexesoptions (purchase)	-	-	16,864	16,864	15,588	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	867,662	1,323,637	1,287,138	3,478,437	23,994	4,184
Stock exchange transactions:						
Shares futures	500,045	181,357	-	681,402	-	-
Shares/indexes options (purchase)	119,646	260,182	161,552	541,380	10,810	-
Shares/indexes options (sale)	4,072	2,710	2,668	9,450	-	474
	623,763	444,249	164,220	1,232,232	10,810	474
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	13,353	-	-	13,353	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	214,950	177,800	428,310	821,060	264,189	2,988
Other credit derivatives (sale)	-	-	69,370	69,370	-	-
	214,950	177,800	497,680	890,430	264,189	2,988
Total derivatives traded in:						
OTC Market	3,360,450	3,555,173	11,236,681	18,152,304	730,472	388,353
Stock Exchange	764,204	444,249	164,220	1,372,673	10,810	474
Embedded derivatives					2	10,274
	4,124,654	3,999,422	11,400,901	19,524,977	741,284	399,101

The analysis of trading derivatives, by maturity, as at 31 December 2016, is as follows:

(Thousands of euros)

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate Derivatives:						
OTC Market:						
Interest rate swaps	389,419	1,397,333	9,786,013	11,572,765	519,817	477,010
Interest rate options (purchase)	2,267	92,472	108,888	203,627	29	-
Interest rate options (sale)	2,267	9,055	108,888	120,210	-	739
Other interest rate contracts	52,001	127,829	85,971	265,801	1,859	7,864
	445,954	1,626,689	10,089,760	12,162,403	521,705	485,613
Stock Exchange transactions:						
Interest rate futures	201,384	18,974	-	220,358	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	231,416	171,687	23,477	426,580	5,723	6,225
Currency swaps	2,684,852	384,258	3,846	3,072,956	41,058	7,512
Currency options (purchase)	41,232	39,571	42,798	123,601	3,149	-
Currency options (sale)	42,009	39,571	42,798	124,378	-	3,484
	2,999,509	635,087	112,919	3,747,515	49,930	17,221
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	644,404	958,302	1,651,783	3,254,489	29,068	7,799
Shares/indexes options (purchase)	-	-	2,067	2,067	-	-
Other shares/indexes options (purchase)	-	-	16,864	16,864	13,671	-
Other shares/indexes options (sale)	-	-	16,864	16,864	-	-
	644,404	958,302	1,687,578	3,290,284	42,739	7,799
Stock Exchange transactions:						
Shares futures	249,929	-	-	249,929	-	-
Shares/indexes options (purchase)	109,678	196,064	213,652	519,394	6,174	-
Shares/indexes options (sale)	9,506	9,369	1,782	20,657	-	234
	369,113	205,433	215,434	789,980	6,174	234
Commodity derivatives:						
Stock exchange transactions:						
Commodities futures	76,397	-	-	76,397	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	221,900	552,000	828,544	1,602,444	228,031	6,381
Other credit derivatives (sale)	-	-	55,881	55,881	-	-
	221,900	552,000	884,425	1,658,325	228,031	6,381
Total derivatives traded in:						
OTC Market	4,311,767	3,772,078	12,774,682	20,858,527	842,405	517,014
Stock Exchange	646,894	224,407	215,434	1,086,735	6,174	234
Embedded derivatives					195	6,111
	4,958,661	3,996,485	12,990,116	21,945,262	848,774	523,359

24.HEDGING DERIVATIVES

This balance is analysed, by hedging instruments, as follows:

(Thousands of euros)

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Swaps	234,345	164,438	51,806	380,636
Others	-	12,899	5,232	3,356
	234,345	177,337	57,038	383,992

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these derivatives are classified in level 2. The Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

For the hedging relationships which comply with the hedging requirements of IAS 39, the Group adopts the hedge accounting method mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

During 2017, the relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 4,897,000 (31 December 2016: positive amount of Euros 11,238,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a negative amount of Euros 4,622,000 (31 December 2016: negative amount of Euros 4,206,000).

During 2017, reclassifications were made from fair value reserves to results, related to cash flow hedge relationships, in a positive amount of Euros 26,586,000 (31 December 2016: positive amount Euros 16,220,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows:

(Thousands of euros)

Hedged items	2017	2016
Loans	4,825	6,242
Deposits	4,194	6,341
Debt issued	(48,415)	(51,806)
	(39,396)	(39,223)

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	5,288	6,724,940	6,730,228	20,444	53,744
Others	450,000	-	-	450,000	-	12,899
	450,000	5,288	6,724,940	7,180,228	20,444	66,643
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	76,396	249,784	12,467,904	12,794,084	3,756	46,054
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency swaps	89,800	9,932	-	99,732	12,501	-
Other currency contracts	492,427	412,928	2,781,626	3,686,981	197,644	42,352
	582,227	422,860	2,781,626	3,786,713	210,145	42,352
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	-	224,675	371,152	595,827	-	22,288
Total derivatives traded by:						
OTC Market	1,108,623	902,607	22,345,622	24,356,852	234,345	177,337

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2016, is as follows:

(Thousands of euros)

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	341,100	-	6,548,576	6,889,676	27,168	90,865
Others	550,000	150,000	-	700,000	5,232	3,356
	891,100	150,000	6,548,576	7,589,676	32,400	94,221
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	77,092	158,719	6,677,312	6,913,123	3,963	29,273
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency swaps	93,356	141,393	-	234,749	2,375	1,931
Other currency contracts	771,735	974,062	2,538,745	4,284,542	89	258,515
	865,091	1,115,455	2,538,745	4,519,291	2,464	260,446
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	-	178,371	358,768	537,139	18,211	52
Total derivatives traded by:						
OTC Market	1,833,283	1,602,545	16,123,401	19,559,229	57,038	383,992

25. FINANCIAL ASSETS HELD TO MATURITY

The balance Financial assets held to maturity is analysed as follows:

(Thousands of euros)

	2017	2016
Bonds and other fixed income securities		
Issued by public entities	119,873	152,119
Issued by other entities	291,926	359,062
	411,799	511,181

The balance Financial assets held to maturity includes, as at 31 December 2017, the amount of Euros 188,014,000 (31 December 2016: Euros 237,513,000) related to non-derivatives financial assets (bonds) reclassified in previous years from financial assets held for trading caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 23.

The balance Financial assets held to maturity also includes, as at 31 December 2017, the amount of Euros 143,318,000 (31 December 2016: Euros 175,309,000) related to non-derivatives financial assets (bonds) reclassified in previous periods, from Financial assets available for sale caption to Financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 23.

As at 31 December 2017, the Financial assets held to maturity portfolio is analysed as follows:

(Thousands of euros)

2017						
Description	**Country**	**Maturity date**	**Interest rate**	**Nominal value**	**Book value**	**Fair value**
Issued by Government and public entities						
BTPS 4.5 PCT 08/01.08.2018 EUR	Italy	August, 2018	4.5%	50,000	50,859	52,383
OT 2015/2018 - 1ª Série	Mozambique	February, 2018	10%	2,885	2,777	2,778
OT 2015/2018 - 2ª Série	Mozambique	February, 2018	10%	13,022	12,533	12,544
OT 2015/2018 - 3ª Série	Mozambique	March, 2018	10%	8,690	8,364	8,372
OT 2015/2019 - 4ª Série	Mozambique	November, 2019	10.13%	6,623	5,966	5,755
OT 2015/2019 - 6ª Série	Mozambique	December, 2019	10.5%	28,789	27,000	25,203
OT 2016/2019 - 1ª Série	Mozambique	March, 2019	11%	4,485	4,225	4,044
OT 2016/2020 - 2ª Série	Mozambique	May, 2020	12.75%	4,424	4,148	3,995
OT 2015/2019 - 5ª Série	Mozambique	December, 2019	10.5%	4,362	4,001	3,740
					119,873	118,814
Issued by other entities						
CP Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.17%	75,000	74,964	80,851
Edia SA 07/30.01.2027	Portugal	January, 2027	Euribor 6M+0,005%	40,000	39,145	34,555
Stcp 00/05.06.2022 - 100Mios Call Semest. a Partir 10Cpn-Min.10Mios	Portugal	June, 2022	Euribor 6M + 0,0069%	100,000	98,945	98,454
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	Euribor 3M+0,54%	34,740	34,743	34,532
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	Euribor 3M+1,16%	26,300	26,310	24,944
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	Euribor 3M+2,6%	17,800	17,819	14,185
					291,926	287,521
					411,799	406,335

As at 31 December 2016, the Financial assets held to maturity portfolio is analysed as follows:

(Thousands of euros)

2016						
Description	**Country**	**Maturity date**	**Interest rate**	**Nominal value**	**Book value**	**Fair value**
Issued by Government and public entities						
BTPS 4.5 Pct 08/01.08.2018 EUR	Italy	August, 2018	4.5%	50,000	50,728	54,623
OT 2013/2017 - 1ª Serie	Mozambique	April, 2017	7.5%	4,807	4,363	4,244
OT 2013/2017 - 3ª Serie	Mozambique	September, 2017	9.875%	3,320	3,414	3,414
OT 2013/2017 - 4ª Serie	Mozambique	December, 2017	9.875%	1,328	1,338	1,338
OT 2014/2017 - 1ª Série	Mozambique	October, 2017	9.875%	3,984	3,644	3,607
OT 2014/2017 - 2ª Série	Mozambique	November, 2017	9.875%	3,984	3,585	3,607
OT 2014/2017 - 3ª Serie	Mozambique	December, 2017	9.875%	2,656	2,593	2,587
OT 2014/2017 - 4ª Série	Mozambique	July, 2017	9.875%	2,656	2,662	2,660
OT 2014/2017 - 5ª Série	Mozambique	August, 2017	10%	2,656	2,551	2,535
OT 2014/2017 - 6ª Série	Mozambique	November, 2017	10.75%	7,967	8,100	8,100
OT 2014/2017 - 7ª Série	Mozambique	November, 2017	10.25%	7,079	6,754	6,718
OT 2014/2017 - 8ª Série	Mozambique	December, 2017	10.125%	2,191	2,102	2,092
OT 2015/2018 - 1ª Série	Mozambique	August, 2018	10%	2,698	2,346	2,326
OT 2015/2018 - 2ª Série	Mozambique	August, 2018	10%	12,180	10,592	10,501
OT 2015/2018 - 3ª Série	Mozambique	September, 2018	10%	8,128	7,069	7,008
OT 2015/2019 - 4ª Série	Mozambique	November, 2019	10.125%	6,195	5,141	5,104
OT 2015/2019 - 5ª Série	Mozambique	December, 2019	10.5%	4,080	4,037	4,037
OT 2015/2019 - 6ª Série	Mozambique	December, 2019	10.5%	26,927	23,773	23,646
OT 2016/2019 - 1ª Série	Mozambique	March, 2019	11%	4,195	3,644	3,615
OT 2016/2020 - 2ª Série	Mozambique	May, 2020	12.75%	4,138	3,683	3,667
					152,119	155,429
Issued by other entities						
CP Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	74,578	81,582
Edia SA 07/30.01.2027	Portugal	January, 2027	Euribor 6M+0,005%	40,000	39,052	27,675
STCP 00/05.06.2022- 100Mios Call Semest. a Partir 10Cpn-Min.10Mios	Portugal	June, 2022	Euribor 6M + 0,0069%	100,000	98,709	87,636
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	51,527	51,974
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	Euribor 3M+0,54%	51,062	51,067	50,399
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	Euribor 3M+1,16%	26,300	26,310	24,339
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	Euribor 3M+2,6%	17,800	17,819	14,185
					359,062	337,790
					511,181	493,219

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2017 is as follows:

(Thousands of euros)

	2017				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by public entities					
Foreign issuers	23,674	50,859	45,340	-	119,873
Bonds issued by other entities					
Portuguese issuers	-	-	173,909	39,145	213,054
Foreign issuers	-	-	-	78,872	78,872
	23,674	50,859	219,249	118,017	411,799

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2016 is as follows:

(Thousands of euros)

	2016				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by public entities					
Foreign issuers	-	41,106	111,013	-	152,119
Bonds issued by other entities					
Portuguese issuers	-	-	74,578	137,761	212,339
Foreign issuers	51,527	-	-	95,196	146,723
	51,527	41,106	185,591	232,957	511,181

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by sector of activity, is analysed as follows:

(Thousands of euros)

	2017	2016
Transports and communications	173,909	173,287
Services		
Financial intermediation	78,872	146,723
Consulting, scientific and technical activities	39,145	39,052
	291,926	359,062
Government and Public securities	119,873	152,119
	411,799	511,181

As referred in note 52, as part of the management process of the liquidity risk, the Group holds a pool of eligible assets that can be used as collateral in funding operations with the European Central Bank and other Central Banks in countries were the Group operates, in which are included fixed income securities. As at 31 December 2017, there is no securities included in the ECB's monetary policy (31 December 2016: Euros 51,447,000).

26. INVESTMENTS IN ASSOCIATED COMPANIES

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Portuguese credit institutions	35,249	46,271
Foreign credit institutions	331,617	253,478
Other Portuguese companies	284,611	277,454
Other foreign companies	21,897	21,663
	673,374	598,866
Impairment	(102,012)	-
	571,362	598,866

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	2017				2016
	Ownership on equity	Goodwill	Impairment for investments in associated companies	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	252,577	-	-	252,577	244,497
Banco Millennium Atlântico, S.A. (note 59)	150,122	146,676	(84,001)	212,797	219,754
Unicre - Instituição Financeira de Crédito, S.A.	27,813	7,436	-	35,249	46,271
Banque BCP, S.A.S.	34,819	-	-	34,819	32,438
SIBS, S.G.P.S, S.A.	23,954	-	-	23,954	25,575
Webspectator Corporation	87	18,011	(18,011)	87	18,111
Mundotêxtil - Indústrias Têxteis, S.A.	6,198	-	-	6,198	6,854
Banque BCP (Luxembourg), S.A.	-	-	-	-	1,286
Others	4,815	866	-	5,681	4,080
	500,385	172,989	(102,012)	571,362	598,866

These investments correspond to unquoted companies. According to the accounting policy described in note 1 b), these investments are measured at the equity method.

The Group's companies included in the consolidation perimeter are presented in note 60.

In 2017 the impairment of the year for investments in associated companies amounts to Euros 57,764,000 of which Euros 39,753,000 related to Banco Millennium Atlântico, S.A. and Euros 18,011,000 to Webspectator Corporation.

The main indicators of the principal associated companies, as at 31 december 2017, are analysed as follows:

(Thousands of euros)

	2017 (a)					
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the year
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	11,278,530	10,448,465	743,193	60,447
Banco Millennium Atlântico, S.A. (*)	Angola	22.7	5,376,370	4,731,587	589,731	125,510
Unicre - Instituição Financeira de Crédito, S.A. (**)	Portugal	32.0	312,533	235,286	169,970	22,900
Banque BCP, S.A.S.	France	19.9	3,501,501	3,326,529	120,391	17,662
SIBS, S.G.P.S, S.A. (**)	Portugal	22.7	185,380	70,100	179,995	12,498

(a) - Non audited accounts

(*) - These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29.

(**) - Provisional values.

The main indicators of the principal associated companies, as at 31 december 2016, are analysed as follows:

(Thousands of euros)

		2016 (a)				
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the year
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	10,519,633	9,693,976	743,285	40,342
Banco Millennium Atlântico, S.A.	Angola	22.7	5,543,186	4,882,720	609,145	137,761
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	32.0	339,037	255,619	209,070	60,545
Banque BCP, S.A.S.	France	19.9	3,217,286	3,054,283	118,315	15,015
SIBS, S.G.P.S, S.A.	Portugal	22.7	185,380	70,100	212,895	45,398
Banque BCP (Luxembourg), S.A.	Luxembourg	3.6	590,770	555,371	16,633	850

(a) - Audited accounts

In accordance with the requirements of IFRS 12 and considering their relevance, the movements ocurred in investments in Millenniumbcp Ageas Group Segurador, S.G.P.S., S.A. and in Banco Millennium Atlântico, S.A., are analysed as follows:

(Thousands of euros)

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.		Banco Millennium Atlântico, S.A.	
	2017	2016	2017	2016
Ownership held by BCP on equity of the associates as at 1 January	244,497	222,914	219,754	-
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	-	-	-	205,140
Application of IAS 29 - Effect on 1 January 2017 (note 43)				
Net non-monetary assets of the BMA	-	-	26,010	-
Goodwill associated with BMA investment	-	-	18,238	-
Impairment for investments in associates	-	-	(44,248)	-
Application of IAS 29 for the year:				
Net non-monetary assets of the BMA				
Effect on BMA's equity (note 43)	-	-	34,321	-
Effect of exchange rate variations (note 43)	-	-	(2,729)	-
Reavaluation in net income (note 15)	-	-	(9,092)	-
Goodwill of the merger operation				
Effect of exchange rate variations (note 43)	-	-	(3,164)	-
Reavaluation in net income (note 15)	-	-	20,417	-
Impairment for investments in associates	-	-	(39,753)	-
Appropriation of the net income of the associates (note 15) (*)	35,413	26,036	28,534	13,306
Appropriation of the net income of previous years (note 15)	-	-	(14)	-
Other comprehensive income attributable to BCP	26,442	(4,453)	1,007	755
Exchange differences				
Effect on BMA's equity	-	-	(19,082)	11,632
Goodwill associated with BMA investment	-	-	(3,392)	-
Dividends received	(53,900)	-	(14,011)	(10,031)
Other adjustments	125	-	1	(1,048)
Investment held at the end of the year	252,577	244,497	212,797	219,754

(*) For Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A includes adjustments according to BCP GAAP.

The following table presents the financial statements, prepared in accordance with IFRS, for the mentioned associated companies modified by the consolidation adjustments:

(Thousands of euros)

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.		Banco Millennium Atlântico, S.A.	
	2017	**2016**	**2017**	**2016**
Income	743,193	743,285	589,731	609,145
Net profit for the year	60,447	40,342	125,510	137,761
Comprehensive income	53,962	(9,087)	4,427	3,322
Total comprehensive income attributable to Shareholders of the associates	114,409	31,255	129,937	141,083
Comprehensive income (pre-acquisition)	-	-	-	(78,663)
Adjustments of intra-group transactions (reverse of the VOBA annual amortization (*)	11,826	12,792		
Application of IAS 29 from the date of the merger (April 2016)			(39,992)	-
Attributable to Shareholders of the associates adjusted to BCP GAAP	126,235	44,047	129,937	62,420
Attributable to the BCP Group	61,855	21,583	20,449	14,061
Financial assets	10,906,584	10,124,342	4,453,054	4,866,955
Non-financial assets	371,946	395,291	923,316	676,231
Financial liabilities	(10,358,115)	(9,581,715)	(4,614,674)	(4,714,890)
Non-financial liabilities	(90,350)	(112,261)	(116,913)	(167,830)
Total equity attributable to Shareholders of the associates	830,065	825,657	644,783	660,466
Adjustments of intra-group transactions (reverse of the VOBA total amortizations (*)	316,301	304,219		
Application of IAS 29 from the date of the merger (April 2016)			213,376	-
Attributable to Shareholders of the associates adjusted to BCP GAAP	1,146,366	1,129,876	858,159	660,466
Attributable to the BCP Group	561,719	553,639	195,099	150,154
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)	-	-
Goodwill of the merge			101,699	69,600
Impairment for investments in associated companies			(84,001)	-
Attributable to the BCP Group adjusted of consolidation items	252,577	244,497	212,797	219,754

(*) - VOBA corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition. The value of the acquired business (VOBA) is recognized in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortized over the period of recognition of the income associated with the policies acquired.

27. NON-CURRENT ASSETS HELD FOR SALE

This balance is analysed as follows:

(Thousands of euros)

	2017			2016		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	1,799,228	(234,840)	1,564,388	1,798,040	(203,020)	1,595,020
Assets belong to investments funds and real estate companies	536,911	(56,552)	480,359	529,261	(7,277)	521,984
Assets for own use (closed branches)	67,092	(14,886)	52,206	77,323	(7,106)	70,217
Equipment and other	48,045	(11,877)	36,168	31,577	(10,176)	21,401
Other assets	31,446	-	31,446	41,537	-	41,537
	2,482,722	(318,155)	2,164,567	2,477,738	(227,579)	2,250,159

The assets included in this balance are accounted for in accordance with the accounting policy note 1 k).

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from recovered loans or judicial auction following the resolution of credit agreements to customers being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 52.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale, according to the characteristic of each asset. However, taking into account the actual market conditions, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Bank having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The Group requests, regularly, to the Bank of Portugal, following the Article 114º of the General Regime of Credit Institutions and Financial Companies, the extension of the period of holding these properties.

The referred balance includes real estate for which the Group has already established contracts for the sale in the amount of Euros 77,152,000 (31 December 2016: Euros 92,682,000), of which Euros 7,079,000 (31 December 2016: Euros 19,938,000) relate to properties held by investment funds. The impairment associated with all the established contracts is Euros 4,832,000 (31 December 2016: Euros 17,435,000), which was calculated taking into account the value of the respective contracts.

The changes occurred in impairment for non-current assets held for sale are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	227,579	265,170
Transfers	-	(13,786)
Charge for the year	155,236	51,296
Reversals for the year	(4,618)	-
Amounts charged-off	(60,173)	(73,980)
Exchange rate differences	131	(1,121)
Balance on 31 December	318,155	227,579

28. INVESTMENT PROPERTY

The balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 r), based on independent assessments and compliance with legal requirements.

The rents received related to these assets amounted to Euros 761,000 (31 December 2016: Euros 1,001,000), and the maintenance expenses related to rented or not rented real estate, amount to Euros 295,000 (31 December 2016: Euros 375,000).

The changes occurred in this caption are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	12,692	146,280
Transfers from / to non-current assets held for sale (note 27)	7,617	(112,481)
Transfers from / (to) tangible assets	(3,808)	19,283
Revaluations	(1,858)	(7,963)
Disposals	(2,243)	(32,427)
Balance on 31 December	12,400	12,692

29. OTHER TANGIBLE ASSETS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Real estate	830,989	841,497
Equipment		
Furniture	83,202	82,947
Machinery	45,279	44,642
Computer equipment	300,310	286,268
Interior installations	140,628	136,563
Motor vehicles	30,597	24,857
Security equipment	70,960	71,391
Other equipment	31,394	29,696
Work in progress	20,288	16,532
Other tangible assets	230	219
	1,553,877	1,534,612
Accumulated depreciation		
Charge for the year (note 11)	(41,685)	(39,100)
Charge for the previous years	(1,021,769)	(1,021,646)
	(1,063,454)	(1,060,746)
	490,423	473,866

As at 31 December 2017, the caption Real Estate includes the amount of Euros 166,601,000 (31 December 2016: Euros 162,793,000) related to real estate held by the Group's real estate investment funds.

The changes occurred in Other tangible assets, during 2017, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Real estate	841,497	5,760	(25,548)	807	8,473	830,989
Equipment:						
Furniture	82,947	2,391	(2,696)	280	280	83,202
Machinery	44,642	444	(1,130)	129	1,194	45,279
Computer equipment	286,268	10,734	(3,442)	4,258	2,492	300,310
Interior installations	136,563	1,808	(761)	2,403	615	140,628
Motor vehicles	24,857	13,311	(8,448)	-	877	30,597
Security equipment	71,391	707	(1,558)	181	239	70,960
Other equipment	29,696	55	(2,913)	3,043	1,513	31,394
Work in progress	16,532	29,699	(1,181)	(25,309)	547	20,288
Other tangible assets	219	1	(1)	-	11	230
	1,534,612	64,910	(47,678)	(14,208)	16,241	1,553,877
Accumulated depreciation						
Real estate	(450,020)	(19,417)	25,231	5,462	(3,888)	(442,632)
Equipment:						
Furniture	(75,123)	(1,964)	2,543	102	(129)	(74,571)
Machinery	(41,485)	(644)	1,130	1	(1,095)	(42,093)
Computer equipment	(266,480)	(9,572)	3,327	4	(1,931)	(274,652)
Interior installations	(126,747)	(2,050)	756	34	(306)	(128,313)
Motor vehicles	(13,192)	(4,233)	4,983	10	(444)	(12,876)
Security equipment	(65,590)	(1,609)	1,548	103	(178)	(65,726)
Other equipment	(22,072)	(2,196)	2,794	(10)	(1,071)	(22,555)
Other tangible assets	(37)	-	1	-	-	(36)
	(1,060,746)	(41,685)	42,313	5,706	(9,042)	(1,063,454)
	473,866	23,225	(5,365)	(8,502)	7,199	490,423

30. GOODWILL AND INTANGIBLE ASSETS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	115,094	125,447
Real estate and mortgage credit	40,859	40,859
Others	20,976	31,354
	176,929	197,660
Impairment		
Real estate and mortgage credit	(40,859)	(40,859)
Others	(16,473)	(26,870)
	(57,332)	(67,729)
	119,597	129,931
Intangible assets		
Software	122,124	101,739
Other intangible assets	56,731	52,509
	178,855	154,248
Accumulated amortization		
Charge for the year (note 11)	(11,897)	(10,724)
Charge for the previous years	(122,149)	(111,349)
	(134,046)	(122,073)
	44,809	32,175
	164,406	162,106

The changes occurred in Goodwill and intangible assets balances, during 2017, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	197,660	4	(10,401)	-	(10,334)	176,929
Impairment for goodwill	(67,729)	(4)	10,401	-	-	(57,332)
	129,931	-	-	-	(10,334)	119,597
Intangible assets						
Software	101,739	22,211	(5,829)	-	4,003	122,124
Other intangible assets	52,509	1,272	(1)	-	2,951	56,731
	154,248	23,483	(5,830)	-	6,954	178,855
Accumulated depreciation:						
Software	(72,229)	(11,060)	5,828	275	(3,100)	(80,286)
Other intangible assets	(49,844)	(837)	-	(275)	(2,804)	(53,760)
	(122,073)	(11,897)	5,828	-	(5,904)	(134,046)
	32,175	11,586	(2)	-	1,050	44,809
	162,106	11,586	(2)	-	(9,284)	164,406

The change occurred in Goodwill - Differences arising on consolidation and impairment - Disposals / Write-offs due mainly to the liquidation of the subsidiary Propaço - Sociedade Imobiliária de Paço D'Arcos, Lda, which occurred during 2017.

The changes occurred in Goodwill and intangible assets balances, during 2016, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Goodwill - Differences arising						
on consolidation	192,401	13,816	-	(8,429)	(128)	197,660
Impairment for goodwill	(16,707)	(51,022)	-	-	-	(67,729)
	175,694	(37,206)	-	(8,429)	(128)	129,931
Intangible assets						
Software	120,432	13,026	(14,430)	(9,540)	(7,749)	101,739
Other intangible assets	52,496	-	-	1,761	(1,748)	52,509
	172,928	13,026	(14,430)	(7,779)	(9,497)	154,248
Accumulated depreciation:						
Software	(86,983)	(10,197)	14,323	5,019	5,609	(72,229)
Other intangible assets	(50,723)	(527)	-	(279)	1,685	(49,844)
	(137,706)	(10,724)	14,323	4,740	7,294	(122,073)
	35,222	2,302	(107)	(3,039)	(2,203)	32,175
	210,916	(34,904)	(107)	(11,468)	(2,331)	162,106

According to the accounting policy described in note 1 b), the recoverable amount of the Goodwill is annually assessed in the second semester of each year or whenever there are indications of eventual loss of value.

In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2017, valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated by each cash generating unit;
(ii) an expectation of potential changes in the amounts and timing of cash flows;
(iii) the time value of money;
(iv) a risk premium associated with the uncertainty by holding the asset; and
(v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods. The assumptions made for these valuations might vary with the change in economic conditions and in the market.

BANK MILLENNIUM, S.A. (POLAND)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 2022. After that date, perpetuity was considered based on the average long-term expected rate of return for this activity in the Polish market. Additionally it was taken into consideration the market performance of the Bank Millennium, S.A. in the Polish capital market and the direct percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded for the absence of impairment indicators related to the goodwill of this participation.

The business plan of Bank Millennium, S.A. comprises a five-year period, from 2018 to 2022, considering, along this period, a compound annual growth rate of 6.1% for Total Assets and of 9.6% for Total Equity, while considering a ROE evolution from 8.9% in 2018 to 9.2% by the end of the period.

The exchange rate EUR/PLN considered was 4.1756 at the end of 2017 (December 2017 average: 4.2020).

The Cost of Equity considered was 9.625% for the period 2018-2022 and in perpetuity. The annual growth rate in perpetuity (g) was 2.6%.

REAL ESTATE AND MORTGAGE CREDIT

Considering the changes made in management of the real estate and mortgage credit over the past few years, the Executive Committee analysed this business as a whole.

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee for real estate business and a set of assumptions related to the estimated future evolution of the businesses of mortgage credit originated in real estate agents network and real estate promotion.

The Real estate and mortgage business comprises the current Banco de Investimento Imobiliário operations plus the income associated with other portfolios booked in Banco Comercial Português.

The business plan and estimates for Real estate and mortgage business comprises a five-year period, from 2018 to 2022, considering, along this period, a compound annual growth rate of -4.3% for total assets and of 1.1% for the allocated capital.

As a consequence of the impairment test made at the end of 2016, it was recognised during 2016 an impairment loss of Euros 40,859,000 corresponding to 100.0% of the goodwill associated. As at 31 December 2017 and 2016, the goodwill associated with the real estate and mortgage credit is totally impaired.

31. INCOME TAX

The deferred income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	2017			2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses	976,535	-	976,535	927,675	-	927,675
Employee benefits	838,769	-	838,769	789,000	-	789,000
	1,815,304	-	1,815,304	1,716,675	-	1,716,675
Deferred taxes depending on the future profits						
Impairment losses	1,001,097	(50,303)	950,794	928,645	(50,303)	878,342
Tax losses carried forward	321,774	-	321,774	494,785	-	494,785
Employee benefits	32,026	(1,804)	30,222	60,083	(27,248)	32,835
Financial assets available for sale	33,531	(26,461)	7,070	60,828	(5,458)	55,370
Derivatives	-	(6,821)	(6,821)	-	(7,444)	(7,444)
Intangible assets	39	-	39	39	-	39
Other tangible assets	9,827	(3,409)	6,418	8,289	(3,547)	4,742
Others	26,344	(19,407)	6,937	34,258	(27,366)	6,892
	1,424,638	(108,205)	1,316,433	1,586,927	(121,366)	1,465,561
Total deferred taxes	3,239,942	(108,205)	3,131,737	3,303,602	(121,366)	3,182,236
Offset between deferred tax assets and deferred tax liabilities	(102,175)	102,175	-	(118,677)	118,677	-
Net deferred taxes	3,137,767	(6,030)	3,131,737	3,184,925	(2,689)	3,182,236

(a) Special Regime applicable to deferred tax assets

SPECIAL REGIME APPLICABLE TO DEFERRED TAX ASSETS

The Extraordinary General Meeting of the Bank, held on 15 October 2014, approved the Bank's adherence to the special regime applicable to deferred tax assets, approved by Law no. 61/2014, of August 26, applicable to expenses and negative equity variations recorded in taxable periods beginning on or after 1 January 2015 and the deferred tax assets that are recorded in the annual accounts of the taxpayer to the last period prior to that date and the taxation of the expenses and negative equity variations that are associated with them. Pursuant to Law no. 23/2016, of 19 August, this special regime is not apply to expenses and negative equity changes recorded in the tax periods beginning on or after 1 January 2016, or to tax assets associated with them.

The Law no. 61/2014, of 26 August, provides an optional framework with the possibility of subsequent resignation, according to which, in certain situations (those of negative net result in individual annual accounts or liquidation by voluntary dissolution, insolvency decreed in court or revocation of the respective authorization), there will be a conversion into tax credits of the deferred tax assets that have resulted from the non-deduction of expenses and reductions in the value of assets resulting from impairment losses on credits and from post-employment or long-term employee benefits. In this case, it should be constituted a special reserve corresponding to 110% of its amount, which implies the simultaneous constitution of conversion rights attributable to the State of equivalent value, which rights can be acquired by the shareholders through payment to the State of that same amount. Tax credits can be offset against tax debts of the beneficiaries (or from an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. Under the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law no. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 10 years after the date of its creation, and the issuing bank shall deposit in the name of the State the amount of the price corresponding to all the rights issued, within 3 months of date of the confirmation of the convertion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders, or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantively approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset and when the deferred taxes are related to the same tax.

The deferred tax rate for Banco Comercial Português, S.A. is analysed as follows:

Description	2017	2016
Income tax	21.0%	21.0%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3.0%	3.0%
From more than 7,500,000 to 35,000,000	5.0%	5.0%
More than 35,000,000 (a)	7.0%	7.0%

(a) Law 114/2017, dated 29 December (State Budget Law for 2018) establishes the increase of the state tax rate for the portion of the taxable income above Euros 35,000,000 from 7% to 9% for taxation periods beginning on or after 1 January 2018.

The tax applicable to deferred taxes related to tax losses of the Bank is 21% (31 December 2016: 21%).

The average deferred tax rate associated with temporary differences of the Banco Comercial Português, S.A. is 31.30% (31 December 2016: 29.43%). The income tax rate in the other main countries where the Group operates is 19% in Poland, 32% in Mozambique, 0% (exemption) in the Cayman Islands and 24.24% in Switzerland.

The reporting period of tax losses in Portugal is 5 years for the losses of 2012, 2013 and 2017 and 12 years for the losses of 2014, 2015 and 2016. In Poland, the term is 5 years, in Mozambique it is 5 years and in Switzerland it is 7 years.

In 2016, Banco Comercial Português, S.A. opted for the Special Regime for Taxation of Groups of Companies (RETGS).

The balance of Deferred tax assets not depending 'on the future profits (covered by the scheme approved by Law no. 61/2014, of 26 August), include the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to specific credit impairment losses registered up to 31 December 2014.

The deferred income tax assets associated to tax losses carried forward, by expire date, is presented as follows:

(Thousands of euros)

Maturity	2017	2016
2018	1,870	4,069
2019-2025	112	4
2026	80,758	201,812
2028 and following	239,034	288,900
	321,774	494,785

Following the publication of the Notice of the Bank of Portugal No. 5/2015, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA), since 1 january 2016, began to apply the International Financial Reporting Standards as adopted in the European Union, including, among others, the Bank's individual financial statements.

As a result of this change, in the Bank's individual financial statements, the loans portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses calculated in accordance with the requirements of International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal Notice No. 3/95.

The Regulatory Decree No. 5/2016, of November 18, established the maximum limits of impairment losses and other corrections of value for specific credit risk deductible for the purpose of calculating the taxable profit in 2016. This Decree declares that Bank of Portugal Notice No. 3/95 (Notice that was relevant to the determination of provisions for credit in the financial statements presented in the NCA basis) should be considered for the purposes of calculating the maximum loss limits for impairment losses accepted for tax purposes in 2016. This methodology was also applied for the treatment of the transition adjustments related to credit impairment of entities that previously presented their financial statements on an NCA basis.

This Regulatory Decree includes a transitional rule that provides for the possibility of the positive difference between the value of the provisions for credit created on 1 January 2016 under the Notice of Bank of Portugal No. 3/95 and the impairment losses recorded on 1 January 2016 referring to the same credits, will be considered in the calculation of the taxable income of 2016 only in the part that exceeds the tax losses generated in periods of taxation started on or after 1 January 2012 and not used. The Bank opted to apply this transitional standard.

The Regulatory Decree No. 11/2017, of 28 December, established the maximum limits of impairment losses and other corrections of value for specific credit risk deductible for the purposes of calculating taxable income in 2017, establishing that the Notice of Bank of Portugal No. 3/95 should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes in 2017, similar to the regime for 2016.

ANALYSIS OF THE RECOVERABILITY OF DEFERRED TAX ASSETS

In accordance with the accounting policy 1 ad) ii), and with the requirements of IAS 12, the deferred tax assets were recognized based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried out considering the respective financial statements prepared under the budget process for 2018 and which support future taxable income for each Group's entity considering the macroeconomic and competitive environment, at the same time that incorporate the Group's strategic priorities.

For the purpose of estimating taxable profits for the periods 2018 and following, the following main assumptions were considered:

- In the absence of specific rules regarding the tax regime for credit impairment and guarantees for taxation periods beginning on or after 1 January 2018, the tax rules that were in force in 2015, 2016 and 2017 were considered and of Decree-Laws published at the end of each of the referred years established that the Notice of Bank of Portugal No. 3/95 should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes;

- The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- The deductions related to employee benefits are projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

In addition, as part of the analysis of the recoverability of deferred tax assets, the Bank prepared a sensitivity analysis that considered the possibility of approving a document with changes to the tax treatment of impairment losses for credit and guarantees, in the same proposal for amendment to the State Budget Law Proposal for 2018. This proposal provided for modifications to Articles 28-A, 28-C and 39 of the IRC Code, in order to approximate fiscal rules and accounting rules and introduced a transition period of 19 years with increasing percentages for the tax deductibility of losses due to credit impairment and guarantees not accepted by tax until 31 December 2017 and which became deductible under the envisaged changes.

According to this sensitivity analysis, the Bank also concluded the recoverability of all deferred tax assets recorded as at 31 December 2017.

The projections made take into consideration, in addition to the Group's strategic priorities, essentially reflecting the projection of the Bank's medium-term business in Portugal in terms of results generation, and are broadly consistent with the Reduction Plan of Non-Performing Assets 2018-2020 sent it to the supervisory entity in March 2018, underlining:

- Improvement of the net interest income, considering interest rate curves used under the scope of the projections of net interest income in line with the market forecasts;

- Evolution of the ratio loans and advances over the balance sheet resources from customer by approximately 100% in Portugal;

- Decrease in the cost of risk, supported by the expectation of a gradual recovery of economic activity, consubstantiating a stabilization of the business risk, as well as the reduction of the non-core portfolio. In this way, the gradual convergence of the cost of credit risk (up to 2023) is estimated to be close to those currently observed in other European countries, including in the Iberian Peninsula.

- Control of the operating expenses, notwithstanding the investments planned by the Bank in the context of the expected deepening of the digitization and expansion of its commercial activities;

- Positive net income, projecting the favourable evolution of the ROE and maintaining of the CET1 ratio fully implemented at levels appropriate to the requirements and benchmarks. From 2024 onwards, it is estimated an annual growth of the Net income before income taxes, which reflects a partial convergence to the expected level of ROE stabilized term term.

The analyses made allow the conclusion of the recoverability of the total deferred tax assets recognised as at 31 December 2017.

It is now present the sensitivity of the analysis of the recoverability of deferred tax assets to the estimate of income before income taxes: If there was a 5% reduction / increase in estimated income before income taxes in all years of projections from 2018 to 2028, the deferred tax assets would have a reduction / increase of about Euros 55 million / Euros 67 million.

In accordance with this assessment, the amount of unrecognised deferred tax, by year of expiration, is as follows:

(Thousands of euros)

Tax losses carried forward	**2017**	**2016**
2017	2,258	2,453
2018	1,595	1,594
2019-2025	1,772	3
2026	132,901	917
2027 and following	279,887	172,552
	418,413	177,519

The impact of income taxes in Net income and in other captions of Group's equity, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	2017		
	Net income for the year	Reserves and retained earnings	Exchange differences
Deferred taxes			
Deferred taxes not depending on the future profits (a)			
Impairment losses	48,860	-	-
Employee benefits	16,660	33,109	-
	65,520	33,109	-
Deferred taxes depending on the future profits			
Impairment losses	70,807	-	1,645
Tax losses carried forward (b)	(84,703)	(88,428)	120
Employee benefits	3,023	(4,071)	(1,565)
Financial assets available for sale	10,076	(59,083)	707
Derivatives	1,023	-	(400)
Other tangible assets	1,616	-	60
Others	4,592	(3,972)	(575)
	6,434	(155,554)	(8)
	71,954	(122,445)	(8)
Current taxes			
Actual year	(103,756)	34	-
Correction of previous years	1,643	-	-
	(102,113)	34	-
	(30,159)	(122,411)	(8)

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them. The variation occurred in 2017 refers mainly to the impact of the increase in the State tax rate for the portion of taxable income exceeding Euros 35,000,000 from 7% to 9% for taxation periods beginning on or after 1 January 2018.

(b) Taxes on reserves and retained earnings refer to realities recognised in reserves and retained earnings that compete for the purposes of calculating taxable income.

The impact of income taxes in Net income / (loss) and in other captions of Group's equity, as at 31 December 2016, is analysed as follows:

(Thousands of euros)

	2016			
	Net income / (loss) for the year	Reserves and retained earnings	Exchange differences	Discontinued operations and other variations
Deferred taxes				
Deferred taxes not depending on the future profits (a)				
Impairment losses	(12,779)	-	-	-
Employee benefits	21,425	498	-	-
	8,646	498	-	-
Deferred taxes depending on the future profits				
Impairment losses	457,473	1,324	(2,680)	13,683
Tax losses carried forward (b)	132,769	44,174	(652)	-
Employee benefits	8,211	20,759	1,228	-
Financial assets available for sale	-	66,519	(4,953)	-
Derivatives	950	-	(731)	-
Intangible assets	(4)	-	-	-
Other tangible assets	1,248	-	(51)	-
Others (c)	(114,001)	-	1,641	(511)
	486,646	132,776	(6,198)	13,172
	495,292	133,274	(6,198)	13,172
Current taxes				
Actual year	(108,125)	(1,745)	-	2
Correction of previous years	(5,300)	-	-	-
	(113,425)	(1,745)	-	2
	381,867	131,529	(6,198)	13,174

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them.

(b) Taxes on reserves and retained earnings refer to realities recognised in reserves and retained earnings that compete for the purposes of calculating taxable income.

(c) The item Others mainly includes the reversal of deferred tax assets in the amount of approximately Euros 92,000,000 relating to the distribution of dividends in 2016 by subsidiaries of the Group.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	2017	2016
Net income / (loss) before income taxes	318,491	(281,280)
Current tax rate (%)	31.5%	29.5%
Expected tax	(100,325)	82,978
Non-deductible impairment	(30,970)	(78,305)
Contribution to the banking setor (a)	(22,631)	(14,880)
Results of companies consolidated by the equity method	28,866	23,848
Other accruals for the purpose of calculating the taxable income	588	30,861
Employees' benefits	12,003	-
Effect of difference of rate tax and deferred tax not recognised previously (b)	167,576	334,449
Derecognition of deferred tax associated with tax losses	(87,208)	-
Correction of previous years	3,782	4,989
(Autonomous tax) / tax credits	(1,840)	(2,073)
Total	(30,159)	381,867
Effective rate	9.47%	135.76%

(a) It respects to the effect of the contribution to the banking sector in Portugal, in the amount of Euros 9,777,000 (31 December 2016: Euros 7,574,000) and the tax on the banking sector in Poland, in the amount of Euros 12,854,000 (31 December 2016: Euros 7,559,000).

(b) The value of 2017 essentially relates to the deferred tax impact of the increase in the state tax rate for the portion of taxable income above Euros 35,000,000 from 7% to 9% for taxation periods beginning on or after 1 January 2018 and the difference of tax rate, mainly of Bank Millennium, S.A in Poland (tax rate of 19%). The value of 2016 includes the impact of the combined effects of the repeal of Banco of Portugal Notice 3/95, the transitional regime provided for in Regulatory Decree No. 5/2016, of 18 November and the special regime applicable to deferred tax assets (annex to the Law no. 61/2014, of August 26), in the amount of Euros 281,170,000.

32. OTHER ASSETS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Deposit account applications	136,255	280,675
Associated companies	579	6,247
Subsidies receivables	3,794	5,084
Prepaid expenses	31,063	31,662
Debtors for futures and options transactions	97,830	49,422
Debtors		
Residents		
Insurance activity	1,832	4,386
Advances to suppliers	887	1,663
SIBS	7,136	6,340
Prosecution cases / agreements with the Bank	12,126	11,481
Receivables from real estate, transfers of assets and other securities	31,012	55,693
Others	86,780	81,432
Non-residents	28,904	26,014
Receivable dividends	-	18,063
Interest and other amounts receivable	41,119	47,763
Amounts receivable on trading activity	108,410	37,223
Gold and other precious metals	3,639	3,635
Other financial investments	165	20,426
Other recoverable tax	24,693	24,558
Artistic patrimony	28,845	28,811
Capital supplementary contributions	8,318	7,648
Reinsurance technical provision	12,930	11,999
Obligations with post-employment benefits (note 49)	116,781	31,681
Capital supplies	221,055	214,810
Amounts due for collection	36,636	29,618
Amounts due from customers	130,954	227,376
Sundry assets	162,927	91,493
	1,334,670	1,355,203
Impairment for other assets	(282,646)	(267,389)
	1,052,024	1,087,814

As referred in note 57, the balance Capital supplies includes the amount of Euros 219,656,000 (31 December 2016: Euros 213,464,000) and the balance Capital supplementary contributions includes the amount of Euros 2,939,000 (31 December 2016: Euros 2,939,000), arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount. The impairment with impact on results in 2017 related to these operations amounted to Euros 6,193,000 (2016: Euros 5,853,000).

As at 31 December 2017, the caption Deposit account applications includes the amount of Euros 94,770,000 (31 December 2016: Euros 228,949,000) on the Clearing houses / Clearing derivatives.

The caption Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Group's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is recognised in the income statement.

The changes occurred in impairment for other assets are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	267,389	240,943
Other transfers	41,243	21,484
Charge for the year	13,616	16,741
Reversals for the year	(1,029)	(1,111)
Amounts charged-off	(38,635)	(10,326)
Exchange rate differences	62	(342)
Balance on 31 December	282,646	267,389

33. RESOURCES FROM CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousands of euros)

	2017			2016		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	-	3,969,732	3,969,732	-	4,851,574	4,851,574
Central Banks abroad	-	172,226	172,226	-	300,098	300,098
	-	4,141,958	4,141,958	-	5,151,672	5,151,672
Resources from credit institutions in Portugal						
Very short-term deposits	-	19,993	19,993	-	-	-
Sight deposits	104,155	-	104,155	126,260	-	126,260
Term Deposits	-	89,247	89,247	-	428,861	428,861
Loans obtained	-	1,095	1,095	-	2,978	2,978
Other resources	1,570	-	1,570	1,240	-	1,240
	105,725	110,335	216,060	127,500	431,839	559,339
Resources from credit institutions abroad						
Very short-term deposits	-	83	83	-	11	11
Sight deposits	121,208	-	121,208	151,516	-	151,516
Term Deposits	-	454,713	454,713	-	240,712	240,712
Loans obtained	-	1,715,246	1,715,246	-	1,450,724	1,450,724
Sales operations with repurchase agreement	-	827,913	827,913	-	2,317,772	2,317,772
Other resources	-	10,176	10,176	-	66,649	66,649
	121,208	3,008,131	3,129,339	151,516	4,075,868	4,227,384
	226,933	7,260,424	7,487,357	279,016	9,659,379	9,938,395

This balance is analysed, by remaining period, as follows:

(Thousands of euros)

	2017	2016
Up to 3 months	1,312,660	3,872,736
3 to 6 months	71,012	572,265
6 to 12 months	297,739	135,795
1 to 5 years	4,736,613	4,377,349
Over 5 years	1,069,333	980,250
	7,487,357	9,938,395

The caption Resources from credit institutions abroad includes, under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"), the amount of Euros 231,621,000 (31 December 2016: Euros 66,485,000). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

The caption Resources from credit institutions - Resources from credit institutions abroad - Sales operations with repurchase agreement, corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

34. RESOURCES FROM CUSTOMERS AND OTHER LOANS

This balance is analysed as follows:

(Thousands of euros)

	2017			2016		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	24,936,894	510,549	25,447,443	21,710,318	306,781	22,017,099
Term deposits	-	19,310,419	19,310,419	-	20,459,067	20,459,067
Saving accounts	-	3,016,883	3,016,883	-	2,841,677	2,841,677
Deposits at fair value through profit and loss	-	2,902,392	2,902,392	-	2,985,741	2,985,741
Treasury bills and other assets sold under repurchase agreement	-	129,764	129,764	-	137,707	137,707
Cheques and orders to pay	370,295	-	370,295	320,159	-	320,159
Other	-	10,621	10,621	-	36,197	36,197
	25,307,189	25,880,628	51,187,817	22,030,477	26,767,170	48,797,647

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the referred fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

The caption Deposits from customers - Deposits at fair value through profit and loss is measured at fair value in accordance with internal valuation techniques considering mainly observable internal inputs. In accordance with the hierarchy of the valuation sources, and as referred in IFRS 13, these instruments are classified in level 3 (note 48). These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d) and was recognised in 2017 a loss of Euros 499,000 (31 December 2016: gain of Euros 3,239,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

The nominal amount of the caption Deposits from customers - Deposits at fair value through profit and loss amounts to, as at 31 December 2017, Euros 2,901,459,000 (31 December 2016: Euros 2,992,567,000).

This balance is analysed, by remaining period, as follows:

(Thousands of euros)

	2017	2016
Deposits repayable on demand	25,447,443	22,017,099
Term deposits and saving accounts		
Up to 3 months	10,968,328	12,560,385
3 to 6 months	5,993,472	5,387,582
6 to 12 months	4,877,607	4,605,137
1 to 5 years	473,695	610,468
Over 5 years	14,200	137,172
	22,327,302	23,300,744
Deposits at fair value through profit and loss		
Up to 3 months	377,045	400,681
3 to 6 months	395,330	338,827
6 to 12 months	925,921	602,762
1 to 5 years	1,204,096	1,643,471
	2,902,392	2,985,741
Treasury bills and other assets sold under repurchase agreement		
Up to 3 months	129,764	137,707
Cheques and orders to pay		
Up to 3 months	370,295	320,159
Other		
Up to 3 months	1,764	2,768
6 to 12 months	1,286	1,286
1 to 5 years	7,571	10,143
Over 5 years	-	22,000
	10,621	36,197
	51,187,817	48,797,647

35. DEBT SECURITIES ISSUED

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Debt securities at amortized cost		
Bonds	709,225	967,289
Covered bonds (note 47)	992,725	926,793
MTNs	20,365	415,460
Securitizations	338,011	382,412
	2,060,326	2,691,954
Accruals	6,212	35,202
	2,066,538	2,727,156
Debt securities at fair value through profit and loss		
Bonds	13,368	38,709
MTNs	160,466	157,873
	173,834	196,582
Accruals	3,500	3,566
	177,334	200,148
Certificates at fair value through profit and loss	763,919	585,516
	3,007,791	3,512,820

As referred in note 47, Banco Comercial Português, S.A. issued covered mortgage bonds, under its Covered Bond Program, with subscription date on 31 May 2017.

The issue, in the amount of Euros 1,000 million, has a term of 5 years, an issuance price of 99.386% and an annual interest rate of 0.75%, reflecting a spread of 65 basis points over 5-year swaps.

The securities included in caption Debt securities at fair value through profit and loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are classified in level 3 (note 48). These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d), and was recognised a gain in 2017 of Euros 34,000 (2016: loss of Euros 1,368,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

The nominal value of the balance Debt securities at fair value through profit and loss includes, as at 31 December 2017, the amount of Euros 153,721,000 (31 December 2016: Euros 177,890,000).

The characteristics of the bonds issued by the Group, as at 31 December 2017 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Debt securities at amortized cost					
Banco Comercial Português:					
BCP Fixa out 2019-Vm Sr.44	November, 2011	October, 2019	Fixed rate 6.875%	5,400	6,194
BCP Float fev 2018-Vm 102-Ref.35	December, 2011	February, 2018	Until 17 May 2012: Fixed rate 1.957% year; after 17 May 2012: Euribor 3M + 0.5%	54,600	54,115
BCP Float mai 2018-Vm 104-Ref.37	December, 2011	May, 2018	Until 12 May 2012: Fixed rate 1.964% year; after 12 May 2012: Euribor 3M + 0.5%	38,500	37,521
BCP Float mar 2018-Vm Sr.103 Ref.36	December, 2011	March, 2018	Euribor 3M + 0.5%	49,300	48,480

(continues)

(continuation)

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
BCP Float Jan 2019-Vm 105-Ref.38	December, 2011	January, 2019	Until 5Apr 2012: Fixed rate 2.367% year; after 5 Apr 2012: Euribor 3M + 0.81%	50,000	47,476
BCP Float Feb 2019-Vm 106 Ref.39	December, 2011	February, 2019	Until 16 May 2012: Fixed rate 2.459% year; after 16 May 2012: Euribor 3M + 1%	10,850	10,236
BCP Fixa out 2019-Vm Sr.61	December, 2011	October, 2019	Fixed rate 6.875%	9,500	10,875
BCP Fixa out 19-Vm Sr 110	January, 2012	October, 2019	Fixed rate 6.875%	4,000	4,570
BCP Floater nov 18-Vm Sr 124	February, 2012	November, 2018	Until 3 ago 2012: fixed rate 1.715% year; after 3 ago 2012: Euribor 3M + 0.6%	30,000	28,472
BCP Floater jun 18-Vm Sr. 132	February, 2012	June, 2018	Until 15 Jun 2013: fixed rate 2.639% year; after 15 Jun 2013: Euribor 12M + 0.5%	18,500	17,985
BCP Fixa out 19-Vm Sr. 177	April, 2012	October, 2019	Fixed rate 6.875%	2,000	2,263
BCP Fixa out 19-Vm Sr 193	April, 2012	October, 2019	Fixed rate 6.875%	4,900	5,544
BCP 4.75 % set 20 -Vm Sr 279	September, 2012	September, 2020	Fixed rate 4.75%	27,100	28,699
BCP Cln Brisa Fev 2023 - Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	1,994
BCP 4.03 Maio 2021 Epvm Sr 33	August, 2015	May, 2021	Until 27 Sep 2015: Fixed rate 6.961%; after 27 Sep 2015: Fixed rate 4.03%	2,500	2,532
Bcp Rend Trim 1 Ser 2017-Mtn 853	May, 2017	May, 2022	1st year=0.6%; 3 nd year=0.7%; 3rd year=0.8%; 4th and 5th year=1%	125,920	125,920
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate 0.75%	1,000,000	992,725
Bcp Inv Eur Ac Cup Ext Xi/17-mtn 4	November, 2017	November, 2020	Indexed to index EuroStoxx 50	1,400	1,372
Bcp Div Cabaz 3 Acoes-Smtn 3	December, 2017	December, 2020	Indexed to 3 shares portfolio	6,829	6,694
Bcp Rend Euro-Div Auto Xii Smtn 5	December, 2017	December, 2020	Indexed to EuroStoxx Select Dividend 30	1,930	1,892
Bank Millennium:					
Bank Millennium - BPW_2018/01	January, 2015	January, 2018	Indexed to UPS	769	769
Bank Millennium - BPW_2018/02	February, 2015	February, 2018	Indexed to Volkswagen	1,112	1,112
Bank Millennium - BPW_2018/03	March, 2015	March, 2018	Indexed to Euro Stoxx 50	1,412	1,412
Bank Millennium - BPW_2018/04	April, 2015	April, 2018	Indexed to Euro Stoxx 50	2,180	2,180
Bank Millennium - BPW_2018/06	May, 2015	June, 2018	Indexed to Swiss index	2,187	2,187
Bank Millennium - BPW_2018/06A	June, 2015	June, 2018	Indexed to Ibex 35	1,999	1,999
Bank Millennium - BKMO_220618N	June, 2015	June, 2018	Fixed rate 3.01%	71,732	71,732
Bank Millennium - BPW_2018/07	July, 2015	July, 2018	Indexed a Platinum Price index	1,952	1,952
Bank Millennium - BPW_2018/08	August, 2015	August, 2018	Indexed to 4 indexes	3,272	3,272
Bank Millennium - BPW_2018/09	September, 2015	September, 2018	Indexed to 4 indexes	3,146	3,146
Bank Millennium - BPW_2018/10	October, 2015	October, 2018	Indexed to American Airlines Group	1,259	1,259
Bank Millennium - BPW_2018/11	November, 2015	November, 2018	Indexed to 4 indexes	2,023	2,023
Bank Millennium - BPW_2019/01	December, 2015	January, 2019	Indexed to 4 indexes	489	489
Bank Millennium - BPW_2019/01A	January, 2016	January, 2019	Indexed to 4 shares portfolio	126	126
Bank Millennium - BPW_2019/03	February, 2016	March, 2019	Indexed to Gold Fix Price	2,742	2,742
Bank Millennium - BPW_2019/03A	March, 2016	March, 2019	Indexed to Gold Fix Price	4,335	4,335
Bank Millennium - BPW_2019/03B	March, 2016	March, 2019	Indexed to Gold Fix Price	1,191	1,191

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(continuation)

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Millennium Leasing - G1	March, 2016	March, 2018	Fixed rate 2.97%	7,185	7,185
Millennium Leasing - G2	March, 2016	March, 2018	Fixed rate 2.97%	3,113	3,113
Bank Millennium - BPW_2019/04	April, 2016	April, 2019	Indexed to Gold Fix Price	3,231	3,231
Bank Millennium - BPW_2019/04A	April, 2016	April, 2019	Indexed to DAX index	1,181	1,181
Bank Millennium - BPW_2019/05	May, 2016	May, 2019	Indexed a Platinum Price index	2,867	2,867
Millennium Leasing - G3	May, 2016	May, 2018	Fixed rate 2.97%	8,382	8,382
Bank Millennium - BPW_2019/06A	June, 2016	June, 2019	Indexed to portfolio of 5 shares	2,848	2,848
Millennium Leasing - G4	June, 2016	May, 2018	Fixed rate 2.98%	4,790	4,790
Bank Millennium - BPW_2019/07	July, 2016	July, 2019	Indexed to Gold Fix Price	2,732	2,732
Bank Millennium - BPW_2019/08	August, 2016	August, 2019	Indexed to Silver Fix Price	1,667	1,667
Bank Millennium - BPW_2019/09	September, 2016	September, 2019	Indexed to Gold Fix Price	1,986	1,986
Millennium Leasing - G5	September, 2016	September, 2018	Fixed rate 2.91%	6,227	6,227
Bank Millennium - BPW_2020/02	February, 2017	February, 2020	Indexed to Platinum Price index	1,739	1,739
Millennium Leasing - G6	February, 2017	February, 2019	Rate 2.73%	7,424	7,424
Bank Millennium - BPW_2020/03	March, 2017	March, 2020	Indexed to Facebook	2,144	2,144
Bank Millennium - BPW_2020/04	April, 2017	April, 2020	Indexed to Gold Fix Price	603	603
Bank Millennium - BKMO_210420T	April, 2017	April, 2020	Rate 2.81%	71,745	71,745
Bank Millennium - BPW_2020/05	May, 2017	May, 2020	Indexed to 4 shares portfolio	1,052	1,052
Millennium Leasing - G7	May, 2017	May, 2019	Rate 2.63%	8,143	8,143
Bank Millennium - BPW_2020/06	June, 2017	June, 2020	Indexed to 4 shares portfolio	990	990
Bank Millennium - BPW_2020/07	July, 2017	July, 2020	Indexed to index WIG20	733	733
Bank Millennium - BKMO_030418U	July, 2017	April, 2018	Rate 1.85%	7,151	7,151
Bank Millennium - BPW_2020/08	August, 2017	August, 2020	Indexed to Alibaba	639	639
Bank Millennium - BPW_2020/09	September, 2017	September, 2020	Indexed to Louis Vuitton	804	804
Millennium Leasing - G8	September, 2017	September, 2019	Rate 2.63%	5,029	5,029
Bank Millennium - BPW_2020/10	October, 2017	October, 2020	Indexed to Gold Fix Price	1,078	1,078
Bank Millennium - BPW_2020/11	November, 2017	November, 2020	Indexed to index S&P 500	1,867	1,867
Bank Millennium - BPW_2020/12	December, 2017	December, 2020	Indexed to 5 shares portfolio	860	860
Millennium Leasing - F21	December, 2017	June, 2018	Rate 2.22%	16,213	16,213
BCP Finance Bank:					
BCP Fin.Bank - EUR 10 M	March, 2004	March, 2024	Fixed rate 5.01%	9,800	10,407
Magellan Mortgages n.º 2:					
SPV Magellan n.º 2 - Class A Notes	October, 2003	July, 2036	Euribor 3M + 0.44%	45,740	45,740
SPV Magellan n.º 2 - Class B Notes	October, 2003	July, 2036	Euribor 3M + 1.1%	39,640	39,640
SPV Magellan n.º 2 - Class C Notes	October, 2003	July, 2036	Euribor 3M + 2.3%	18,900	18,900
SPV Magellan n.º 2 - Class D Notes	October, 2003	July, 2036	Euribor 3M + 1.7%	3,500	3,500
Magellan Mortgages n.º 3:					
Mbs Magellan Mortgages S 3 Cl.A	June, 2005	May, 2058	Euribor 3M + 0.26%	244,843	227,237
Mbs Magellan Mortgages S.3 Cl.B	June, 2005	May, 2058	Euribor 3M + 0.38%	1,962	1,821
Mbs Magellan Mortgages S. 3 Cl.C	June, 2005	May, 2058	Euribor 3M + 0.58%	1,264	1,173
					2,060,326
Accruals					6,212
					2,066,538

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Debt securities at fair value through profit and loss					
Banco Comercial Português:					
BCP Cln Portugal - Emtn 726	June, 2010	June, 2018	Fixed rate 4.72% underlying asset OT - 2018/06	59,100	60,242
BCP Eur Cln Port 2Emis - Emtn 765	November, 2010	June, 2018	Fixed rate 4.45% underlying asset OT - 2018/06	11,550	12,256
BCP Eur Cln Port 10/15.06.20 - Emtn 766	November, 2010	June, 2020	Fixed rate 4.8% underlying asset OT - 2020/06	30,000	33,816
BCP Eur Cln Portugal 3Rd-Emtn 840	May, 2012	June, 2018	Fixed rate 4.45% underlying asset OT - 2018/06	32,700	46,600
Part. Multisetorial Europ.-Emtn 850	June, 2013	June, 2018	Indexed to DB SALSA Sectors	3,950	4,435
BCP Reemb Parciais Eur Ind I-Epvm 20	February, 2015	January, 2018	Until 15 Apr 2015: Fixed rate 3.164% ; after 15 Apr 2015 until 15 Jul 2015: Fixed rate 5.4%; after 15 Jul 2015 until 15 Jan 2016: Fixed rate 9%; after 15 Jan 2016 until 15 Jan 2017: Fixed rate 4.5%; after 15 Jan 2017 until 15 Jan 2018: Fixed rate 4.5%	1,790	1,776
BCP Ind Setor Cup Fixo Vi-Epvm 29	June, 2015	June, 2018	1st year Fixed rate 9%; 2nd year and followings indexed to a portfolio of 3 indexes	2,810	2,749
BCP Rend Ações Zon Eur Autc-Epvm 32	August, 2015	August, 2018	Indexed to EuroStoxx 50 index	1,770	1,783
BCP Inv Banc Zona Eur Xi-Epvm 37	November, 2015	November, 2019	Indexed to EuroStoxx Banks	1,000	865
BCP Rend Part Zo Eur Autoc-Epvm 40	January, 2016	January, 2019	Indexed to EuroStoxx 50 index	1,730	2,046
BCP Ree Parc Eur Ind Ii Eur-Epvm 41	February, 2016	February, 2018	Until 4 May 2016: Fixed rate 1.752%; after 4 May 2016 until 4 Aug 2016: Fixed rate 4.2%; after 4 Aug 2016 until 4 Feb 2017: Fixed rate 7%; after 4 Feb 2017 until 6 Feb 2018: Fixed rate 3.5196%	268	266
BCP Inv Eur-Ac Autoc Ii Eur-Epvm 42	February, 2016	February, 2019	Indexed to EuroStoxx 50 index	1,750	1,731
BCP Inv Ações Zona Eur Iii-Epvm 43	March, 2016	April, 2018	Indexed to EuroStoxx 50 index	1,700	1,793
Bcp Reemb Parc Eur Ações Iii-Epvm 49	March, 2017	March, 2020	1st quarter=1.624%; 3 nd quarter =3.9%; 3 nd semester=6.5%; 3 nd year =3.25%; 3rd year=3.25%	368	359
Bcp Euro Divid Cup Mem Vi 17-Smtn 1	June, 2017	June, 2020	Indexed to EuroStoxx Select Dividend 30	1,240	1,171
Bcp Reemb Parc Ener Eur Viii-Smtn 2	August, 2017	August, 2020	Indexed to EuroStoxx Oil & Gas Index	1,995	1,946
					173,834
Accruals					3,500
					177,334

This balance, as at 31 December 2017, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortized cost						
Bonds	116,186	170,140	46,351	374,554	1,994	709,225
Covered bonds	-	-	-	992,725	-	992,725
MTNs	-	-	-	9,958	10,407	20,365
Securitizations	-	-	-	-	338,011	338,011
	116,186	170,140	46,351	1,377,237	350,412	2,060,326
Debt securities at fair value through profit and loss						
Bonds	2,042	4,542	1,783	5,001	-	13,368
MTNs	-	123,533	-	36,933	-	160,466
	2,042	128,075	1,783	41,934	-	173,834
Certificates	-	23	-	-	763,896	763,919
	118,228	298,238	48,134	1,419,171	1,114,308	2,998,079

This balance, as at 31 December 2016, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2016					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortized cost						
Bonds	220,905	152,426	159,583	432,381	1,994	967,289
Covered bonds	-	926,793	-	-	-	926,793
MTNs	389,721	-	14,962	-	10,777	415,460
Securitizations	-	-	-	-	382,412	382,412
	610,626	1,079,219	174,545	432,381	395,183	2,691,954
Debt securities at fair value through profit and loss						
Bonds	1,403	7,020	8,732	21,554	-	38,709
MTNs	-	-	-	157,873	-	157,873
	1,403	7,020	8,732	179,427	-	196,582
Certificates	-	-	-	-	585,516	585,516
	612,029	1,086,239	183,277	611,808	980,699	3,474,052

36. FINANCIAL LIABILITIES HELD FOR TRADING

The balance is analysed as follows:

(Thousands of euros)

	2017	2016
Short selling securities	-	24,228
Trading derivatives (note 23):		
Swaps	377,553	498,702
Options	2,385	4,457
Embedded derivatives	10,274	6,111
Forwards	6,334	6,225
Others	2,555	7,864
	399,101	523,359
	399,101	547,587
Level 1	1,019	234
Level 2	387,157	459,309
Level 3	10,925	88,044

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

The balance Financial liabilities held for trading includes, as at 31 December 2017, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 d), in the amount of Euros 10,274,000 (31 December 2016: Euros 6,111,000). This note should be analysed together with note 23.

37. PROVISIONS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Provision for guarantees and other commitments (note 22)	130,875	128,056
Technical provision for the insurance activity:		
For direct insurance and reinsurance accepted:		
Unearned premium	8,627	10,490
Life insurance	27,531	34,751
For participation in profit and loss	3,863	431
Other technical provisions	18,013	15,816
Other provisions for liabilities and charges	135,249	131,506
	324,158	321,050

Changes in Provision for guarantees and other commitments are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	128,056	74,710
Transfers resulting from changes in the Group's structure	-	(930)
Charge for the year (note 14)	18,537	64,536
Reversals for the year (note 14)	(15,953)	(8,644)
Exchange rate differences	235	(1,616)
Balance on 31 December	130,875	128,056

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	131,506	136,908
Transfers resulting from changes in the Group's structure	3	(1,879)
Other transfers	(655)	11,844
Charge for the year (note 14)	16,463	44,928
Reversals for the year (note 14)	(2,337)	(12,433)
Amounts charged-off	(10,364)	(46,209)
Exchange rate differences	633	(1,653)
Balance on 31 December	135,249	131,506

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment. This caption includes provisions for contingencies in the sale of Millennium Bank (Greece), lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 63,669,000 (31 December 2016: Euros 49,016,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

38. SUBORDINATED DEBT

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Bonds		
Non Perpetual	1,133,427	804,547
Perpetual	27,092	28,955
CoCos	-	703,421
	1,160,519	1,536,923
Accruals	8,543	7,632
	1,169,062	1,544,555

As referred in note 47, Banco Comercial Português, S.A. fixed on 29 November 2017 the terms for a new issue of medium term subordinated debt notes eligible for approval by the ECB as Tier 2 capital, under its Euro Medium Term Notes Programme. The issue, in the amount of Euros 300 million, has a tenor of 10 years, with the option of early redemption by the Bank at the end of the fifth year, and an annual interest rate of 4.5 per cent. during the first five years (corresponding to a spread of 4.267 per cent over the 5 year mid-swap rate, which, for the determination of the interest rate for the remaining five years, will be applied over the mid swaps rate in force at the beginning of that period).

As referred in note 47, Banco Comercial Português, S.A. has proceeded, on 9 February 2017, to the early repayment to the Portuguese state of the remaining Core Tier 1 hybrid capital instruments, in the amount of Euros 700 million.

As at 31 December 2017, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value
Non Perpetual Bonds						
Banco Comercial Português:						
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018 (i)	See reference (viii)	52,420	52,420	2,549
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018 (ii)	See reference (viii)	14,887	14,887	868
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020 (iii)	See reference (ix)	14,791	14,791	1,470
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020 (iv)	See reference (x)	9,278	9,278	294
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	73,973
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	41,701
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	23,158
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,832	2,479
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	55,251	17,444
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	44,338	14,844
Mbcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	29,945	10,330
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,504	5,701
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,722	9,941
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,412	23,035
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,632	11,417
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,465	13,154
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (xi)	300,000	298,583	300,000
Bank Millennium						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	167,641	167,639	66,145
BCP Finance Bank:						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,254	76,584	17,312
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,133,427	635,815
Perpetual Bonds						
Obrigações Caixa Perpétuas						
Subord 2002/19jun2012	June, 2002	See reference (v)	See reference (xii)	85	71	-
TOPS BPSM 1997	December, 1997	See reference (vi)	Euribor 6M+0,9%	22,035	22,035	22,035
BCP Leasing 2001	December, 2001	See reference (vii)	Euribor 3M+2,25%	4,986	4,986	4,986
					27,092	27,021
Accruals					8,543	-
					1,169,062	662,836

References:

Date of exercise of the next call option - It is considered the first date after the end of the restructuring period (31 December 2017). Subject to prior approval of the Supervisory Authorities.

(i) March 2018; (ii) - April 2018; (iii) - June 2018; (iv) - February 2018; (v) - March 2018; (vi) - June 2018 ; (vii) March 2018.

Interest rate

(viii) - 1st year 6%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%; (ix) - Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%; (x) - 1st year: 3%; 2nd year 3.25%; 3rd year 3.5%; 4th year 4%; 5th year 5%; 6th year and following Euribor 6M + 1.25%;xi) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (xii) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%.

As at 31 December 2016, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value
Non Perpetual Bonds						
Banco Comercial Português:						
MBCP Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018 (i)	See reference (viii)	52,587	52,587	7,740
MBCP Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018 (ii)	See reference (viii)	14,887	14,887	2,357
BCP Ob Sub jun 2020 - EMTN 727	June, 2010	June, 2020 (iii)	See reference (ix)	14,791	14,791	1,471
BCP Ob Sub ago 2020 - EMTN 739	August, 2010	August, 2020 (iv)	See reference (x)	9,278	9,278	1,222
BCP Ob Sub mar 2021 - EMTN 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	96,773
BCP Ob Sub abr 2021 - EMTN 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	54,521
BCP Ob Sub 3S abr 2021 - EMTN 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	30,158
BCP Sub 11/25.08.2019 - EMTN 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	8,011	3,979
BCP Subord set 2019 - EMTN 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	53,933	27,444
BCP Subord nov 2019 - EMTN 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	42,675	22,844
MBCP Subord dez 2019 - EMTN 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	28,260	15,650
MBCP Subord jan 2020 - EMTN 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	14,490	8,501
MBCP Subord fev 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,730	14,541
BCP Subord abr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	52,485	33,235
BCP Subord 2 Serie abr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,650	16,417
BCP Subordinadas jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,370	18,404
Bank Millennium:						
MB Finance AB	December, 2007	December, 2017	Euribor 6M + 2%	150,466	150,466	29,257
BCP Finance Bank:						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,413	73,791	19,470
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					804,548	403,984
Perpetual Bonds						
Obrigações Caixa Perpétuas						
Subord 2002/19jun2012	June, 2002	See reference (v)	See reference (xi)	95	75	-
TOPS BPSM 1997	December, 1997	See reference (vi)	Euribor 6M + 0.9%	23,216	23,332	23,216
BCP Leasing 2001	December, 2001	See reference (vii)	Euribor 3M + 2.25%	5,548	5,548	5,548
					28,955	28,764
CoCos						
BCP Coco Bonds 12/29.06.2017	December, 2001	June, 2017	See reference (xii)	700,000	703,420	700,000
Accruals					7,632	-
					1,544,555	1,132,748

References:

Date of exercise of the next call option - It is considered the first date after the end of the restructuring period (31 December 2017). Subject to prior approval of the Supervisory Authorities.

(i) March 2018; (ii) - April 2018; (iii) - June 2018; (iv) - February 2018; (v) - March 2018; (vi) - June 2018; (vii) March 2018.

Interest rate

(viii) - 1st year 6%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%; (ix) - Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%; (x) - 1st year: 3%; 2nd year 3.25%; 3rd year 3.5%; 4th year 4%; 5th year 5%; 6th year and following Euribor 6M + 1.25%; (xi) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%; (xii) - 1st year: 8.5%; 2nd year 8.75%; 3rd year 9%; 4th year 9.5%; 5th year 10%.

The analysis of the subordinated debt by remaining period, is as follows:

(Thousands of euros)

	2017	2016
3 to 6 months	67,307	703,421
Up to 1 year	-	150,466
1 to 5 years	599,854	654,037
Over 5 years	466,266	44
Undetermined	27,092	28,955
	1,160,519	1,536,923
Accruals	8,543	7,632
	1,169,062	1,544,555

39. OTHER LIABILITIES

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Creditors:		
Suppliers	39,197	28,430
From factoring operations	24,937	13,717
Deposit account applications and others applications	56,467	23,615
Associated companies	82	108
For futures and options transactions	10,972	6,517
For direct insurance and reinsurance operations	6,056	9,853
Obligations not covered by the Group Pension Fund - amounts payable by the Group (note 49)	21,281	47,989
Other creditors		
Residents	32,259	51,241
Non-residents	38,568	36,573
Negative equity in associated companies		
Luanda Waterfront Corporation	-	9,473
Nanium, S.A.	-	2,367
Holiday pay and subsidies	56,685	50,910
Interests and other amounts payable	19,821	65,147
Operations to be settled - foreign, transfers and deposits	333,205	301,696
Amounts payable on trading activity	1,441	803
Other administrative costs payable	3,527	2,856
Deferred income	67,009	10,930
Loans insurance received and to amortized	57,010	52,164
Public sector	35,631	32,643
Other liabilities	184,345	168,496
	988,493	915,528

The caption Obligations not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 9,309,000 (31 December 2016: Euros 17,818,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees and the amount of Euros 3,733,000 (31 December 2016: Euros 3,837,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors, as referred in note 49. This balance also includes the amount of Euros 5,000,000 regarding to restructuration costs. These obligations are not covered by the Group Pension Fund and therefore, correspond to amounts payable by the Group.

As at 31 December 2016, this caption also included the amount of Euros 21,337,000 related to the seniority premium.

The caption Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

40. SHARE CAPITAL, PREFERENCE SHARES AND OTHER EQUITY INSTRUMENTS

The Bank's share capital, as at 31 December 2017, amounts to Euros 5,600,738,053.72 and is represented by 15,113,989,952 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

As referred in note 47, the Board of Directors of BCP has resolved on 9 January 2017, to increase the share capital of BCP from Euros 4,268,817,689.20 to Euros 5,600,738,053.72, through an offering to existing holders of BCP’s ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value. The resulting number of BCP ordinary shares is 15,113,989,952.

In November 2016, and in accordance with the resolution of the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the shareholders, the Board of Directors of BCP has approved a resolution for the increase of BCP’s share capital, from Euros 4,094,235,361.88 to Euros 4,268,817,689.20, by way of a private placement of 157,437,395 new shares offered for subscription by Chiado at a subscription price of Euros 1.1089 per new share.

In October 2016, Banco Comercial Português proceeded with a reverse stock split, without decrease of the share capital, of the shares representing the Bank’s share capital, by applying a regrouping ratio of 1:75, every 75 shares prior to the reverse split corresponding to 1 share thereafter, which is applicable to all the shares, in the same proportion. Thus, BCP's share capital at that date, in the amount of Euros 4,094,235,361.88, was represented by 787,186,977 shares.

The share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 December 2017, the balance preference shares amounts to Euros 59,910,000.

The preference shares includes two issues by BCP Finance Company Ltd which considering the rules established in IAS 32 and in accordance with the accounting policy presented in note 1 h), were considered as equity instruments. The issues are analysed as follows:

- 439,684 preference shares with par value of Euros 100 each, perpetual without voting rights in the total amount of Euros 43,968,400, issued on 9 June 2004.

- 15,942 preference shares with par value of Euros 1,000 each, perpetual without voting rights, in the total amount of Euros 15,942,000, issued on 13 October 2005.

The balance Other equity instruments, in the amount of Euros 2,922,000 includes 2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each.

As referred in note 47, on 9 February 2017, BCP reimbursed the remaining CoCos to the Portuguese State in the amount of Euros 700 million. This repayment, which marks the return to the normalization of BCP's activity, had previously been approved by the European Central Bank, subject to the success of the capital increase that BCP concluded on that date.

Pursuant to the conditions of the issue of Core Tier I Capital Instruments underwritten by the State, under Law no. 63-A/2008 and Implementing Order no. 150-A/2012 (CoCos), the Bank could not distribute dividends until the issue was fully reimbursed.

As at 31 December 2017, the shareholders who hold individually or jointly 2% or more of the capital of the Bank, are the following:

Shareholder	number of shares	% share capital	% voting rights
Fosun Group - Chiado (Luxembourg) S.a.r.l. held by Fosun International Holdings Ltd	4,089,789,779	27.06%	27.06%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
BlackRock, Inc. (*)	427,218,720	2.83%	2.83%
EDP Pension Fund (**)	319,113,690	2.11%	2.11%
Total Qualified Shareholdings	7,782,476,103	51.49%	51.49%

(*) According to the press release of 29 December 2017

(**) Imputation in accordance with paragraph f) of paragraph 1 of Article 20 of the Portuguese Securities Code.

41. LEGAL AND STATUTORY RESERVES

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. In accordance with the proposal for the application of results for the year 2016 approved at the General Shareholders' Meeting held on 10 May 2017, the Bank increased its legal reserve in the amount of Euros 6,931,000. As at 31 December 2017, the amount of Legal reserves amounts to Euros 222,806,000 (31 December 2016: Euros 215,875,000).

In accordance with current legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20 percent of their net annual profits depending on the nature of their economic activity and are recorded in Other reserves and retained earnings in the Bank's consolidated financial statements (note 43).

The amount of Statutory reserves amounts to Euros 30,000,000 (31 December 2016: Euros 30,000,000) and correspond to a reserve to steady dividends that, according to the bank's by-laws, can be distributed.

42. TREASURY SHARES

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares		Other treasury stock	Total
2017				
Net book value (Euros '000)	88		205	293
Number of securities	323,738	(*)		
Average book value (Euros)	0.27			
2016				
Net book value (Euros '000)	2,880		-	2,880
Number of securities	2,689,098	(*)		
Average book value (Euros)	1.07			

(*) As at 31 December 2017, Banco Comercial Português, S.A. does not held treasury shares and does not performed any purchases or sales of own shares during the period. However, this balance includes 323,738 shares (31 December 2016: 2,689,098 shares) owned by clients. Considering the fact that for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients were considered as treasury shares, and, in accordance with the accounting policies, written off from equity.

The own shares held by the companies included in the consolidation perimeter are within the limits established by the Bank's by-laws and by "Código das Sociedades Comerciais".

Regarding treasury shares owned by associated companies of the BCP Group, as referred in note 50, as at 31 December 2017, the Millenniumbcp Ageas Group owned 142,601,000 BCP shares (31 December 2016: 8,694,500 shares) in the amount of Euros 38,531,000 (31 December 2016: Euros 9,312,000).

43. FAIR VALUE RESERVES AND RESERVES AND RETAINED EARNINGS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Fair value reserves		
Financial assets available for sale (note 23)		
Potential gains and losses recognised in fair value reserves (*)	56,883	(233,799)
Financial assets held to maturity (**)	(3,049)	(6,517)
Of associated companies and others	29,199	3,568
	83,033	(236,748)
Cash-flow hedge	12,985	56,842
	96,018	(179,906)
Tax		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	(8,375)	67,936
Financial assets held to maturity	141	207
Cash-flow hedge	(5,694)	(18,869)
	(13,928)	49,274
	82,090	(130,632)
Reserves and retained earnings		
Exchange differences arising on consolidation:		
Bank Millennium, S.A.	(26,733)	(33,196)
BIM - Banco International de Moçambique, S.A.	(151,710)	(166,996)
Others	(5,676)	15,873
	(184,119)	(184,319)
Actuarial losses	(2,590,817)	(2,575,656)
Application of IAS 29		
Effect on BMA equity	28,428	-
Others	(3,965)	-
	24,463	-
Other reserves and retained earnings	2,630,253	2,657,669
	(120,220)	(102,306)

(*) Includes the effects arising from the application of hedge accounting.
(**) Refers to the amount not accrued of the fair value reserve at the date of reclassification for securities subject to reclassification.

The fair value reserves correspond to the accumulated fair value changes of the financial assets available for sale and Cash flow hedge, in accordance with the accounting policy presented in note 1 d).

The changes occurred in Fair value reserves, excluding the effect of hedge accounting, during 2017, are analysed as follows:

(Thousands of euros)

	2017					
	Balance on 1 January	Fair value adjustment	Fair value hedge adjustment	Impairment in profit and loss	Sales	Balance on 31 December
Millenniumbcp Ageas	(976)	26,008	-	-	-	25,032
Portuguese public debt securities	(295,433)	361,778	(68,400)	-	(55,719)	(57,774)
Visa Inc.	644	2,283	-	-	-	2,927
Other investments	59,017	33,520	1,212	63,421	(44,322)	112,848
	(236,748)	423,589	(67,188)	63,421	(100,041)	83,033

The changes occurred in Fair value reserves, excluding the effect of hedge accounting, during 2016, are analysed as follows:

(Thousands of euros)

	2016					
	Balance on 1 January	Fair value adjustment	Fair value hedge adjustment	Impairment in profit and loss	Sales	Balance on 31 December
Millenniumbcp Ageas	3,270	(4,246)	-	-	-	(976)
Portuguese public debt securities	(116,939)	(110,728)	(57,763)	-	(10,003)	(295,433)
Visa Europe Limited.	43,312	18,036	-	-	(61,348)	-
Visa Inc.	-	644	-	-	-	644
Other investments	123,742	(308,791)	-	274,741	(30,675)	59,017
	53,385	(405,085)	(57,763)	274,741	(102,026)	(236,748)

44. NON-CONTROLLING INTERESTS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Exchange differences arising on consolidation	(87,009)	(141,617)
Deferred taxes	920	4,900
Actuarial losses (net of taxes)	256	(1,069)
Fair value reserves	(6,044)	(28,653)
	(91,877)	(166,439)
Other reserves and retained earnings	1,190,798	1,049,504
	1,098,921	883,065

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	2017	2016	2017	2016
From continuing operations				
Bank Millennium, S.A.	928,855	785,357	79,957	79,971
BIM - Banco International de Moçambique, SA (*)	137,958	106,377	29,187	24,652
Other subsidiaries	32,108	(8,669)	(5,978)	(1,112)
	1,098,921	883,065	103,166	103,511
From discontinued or discontinuing operations				
Banco Millennium Angola, S.A.	-	-	-	18,366
	1,098,921	883,065	103,166	121,877

(*) Includes the non-controlling interests of BIM Group related to SIM - Seguradora International de Moçambique, S.A.R.L.

The following table presents a summary of financial information for the main subsidiaries included in this caption, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

(Thousands of euros)

	Bank Millennium, S.A.		BIM - Banco International de Moçambique, S.A.	
	2017	2016	2017	2016
Income	808,302	795,592	362,264	295,057
Net profit for the year	160,235	160,263	85,096	71,240
Net profit for the year attributable to the shareholders	80,278	80,292	56,747	47,507
Net profit for the year attributable to non-controlling interests	79,957	79,971	28,349	23,733
Other comprehensive income attributable to the shareholders	63,798	(48,853)	21,690	(93,288)
Other comprehensive income attributable to non-controlling interests	63,543	(48,657)	10,836	(46,604)
Total comprehensive income	287,576	62,753	117,622	(68,652)
Financial assets	16,813,129	15,384,246	1,792,696	1,709,588
Non-financial assets	222,482	211,494	157,792	128,229
Financial liabilities	(14,810,869)	(13,741,008)	(1,435,333)	(1,402,163)
Non-financial liabilities	(363,309)	(280,870)	(108,264)	(123,526)
Equity	1,861,433	1,573,862	406,891	312,128
Equity attributed to the shareholders	932,578	788,505	271,337	208,144
Equity attributed to the non-controlling interests	928,855	785,357	135,554	103,984
Cash flows arising from:				
operating activities	504,564	655,612	59,305	6,516
investing activities	223,341	(991,754)	(13,338)	(11,357)
financing activities	(3,154)	3,019	(49,442)	8,703
Net increase / (decrease) in cash and equivalents	724,751	(333,123)	(3,475)	3,862
Dividends paid during the year:				
attributed to the shareholders	-	-	14,717	12,359
attributed to the non-controlling interests	-	-	7,352	6,174
	-	-	22,069	18,533

45. GUARANTEES AND OTHER COMMITMENTS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Guarantees granted (note 22)		
Guarantees	3,913,735	3,859,747
Stand-by letter of credit	60,991	68,301
Open documentary credits	375,384	506,160
Bails and indemnities	191,613	401,837
	4,541,723	4,836,045
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	17,322	18,383
Irrevocable credit lines	3,239,315	2,184,968
Securities subscription	106,419	-
Other irrevocable commitments	272,749	294,046
Revocable commitments		
Revocable credit lines	4,027,812	3,931,708
Bank overdraft facilities	612,248	615,795
Other revocable commitments	50,678	62,571
	8,326,543	7,107,471
Guarantees received	26,084,077	27,051,441
Commitments from third parties	11,031,241	11,043,835
Securities and other items held for safekeeping	67,670,271	59,903,424
Securities and other items held under custody by the Securities Depository Authority	62,485,697	55,380,653
Other off balance sheet accounts	129,631,680	131,179,648

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 37).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1 c). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

46. ASSETS UNDER MANAGEMENT AND CUSTODY

In accordance with the no. 4 of the 29th article of Decree-Law 252/2003 of 17 October, which regulates collective investment organisms, the funds managing companies together with the custodian Bank of the Funds, are jointly responsible to all the funds investors, for the compliance of all legal obligations arising from the applicable Portuguese legislation and in accordance with the regulations of the funds. The total value of the funds managed by the Group companies is analysed as follows:

(Thousands of euros)

	2017	2016
Banco Comercial Português, S.A.	3,004,040	2,220,048
Millennium bcp Bank & Trust	10,038	12,510
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	1,548,638	1,323,629
Millennium TFI S.A.	1,187,568	902,912
	5,750,284	4,459,099

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. There is no capital or profitability guaranteed by the Bank in these assets. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management and custody by the Group companies are analysed as follows:

(Thousands of euros)

	2017	2016
Assets under deposit	59,725,277	52,428,167
Wealth management	3,014,078	2,232,558
Real-estate investment funds	1,548,638	1,323,629
Investment funds	1,187,568	902,912
	65,475,561	56,887,266

47. RELEVANT EVENTS OCCURRED DURING 2017

RESOLUTIONS OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

Banco Comercial Português, S.A. concluded on 10 May 2017, with 54.17% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

- Item One – Approval of the individual and consolidated annual reports, balance sheet and financial statements for 2016;

- Item Two – Approval of the proposal for the application of year-end results of 2016;

- Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

- Item Four – Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;

- Item Five – Approval of the appointment of two new directors: Lingiang Xu as non-executive member of the Board of Directors of BCP and João Nuno de Oliveira Palma as executive member of the Board of Directors of BCP;

- Item Six - Approval of the acquisition and sale of own shares and bonds;

- Item Seven – Election of the members of the Board of the General Meeting of Banco Comercial Português for the term-of-office of 2017/2019.

ADMINISTRATIVE LEGAL PROCEEDINGS

Banco Comercial Português, after having conveyed reservations regarding the contingent capitalization obligation by the Portuguese Resolution Fund) which was announced to be included in a sale agreement of Novo Banco, has decided, in light of the legal deadline and for caution, to request the respective appreciation through administrative legal proceedings. This diligence does not comprise nor entail, the production of any suspensive effects on the sale of Novo Banco, S.A. and, consequently, brings legally no impediment to such sale within the foreseen delays, which centres exclusively on the referred capitalization contingent obligation.

SHARE CAPITAL INCREASE OF BANCO COMERCIAL PORTUGUÊS, S.A. FROM EUROS 4,268,817,689.20 TO EUROS 5,600,738,053.72

The Board of Directors of Banco Comercial Português, S.A. ("BCP") has resolved on 9 January 2017, with the favourable prior opinion of the Audit Committee, to increase the share capital of BCP, from Euros 4,268,817,689.20 to Euros 5,600,738,053.72, through an Public Offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value. The resulting number of ordinary shares will be 15,113,989,952.

The subscription price was set at Euros 0.0940 per share. Each holder of BCP's ordinary shares will receive one subscription right for each ordinary share it owns.

Further to the subscription by Chiado (Luxembourg) S.à r.l. ("Chiado"), a member of the Fosun group, of the reserved capital increase completed on 18 November 2016, through which Chiado holds a shareholding of approximately 16.67% of the total share capital of BCP, Chiado presented an irrevocable anticipated subscription order of an amount of shares that, if satisfied in full, will increase its holding in BCP's share capital to 30% after the Rights Offering, to be achieved through the exercise of the subscription rights corresponding to the number of shares presently held by it and, in addition, an oversubscription order and/or the potential exercise of further subscription rights that may be acquired by Chiado. This order could not be withdrawn except under certain circumstances where material adverse changes have occurred, as long as the same circumstances have led to the termination of the Underwriting Agreement referred to below by the Joint Global Coordinators.

Under the terms of the subscription order, Chiado has committed to (i) a lock-up period related to the sale of shares subscribed by it through its proportional subscription rights corresponding to the number of shares acquired as part of the Reserved Capital Increase, for a period of three years starting from 18 November 2016 and (ii) taking all reasonably appropriate actions to avoid the sale or transfer, within 30 days of closing of the Public Offering, of any of the shares obtained by Chiado in the Rights Offering. For the avoidance of doubt, this limitation does not prohibit Chiado from pledging the shares subscribed by it.

In connection with the Rights Offering, BCP has entered into an underwriting agreement with a syndicate of banks, pursuant to which the banks have agreed, and subject to certain conditions, to procure subscribers for, or failing which to subscribe for, any remaining offered shares in the Rights Offering, but excluding the shares to be subscribed by Chiado under its irrevocable anticipated subscription order.

The 14,169,365,580 new ordinary shares issued pursuant to the Rights Offering, as well as the 157,437,395 shares fully subscribed and paid-up by the shareholder Chiado (Luxembourg) S.à r.l. in the BCP's reserved share capital increase (in the amount of Euros 174,582,327.32) completed on 18 November 2016, was admitted to trading on Euronext Lisbon as at 9 February 2017. As such, the BCP's share capital from this date amounts to Euros 5,600,738,053.72, represented by 15,113,989,952 ordinary, registered, book-entry shares without nominal value.

REPAYMENT OF HYBRID CAPITAL INSTRUMENTS (COCOS) (NOTE 38)

Banco Comercial Português, S.A. has proceeded, on 9 February 2017, to the early repayment to the Portuguese state of the remaining Core Tier 1 hybrid capital instruments, in the amount of Euros 700 million. This repayment, key to the return to normalisation of BCP's activity, was previously approved by the European Central Bank, subject to the success of the share capital increase completed in this date.

NEW ISSUE OF COVERED MORTGAGE BONDS (NOTE 35)

Banco Comercial Português, S.A. fixed on 23 May 2017, the terms and conditions for a new issue of covered mortgage bonds, under its Covered Bond Program, with subscription date on 31 May. The issue, in the amount of Euros 1,000 million has a term of 5 years, an issuance price of 99.386% and an annual interest rate of 0.75%, reflecting a spread of 65 basis points over 5-year swaps.

The operation was placed successfully with a very diverse group of European institutional investors. Demand for the issue was more than 180% the amount on offer, and the speed with which the placement was completed demonstrate unequivocally the confidence of the market in the Bank and its clear ability to access this important source of financing.

PLATFORM FOR THE INTEGRATED MANAGEMENT OF DELINQUENT LOANS

Banco Comercial Português, Caixa Geral de Depósitos and Novo Banco signed, on 28 September 2017, a memorandum of understanding for the creation of "Plataforma de Gestão de Créditos Bancários, ACE" ("the Platform"), a tool that will allow for an enhanced co-ordination among lenders, aimed at increasing the effectiveness and speed of credit and companies' restructuring processes.

Under this memorandum, the three parties involved have stated their intention to create the Platform, with the purpose of managing, in an integrated manner, an array of credits granted to a number of shared debtors and classified as NPE ("Non Performing Exposures").

On an initial phase, the Platform will manage credits with a nominal aggregate value not lower than Euros 5,000,000 (five million euros) per eligible debtor. Assets to be managed by the Platform will remain in each of the banks' balance sheets.

The Platform is designed as to allow other financial institutions or financial societies, sharing debtors with other members, to join on a voluntary basis in the future.

The Platform is to pursue the following goals:

- Recovering credit and speeding-up the reduction of NPE portfolios held by banks;
- Supporting the recovery of several sectors of the Portuguese economy, through credit and debtors' restructuring, and increasing asset viability;
- Fostering companies' re-composition and consolidation, when necessary to ensure debtors viability and soundness;
- Facilitating and fostering the access of companies, either already restructured or under restructuring, to public or private sources of new capital or of funding;
- Accelerating and facilitating debtors' negotiations with banks, aimed at corporate restructuring;
- Lobbying the Government and the Bank of Portugal for changes to the legal, judicial and fiscal framework, as to render corporate restructuring processes swifter and more efficient.

ISSUE OF SUBORDINATED NOTES (NOTE 38)

Banco Comercial Português, S.A. ("Millennium bcp") fixed, on 29 November 2017, the terms for a new issue of medium term subordinated debt notes eligible for approval by the ECB as Tier 2 capital, under its Euro Medium Term Notes Programme.

The issue, in the amount of Euros 300 million, has a tenor of 10 years, with the option of early redemption by the Bank at the end of the fifth year, and an annual interest rate of 4.5 per cent. during the first five years (corresponding to a spread of 4.267 per cent over the 5 year mid-swap rate, which, for the determination of the interest rate for the remaining five years, will be applied over the mid swaps rate in force at the beginning of that period).

The transaction was placed with a very diversified group of European institutional investors. The demand, which was approximately three times the amount of the issue, as well as the swiftness of the execution of the transaction, represent the confidence of the market in Bank, in the success of its restructuring process and its capacity to access this important segment of the capital markets.

The issue, which is the first issue of such an instrument by a Portuguese bank to take place in the market after completion of the Portuguese financial assistance programme, is part of the Bank's strategy of strengthening its total capital ratio and its presence in the international capital markets.

MINIMUM PRUDENTIAL REQUIREMENTS APPLICABLE FROM 1 JANUARY 2018

Banco Comercial Português, S.A. (BCP) has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled from 1st January 2018, based on the results of the Supervisory Review and Evaluation Process (SREP). In addition, BCP was informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII).

The above referred decisions define, as regards to the minimum capital requirements to be complied from 1 January 2018, the following ratios, determined by the total value of the risk-weighted assets (RWA):

	Minimum capital requirements from 1 January 2018			
	Minimum	of which:		
BCP Consolidated	**requirements**	**Pilar 1**	**Pilar 2**	**Buffers**
CET1	8.8125%	4.5%	2.25%	2.0625%
T1	10.3125%	6.0%	2.25%	2.0625%
Total	12.3125%	8.0%	2.25%	2.0625%

Buffers include the conservation buffer (1.875%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.1875%).

According to ECB's decision under the SREP, the Pillar 2 requirement for BCP was set at 2.25%, a 0.15 percentage point reduction from 2017.

48. FAIR VALUE

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Group's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However it does not consider prospective factors, as the future business evolution. Therefore the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

CASH AND DEPOSITS AT CENTRAL BANKS, LOANS AND ADVANCES TO CREDIT INSTITUTIONS REPAYABLE ON DEMAND

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

LOANS AND ADVANCES TO CREDIT INSTITUTIONS, DEPOSITS FROM CREDIT INSTITUTIONS AND ASSETS WITH REPURCHASE AGREEMENTS

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is 0.00% as at 31 December 2017 (31 December 2016: 0.00%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

LOANS AND ADVANCES TO CUSTOMERS AND DEPOSITS REPAYABLE ON DEMAND WITHOUT DEFINED MATURITY DATE

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore the amount in the balance sheet is a reasonable estimate of its fair value.

LOANS AND ADVANCES TO CUSTOMERS WITH DEFINED MATURITY DATE

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Group for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

RESOURCES FROM CUSTOMERS AND OTHER LOANS

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Group. This was calculated from the average production of the three most recent months compared to the reporting date.

As at 31 December 2017, the average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions	Loans and advances to customers	Resources from credit institutions	Resources from customers
EUR	0.67%	3.70%	0.28%	0.08%
AOA	20.91%	n.a.	n.a.	n.a.
AUD	n.a.	n.a.	n.a.	2.08%
CAD	n.a.	1.66%	n.a.	1.90%
CHF	n.a.	2.67%	-0.11%	-0.42%
CNY	n.a.	n.a.	n.a.	3.95%
DKK	n.a.	n.a.	n.a.	-0.02%
GBP	0.80%	3.39%	n.a.	0.77%
HKD	n.a.	1.51%	n.a.	1.16%
MOP	n.a.	1.25%	n.a.	1.51%
MZN	22.26%	42.48%	n.a.	32.48%
NOK	0.80%	4.36%	n.a.	1.25%
PLN	1.91%	6.24%	1.90%	1.69%
SEK	n.a.	n.a.	n.a.	0.02%
USD	1.99%	16.76%	2.08%	3.21%
ZAR	7.28%	29.12%	n.a.	17.11%
Average discount rate	3.27%	4.60%	0.45%	1.44%

FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING (EXCEPT DERIVATIVES) AND FINANCIAL ASSETS AVAILABLE FOR SALE

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

FINANCIAL ASSETS HELD TO MATURITY

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

HEDGING AND TRADING DERIVATIVES

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

DEBT SECURITIES ISSUED AND SUBORDINATED DEBT

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non institutional costumers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average of the reference rates of the yield curve obtained from the market prices of the different currencies used in the determination of the fair value of the issues is analysed as follows:

	2017		2016		
	EUR	PLN	EUR	PLN	USD
Placed in the institutional market					
Subordinated (not considering CoCos in 2016)	6.42%	-	8.54%	-	-
Senior (including guaranteed by the State and mortgage)	0.13%	2.45%	0.65%	4.19%	-
Placed in retail					
Subordinated	2.01%	-	3.03%	-	-
Senior and collateralised	1.06%	2.92%	1.28%	2.83%	4.52%

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a negative amount of Euros 14,199,000 (31 December 2016: a negative amount of Euros 20,752,000), and includes a payable amount of Euros 10,272,000 (31 December 2016: a payable amount of Euros 5,916,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2017, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the financial assets and liabilities of the Group:

	Currencies			
	EUR	USD	GBP	PLN
1 day	-0.43%	1.42%	0.47%	1.47%
7 days	-0.43%	1.50%	0.51%	1.47%
1 month	-0.42%	1.63%	0.50%	1.55%
2 months	-0.39%	1.65%	0.56%	1.58%
3 months	-0.38%	1.70%	0.61%	1.62%
6 months	-0.32%	1.83%	0.72%	1.71%
9 months	-0.27%	1.90%	0.81%	1.72%
1 year	-0.26%	1.88%	0.88%	1.80%
2 years	-0.15%	2.06%	0.78%	2.03%
3 years	0.01%	2.15%	0.89%	2.22%
5 years	0.31%	2.23%	1.03%	2.50%
7 years	0.57%	2.30%	1.14%	2.70%
10 years	0.89%	2.38%	1.27%	2.94%
15 years	1.25%	2.47%	1.41%	3.25%
20 years	1.42%	2.51%	1.46%	3.37%
30 years	1.50%	2.52%	1.43%	3.37%

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2017:

(Thousands of euros)

	2017				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	2,167,934	2,167,934	2,167,934
Loans and advances to credit institutions					
Repayable on demand	-	-	295,532	295,532	295,532
Other loans and advances	-	-	1,065,568	1,065,568	1,064,736
Loans and advances to customers (i)	-	-	47,633,492	47,633,492	45,287,607
Financial assets held for trading	897,734	-	-	897,734	897,734
Other financial assets held for trading					
at fair value through profit or loss	142,336	-	-	142,336	142,336
Financial assets available for sale	-	11,471,847	-	11,471,847	11,471,847
Assets with repurchase agreement	-	-	-	-	-
Hedging derivatives (ii)	234,345	-	-	234,345	234,345
Held to maturity financial assets	-	-	411,799	411,799	406,335
	1,274,415	11,471,847	51,574,325	64,320,587	61,968,406
Liabilities					
Resources from credit institutions	-	-	7,487,357	7,487,357	7,441,083
Resources from customers (i)	2,902,392	-	48,285,425	51,187,817	51,178,257
Debt securities (i)	941,253	-	2,066,538	3,007,791	2,993,592
Financial liabilities held for trading	399,101	-	-	399,101	399,101
Hedging derivatives (ii)	177,337	-	-	177,337	177,337
Subordinated debt (i)	-	-	1,169,062	1,169,062	1,331,397
	4,420,083	-	59,008,382	63,428,465	63,520,767

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognized in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2016:

(Thousands of euros)

	2016				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	1,573,912	1,573,912	1,573,912
Loans and advances to credit institutions					
Repayable on demand	-	-	448,225	448,225	448,225
Other loans and advances	-	-	1,056,701	1,056,701	1,054,536
Loans and advances to customers (i)	-	-	48,017,602	48,017,602	45,692,179
Financial assets held for trading	1,048,797	-	-	1,048,797	1,048,797
Other financial assets held for trading at fair value through profit or loss	146,664	-	-	146,664	146,664
Financial assets available for sale	-	10,596,273	-	10,596,273	10,596,273
Assets with repurchase agreement	-	-	20,525	20,525	20,525
Hedging derivatives (ii)	57,038	-	-	57,038	57,038
Held to maturity financial assets	-	-	511,181	511,181	493,219
	1,252,499	10,596,273	51,628,146	63,476,918	61,131,368
Liabilities					
Resources from credit institutions	-	-	9,938,395	9,938,395	9,984,427
Resources from customers (i)	2,985,741	-	45,811,906	48,797,647	48,692,203
Debt securities (i)	785,664	-	2,727,156	3,512,820	3,492,068
Financial liabilities held for trading	547,587	-	-	547,587	547,587
Hedging derivatives (ii)	383,992	-	-	383,992	383,992
Subordinated debt (i)	-	-	1,544,555	1,544,555	1,745,871
	4,702,984	-	60,022,012	64,724,996	64,846,148

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognized in reserves in the application of accounting cash flow hedge.

The Group classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13.

The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

LEVEL 1 - WITH QUOTATION IN ACTIVE MARKET

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued on the basis of prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i) - There is a firm daily enforceable quotation for the financial instruments concerned, or;
ii) - There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;
iii) - Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

LEVEL 2 - VALUATION METHODS AND TECHNIQUES BASED ON MARKET DATA

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i) - Failure to comply with the rules defined for level 1, or;
ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)), in particular with MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant. In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (eg internal ratings, default probabilities determined by internal models, etc.) incorporated in valuation of CVA is not significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

LEVEL 3 - VALUATION METHODS AND TECHNIQUES BASED ON DATA NOT OBSERVABLE IN THE MARKET

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i) - They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;
ii) - They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);
iii) - They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities/real estate/other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSAs), and whose unobservable market data component incorporated in the valuation of CVA is significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2017:

(Thousands of euros)

	2017			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	2,167,934	-	-	2,167,934
Loans and advances to credit institutions				
Repayable on demand	295,532	-	-	295,532
Other loans and advances	-	-	1,064,736	1,064,736
Loans and advances to customers (i)	-	-	45,287,607	45,287,607
Financial assets held for trading	149,910	442,373	305,451	897,734
Other financial assets held for trading				
at fair value through profit or loss	142,336	-	-	142,336
Financial assets available for sale	8,224,992	1,946,229	1,300,626	11,471,847
Assets with repurchase agreement	-	-	-	-
Hedging derivatives (ii)	-	234,345	-	234,345
Held to maturity financial assets	192,710	133,009	80,616	406,335
	11,173,414	2,755,956	48,039,036	61,968,406
Liabilities				
Resources from credit institutions	-	-	7,441,083	7,441,083
Resources from customers	-	-	51,178,257	51,178,257
Debt securities	763,919	-	2,229,673	2,993,592
Financial liabilities held for trading	1,019	387,157	10,925	399,101
Hedging derivatives	-	177,337	-	177,337
Subordinated debt	-	-	1,331,397	1,331,397
	764,938	564,494	62,191,335	63,520,767

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2016:

(Thousands of euros)

	2016			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	1,573,912	-	-	1,573,912
Loans and advances to credit institutions				
Repayable on demand	448,225	-	-	448,225
Other loans and advances	-	-	1,054,536	1,054,536
Loans and advances to customers	-	-	45,692,179	45,692,179
Financial assets held for trading	194,943	239,634	614,220	1,048,797
Other financial assets held for trading at fair value through profit or loss	146,664	-	-	146,664
Financial assets available for sale	8,239,244	1,060,858	1,296,171	10,596,273
Assets with repurchase agreement	-	-	20,525	20,525
Hedging derivatives (ii)	-	57,038	-	57,038
Held to maturity financial assets	54,623	337,790	100,806	493,219
	10,657,611	1,695,320	48,778,437	61,131,368
Liabilities				
Resources from credit institutions	-	-	9,984,427	9,984,427
Resources from customers	-	-	48,692,203	48,692,203
Debt securities	585,516	-	2,906,552	3,492,068
Financial liabilities held for trading	234	459,309	88,044	547,587
Hedging derivatives	-	383,992	-	383,992
Subordinated debt	-	-	1,745,871	1,745,871
	585,750	843,301	63,417,097	64,846,148

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2017 is presented as follows:

(Thousands of euros)

	2017				
	Financial assets				Financial liabilities held for trading (*)
	held for trading	available for sale	Held to maturity	Total	
Balance on January 1	614,220	1,296,171	100,806	2,011,197	63,816
Gains / (losses) recognised in profit or loss					
Results on financial operations	43,980	2,823	-	46,803	30
Net interest income	-	1,859	-	1,859	-
Impairment and other provisions	-	(63,150)	-	(63,150)	-
Transfers from investments in associated companies	-	1,536	-	1,536	-
Transfers between levels	(346,406)	-	14,185	(332,221)	(55,695)
Purchases	5,308	276,822	-	282,130	10,825
Sales, repayments or amortizations	(11,651)	(227,509)	(40,902)	(280,062)	(8,051)
Gains / (losses) recognised in reserves	-	6,289	-	6,289	-
Gains / (losses) not recognised	-	-	1,582	-	-
Exchange differences	-	4,902	4,142	9,044	-
Accruals of interest	-	883	803	1,686	-
Balance as at December 31	305,451	1,300,626	80,616	1,685,111	10,925

(*) Does not include short sales, which at 31 December 2016 amounted to Euros 24,228,000 (note 36).

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2016 is presented as follows:

(Thousands of euros)

	2016			
	Financial assets			
	held for trading	available for sale	Held to maturity	Total
Balance on January 1	198,001	1,680,544	-	1,878,545
Gains / (losses) recognised in profit or loss				
Results on financial operations	73,845	106,079	-	179,924
Impairment and other provisions	-	(261,682)	-	(261,682)
Transfers changes in structure	(7,447)	(19,582)	-	(27,029)
Transfers between levels	332,859	13,525	100,806	447,190
Purchases	82,343	75,965	-	158,308
Sales, repayments or amortizations	(65,381)	(222,793)	-	(288,174)
Gains / (losses) recognised in reserves	-	(76,439)	-	(76,439)
Exchange differences	-	(622)	-	(622)
Accruals of interest	-	1,176	-	1,176
Balance as at December 31	614,220	1,296,171	100,806	2,011,197

49. POST-EMPLOYMENT BENEFITS AND OTHER LONG TERM BENEFITS

The Group assumed the liability to pay to their employees pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 w).

As at 31 December 2017 and 2016, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

(Thousands of euros)

	2017	2016
Number of participants		
Pensioners	16,711	16,524
Former Attendees Acquired Rights	3,375	3,386
Employees	7,368	7,537
	27,454	27,447

In accordance with the accounting policy described in note 1 w), the Group's pension obligation and other benefits and the respective coverage for the Group based on the projected unit credit method are analysed as follows:

(Thousands of euros)

	2017	2016
Projected benefit obligations		
Pensioners	1,993,181	1,959,977
Former attendees acquired rights	206,687	221,860
Employees	849,702	910,812
	3,049,570	3,092,649
Pension fund value	(3,166,351)	(3,124,330)
Net (assets) / liabilities in balance sheet (notes 32)	(116,781)	(31,681)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,191,607	3,220,601

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and also to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which in the scope of the fund is called an Additional Complement, which in December 2017 amounted to Euros 297,146,000. The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

As at 31 December 2016, the projected benefit liabilities include Euros 324,210,000 which correspond to Extra-fund liabilities and as such are not covered by the Pension Fund.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	2017			2016		
	Pension benefit obligations	Extra-Fund	Total	Pension benefit obligations	Extra-Fund	Total
Balance as at 1 January	2,768,439	324,210	3,092,649	2,824,165	311,522	3,135,687
Service cost	(16,391)	-	(16,391)	(741)	-	(741)
Interest cost / (income)	57,548	6,390	63,938	69,715	7,537	77,252
Actuarial (gains) and losses						
Not related to changes in actuarial assumptions	26,082	(2,336)	23,746	21,828	(1,690)	20,138
Arising from changes in actuarial assumptions	-	-	-	93,570	18,553	112,123
Payments	(79,847)	(16,759)	(96,606)	(70,534)	(21,576)	(92,110)
Early retirement programmes and terminations by mutual agreement	13,957	-	13,957	4,164	-	4,164
Contributions of employees	8,274	-	8,274	8,398	-	8,398
Changes occurred in the Collective Labour Agreement (CLA)	(39,997)	-	(39,997)	(182,126)	9,864	(172,262)
Transfer between plans	311,505	(311,505)	-	-	-	-
Balance at the end of the year	3,049,570	-	3,049,570	2,768,439	324,210	3,092,649

As at 31 December 2017 the value of the benefits paid by the Pension Fund, excluding other benefits included on Extra-fund, amounts to Euros 79,847,000 (31 December 2016: Euros 70,534,000).

The Pension benefit obligations include the liabilities with health benefits and correspond, as at 31 December 2017, to the amount of Euros 306,822,000 (31 December 2016: Euros 313,509,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2017 amounts to Euros 65,266,000 (31 December 2016: Euros 68,530,000), in order to pay:

i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

CHANGES IN THE CLA

At the end of December 2016, a revision of the Collective Labour Agreement (CLA) was reached between the BCP Group and the Workers' Trade Unions, "Federação dos Sindicatos Independentes da Banca" and" Federação Nacional do Sector Financeiro", resulted in a profit of Euros 191,507,000 (of which Euros 19,245,000 do not correspond to benefits post-employment). Regarding the "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new CLA, formalize the acceptance of the amendments to the CLA in April 2017 and, as such, the Bank only recognise the impact of changes from CLA to employees associates of SBN in 2017.

The profit arising from the changes amounts to Euros 44,853,000 (of which Euro 4,856,000 do not correspond to benefits post-employment). The new CLAs have already been published by the Ministry of Labour in Bulletin of Labour and Employment.

The most relevant changes that occurred in the CLA and can be described as follows:

- Change in the retirement age (presumed disability) from 65 years to 66 years and 2 months in 2016. This age is not fixed and increases at the beginning of each calendar year one month. So in 2017 the retirement age is 66 years and 3 months. It was agreed that the retirement age in each year, fixed by the application of the above mentioned rule, cannot exceed in any case the normal retirement age in force in the General Social Security Regime. For the actuarial calculation, a progressive increase in retirement age was considered up to 67 years and 2 months.

- It was introduced a change into the formula for determining the employer's contribution to the SAMS, which is no longer a percentage of the Pensions (Euros 88 per beneficiary and Euros 37.93 in the case of pensioners). This amount will be updated by the salary table update rate. This change has no impact on participants and beneficiaries, both in terms of their contributions and in their benefits.

- A new benefit and retirement was introduced called End of Career Premium. At the retirement date the participant is entitled to a capital equal to 1.5 times the amount of the monthly remuneration earned at the retirement date. This benefit replaces the Seniority premium that was awarded during active life. This benefit, to be attributed at the retirement date or in the event of death, is considered to be a post-employment benefit by which it becomes part of retirement liabilities. This benefit is not included in the pension fund agreement and as such was considered as Extra-Fund.

During 2017 and 2016, the changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	2017	2016
Balance as at 1 January	3,124,330	3,157,869
Contributions to the Fund	-	125,000
Employees' contributions	8,274	8,398
Actuarial gains / (losses)	52,740	(170,384)
Payments	(79,847)	(70,534)
Expected return on plan assets	59,402	72,750
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	1,452	1,231
Balance at the end of the year	3,166,351	3,124,330

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of euros)

	2017			2016		
Asset class	**Assets with market price in active market**	**Remaining**	**Total Portfolio**	**Assets with market price in active market**	**Remaining**	**Total Portfolio**
Shares	278,231	95,757	373,988	423,343	102,756	526,099
Bonds and other fixed income securities	1,058,953	4,922	1,063,875	1,187,721	159,618	1,347,339
Participations units in investment funds	-	808,873	808,873	-	259,312	259,312
Participation units in real estate funds	-	264,025	264,025	-	243,680	243,680
Properties	-	254,317	254,317	-	282,673	282,673
Loans and advances to credit institutions and others	-	401,273	401,273	-	465,227	465,227
	1,337,184	1,829,167	3,166,351	1,611,064	1,513,266	3,124,330

The balance Shares includes an investment of 2.71% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2017 amounts to Euros 94,382,000 (31 December 2016: Euros 101,471,000). This valuation was determined by the Management Company based on the last independent valuation carried out by Achmea solicitation.

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 31 December 2017, amounts to Euros 253,971,000 (31 December 2016: Euros 281,991,000), mostly a set of properties called "Taguspark" whose book value as at 31 December 2017 amounts to Euros 243,750,000 (31 December 2016: Euros 269,287,000). This book value was calculated on the basis of valuations performed by independent expert evaluators performed in 2017.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of euros)

	2017	2016
Fixed income securities	41	129,966
Loans and advances to credit institutions and others	326,562	351,766
	326,603	481,732

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of euros)

	2017	2016
Balance as at 1 January	(31,681)	(22,182)
Recognised in the income statement:		
Changes occurred in the Collective Labour Agreement	(39,997)	(172,262)
Service cost	(16,391)	(741)
Interest cost / (income) net of the balance liabilities coverage	4,536	4,502
Cost with early retirement programs	13,957	4,164
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(1,452)	(1,231)
	(39,347)	(165,568)
Recognised in the statement of comprehensive income:		
Actuarial (gains) / losses		
Not related to changes in actuarial assumptions		
Deviation between the estimated and the actual income of the fund	(52,740)	170,384
Difference between expected and effective obligations	23,746	20,138
Arising from changes in actuarial assumptions	-	112,122
	(28,994)	302,644
Contributions to the fund	-	(125,000)
Payments	(16,759)	(21,575)
Balance at the end of the year	(116,781)	(31,681)

During 2017, no contributions were made to the Pension Fund by the Group's companies (31 December 2016: contributions in cash of Euros 125,000,000).

The estimated contributions to be made in 2018, by the Group and by the employees, for the Defined Benefit Plan amount to Euros 10,044,000 and Euros 8,164,000, respectively.

In accordance with IAS 19, as at 31 December 2017, the Group accounted post-employment benefits as a gain in the amount of Euros 39,347,000 (31 December 2016: loss of Euros 165,568,000), which is analysed as follows:

(Thousands of euros)

	2017	2016
Current service cost	(16,391)	(741)
Net interest cost in the liability coverage balance	4,536	4,502
Cost / (income) with early retirement programs and mutually agreed terminations	12,505	2,933
Changes occurred in the Collective Labour Agreement	(39,997)	(172,262)
(Income) / Cost of the year	(39,347)	(165,568)

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB / ACT regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated taking into account the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognized under the heading "Current service costs".

BOARD OF DIRECTORS PLAN

As the Board of Directors Retirement Regulation establish that the pensions are increased annually, and as it is not common in the insurance market the acquisition of perpetual annuities including the increase in pensions, the Bank determined, the liability to be recognised on the financial statements taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with the retirement pensions of former Group's Executive Board Members, as well as the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised a provision of Euros 3,733,000 (31 December 2016: Euros 3,837,000).

The changes occurred in responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities (note 39), are analysed as follows:

(Thousands of euros)

	2017	2016
Balance as at 1 January	3,837	4,245
Reversal	(104)	(408)
Balance at the end of the year	3,733	3,837

Considering the market indicators, particularly the inflation rate estimates and the long term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2017	2016
Salary growth rate	0.25% until 2019 0.75% after 2019	0.25% until 2019 0.75% after 2019
Pensions growth rate	0% until 2019 0.5% after 2019	0% until 2019 0.5% after 2019
Discount rate / Projected Fund's rate of return	2.1%	2.1%
Mortality tables		
Men	TV 88/90	TV 88/90
Women (a)	TV 88/90 - 3 years	TV 88/90 - 3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 3 months	66 years and 2 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1%	1%

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) The retirement age is variable. In 2017 it is 66 years and 3 months and will increase by 1 month for each calendar year. This age cannot be higher than the normal retirement age in force in the General Social Security System (RGSS). The normal retirement age in RGSS is variable and depends on the evolution of the average life expectancy at 65 years. For the purposes of the actuarial calculation, it was assumed that the increase in life expectancy in future years will be one year in every 10 years. However, as a prudential factor it was used a maximum age of 67 years and 2 months.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was determined on 31 December 2016, based on an analysis performed over the market yield regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros - related to a diverse and representative range of issuers. As at 31 December 2017 and 31 December 2016, the Bank used a discount rate of 2.1% to measure its liability for defined benefit pension plans of its employees and managers.

As at 31 December 2017, no changes were made to these actuarial assumptions. As at 31 December 2016 the Group taking into consideration the positive deviations observed in the last financial year and the current trend of wages evolution and the economic situation at this time, determined a growth rate of wages progressive of 0.25% by 2019 and 0.75% from 2019 and a growth rate of pensions from 0% by 2019 and 0.50% from 2019.

Net actuarial gains amounts to Euros 28,994000 (31 December 2016: actuarial losses amounts to Euros 302,644,000) and are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values actually verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	2017		2016	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between				
expected and actual liabilities		23,746		20,138
Changes on the assumptions:				
Discount rate		-		224,619
Salary growth rate and total salary rate for Social Security purposes		-		(88,973)
Pensions increase rate		-		(39,621)
Mortality tables		-		24,537
Other changes*		-		(8,440)
Return on Fund	4.16%	(52,740)	-2.62%	170,384
		(28,994)		302,644

(*) Change in the methodology for determining the retirement age in accordance with the General Social Security System.

The change in the wage growth assumption includes, in 2016, the effect of changing the growth rate of the pensionable wage and the change in the rate of growth of the total salary used for the purposes of calculating social security responsibility.

As at 31 December 2017, the actuarial losses not resulting from changes in assumptions amount to Euros 23,746,000 (31 December 2016: Euros 20,138,000).

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	2017		2016	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	132,021	(124,057)	134,744	(126,913)
Pension's increase rate	(129,840)	122,024	(122,043)	160,604
Salary growth rate	(35,094)	37,265	(36,049)	38,509

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2017		2016 (*)	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table	97,661	(98,209)	72,748	(97,787)

(*) The sensitivities presented were determined based on the application of the same conditions to the whole population, that is, as at 31 December 2016, the affiliates of the "Sindicato dos Bancários do Norte" are considered to have the same plan as the rest. It is considered that this simplification does not materially affect the analysis.

During 2017 and 2016, a sensitivity analysis was performed to a positive variation and a negative variation of one percentage point in the value of the health benefits costs, the impact of which is analysed as follows:

(Thousands of euros)

	Positive variation of 1%		Negative variation of 1%	
	2017	2016	2017	2016
Pension cost impacts	27	29	(27)	(29)
Liabilities impacts	3,068	3,135	(3,068)	(3,135)

DEFINED CONTRIBUTION PLAN

According to what is described in accounting policy 1 w ii), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in 2016, for employees who have been admitted until 1 July 2009, because the following requirements have not been met: (i) Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group, and does not have a performance criterion. The Group accounted as staff costs the amount of Euros 62,000 (31 December 2016: Euros 48,000) related to this contribution.

50. RELATED PARTIES

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 59 - List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

As the transactions with subsidiaries are eliminated in consolidation, these are not included in the notes to the Group's consolidated financial statements.

According to Portuguese law, in particular under Articles 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 40.

A) TRANSACTIONS WITH QUALIFIED SHAREHOLDERS

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	2017	2016
Assets		
Loans and advances to customers	213,436	237,577
Financial assets held for trading	11,704	15,814
Financial assets available for sale	61,356	106,390
	286,496	359,781
Liabilities		
Resources from customers	282,970	390,965
	282,970	390,965

Loans and advances to customers are net of impairment in the amount of Euros 77,000 (31 December 2016: Euro 130,000).

During 2017 and 2016, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	2017	2016
Income		
Interest and similar income	7,188	7,057
Commissions	5,880	2,242
	13,068	9,299
Costs		
Interest and similar expenses	807	469
Commissions	256	30
	1,063	499

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2017	2016
Guarantees granted	39,164	30,378
Revocable credit lines	242,565	216,271
Irrevocable credit lines	121	-
	281,850	246,649

B) TRANSACTIONS WITH MEMBERS OF THE BOARD OF DIRECTORS AND KEY MANAGEMENT MEMBERS

The balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	
	2017	2016	2017	2016	2017	2016
Board of Directors						
Non-executive directors	-	-	24	20	-	-
Executive Committee	-	-	124	139	-	-
Closely related people	-	-	13	13	-	-
Controlled entities	-	2,840	-	-	22	844
Key management members						
Key management members	-	-	6,611	7,272	-	-
Closely related people	-	-	480	274	-	-
Controlled entities	-	-	78	196	-	-
	-	2,840	7,330	7,914	22	844

The balances with related parties discriminated in the following table, included in liabilities items in the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Resources from credit institutions		Resources from customers		Financial liabilities held for trading	
	2017	2016	2017	2016	2017	2016
Board of Directors						
Non-executive directors	-	-	556	1,593	-	-
Executive Committee	-	-	2,664	1,094	-	-
Closely related people	-	-	1,844	1,745	-	-
Controlled entities	14,838	16,866	459	1,446	-	1,053
Key management members						
Key management members	-	-	7,134	6,924	-	-
Closely related people	-	-	1,680	2,143	-	-
Controlled entities	-	-	1,728	904	-	-
	14,838	16,866	16,065	15,849	-	1,053

During 2017 and 2016, the transactions with related parties discriminated in the following table, included in income for items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions' income	
	2017	2016	2017	2016
Board of Directors				
Non-executive directors	-	-	78	81
Executive Committee	-	-	28	27
Closely related people	1	-	15	22
Controlled entities	3	6	148	156
Key management members				
Key management members	46	52	64	64
Closely related people	8	9	36	34
Controlled entities	3	6	10	10
	61	73	379	394

During 2017 and 2016, the transactions with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	2017	2016	2017	2016
Board of Directors				
Non-executive directors	3	11	2	2
Executive Committee	2	5	1	1
Closely related people	4	10	1	1
Controlled entities	63	104	-	1
Key management members				
Key management members	38	52	2	2
Closely related people	5	8	1	2
Controlled entities	2	1	2	2
	117	191	9	11

The Guarantees granted, revocable and irrevocable credit lines granted by the Group to the following related parties are as follows:

(Thousands of euros)

	Guarantees granted		Revocable credit lines		Irrevocable credit lines	
	2017	2016	2017	2016	2017	2016
Board of Directors						
Non-executive directors	98	-	83	109	-	-
Executive Committee	-	-	105	95	-	-
Closely related people	-	-	104	138	-	-
Controlled entities	-	-	25	25	-	-
Key management members						
Key management members	-	-	393	453	8	39
Closely related people	-	-	153	268	-	-
Controlled entities	-	-	16	16	-	-
	98	-	879	1,104	8	39

The fixed remunerations and social charges paid to members of the Board of Directors and Key management members are analysed as follows:

(Thousands of euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2017	2016	2017	2016	2017	2016
Remunerations	3,779	2,080	786	526	6,651	5,471
Supplementary retirement pension	776	702	-	-	-	-
Post-employment benefits	19	28	-	-	(18)	51
Other mandatory social security charges	887	484	189	124	1,648	1,466
	5,461	3,294	975	650	8,281	6,988

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or governing bodies for which they have been designated by indication of the Bank or representing it, in the latter case, the net amount of the remunerations annually received by each member would be deducted from the fixed annual remuneration attributed by the Bank.

During 2017, the amount of remuneration paid to the Executive Committee, includes Euros 104,000 (2016: Euros 158,000), which were supported by subsidiaries or companies whose governing bodies represent the Group's interests. During 2017 and 2016, no variable remuneration was attributed to the members of the Executive Committee.

During 2017, were paid Euros 150,000 of severance payments to one key management member (2016: Euros 483,000 paid to one member).

The shareholder and bondholder position of members of the Board of Directors, Key management members and persons closely related to the previous categories, is as follows:

Shareholders / Bondholders	Security	Number of securities at 31/12/2017	Number of securities at 31/12/2016	Acquisitions (*)	Disposals	Date	Unit Price Euros
MEMBERS OF BOARD OF DIRECTORS							
Álvaro Roque de Pinho de Bissaia Barreto	BCP Shares	0	0				
André Magalhães Luiz Gomes	BCP Shares	11,392	712	10,680		03-Feb-17	0.094
António Henriques Pinho Cardão (2)	BCP Shares	55,304	10,304	45,000		03-Feb-17	0.094
António Luís Guerra Nunes Mexia	BCP Shares	2,416	151	2,265		02-Feb-17	0.094
António Vítor Martins Monteiro (1)	BCP Shares	3,872	242	3,630		03-Feb-17	0.094
Carlos José da Silva	BCP Shares	248,704	15,544	233,160		03-Feb-17	0.094
Cidália Maria Mota Lopes (3)	BCP Shares	2,184	136	2,048		02-Feb-17	0.094
Jaime de Macedo Santos Bastos	BCP Shares	848	53	795		03-Feb-17	0.094
João Manuel Matos Loureiro	BCP Shares	2,800	175	2,625		03-Feb-17	0.094
João Nuno Oliveira Jorge Palma	BCP Shares	32,695	2,133	31,995		02-Feb-17	0.094
					700	07-Dec-17	0.262
				700		07-Dec-17	0.263
					1,433	21-Dec-17	0.270
José Jacinto Iglésias Soares	BCP Shares	0	0				
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	1,748	278	1,470		03-Feb-17	0.094
Lingjiang Xu	BCP Shares	0	0				
Maria da Conceição Mota Soares de Oliveira Callé Lucas	BCP Shares	58,672	3,667	55,005		03-Feb-17	0.094
Miguel de Campos Pereira de Bragança	BCP Shares	365,968	22,873	343,095		03-Feb-17	0.094
Miguel Maya Dias Pinheiro	BCP Shares	361,408	22,588	338,820		03-Feb-17	0.094
Nuno Manuel da Silva Amado	BCP Shares	1,025,388	50,996	974,392		03-Feb-17	0.094
Raquel Rute da Costa David Vunge (4)	BCP Shares	0	0				
Rui Manuel da Silva Teixeira (5)	BCP Shares	36,336	2,271	34,065		02-Feb-17	0.094
KEY MANAGEMENT MEMBERS							
Albino António Carneiro de Andrade	BCP Shares	0	0				
Américo João Pinto Carola (6)	BCP Shares	503	503				
Ana Isabel dos Santos de Pina Cabral (7)	BCP Shares	39,040	2,440	36,600		03-Feb-17	0.094
Ana Maria Jordão F. Torres Marques Tavares (8)	BCP Shares	82,635	9,509	73,126		02-Feb-17	0.094
André Cardoso Meneses Navarro	BCP Shares	267,888	16,743	251,145		02-Feb-17	0.094
António Augusto Amaral de Medeiros	BCP Shares	42,656	2,666	39,990		02-Feb-17	0.094
António Augusto Decrook Gaioso Henriques	BCP Shares	506,126	29,036	477,090		02-Feb-17	0.094
António Ferreira Pinto Júnior	BCP Shares	21,344	1,334	20,010		02-Feb-17	0.094
António José Lindeiro Cordeiro	BCP Shares	0	0				
António Luís Duarte Bandeira (9)	BCP Shares	113,001	8,000	105,001		02-Feb-17	0.094
Artur Frederico Silva Luna Pais	BCP Shares	328,795	20,047	308,748		02-Feb-17	0.094
Belmira Abreu Cabral	BCP Shares	0	1,206	0	1,206	19-Jan-17	0.152
Carlos Alberto Alves	BCP Shares	106,656	6,666	99,990		02-Feb-17	0.094
Diogo Cordeiro Crespo Cabral Campello	BCP Shares	29,328	1,833	27,495		02-Feb-17	0.094
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP Shares	11,691	1,911	9,780		02-Feb-17	0.094
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	0	0				
Francisco António Caspa Monteiro (10)	BCP Shares	29,354	2,965		2,965	17-Jan-17	0.160
				29,354		02-Feb-17	0.094
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	48	3	45			
Hugo Miguel Martins Resende	BCP Shares	11,984	11,984				
João Manuel Taveira Pinto Santos Paiva	BCP Shares	500			3,156	11-Aug-17	0.232
	BCP Shares				2,500	28-Sep-17	0.244
	BCP Shares				1,500	11-Oct-17	0.245
	BCP Shares				1,000	13-Oct-17	0.250
	BCP Shares				2,000	20-Oct-17	0.259
João Nuno Lima Brás Jorge	BCP Shares	91,709	5,653	86,056		03-Feb-17	0.094

(*) The transactions occurred at the beginning of February at the unit price of Euros 0.094 were made under the scope of the share capital increase, as referred in note 40.

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

		Number of securities at					Unit Price
Shareholders / Bondholders	**Security**	**31/12/2017**	**31/12/2016**	**Acquisitions (*)**	**Disposals**	**Date**	**Euros**
Joaquim Fernando Nogueira	BCP Shares	413,406	413				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	1,600	100	1,500		02-Feb-17	0.094
Jorge Manuel Machado de Sousa Góis	BCP Shares	0	0				
José Gonçalo Prior Regalado (11)	BCP Shares	0	0				
José Guilherme Potier Raposo Pulido Valente	BCP Shares	138,719	28,600	110,119		02-Feb-17	0.094
José Laurindo Reino da Costa (12)	BCP Shares	172,428	12,433	169,995		03-Feb-17	0.094
					170,000	20-Jul-17	0.250
				160,000		24-Jul-17	0.249
Luis Miguel Manso Correia dos Santos	BCP Shares	21,328	1,333	19,995		02-Feb-17	0.094
Margarida Isabel Vaz da Silva	BCP Shares	10,640					
Maria Manuela de Araujo Mesquita Reis (13)	BCP Shares	106,656	6,666	99,990		02-Feb-17	0.094
Mário António Pinho Gaspar Neves	BCP Shares	30,000	1,855	28,145		06-Feb-17	0.094
	Certificates BCPI Eurostox 50	0	187		187	18-Jan-17	115.820
	Certificates BCPI DAX 30	0	55		55	18-Jan-17	32.900
Miguel Pedro Lourenço Magalhães Duarte	BCP Shares	30,600	30,600				
Nelson Luís Vieira Teixeira	BCP Shares	285	285				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	1,800	1,800				
Nuno Maria Lagoa Ribeiro de Almeida	BCP Shares	2,560	0				
Nuno Miguel Nobre Botelho	BCP Shares	0	0				
Pedro José Mora de Paiva Beija	BCP Shares	0	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	0	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	14,816	926	13,890		03-Feb-17	0.094
Pedro Torcato Alvares Ribeiro	BCP Shares	42,672	0				
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	0	0				
Ricardo Potes Valadares	BCP Shares	10,373	1,373	9,000		23-Jan-17	0.094
Rosa Maria Ferreira Vaz Santa Barbara	BCP Shares	8,240	1,205	7,035		23-Jan-17	0.094
Rui Fernando da Silva Teixeira	BCP Shares	12,614	12,614				
Rui Manuel Pereira Pedro	BCP Shares	149,328	9,333	139,995		03-Feb-17	0.094
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	0	0				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	0	0				
Teresa Paula Corado Leandro Chaves do Nascimento	BCP Shares	0	0				
Vânia Alexandra Machado Marques Correia	BCP Shares	0	0				
Vasco do Carmo Viana Rebelo de Andrade	BCP Shares	0	0				
PERSONS CLOSELY RELATED TO THE PREVIOUS CATEGORIES							
Alexandre Miguel Martins Ventura (3)	BCP Shares	2,184	137	2,047		03-Feb-17	0.094
Américo Simões Regalado (11)	BCP Shares	880	0				
Ana Isabel Salgueiro Antunes (6)	BCP Shares	29	29				
Ana Margarida Rebelo A.M. Soares Bandeira (9)	BCP Shares	2,976	186	2,790		02-Feb-17	0.094
Eusébio Domingos Vunge (4)	BCP Shares	4,170	691	3,479			0.2357
	Certificates BCPI DAX 30	100	100				
	Certificates BCPI Eurostox 50	142	142				
Francisco Jordão Torres Marques Tavares (8)	BCP Shares	1,016	62	954		02-Feb-17	0.094
Isabel Maria V Leite P Martins Monteiro (1)	BCP Shares	3,104	195	2,909		03-Feb-17	0.094
João Paulo Fernandes de Pinho Cardão (2)	BCP Shares	72,736	4,546	68,190		03-Feb-17	0.094
José Manuel de Vasconcelos Mendes Ferreira (7)	BCP Shares	1,616	101	1,515		03-Feb-17	0.094
Luís Filipe da Silva Reis (13)	BCP Shares	336,000	0				
Luís Miguel Fernandes de Pinho Cardão (2)	BCP Shares	3,104	194	2,910		03-Feb-17	0.094
Maria da Graça dos Santos Fernandes de Pinho Cardão (2)	BCP Shares	3,728	383	3,345		03-Feb-17	0.094
Maria Helena Espassandim Catão (5)	BCP Shares	576	36	540		02-Feb-17	0.094
Maria Raquel Sousa Candeias Reino da Costa (12)	BCP Shares	288	18	270		02-Feb-17	0.094
Ricardo Miranda Monteiro (10)	BCP Shares	1,639	100	1,539		01-Feb-17	0.094
Rita Miranda Monteiro (10)	BCP Shares	1,639	100	1,539		01-Feb-17	0.094

(*) The transactions occurred at the beginning of February at the unit price of Euros 0.094 were made under the scope of the share capital increase, as referred in note 40.

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

C) BALANCES AND TRANSACTIONS WITH ASSOCIATED COMPANIES

The balances with associated companies included in the consolidated balance sheet items are as follows:

(Thousands of euros)

	2017	2016
Assets		
Loans and advances to credit institutions		
Repayable on demand	1,803	980
Other loans and advances	316,630	262,262
Loans and advances to customers	65,758	111,591
Financial assets held for trading	91,099	73,468
Other assets	12,868	26,274
	488,158	474,575
Liabilities		
Resources from credit institutions	207,073	194,348
Resources from customers	539,788	488,165
Debt securities issued	473,191	976,849
Subordinated debt	480,426	475,276
Financial liabilities held for trading	40,323	66,946
Other liabilities	15	28
	1,740,816	2,201,612

As at 31 December 2017, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares (31 December 2016: 8,694,500 shares) in the amount of Euros 38,531,000 (31 December 2016: Euros 9,312,000).

During 2017 and 2016, the transactions with associated companies included in the consolidated income statement items, are as follows:

(Thousands of euros)

	2017	2016
Income		
Interest and similar income	12,356	11,253
Commissions' income	56,679	53,848
Other operating income	1,188	1,759
	70,223	66,860
Costs		
Interest and similar expenses	52,760	64,556
Commissions' expenses	50	8
Other administrative costs	12	176
	52,822	64,740

As at 31 December 2017 and 2016, the guarantees granted and revocable credit lines by the Group to associated companies, are as follows:

(Thousands of euros)

	2017	2016
Guarantees granted	8,288	5,330
Revocable credit lines	863	10,403
	9,151	15,733

Under the scope of the Group's insurance mediation activities, the remunerations from services rendering are analysed as follows:

(Thousands of euros)

	2017	2016
Life insurance		
Saving products	32,914	31,561
Mortgage and consumer loans	18,695	19,811
Others	31	33
	51,640	51,405
Non - Life insurance		
Accidents and health	16,035	15,275
Motor	3,411	3,215
Multi-Risk Housing	5,985	5,868
Others	1,037	942
	26,468	25,300
	78,108	76,705

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, SA. The Group does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activity, by nature, are analysed as follows:

(Thousands of euros)

	2017	2016
Funds receivable for payment of life insurance commissions	12,713	12,636
Funds receivable for payment of non-life insurance commissions	6,658	6,108
	19,371	18,744

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;
- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

D) TRANSACTIONS WITH THE PENSION FUND

The balances with the Pension Fund included in Liabilities items of the consolidated balance sheet are as follows:

(Thousands of euros)

	2017	2016
Resources from customers	326,562	351,766
Subordinated debt	41	129,966
	326,603	481,732

During 2017, there were no transactions of financial assets between the Group and the Pension Fund. During 2016, the Group sold bonds to the pension fund in the amount of Euros 16,748,000.

During 2017 and 2016, the balances with the Pension Fund included in income and expense items of the consolidated income statement, are as follows:

(Thousands of euros)

	2017	2016
Income		
Commissions	821	768
Expenses		
Interest expense and similar charges	2,271	2,630
Administrative costs	19,018	18,306
	21,289	20,936

The balance Administrative costs corresponds to the amount of rents incurred under the scope of Fund's properties which the tenant is the Group.

As at 31 December 2017, the amount of Guarantees granted by the Group to the Pension Fund amounted to Euros 5,000 (31 December 2016: Euros 5,000).

51. CONSOLIDATE BALANCE SHEET AND INCOME STATEMENT BY OPERATIONAL SEGMENTS

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for Executive Committee's management purposes. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking. Following the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp), an additional segment named non-Core Business Portfolio was considered, respecting the criteria agreed.

SEGMENTS DESCRIPTION

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets of recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal, ActivoBank and Banco de Investimento Imobiliário.

Portugal activity includes: i) Retail Banking; ii) Companies, Corporate & Investment Banking; iii) Private Banking; iv) Non-core business portfolio; and v) Other.

Retail Banking includes the following business areas:

- Retail network where the strategic approach is to target "Mass Market" customers, who appreciate a value proposition based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposition based on innovation and personalisation, requiring a dedicated Account Manager;
- Retail Recovery Division that accompanies and manages the responsibilities of Customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and
- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies, Corporate and Investment Banking segment includes:

- Companies network that covers the financial needs of companies with an annual turnover between Euros 2,500,000 and Euros 50,000,000, and focuses on innovation, offering a wide range of traditional banking products complemented by specialised financing;
- Corporate and Large Corporates networks in Portugal, targeting corporate and institutional customers with an annual turnover in excess of Euros 50,000,000, providing a complete range of value-added products and services;
- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment;
- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, capital market transactions and analysis and financing structuring in the medium to long term, in particular with regard to Project and Structured Finance;
- Treasury and Markets International Division, in particular the area of coordination of business with banks and financial institutions, boosting international business with the commercial networks of the Bank and institutional custody services for securities;
- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1,000,000);
- Real Estate Business Division, which ensures integrated and specialized management of real estate business of the Group; and
- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for purposes of geographical segments, comprises the Private Banking network in Portugal. For purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation.

Following the process for obtaining authorisation from the European Commission (EC) to the State aid, business portfolios were identified that the Bank should gradually disinvest/demobilise, ceasing grant new credit. This demobilisation is subject to a framework which dominant criterion is the capital impact optimisation, in particular through the minimisation of expected losses. In this context, the Bank proceeded with the segregation of these portfolios, highlighting them in a separate segment defined as Non Core Business Portfolio (PNNC).

PNNC includes the business with clients for which credit has been granted for securities-backed lending, loans collateralised with other assets for those which the debt ratio over asset value is not less than 90%, historical subsidised mortgage loans, construction subcontractors focused almost exclusively on the Portuguese market, football clubs and Real Estate development.

The separate disclosure for those types of loans resulted, exclusively, from the need to identify and monitoring the segments described in the previous paragraph, in the scope of the authorisation process abovementioned. Thus, the PNNC portfolio has not been aggregated based on risk classes or any other performance criteria.

It should be noted that, in 31 December 2017, 74% of this portfolio benefited from asset backed loans, including 71% with real estate collateral and 3% with other assets guarantee.

All other businesses not previously discriminated are allocated to the segment Other (Portugal) and include the centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other values not allocated to segments.

Foreign Business includes:

- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;
- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and
- Other, which includes other countries activity such as Switzerland where the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law and Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets (Affluent segment). The segment Other also includes the contribution of the associate in Angola.

B. Business Segments

Foreign Business segment, indicated within the business segment reporting, comprises the Group's operations developed in other countries already mentioned excluding the activity of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands which are considered in Private Banking segment.

In the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, which agreement occurred in 22 April 2016 and the conclusion of the process of the necessary authorizations in 3 May 2016, Banco Millennium Angola was considered as a discontinued operation in March 2016, with the impact of its results presented in the balance Income / (loss) arising from discontinued operations and restated for the previous periods. At the consolidated balance, the assets and liabilities of Banco Millennium Angola, S.A. continued to be consolidated by the full consolidation method till April 2016. After the completion of the merger, in May 2016, the assets and liabilities of Banco Millennium in Angola stopped being considered in the consolidated balance sheet and the investment of 22.5 % in Banco Millennium Atlântico, the new merged entity, started being accounted using the equity method and its contribution to the Group's results have been recognized in the consolidated accounts from May 2016 onwards.

BUSINESS SEGMENTS ACTIVITY

The figures reported for each business segment result from aggregating the subsidiaries and business units integrated in each segment, including the impact from capital allocation and the balancing process of each entity, both at the balance sheet and income statement levels, based on average figures. Balance sheet headings for each subsidiary and business unit are re-calculated, given the replacement of their original own funds by the outcome of the capital allocation process, according to regulatory solvency criteria.

Considering that the capital allocation process complies with regulatory solvency criteria currently in place, the weighted risk, as well as the capital allocated to segments, is based on Basel III methodology, in accordance with the CRD IV/CRR, with reference to 31 December 2017 and 2016. The capital allocation for each segment on those dates, resulted from the application of 10% to the risks managed by each segment, reflecting the application of Basel III methodologies. Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

Operating costs determined for each business area rely on one hand on the amounts accounted directly in the respective cost centres, and on the other hand, on the amounts resulting from internal cost allocation processes. As an example, in the first set of costs are included costs related to phone communication, travelling accommodation and representation expenses and to advisory services and in the second set are included costs related to correspondence, water and electricity and to rents related to spaces occupied by organic units, among others. The allocation of this last set of costs is based on the application of previously defined criteria, related to the level of activity of each business area, like the number of current accounts, the number of customers or employees, the business volume and the space occupied.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), and with the Organization of the Group's business areas in force on 31 December 2017. Information relating to prior periods is restated whenever it occur changes in the internal organization of the entity so susceptible to change the composition of the reportable segments (business and geographical).

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 31 December 2017, the net contribution of the major operational segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Non-core business portfolio	Other	Consolidated
	Retail in Portugal	Foreign business [1]						
INCOME STATEMENT								
Interest and similar income	473,543	845,166	1,318,709	319,740	36,782	113,372	125,607	1,914,210
Interest expense and similar charges	(61,029)	(279,494)	(340,523)	(63,540)	(14,157)	(85,090)	(19,625)	(522,935)
Net interest income	412,514	565,672	978,186	256,200	22,625	28,282	105,982	1,391,275
Commissions and other income	385,883	257,572	643,455	160,458	70,105	9,597	(18,034)	865,581
Commissions and other costs	(15,913)	(126,363)	(142,276)	(8,880)	(5,436)	(29)	(146,903)	(303,524)
Net commissions and other income	369,970	131,209	501,179	151,578	64,669	9,568	(164,937)	562,057
Net gains arising from trading activity	1	81,507	81,508	-	(18,514)	-	85,382	148,376
Share of profit of associates under the equity method	-	39,844	39,844	-	-	-	51,793	91,637
Gains / (losses) arising from the sale of subsidiaries and other assets	(141)	4,135	3,994	-	-	-	145	4,139
Net operating revenue	782,344	822,367	1,604,711	407,778	68,780	37,850	78,365	2,197,484
Operating expenses	472,351	343,143	815,494	92,813	39,807	20,249	(14,182)	954,181
Impairment for credit and financial assets	(53,780)	(88,628)	(142,408)	(307,273)	(5,796)	(177,360)	(54,292)	(687,129)
Other impairments and provisions	(45)	(47,298)	(47,343)	140	-	(54,117)	(136,363)	(237,683)
Net income / (loss) before income tax	256,168	343,298	599,466	7,832	23,177	(213,876)	(98,108)	318,491
Income tax	(74,911)	(82,006)	(156,917)	(1,090)	(12,323)	63,093	77,078	(30,159)
Income / (loss) after income tax from continuing operations	181,257	261,292	442,549	6,742	10,854	(150,783)	(21,030)	288,332
Income / (loss) arising from discontinued operations	-	-	-	-	-	-	1,225	1,225
Net income / (loss) for the year	181,257	261,292	442,549	6,742	10,854	(150,783)	(19,805)	289,557
Non-controlling interests	-	(109,144)	(109,144)	-	-	-	5,978	(103,166)
Net income / (loss) for the year attributable to Bank's Shareholders	181,257	152,148	333,405	6,742	10,854	(150,783)	(13,827)	186,391
BALANCE SHEET								
Cash and Loans and advances to credit institutions	10,663,913	674,263	11,338,176	312,751	2,474,881	4,181	(10,600,955)	3,529,034
Loans and advances to customers	16,864,762	12,226,229	29,090,991	10,783,146	497,486	6,819,748	442,121	47,633,492
Financial assets [2]	21,172	5,391,785	5,412,957	-	2,184	668,137	7,074,783	13,158,061
Other assets	112,243	596,868	709,111	32,548	9,616	889,690	5,977,898	7,618,863
Total Assets	27,662,090	18,889,145	46,551,235	11,128,445	2,984,167	8,381,756	2,893,847	71,939,450
Resources from other credit institutions	970,523	1,492,783	2,463,306	2,243,133	339,950	7,901,943	(5,460,975)	7,487,357
Resources from customers	24,900,861	15,130,262	40,031,123	8,015,739	2,505,972	305,131	329,852	51,187,817
Debt securities issued	872,538	276,960	1,149,498	880	37,395	3,005	1,817,013	3,007,791
Other financial liabilities	-	86,081	86,081	-	2,020	-	1,657,399	1,745,500
Other liabilities	37,281	471,569	508,850	53,426	6,241	4,399	758,333	1,331,249
Total Liabilities	26,781,203	17,457,655	44,238,858	10,313,178	2,891,578	8,214,478	(898,378)	64,759,714
Equity and non-controlling interests	880,887	1,431,490	2,312,377	815,267	92,589	167,278	3,792,225	7,179,736
Total Liabilities, Equity and Non-controlling interests	27,662,090	18,889,145	46,551,235	11,128,445	2,984,167	8,381,756	2,893,847	71,939,450
Number of employees	4,731	8,461	13,192	598	268	143	1,526	15,727
Public subsidies received	-	-	-	-	-	-	-	-

(1) Includes the contribution associated with the Bank's investments in Angola, in Banco Millennium Atlântico, recorded since May 2016 by the equity method;
(2) Includes financial assets held for trading, financial assets held for trading at fair value through profit or loss, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

Note: As at 31 December 2017, the goodwill disclosed in the financial statements that is reflected in Foreign business is Euros 2 million and Euros 118 million in Other Portugal, as described in note 30.

As at 31 December 2016, the net contribution of the major operational segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment		Non-core		
	Retail in Portugal	Foreign business (1)	Total	banking in Portugal	Private banking	business portfolio	Other	Consolidated
INCOME STATEMENT								
Interest and similar income	511,569	724,079	1,235,648	363,665	40,916	151,152	118,616	1,909,997
Interest expense and similar charges	(120,135)	(252,239)	(372,374)	(86,857)	(20,764)	(115,586)	(84,290)	(679,871)
Net interest income	391,434	471,840	863,274	276,808	20,152	35,566	34,326	1,230,126
Commissions and other income	365,057	224,507	589,564	160,112	59,953	10,368	14,911	834,908
Commissions and other costs	(13,675)	(127,446)	(141,121)	(6,381)	(5,731)	(34)	(129,674)	(282,941)
Net commissions and other income	351,382	97,061	448,443	153,731	54,222	10,334	(114,763)	551,967
Net gains arising from trading activity	25	136,847	136,872	-	3,200	23,893	76,402	240,367
Share of profit of associates under the equity method	-	12,991	12,991	-	-	-	67,534	80,525
Gains / (losses) arising from the sale of subsidiaries and other assets	4	3,201	3,205	-	9	-	(9,491)	(6,277)
Net operating revenue	742,845	721,940	1,464,785	430,539	77,583	69,793	54,008	2,096,708
Operating expenses	489,331	318,700	808,031	97,261	38,414	22,031	(185,741)	779,996
Impairment for credit and financial assets	(113,009)	(73,343)	(186,352)	(538,010)	1,430	(504,684)	(164,041)	(1,391,657)
Other impairments and provisions	(45)	(10,365)	(10,410)	34	(71)	(18,846)	(177,042)	(206,335)
Net income / (loss) before income tax	140,460	319,532	459,992	(204,698)	40,528	(475,768)	(101,334)	(281,280)
Income tax	(40,086)	(83,467)	(123,553)	61,599	(10,469)	140,352	313,938	381,867
Income / (loss) after income tax from continuing operations	100,374	236,065	336,439	(143,099)	30,059	(335,416)	212,604	100,587
Income / (loss) arising from discontinued operations (2)	-	36,806	36,806	-	-	-	8,422	45,228
Net income / (loss) for the year	100,374	272,871	373,245	(143,099)	30,059	(335,416)	221,026	145,815
Non-controlling interests	-	(118,246)	(118,246)	-	-	-	(3,631)	(121,877)
Net income / (loss) for the year attributable to Bank's Shareholders	100,374	154,625	254,999	(143,099)	30,059	(335,416)	217,395	23,938
BALANCE SHEET								
Cash and Loans and advances to credit institutions	9,334,906	1,067,882	10,402,788	1,059,177	2,527,926	5,375	(10,916,428)	3,078,838
Loans and advances to customers	16,917,689	11,701,120	28,618,809	10,934,311	473,707	8,065,466	(74,691)	48,017,602
Financial assets (3)	20,960	4,260,453	4,281,413	-	6,083	634,878	7,458,104	12,380,478
Other assets	183,848	562,980	746,828	55,424	17,967	847,921	6,119,753	7,787,893
Total Assets	26,457,403	17,592,435	44,049,838	12,048,912	3,025,683	9,553,640	2,586,738	71,264,811
Resources from other credit institutions	1,344,914	1,419,154	2,764,068	3,751,972	352,081	9,101,255	(6,030,981)	9,938,395
Resources from customers	23,893,851	13,966,967	37,860,818	7,668,144	2,499,795	329,361	439,529	48,797,647
Debt securities issued	556,065	297,902	853,967	1,795	62,353	584	2,594,121	3,512,820
Other financial liabilities	-	335,073	335,073	-	5,984	-	2,135,077	2,476,134
Other liabilities	19,505	404,346	423,851	42,332	7,005	4,025	797,421	1,274,634
Total Liabilities	25,814,335	16,423,442	42,237,777	11,464,243	2,927,218	9,435,225	(64,833)	65,999,630
Equity and non-controlling interests	643,068	1,168,993	1,812,061	584,669	98,465	118,415	2,651,571	5,265,181
Total Liabilities, Equity and Non-controlling interests	26,457,403	17,592,435	44,049,838	12,048,912	3,025,683	9,553,640	2,586,738	71,264,811
Number of employees	4,854	8,395	13,249	588	264	148	1,558	15,807
Public subsidies received	-	-	-	-	-	-	-	-

(1) Includes the activity of the subsidiary in Angola, considered as discontinued operation;
(2) The amount considered for Angola in discontinued operations corresponds to the book value. The impact of capital allocation in segments base, is reflected in net interest income item;
(3) Includes financial assets held for trading, financial assets held for trading at fair value through profit or loss, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

Note: As at 31 December 2016, the goodwill disclosed in the financial statements is reflected, in Foreign business, Euros 2 million and Euros 128 million in Other Portugal, as described in note 30.

As at 31 December 2017, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal									
	Retail banking	Companies, Corporate and Investment banking	Private banking	Non-core business portfolio	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT										
Interest and similar income	473,543	319,740	22,174	113,372	125,607	1,054,436	564,267	289,045	6,462	1,914,210
Interest expense and similar charges	(61,029)	(63,540)	(7,372)	(85,090)	(19,625)	(236,656)	(170,858)	(116,146)	725	(522,935)
Net interest income	412,514	256,200	14,802	28,282	105,982	817,780	393,409	172,899	7,187	1,391,275
Commissions and other income	385,883	160,458	40,632	9,597	(18,034)	578,536	198,348	59,225	29,472	865,581
Commissions and other costs	(15,913)	(8,880)	(205)	(29)	(146,903)	(171,930)	(106,983)	(19,380)	(5,231)	(303,524)
Net commissions and other income	369,970	151,578	40,427	9,568	(164,937)	406,606	91,365	39,845	24,241	562,057
Net gains arising from trading activity	1	-	-	-	85,382	85,383	51,044	10,808	1,141	148,376
Share of profit of associates under the equity method	-	-	-	-	51,793	51,793	-	-	39,844	91,637
Gains / (losses) arising from the sale of subsidiaries and other assets	(141)	-	-	-	145	4	3,891	243	1	4,139
Net operating revenue	782,344	407,778	55,229	37,850	78,365	1,361,566	539,709	223,795	72,414	2,197,484
Operating expenses	472,351	92,813	16,375	20,249	(14,182)	587,606	258,205	84,938	23,432	954,181
Impairment for credit and financial assets	(53,780)	(307,273)	(3,832)	(177,360)	(54,292)	(596,537)	(60,681)	(27,947)	(1,964)	(687,129)
Other impairments and provisions	(45)	140	-	(54,117)	(136,363)	(190,385)	(8,822)	1,276	(39,752)	(237,683)
Net income / (loss) before income tax	256,168	7,832	35,022	(213,876)	(98,108)	(12,962)	212,001	112,186	7,266	318,491
Income tax	(74,911)	(1,090)	(10,331)	63,093	77,078	53,839	(55,732)	(26,462)	(1,804)	(30,159)
Income / (loss) after income tax from continuing operations	181,257	6,742	24,691	(150,783)	(21,030)	40,877	156,269	85,724	5,462	288,332
Income / (loss) arising from discontinued operations	-	-	-	-	1,225	1,225	-	-	-	1,225
Net income / (loss) for the year	181,257	6,742	24,691	(150,783)	(19,805)	42,102	156,269	85,724	5,462	289,557
Non-controlling interests	-	-	-	-	5,978	5,978	(77,978)	(29,117)	(2,049)	(103,166)
Net income / (loss) for the year attributable to Bank's Shareholders	181,257	6,742	24,691	(150,783)	(13,827)	48,080	78,291	56,607	3,413	186,391
BALANCE SHEET										
Cash and Loans and advances to credit institutions	10,663,913	312,751	1,582,278	4,181	(10,600,955)	1,962,168	559,047	424,965	582,854	3,529,034
Loans and advances to customers	16,864,762	10,783,146	221,452	6,819,748	442,121	35,131,229	11,354,378	871,851	276,034	47,633,492
Financial assets (2)	21,172	-	-	668,137	7,074,783	7,764,092	4,899,704	492,082	2,183	13,158,061
Other assets	112,243	32,548	6,704	889,690	5,977,898	7,019,083	222,481	161,590	215,709	7,618,863
Total Assets	27,662,090	11,128,445	1,810,434	8,381,756	2,893,847	51,876,572	17,035,610	1,950,488	1,076,780	71,939,450
Resources from other credit institutions	970,523	2,243,133	-	7,901,943	(5,460,975)	5,654,624	1,646,767	91,879	94,087	7,487,357
Resources from customers	24,900,861	8,015,739	1,738,821	305,131	329,852	35,290,404	13,715,985	1,414,277	767,151	51,187,817
Debt securities issued	872,538	880	37,395	3,005	1,817,013	2,730,831	276,960	-	-	3,007,791
Other financial liabilities	-	-	-	-	1,657,399	1,657,399	86,081	-	2,020	1,745,500
Other liabilities	37,281	53,426	1,284	4,399	758,333	854,723	363,306	108,264	4,956	1,331,249
Total Liabilities	26,781,203	10,313,178	1,777,500	8,214,478	(898,378)	46,187,981	16,089,099	1,614,420	868,214	64,759,714
Equity and non-controlling interests	880,887	815,267	32,934	167,278	3,792,225	5,688,591	946,511	336,068	208,566	7,179,736
Total Liabilities, Equity and non-controlling interests	27,662,090	11,128,445	1,810,434	8,381,756	2,893,847	51,876,572	17,035,610	1,950,488	1,076,780	71,939,450
Number of employees	4,731	598	191	143	1,526	7,189	5,830	2,631	77	15,727
Public subsidies received	-	-	-	-	-	-	-	-	-	-

(1) Includes the contribution associated with the Bank's investments in Angola, in Banco Millennium Atlântico, recorded since May 2016 by the equity method;
(2) Includes financial assets held for trading, financial assets held for trading at fair value, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

Note: As at 31 December 2017, the goodwill disclosed in the financial statements that is reflected in Mozambique is Euros 2 million and Euros 118 million in Other Portugal, as described in note 30.

As at 31 December 2016, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal									
	Retail banking	Companies, Corporate and Investment banking	Private banking	Non-core business portfolio	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT										
Interest and similar income	511,569	363,665	27,081	151,152	118,616	1,172,083	520,463	211,308	6,143	1,909,997
Interest expense and similar charges	(120,135)	(86,857)	(12,435)	(115,586)	(84,290)	(419,303)	(187,671)	(72,260)	(637)	(679,871)
Net interest income	391,434	276,808	14,646	35,566	34,326	752,780	332,792	139,048	5,506	1,230,126
Commissions and other costs	365,057	160,112	31,298	10,368	14,911	581,746	164,985	59,522	28,655	834,908
Commissions and other costs	(13,675)	(6,381)	(297)	(34)	(129,674)	(150,061)	(107,078)	(20,369)	(5,433)	(282,941)
Net commissions and other income	351,382	153,731	31,001	10,334	(114,763)	431,685	57,907	39,153	23,222	551,967
Net gains arising from trading activity	25	-	-	23,893	76,402	100,320	111,678	25,169	3,200	240,367
Share of profit of associates under the equity method	-	-	-	-	67,534	67,534	(314)	-	13,305	80,525
Gains / (losses) arising from the sale of subsidiaries and other assets	4	-	-	-	(9,491)	(9,487)	3,027	174	9	(6,277)
Net operating revenue	742,845	430,539	45,647	69,793	54,008	1,342,832	505,090	203,544	45,242	2,096,708
Operating expenses	489,331	97,261	15,372	22,031	(185,741)	438,254	238,457	80,243	23,042	779,996
Impairment for credit and financial assets	(113,009)	(538,010)	(242)	(504,684)	(164,041)	(1,319,986)	(49,682)	(23,661)	1,672	(1,391,657)
Other impairments and provisions	(45)	34	-	(18,846)	(177,042)	(195,899)	(10,445)	81	(72)	(206,335)
Net income / (loss) before income tax	140,460	(204,698)	30,033	(475,768)	(101,334)	(611,307)	206,506	99,721	23,800	(281,280)
Income tax	(40,086)	61,599	(8,860)	140,352	313,938	466,943	(55,436)	(28,030)	(1,610)	381,867
Income / (loss) after income tax from continuing operations	100,374	(143,099)	21,173	(335,416)	212,604	(144,364)	151,070	71,691	22,190	100,587
Income / (loss) arising from discontinued operations [2]	-	-	-	-	8,422	8,422	-	-	36,806	45,228
Net income / (loss) for the year	100,374	(143,099)	21,173	(335,416)	221,026	(135,942)	151,070	71,691	58,996	145,815
Non-controlling interests	-	-	-	-	(3,631)	(3,631)	(75,384)	(24,496)	(18,366)	(121,877)
Net income / (loss) for the year attributable to Bank's Shareholders	100,374	(143,099)	21,173	(335,416)	217,395	(139,573)	75,686	47,195	40,630	23,938
BALANCE SHEET										
Cash and Loans and advances to credit institutions	9,334,906	1,059,177	1,595,368	5,375	(10,916,428)	1,078,398	690,787	437,922	871,731	3,078,838
Loans and advances to customers	16,917,689	10,934,311	172,165	8,065,466	(74,691)	36,014,940	10,661,642	1,039,478	301,542	48,017,602
Financial assets [3]	20,960	-	-	634,878	7,458,104	8,113,942	4,031,817	228,636	6,083	12,380,478
Other assets	183,848	55,424	11,729	847,921	6,119,753	7,218,675	211,494	131,782	225,942	7,787,893
Total Assets	26,457,403	12,048,912	1,779,262	9,553,640	2,586,738	52,425,955	15,595,740	1,837,818	1,405,298	71,264,811
Resources from other credit institutions	1,344,914	3,751,972	-	9,101,255	(6,030,981)	8,167,160	1,303,029	121,268	346,938	9,938,395
Resources from customers	23,893,851	7,668,144	1,691,628	329,361	439,529	34,022,513	12,668,085	1,298,883	808,166	48,797,647
Debt securities issued	556,065	1,795	62,353	584	2,594,121	3,214,918	297,902	-	-	3,512,820
Other financial liabilities	-	-	-	-	2,135,077	2,135,077	335,073	-	5,984	2,476,134
Other liabilities	19,505	42,332	639	4,025	797,421	863,922	280,870	123,527	6,315	1,274,634
Total Liabilities	25,814,335	11,464,243	1,754,620	9,435,225	(64,833)	48,403,590	14,884,959	1,543,678	1,167,403	65,999,630
Equity and non-controlling interests	643,068	584,669	24,642	118,415	2,651,571	4,022,365	710,781	294,140	237,895	5,265,181
Total Liabilities, Equity and non-controlling interests	26,457,403	12,048,912	1,779,262	9,553,640	2,586,738	52,425,955	15,595,740	1,837,818	1,405,298	71,264,811
Number of employees	4,854	588	185	148	1,558	7,333	5,844	2,551	79	15,807
Public subsidies received	-	-	-	-	-	-	-	-	-	-

(1) Includes the activity of the subsidiary in Angola, considered as discontinued operation;
(2) The amount considered for Angola in discontinued operations corresponds to the book value. The impact of capital allocation in segments base, is reflected in net interest income item;
(3) Includes financial assets held for trading, financial assets held for trading at fair value through profit or loss, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

Note: As at 31 December 2016, the goodwill disclosed in the financial statements that is reflected in Mozambique is Euros 2 million and Euros 128 million in Other Portugal, as described in note 30.

RECONCILIATION OF NET INCOME OF REPORTABLE SEGMENTS WITH THE NET RESULT OF THE GROUP

(Thousands of euros)

	2017	2016
Net contribution:		
Retail banking in Portugal	181,257	100,374
Companies, Corporate and Investment banking	6,742	(143,099)
Private Banking	24,691	21,173
Non-core business portfolio	(150,783)	(335,416)
Foreign business (continuing operations) (1)	247,455	244,951
Non-controlling interests (2)	(109,144)	(118,246)
	200,218	(230,263)
Income from discontinued or discontinuing operations (3)	-	36,806
	200,218	(193,457)
Amounts not allocated to segments:		
Interests of hybrid instruments	(6,343)	(65,525)
Net interest income of the bond portfolio	48,153	41,591
Interests written off	18,728	6,950
Own credit risk	(494)	2,469
Foreign exchange activity	21,157	28,067
Equity accounted earnings	51,793	67,534
Impairment and other provisions (4)	(190,655)	(341,083)
Operational costs (5)	14,182	185,741
Gains on sale of public debt (6)	54,417	5,017
Mandatory contributions	(57,859)	(51,742)
Gains on the acquisition of Visa Europe by Visa Inc. (1)	-	26,353
Gain arising from the sale of Banco Millennium Angola	-	7,329
Taxes (7)	77,078	313,938
Income from discontinued or discontinuing operations (8)	1,225	1,092
Non-controlling interests	5,978	(3,631)
Others (9)	(51,187)	(6,705)
Total not allocated to segments	(13,827)	217,395
Consolidated net income	186,391	23,938

(1) The net contribution of the Foreign Business (continuing operations) segment includes, in 2016, the gain of Euros 69.9 million arising from the sale of Visa Europe by Bank Millennium in Poland. For the same period, the balance Gains on the acquisition of Visa Europe by Visa Inc. only includes the amount of Euros 26.4 million related to the gains obtained from the same operation in Portugal, as referred in note 7.

(2) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, in Mozambique and in Angola (until April 2016).

(3) In 2016, includes the book value of the subsidiary in Angola considered as a discontinued operation. Concerning Angola, only includes the figures of the first three months of the year, since from May 2016 on, the contribution of the new merged entity, Banco Millennium Atlântico, resulted from the merger process of Banco Millennium in Angola with Banco Privado Atlântico started being accounted using the equity method.

(4) Includes provisions for property in kind and for funds specialized in the recovery of loans, administrative infractions, various contingencies and other unallocated to business segments.

(5) Corresponds to costs related to the impacts arising from the revision of the Collective Labour Agreement and to restructuring costs .

(6) Includes gains with Portuguese public debt that were classified in the available for sale financial assets portfolios, held for trading and at fair value through profit or loss.

(7) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.

(8) Gains arising from the sale of Millennium bcp Gestão de Ativos - Sociedade Gestora de Fundos de Investimento, S.A.

(9) It includes other operations not allocated previously namely funding for non-interest bearing assets and strategic financial investments, net commissions and other operating income / expenses and other income from financial operations.

52. RISK MANAGEMENT

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line.

Under this scope, the monitoring and control of the main types of financial risks to which the Group's business is subject to – credit, market, liquidity and operational – is particularly relevant.

MAIN TYPES OK RISK

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between these instruments and the respective volatilities.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

INTERNAL ORGANISATION

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval of the principles and rules of the highest level to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management.

The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention and repression of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

RISK ASSESSMENT

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Group's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	2017	2016
Central Governments or Central Banks	11,404,056	10,351,072
Regional Governments or Local Authorities	744,693	763,620
Administrative and non-profit Organisations	349,156	765,626
Multilateral Development Banks	19,432	17,968
Other Credit Institutions	2,915,047	3,024,895
Retail and Corporate customers	60,199,404	59,364,139
Other items (*)	11,449,727	13,889,468
	87,081,515	88,176,788

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

(*) In addition to positions in equity, collective investment and securitization, the Other items contain other assets subject to credit risk in accordance with article 134 of the CRR.

The Bank of Portugal applied for a group of templates to evaluate the risk associated to the loans portfolio and the calculation of the corresponding losses. Methodological notes regarding the following categories:

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees, when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognized stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, it can be applied the substitution principle by replacing the Risk Grade of the client by the Risk Grade of the guarantor, (if the Risk of Grade Degree of the guarantor is better than the client's), when the protection is formalized through:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, there is a recovery agreement of the provider);
- Credit derivatives;
- Formalization of the clause of the contracting party in leasing contracts in which it is an entity that is in a relationship of dominion or group with the lessee.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Bank of Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following two methods:

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;
ii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance wit the established standards from ECB and Bank of Portugal.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews in accordance with the Regulation (EU) 575/2013, in the case of offices, commercial spaces, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer, preserving the referred i) above.

For the remaining real estate (lan or country side buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee.

c) Impairment and Write-offs

The credit impairment calculation as at 31 December 2017 integrates the general principles defined by IAS 39 and the guidelines issued by the Bank of Portugal through "Carta-Circular 2/2014 / DSP", in order to align with the international best practices in this area.

This process is based, as far as possible, on the concepts and the data used in capital requirements calculation according to the Internal Ratings Based Approach (IRB), in order to maximize the synergies between the two processes.

There are three components to be considered in impairment calculation, according to the risk of the customers' exposure and whether there is objective evidence of impairment:

- Individual analysis for customers with high exposure and risk;
- Collective analysis for customers in default or considered at high risk, not included in individual analysis;
- Collective analysis of customers not in default, non-high risk or without enough evidence of impairment, as a result of individual analysis (IBNR - Incurred But Not Reported component).

Customers in one of the following conditions are submitted to individual analysis:

Customers in default

i) Customers in insolvency or under legal proceedings provided that the total exposure of the group's customers in these situations exceed Euros 1 million;
ii) Customers rated “15” integrated in groups with exposure above Euros 5 million;

Customers not in default but with impairment indicators

iii) Customers rated “14” integrated in groups with exposure above Euros 5 million;

Groups or Customers without impairment indicators

iv) Other customers integrating groups under the above conditions;
v) Groups or customers with exposure above Euros 5 million having restructured credits and rated "13";
vi) Groups or Customers with exposure above Euros 10 million, provided that some pre-defined impairment soft signs exist;
vii) Groups or Customers not included in the preceding paragraphs, with exposure above Euros 25 million.

Other customers, that do not meet the criteria above, will also be subject to individual analysis if under the following conditions:

i) Have impairment as a result of the latest individual analysis; or
ii) According to recent information, show a significant deterioration in risk levels; or
iii) are Special Vehicle Investment (SPV);

Individual analysis includes the following procedures:

- For customers without impairment signs, analysis of a set of financial difficulties indicators, in order to conclude if the customer has objective impairment signs;
- For customers with impairment signs and for those in which objective evidence of impairment is identified in the above mentioned preliminary analysis, loss estimation.

Customers included in individually analysis are subject to a regular process of assigning an expectation of recovery of the totality of their exposure and of the expected period for such recovery, and the impairment value of each customer should be supported, mainly in the prospects of receiving monetary, financial or physical assets and in the forecasted period for those receipts.

This process is carried out by recovery areas or by the Credit Division, supported by all the relevant elements for the calculation of impairment, including the following ones:

- economic and financial data, based on the most recent financial statements of the customer;
- qualitative data, characterizing the customer's situation, particularly with regard to the economic viability of the business;
- estimated cash flows for the clients on an ongoing basis;
- customers credit experience with the Bank and with the Financial System.

Each of the aforementioned units is responsible for assigning an expectation and a recovery period to the exposures relating to clients subject to individual analysis, which must be transmitted to the Risk Office in the context of the regular process of collection of information, accompanied by detailed justification of the impairment proposal.

The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, and it is the final decision on the client's impairment.

For the purpose of individual analysis, information on collaterals and guarantees plays an important role, mainly for real estate companies and whenever the viability of the customer's business is weak.

The Bank takes a conservative approach concerning collaterals, working with haircuts that incorporate the risk of assets devaluation, the sale and maintenance costs and the required time for sale.

For each client, the impairment is calculated as the difference between the exposure and the sum of the expected cash-flows of all the businesses, discounted at the effective interest rate of each operation.

Credits to customers that are not individually analysed are grouped according to their risk characteristics, and impairment is based on homogenous populations, assuming a one-year emergence period (or loss identification period).

For the calculation of the impairment by homogeneous population is used the following formula: Collective impairment = EAD * PD * LGD.

in which EAD represents the client's credit exposure, PD represents the probability of a customer going into default in the period of recognition of the loss and LGD represents the loss associated with a customer in default taking into account the time of default.

For the calculation of PD, the homogeneous populations result from the following factors:

- Customer segment for rating purposes (according to the corresponding rating model);
- Risk bucket, depending on customer current status (different probabilities of default correspond to the several buckets).

For the calculation of LGD, the homogeneous populations result from the following factors:

- Customer segment;
- Defaulted period;
- LTV (Loan to Value) for exposures collateralized by real estate.

LGD estimation is mainly based on the following components:

- a priori definition of the possible recovery scenarios;
- historical information about the Bank's recovery processes, mainly regarding incurred losses and the probabilities associated to each of the recovery scenarios;
- direct and indirect costs associated to the recovery processes;
- discounted rate to be used in the discount of the cash-flows to the date of default;
- collaterals associated to each loan.

The criteria and the concepts underlying the definition of the above mentioned homogeneous populations are in line with the ones used for capital requirements (IRB) purposes.

The results of the impairment calculation process are the subject of accounting. In accordance with "Carta-Circular 15/2009" from the Bank of Portugal, write-offs take place whenever there are no realistic expectations of recovery; hence, when impairment reaches 100%, credits shall be considered as uncollectible. However, even if a credit not yet has an impairment of 100% can also be classified as uncollectible, provided there are no recovery expectations. It is noteworthy that all of the described procedures and methodologies are subject to internal regulations superiorly approved, concerning impairment, credit granting and monitoring and non-performing credit treatment.

The following tables detail the exposures and impairment by segment, as at 31 December 2017. The data presented includes the irrevocable credit lines, guarantees and commitments:

(Thousands of euros)

	Exposure 2017					
		Performing loans			Non-performing loans	
Segment	Total Exposure	Total	Of which "cured" (a)	Of which restructured (b)	Total	Of which restructured (b)
Construction and CRE (*)	6,322,862	4,074,450	28,423	77,044	2,248,412	884,857
Companies-Other Activities	20,815,356	18,464,348	70,460	463,187	2,351,008	965,753
Mortgage loans	23,596,442	22,316,971	123,237	399,657	1,279,471	449,535
Individuals - Others	4,795,433	4,171,569	12,491	76,494	623,864	250,608
Other loans	3,206,371	2,305,980	8,096	444,002	900,391	371,125
	58,736,464	51,333,318	242,707	1,460,384	7,403,146	2,921,878

(*) - CRE - Commercial real estate

(a) - Credits that have been in default for more than 90 days or have been classified as Credit Risk and which, in the past 12 months, did not verify any of these conditions;

(b) - Credits in which there have been changes in the contractual terms, motivated by customer financial difficulties.

(Thousands of euros)

	Impairment 2017		
Segment	Total Impairment	Performing loans	Non-performing loans
Construction and CRE	921,163	28,487	892,676
Companies-Other Activities	1,282,922	123,447	1,159,475
Mortgage loans	240,666	28,300	212,366
Individuals - Others	397,003	41,228	355,775
Other loans	611,052	49,019	562,033
	3,452,806	270,481	3,182,325

The following tables detail the exposures and impairment by segments, as at 31 December 2016. The data presented includes the irrevocable credit lines, guarantees and commitments:

(Thousands of euros)

	Exposure 2016					
		Performing loans			Non-performing loans	
Segment	Total Exposure	Total	Of which "cured" (a)	Of which restructured (b)	Total	Of which restructured (b)
Construction and CRE	6,748,292	5,042,462	204,762	551,913	1,705,830	601,521
Companies-Other Activities	20,291,371	18,394,499	216,646	1,124,187	1,896,872	668,235
Mortgage loans	24,103,692	22,768,643	196,672	666,056	1,335,049	352,006
Individuals - Others	4,664,975	3,963,339	28,110	153,607	701,636	261,274
Other loans	2,971,136	2,501,615	76,775	381,303	469,521	299,469
Total	58,779,466	52,670,558	722,965	2,877,066	6,108,908	2,182,505

(a) - Credits that have been in default for more than 90 days or have been classified as Credit Risk and which, in the past 12 months, did not verify any of these conditions;

(b) - Credits in which there have been changes in the contractual terms, motivated by customer financial difficulties.

(Thousands of euros)

Segment	Impairment 2016 Total Impairment	Performing loans	Non-performing loans
Construction and CRE	968,978	198,499	770,479
Companies-Other Activities	1,462,086	512,074	950,012
Mortgage loans	316,314	49,844	266,470
Individuals - Others	513,351	93,196	420,155
Other loans	608,178	269,729	338,449
	3,868,907	1,123,342	2,745,565

The following tables include the detail of the overdue exposure and impairment respectively by segment, as at 31 December 2017:

(Thousands of euros)

	Exposure 2017					
		Performing loans			Non-performing loans	
	Total	Days past due <30			Days past due	
Segment	Exposure	Without evidence	With evidence	Total	<=90 (*)	>90
Construction and CRE	6,322,862	3,896,514	129,316	4,025,830	24,220	2,224,191
Companies-Other Activities	20,815,356	17,222,362	201,228	17,423,590	81,650	2,269,358
Mortgage loans	23,596,442	22,080,629	138,049	22,218,678	67,004	1,212,466
Individuals - Others	4,795,433	4,090,869	47,205	4,138,074	80,284	543,580
Other loans	3,206,371	2,234,013	41,981	2,275,994	6,657	893,734
	58,736,464	49,524,387	557,779	50,082,166	259,815	7,143,329

(*) Credit with capital instalments or interest overdue for less than 90 days, but for which there is evidence to justify its classification as credit at risk, namely bankruptcy or liquidation of the debtor, among others.

The tables disclosed above do not include exposure related to performing loans with past due between 30 and 90 days.

(Thousands of euros)

	Impairment 2017				
		Performing loans		Non-performing loans	
	Total	Days past due		Days past due	
Segment	Impairment	<30	between 30-90	<=90 (*)	>90
Construction and CRE	921,163	27,257	1,236	3,035	889,635
Companies-Other Activities	1,282,922	87,630	35,856	22,982	1,136,454
Mortgage loans	240,666	23,116	5,184	12,447	199,919
Individuals - Others	397,003	33,446	7,782	21,675	334,100
Other loans	611,052	27,403	21,616	1,231	560,802
	3,452,806	198,852	71,674	61,370	3,120,910

(*) Credit with capital instalments or interest overdue for less than 90 days, but for which there is evidence to justify its classification as credit at risk, namely bankruptcy or liquidation of the debtor, among others.

The following tables include the detail of the overdue exposures and impairment respectively by segment, as at 31 December 2016:

(Thousands of euros)

	Exposure 2016					
		Performing loans			Non-performing loans	
	Total	Days past due <30			Days past due	
Segment	Exposure	Without evidence	With evidence	Total	<=90 (*)	>90
Construction and CRE	6,748,292	4,060,773	896,062	4,956,835	563,519	1,142,312
Companies-Other Activities	20,291,371	15,693,300	1,893,076	17,586,376	333,054	1,563,818
Mortgage loans	24,103,692	22,058,813	519,822	22,578,635	71,029	1,264,020
Individuals - Others	4,664,975	3,721,530	176,385	3,897,915	110,511	591,125
Other loans	2,971,136	1,996,372	498,510	2,494,882	38,251	431,271
	58,779,466	47,530,788	3,983,855	51,514,643	1,116,364	4,992,546

(*) Credit with capital instalments or interest overdue for less than 90 days, but for which there is evidence to justify its classification as credit at risk, namely bankruptcy or liquidation of the debtor, among others.

The tables disclosed above do not include exposure related to performing loans with past due between 30 and 90 days.

(Thousands of euros)

	Impairment 2016				
		Performing loans		Non-performing loans	
	Total	Days past due		Days past due	
Segment	Impairment	<30	between 30-90	<=90 (*)	>90
Construction and CRE	968,978	194,988	3,511	229,196	541,283
Companies-Other Activities	1,462,086	499,588	12,486	134,998	815,014
Mortgage loans	316,314	39,239	10,604	12,160	254,311
Individuals - Others	513,351	70,563	22,633	46,757	373,398
Other loans	608,178	269,212	516	14,614	323,836
	3,868,907	1,073,590	49,750	437,725	2,307,842

(*) Credit with capital instalments or interest overdue for less than 90 days, but for which there is evidence to justify its classification as credit at risk, namely bankruptcy or liquidation of the debtor, among others.

As at 31 December 2017, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2017					
Year of production	**Construction and CRE**	**Companies - Other Activities**	**Mortgage loans**	**Individuals - Others**	**Other loans**	**Total**
2007 and previous						
Number of operations	13,525	25,709	293,527	518,544	469	851,774
Value (Euros '000)	1,102,287	3,293,047	11,950,816	566,768	282,030	17,194,948
Impairment constituted (Euros '000)	172,898	127,150	118,985	39,144	86,688	544,866
2008						
Number of operations	2,334	4,438	51,483	84,530	101	142,886
Value (Euros '000)	430,283	690,601	2,859,321	118,454	71,494	4,170,153
Impairment constituted (Euros '000)	53,814	36,708	37,916	9,427	9,846	147,711
2009						
Number of operations	2,342	3,835	20,171	73,416	82	99,846
Value (Euros '000)	297,134	705,530	1,016,080	91,262	57,557	2,167,563
Impairment constituted (Euros '000)	25,956	15,910	12,920	7,818	668	63,272
2010						
Number of operations	2,139	4,670	22,205	92,057	107	121,178
Value (Euros '000)	318,513	442,468	1,139,539	108,272	69,002	2,077,794
Impairment constituted (Euros '000)	24,176	21,367	7,321	6,647	13,483	72,994
2011						
Number of operations	2,084	6,168	14,505	105,969	102	128,828
Value (Euros '000)	251,558	548,450	690,366	135,493	99,878	1,725,745
Impairment constituted (Euros '000)	24,473	18,361	3,948	8,904	9,144	64,830
2012						
Number of operations	1,985	7,595	11,886	110,811	127	132,404
Value (Euros '000)	130,199	653,268	512,374	126,610	18,557	1,441,008
Impairment constituted (Euros '000)	11,940	69,121	4,523	10,514	2,298	98,396
2013						
Number of operations	2,828	11,243	12,391	157,954	261	184,677
Value (Euros '000)	248,907	1,021,859	582,308	207,984	505,504	2,566,562
Impairment constituted (Euros '000)	22,000	33,870	5,886	22,112	39,142	123,010
2014						
Number of operations	3,429	17,518	9,152	186,626	346	217,071
Value (Euros '000)	306,153	1,525,860	491,689	322,617	271,324	2,917,643
Impairment constituted (Euros '000)	9,149	54,225	4,526	33,075	19,289	120,264
2015						
Number of operations	4,696	24,652	10,533	252,867	590	293,338
Value (Euros '000)	354,769	2,457,408	651,805	597,156	377,141	4,438,279
Impairment constituted (Euros '000)	30,477	105,387	2,525	42,437	103,223	284,049
2016						
Number of operations	5,107	31,664	14,425	275,819	592	327,607
Value (Euros '000)	577,491	2,737,819	957,102	829,740	309,842	5,411,994
Impairment constituted (Euros '000)	20,440	64,001	3,090	28,886	7,371	123,788
2017						
Number of operations	8,562	102,309	25,986	389,045	4,039	529,941
Value (Euros '000)	1,150,717	5,203,244	1,973,777	1,312,089	551,122	10,190,949
Impairment constituted (Euros '000)	17,714	51,943	4,414	20,182	21,593	115,846
Total						
Number of operations	49,031	239,801	486,264	2,247,638	6,816	3,029,550
Value (Euros '000)	5,168,011	19,279,554	22,825,177	4,416,445	2,613,451	54,302,638
Impairment constituted (Euros '000)	413,037	598,043	206,054	229,146	312,745	1,759,026

As at 31 December 2016, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2016					
Year of production	**Construction and CRE**	**Companies - Other Activities**	**Mortgage loans**	**Individuals - Others**	**Other loans**	**Total**
2006 and previous						
Number of operations	13,954	27,200	238,932	495,381	612	776,079
Value (Euros '000)	987,187	2,950,498	9,274,646	510,746	93,713	13,816,790
Impairment constituted (Euros '000)	153,796	124,394	116,516	54,484	5,822	455,012
2007						
Number of operations	2,510	4,937	74,381	89,737	105	171,670
Value (Euros '000)	340,607	988,410	4,139,184	138,278	133,037	5,739,516
Impairment constituted (Euros '000)	64,934	68,366	55,587	18,953	82,562	290,402
2008						
Number of operations	3,068	5,871	53,873	101,624	119	164,555
Value (Euros '000)	584,715	852,956	3,217,980	142,400	128,754	4,926,805
Impairment constituted (Euros '000)	70,834	72,220	42,295	22,102	11,880	219,331
2009						
Number of operations	3,040	5,011	21,614	92,642	123	122,430
Value (Euros '000)	345,427	860,420	1,130,253	111,509	124,445	2,572,054
Impairment constituted (Euros '000)	29,742	20,960	18,976	17,008	15,803	102,489
2010						
Number of operations	2,881	5,868	23,711	122,176	159	154,795
Value (Euros '000)	418,951	498,879	1,230,618	123,635	92,606	2,364,689
Impairment constituted (Euros '000)	24,085	30,112	8,578	14,556	12,872	90,203
2011						
Number of operations	2,820	8,792	15,503	139,078	155	166,348
Value (Euros '000)	263,864	731,191	732,335	145,005	30,794	1,903,189
Impairment constituted (Euros '000)	24,632	61,294	3,957	14,247	7,942	112,072
2012						
Number of operations	2,705	10,805	12,688	146,103	221	172,522
Value (Euros '000)	248,257	872,458	538,325	144,676	48,516	1,852,232
Impairment constituted (Euros '000)	14,801	75,056	4,207	12,702	3,388	110,154
2013						
Number of operations	3,854	16,364	13,289	192,661	405	226,573
Value (Euros '000)	326,763	1,261,752	633,521	288,250	473,537	2,983,823
Impairment constituted (Euros '000)	22,111	40,362	6,127	26,632	7,676	102,908
2014						
Number of operations	4,242	22,475	9,756	226,808	559	263,840
Value (Euros '000)	401,286	2,020,901	529,641	438,920	348,371	3,739,119
Impairment constituted (Euros '000)	21,645	46,060	5,110	33,894	19,369	126,078
2015						
Number of operations	5,267	27,642	11,119	306,969	840	351,837
Value (Euros '000)	591,962	3,054,775	719,689	785,720	384,592	5,536,738
Impairment constituted (Euros '000)	28,876	119,317	2,845	34,598	35,669	221,305
2016						
Number of operations	7,913	60,938	13,618	300,805	2,028	385,302
Value (Euros '000)	883,234	4,173,631	1,008,641	1,298,497	732,708	8,096,711
Impairment constituted (Euros '000)	25,776	39,645	3,696	20,123	7,682	96,922
Total						
Number of operations	52,254	195,903	488,484	2,213,984	5,326	2,955,951
Value (Euros '000)	5,392,253	18,265,871	23,154,833	4,127,636	2,591,073	53,531,666
Impairment constituted (Euros '000)	481,232	697,786	267,894	269,299	210,665	1,926,876

As at 31 December 2017, the following tables include the details of the loans portfolio subject to individual and collective impairment by segment, sector and geography:

(Thousands of euros)

	2017					
	Exposure			Impairment		
Segment	Individual	Collective (*)	Total	Individual	Collective	Total
Construction and CRE	2,386,169	3,936,693	6,322,862	791,803	129,360	921,163
Companies - Other Activities	2,221,024	18,594,332	20,815,356	1,060,142	222,780	1,282,922
Mortgage loans	59,898	23,536,544	23,596,442	24,146	216,520	240,666
Individuals - Others	111,446	4,683,987	4,795,433	59,999	337,004	397,003
Other loans	1,943,082	1,263,289	3,206,371	599,874	11,178	611,052
	6,721,619	52,014,845	58,736,464	2,535,964	916,842	3,452,806

(Thousands of euros)

	2017					
	Exposure			Impairment		
Activity sector	Individual	Collective (*)	Total	Individual	Collective	Total
Loans to Individuals	162,698	26,728,592	26,891,290	80,088	520,009	600,097
Manufacturing	425,257	4,625,822	5,051,079	121,814	64,219	186,033
Construction	1,344,209	1,779,677	3,123,886	478,654	82,601	561,255
Commerce	390,418	4,721,932	5,112,350	97,400	106,763	204,163
Real Estate Promotion	242,795	678,255	921,050	69,406	9,012	78,418
Other Services	3,228,789	11,004,089	14,232,878	1,592,021	109,310	1,701,331
Other Activities	927,453	2,476,478	3,403,931	96,581	24,928	121,509
	6,721,619	52,014,845	58,736,464	2,535,964	916,842	3,452,806

(Thousands of euros)

	2017					
	Exposure			Impairment		
Geography	Individual	Collective (*)	Total	Individual	Collective	Total
Portugal	5,029,153	38,312,708	43,341,861	2,355,933	634,035	2,989,968
Mozambique	1,141,401	96,854	1,238,255	77,884	18,649	96,533
Poland	176,648	13,605,283	13,781,931	99,610	264,158	363,768
Switzerland	374,417	-	374,417	2,537	-	2,537
	6,721,619	52,014,845	58,736,464	2,535,964	916,842	3,452,806

As at 31 December 2016, the following table includes the details of the loans portfolio subject to individual and collective impairment by segment:

(Thousands of euros)

	2016					
	Exposure			Impairment		
Segment	Individual	Collective (*)	Total	Individual	Collective	Total
Construction and CRE	2,119,430	4,628,862	6,748,292	758,593	210,385	968,978
Companies - Other Activities	3,185,584	17,105,787	20,291,371	1,152,849	309,237	1,462,086
Mortgage loans	73,302	24,030,390	24,103,692	22,330	293,984	316,314
Individuals - Others	124,418	4,540,557	4,664,975	66,963	446,388	513,351
Other loans	1,303,921	1,667,215	2,971,136	585,872	22,306	608,178
	6,806,655	51,972,811	58,779,466	2,586,607	1,282,300	3,868,907

(*) The Collective Exposure column includes the credits under individual analysis for which the Group concluded that there is no objective evidence of impairment.

As at 31 December 2016, the following tables include the details of the loans portfolio subject to individual and collective impairment, by sector and geography:

(Thousands of euros)

	2016					
	Exposure			Impairment		
Activity sector	**Individual**	**Collective (*)**	**Total**	**Individual**	**Collective**	**Total**
Loans to Individuals	189,387	27,089,364	27,278,751	85,368	684,960	770,328
Manufacturing	260,843	4,117,389	4,378,232	98,174	87,593	185,767
Construction	990,647	2,379,746	3,370,393	400,294	134,501	534,795
Commerce	192,188	4,576,106	4,768,294	67,719	171,453	239,172
Real Estate Promotion	572,232	749,161	1,321,393	158,805	12,299	171,104
Other Services	3,745,051	10,060,467	13,805,518	1,607,959	158,625	1,766,584
Other Activities	856,307	3,000,578	3,856,885	168,288	32,869	201,157
	6,806,655	51,972,811	58,779,466	2,586,607	1,282,300	3,868,907

(Thousands of euros)

	2016					
	Exposure			Impairment		
Geography	**Individual**	**Collective (*)**	**Total**	**Individual**	**Collective**	**Total**
Portugal	6,130,870	38,100,228	44,231,098	2,458,327	1,004,630	3,462,957
Mozambique	105,654	1,375,707	1,481,361	38,115	50,696	88,811
Poland	197,002	12,496,876	12,693,878	88,094	226,974	315,068
Switzerland	373,129	-	373,129	2,071	-	2,071
	6,806,655	51,972,811	58,779,466	2,586,607	1,282,300	3,868,907

(*) The Collective Exposure column includes the credits under individual analysis for which the Group concluded that there is no objective evidence of impairment.

The following chart includes the entrances and the exits of the restructured loans portfolio:

(Thousands of euros)

	2017	**2016**
Balance on 1 January	5,059,571	5,440,684
Transfers resulted from structure changes (*)	-	(71,197)
Restructured loans in the year	718,988	888,271
Accrued interests of the restructured portfolio	48,024	7,383
Settlement restructured credits (partial or total)	(747,088)	(684,603)
Reclassified loans from restructured to normal	(282,664)	(299,580)
Others	(414,569)	(221,387)
Balance at the end of the year	4,382,262	5,059,571

(*) Banco Millennium Angola, S.A.

As at 31 December 2017, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2017					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other Collateral (*)**	**Real Estate**	**Other Collateral (*)**	**Real Estate**	**Other Collateral (*)**
< 0.5 M€						
Number	8,234	7,265	11,659	59,792	405,122	466
Value (Euros '000)	973,882	192,714	1,548,932	1,456,339	44,297,149	24,169
>= 0.5 M€ and < 1 M€						
Number	539	56	1,179	267	2,182	6
Value (Euros '000)	367,191	35,677	818,215	186,548	1,405,443	3,948
>= 1 M€ and < 5 M€						
Number	409	58	938	246	297	2
Value (Euros '000)	821,414	111,562	1,842,171	501,882	440,762	4,039
>= 5 M€ and < 10 M€						
Number	47	6	108	23	3	-
Value (Euros '000)	319,356	46,363	737,290	170,979	18,391	-
>= 10 M€ and < 20 M€						
Number	38	4	62	19	-	-
Value (Euros '000)	555,655	57,738	833,482	272,379	-	-
>= 20 M€ and < 50 M€						
Number	11	1	30	4	-	-
Value (Euros '000)	315,506	22,230	944,616	108,978	-	-
>= 50 M€						
Number	4	-	9	4	-	-
Value (Euros '000)	250,839	-	834,614	842,987	-	-
Total						
Number	9,282	7,390	13,985	60,355	407,604	474
Value (Euros '000)	3,603,843	466,284	7,559,320	3,540,092	46,161,745	32,156

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2016, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2016					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other Collateral (*)**	**Real Estate**	**Other Collateral (*)**	**Real Estate**	**Other Collateral (*)**
< 0.5 M€						
Number	9,122	6,118	11,425	50,211	406,843	447
Value (Euros '000)	1,037,511	101,234	1,576,589	549,682	44,361,715	22,468
>= 0.5 M€ and < 1 M€						
Number	582	48	1,233	254	2,048	4
Value (Euros '000)	390,326	26,845	858,829	140,359	1,317,158	2,506
>= 1 M€ and < 5 M€						
Number	417	44	1,055	223	274	1
Value (Euros '000)	804,227	55,103	2,069,466	367,380	407,943	1,824
>= 5 M€ and < 10 M€						
Number	52	3	110	18	6	-
Value (Euros '000)	314,635	6,148	745,492	120,051	32,022	-
>= 10 M€ and < 20 M€						
Number	41	3	72	11	2	-
Value (Euros '000)	586,963	15,950	987,617	151,649	26,807	-
>= 20 M€ and < 50 M€						
Number	11	-	25	12	-	-
Value (Euros '000)	339,336	-	834,071	310,046	-	-
>= 50 M€						
Number	3	-	9	5	-	-
Value (Euros '000)	221,017	-	763,086	913,612	-	-
Total						
Number	10,228	6,216	13,929	50,734	409,173	452
Value (Euros '000)	3,694,015	205,280	7,835,150	2,552,779	46,145,645	26,798

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2017, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2017			
Segment/Ratio	Number of properties	Performing loans	Non-performing loans	Impairment
Construction and CRE				
Without associated collateral	n.a.	2,392,620	698,185	369,525
<60%	9,331	538,924	95,724	26,589
>=60% and <80%	4,113	359,663	148,150	26,228
>=80% and <100%	2,234	305,654	122,626	48,536
>=100%	38,406	477,589	1,183,727	450,285
Companies - Other Activities				
Without associated collateral	n.a.	13,407,838	1,282,197	695,075
<60%	44,040	1,611,046	173,476	77,424
>=60% and <80%	15,305	1,043,046	128,443	43,284
>=80% and <100%	11,758	778,326	142,199	65,057
>=100%	7,011	1,624,093	624,692	402,082
Mortgage loans				
Without associated collateral	n.a.	409,090	13,260	11,301
<60%	266,317	8,684,265	186,719	20,513
>=60% and <80%	139,291	7,692,693	223,109	18,064
>=80% and <100%	72,474	3,980,818	309,375	28,094
>=100%	32,449	1,550,105	547,008	162,694

As at 31 December 2016, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2016			
Segment/Ratio	Number of properties	Performing loans	Non-performing loans	Impairment
Construction and CRE				
Without associated collateral	n.a.	2,623,640	572,377	335,981
<60%	9,440	651,488	62,593	31,177
>=60% and <80%	3,558	376,367	148,279	48,787
>=80% and <100%	2,290	432,887	92,814	68,083
>=100%	39,362	958,081	829,766	484,950
Companies - Other Activities				
Without associated collateral	n.a.	12,993,008	1,062,494	707,851
<60%	36,660	1,830,677	115,842	105,523
>=60% and <80%	13,370	1,075,359	101,104	58,065
>=80% and <100%	10,516	697,979	122,288	48,271
>=100%	8,500	1,797,476	495,144	542,376
Mortgage loans				
Without associated collateral	n.a.	80,268	8,283	6,719
<60%	257,170	8,287,300	143,948	20,873
>=60% and <80%	137,791	7,462,388	185,475	18,938
>=80% and <100%	81,980	4,520,200	291,601	34,685
>=100%	43,992	2,418,488	705,741	235,099

As at 31 December 2017, the following table includes the fair value and the accounting net value of the properties arising from recovered loans, by asset and aging:

(Thousands of euros)

	2017					
	Assets arising from recovered loans results (note 27)		Assets belong to investments funds and real estate companies (note 27)		Total	
Asset	Value of the asset	Book value	Value of the asset	Book value	Value of the asset	Book value
Land						
Urban	610,976	560,413	378,754	378,754	989,730	939,167
Rural	10,065	7,679	3,476	3,476	13,541	11,155
Buildings in development						
Commercials	6,289	5,683	37,651	37,651	43,940	43,334
Mortgage loans	60,147	55,980	9,095	9,095	69,242	65,075
Others	721	721	-	-	721	721
Constructed buildings						
Commercials	366,978	325,130	35,581	35,581	402,559	360,711
Mortgage loans	673,157	604,417	10,564	10,564	683,721	614,981
Others	4,562	4,365	5,238	5,238	9,800	9,603
	1,732,895	1,564,388	480,359	480,359	2,213,254	2,044,747

As at 31 December 2017, the following table includes the accounting net value of the properties arising from recovered loans, by aging:

(Thousands of euros)

	2017					
		Past due since the lieu / execution				
Asset	Number of properties (*)	<1 year	>=1 year and <2,5 years	>=2,5 years and <5 years	>=5 years	Total
Land						
Urban	2,199	133,797	430,081	147,790	227,499	939,167
Rural	221	5,496	3,146	931	1,582	11,155
Buildings in development						
Commercials	70	-	1,303	38,409	3,622	43,334
Mortgage loans	525	8,392	28,410	8,524	19,749	65,075
Others	2	-	660	-	61	721
Constructed buildings						
Commercials	1,892	64,511	84,207	123,326	88,667	360,711
Mortgage loans	7,313	221,922	222,576	120,948	49,535	614,981
Others	19	4,072	9	4,575	947	9,603
	12,241	438,190	770,392	444,503	391,662	2,044,747

(*) quantified by autonomous fraction

As at 31 December 2016, the following table includes the fair value and the accounting net value of the properties arising from recovered loans, by asset and aging:

(Thousands of euros)

	2016					
	Assets arising from recovered loans results (note 27)		Assets belong to investments funds and real estate companies (note 27)		Total	
Asset	Value of the asset	Book value	Value of the asset	Book value	Value of the asset	Book value
Land						
Urban	652,374	574,518	400,618	400,618	1,052,992	975,136
Rural	15,523	12,021	-	-	15,523	12,021
Buildings in development						
Commercials	-	-	44,634	44,634	44,634	44,634
Others	674	674	-	-	674	674
Constructed buildings						
Commercials	239,084	207,589	41,855	41,855	280,939	249,444
Mortgage loans	749,929	649,284	24,417	24,417	774,346	673,701
Others	178,912	150,934	6,643	6,643	185,555	157,577
Others	-	-	3,817	3,817	3,817	3,817
	1,836,496	1,595,020	521,984	521,984	2,358,480	2,117,004

As at 31 December 2016, the following table includes accounting net value of the properties arising from recovered loans, by aging:

(Thousands of euros)

	2016					
		Past due since the lieu / execution				
Asset	Number of properties (*)	<1 year	>=1 year and <2.5 years	>=2.5 years and <5 years	>=5 years	Total
Land						
Urban	2,358	271,988	212,774	142,385	347,989	975,136
Rural	188	7,209	1,527	920	2,365	12,021
Buildings in development						
Commercials	2	-	-	-	44,634	44,634
Others	2	617	-	-	57	674
Constructed buildings						
Commercials	1,695	33,848	65,991	79,047	70,558	249,444
Mortgage loans	7,609	343,610	178,169	79,199	72,723	673,701
Others	406	18,082	26,612	65,203	47,680	157,577
Others	3	-	-	-	3,817	3,817
	12,263	675,354	485,073	366,754	589,823	2,117,004

(*) quantified by autonomous fraction

As at 31 December 2017, the following table includes the distribution of the loans portfolio by segment and degrees of internal risk, attributable in Portugal and Poland:

(Thousands of euros)

	2017					
Degrees of risk	Construction and CRE	Companies Other Activities	Mortgage loans	Individuals Others	Other Credits	Total
Higher quality						
1	-	5	-	-	-	5
2	785	14,129	3,731,944	370,962	35	4,117,855
3	11,305	783,892	6,149,038	160,147	413	7,104,795
4	139,500	2,334,630	3,396,057	465,816	81,546	6,417,549
5	140,312	2,056,968	2,360,270	600,628	277,690	5,435,868
6	452,348	2,824,037	1,675,172	531,259	61,167	5,543,983
Average quality						
7	267,550	1,817,529	1,130,634	566,873	127,622	3,910,208
8	208,980	2,024,037	772,348	413,752	210,153	3,629,270
9	448,418	1,838,660	775,519	291,502	192,259	3,546,358
Lower quality						
10	351,335	950,325	574,963	165,486	177,512	2,219,621
11	579,056	754,776	387,282	116,550	23,044	1,860,708
12	616,191	1,486,475	795,848	199,112	97,586	3,195,212
Procedural						
13	35,238	19,844	175,471	63,359	365	294,277
14	41,959	105,621	75,056	32,573	31,828	287,037
15	2,228,501	2,453,383	1,429,561	610,372	772,710	7,494,527
Not classified (without degree of risk)	440,046	1,338,979	155,784	46,962	84,746	2,066,517
	5,961,524	20,803,290	23,584,947	4,635,353	2,138,676	57,123,790

As at 31 December 2016, the following table includes the distribution of the loans portfolio by segment and degrees of internal risk, attributable in Portugal and Poland:

(Thousands of euros)

	2016					
Degrees of risk	Construction and CRE	Companies Other Activities	Mortgage loans	Individuals Others	Other Credits	Total
Higher quality						
1	-	2	-	-	-	2
2	2,033	19,519	4,018,844	341,842	-	4,382,238
3	3,281	119,768	2,599,096	98,061	361	2,820,567
4	45,395	1,594,023	5,259,247	230,697	14,699	7,144,061
5	146,495	1,510,764	3,119,117	697,564	313,173	5,787,113
6	381,357	2,539,932	1,900,010	517,556	22,233	5,361,088
Average quality						
7	220,504	1,708,236	1,481,423	523,515	97,764	4,031,442
8	349,773	2,397,122	899,127	366,992	50,565	4,063,579
9	338,060	1,731,824	768,276	290,138	161,730	3,290,028
Lower quality						
10	672,034	978,908	686,832	193,492	200,950	2,732,216
11	208,538	532,768	377,493	113,588	14,080	1,246,467
12	864,728	1,655,436	625,830	156,357	78,252	3,380,603
Procedural						
13	19,964	66,622	175,318	53,030	-	314,934
14	31,403	110,015	96,273	32,841	55	270,587
15	2,500,535	3,516,179	1,908,378	815,257	832,366	9,572,715
Not classified (without degree of risk)	391,079	1,788,807	167,208	33,454	146,788	2,527,336
	6,175,179	20,269,925	24,082,472	4,464,384	1,933,016	56,924,976

Credit concentration risk

The Group's policy relating to the identification, measurement and evaluation of the concentration risk in credit risk is defined and described in the document Credit Principles and Guidelines, approved by the Bank's management body. This policy applies to all Group entities by the transposition of the respective definitions and requirements into the internal rulings of each entity. Through the document mentioned above, the Group defined the following guidelines relating to the control and management of credit concentration risk:

The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Customer Groups" - sets of connected Customers (individual persons or companies), which represent a single entity from a credit risk perspective, such that if one of them is affected by financial problems, one or all of the others, will probably face difficulties to fulfil their debtor obligations. The Customer connections that originate a Customer group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency).The identification of connected clients is an integral part of the credit granting and monitoring processes of each entity.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for:

1) Corporate single-name exposures (Large exposures);
2) Exposures to sovereign risks;
3) Exposures to Institutions (banks/financial institutions);
4) Exposure to sectors of activity;
5) Geographic concentration (country risk).

These limits apply to the 'Net exposures' at stake(*), relating either to a counterparty or a group of counterparties – cases for 1), 2) and 3) – or to the set of exposures to an activity sector or to a country (the counterparty country of residence) – cases for 4) and 5). The measurement of geographic concentration excludes the countries in which the Group operates (Portugal, Poland and Mozambique).

Except for case 4), the concentration limits are established by taking into consideration the credit worthiness of the debtors at stake in what concerns their rating grades/probability of Default (PD) (internal or external ratings; country rating in the case of geographic concentration).

The concentration limits for Corporate single-name exposures apply only to non-NPE positions, since the NPE(**) positions are covered by the NPE reduction Plan.

The limits for single-name concentration are presented in the following table, which indicates the single-name limit established in 2017 (for any given Customer/Group of Customers), as the Net Exposure weight on the consolidated Own Funds:

Risk quality	Risk grade	Max Net exposure as a % of COF
High quality	1 – 5	8.0%
Average/good quality	6 – 7	6.0%
Average low/quality	8 - 9	4.0%
Low quality	10 – 11	1.0%
Restricted credit	12 or worse	0.5%

As at 31 of December 2017 there were 4 Economic Groups with net exposure above the limits approved for the respective risk grade, which compares with 8 Customers by the end of 2016. For each client with exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

It should also be referred that the measurement of this concentration type is also done within the Group RAS (Risk Appetite Statement)(***) scope.

Risk grades: 1 – 3 - Very low risk ; 4 – 6 - Low risk; 7 - 12 - Average (or lower quality) risk.

(*) Net exposure = EAD x LGD, assuming that PD=1 and considering LGD=45% whenever own estimates for LGD do not exist.
(**) NPE = Non-performing exposures
(***) "Risk Appetite" indicators.

The following tables present the concentration limits to Sovereigns, Institutions, activity sectors and geographies, as well as the measurements of these concentrations as at 31 December 2017:

Counterparties	Limit (% of COF)	Net exposure % weight
Sovereigns	Very low risk 25%; low risk 10%; average (or lower quality) risk 7.5%	Sovereign 1: 3.8% (very low risk); Sovereign 2: 0.4% (low risk); Sovereign 3: 0.01% (low risk); Sovereign 4: 0.01% (very low risk)
Institutions	Very low risk 10%; low risk 5%; average (or lower quality) risk 2.5%	Institution 1 (very low risk): 2.7%; Institution 2 (average or lower quality risk): 2.0%; Institution 3 (low risk): 0.7%; Institution 4: 0.7%; Institution 5: 0.6%; Institution 6: 0.6%; Institution 7: 0.6%; Institution 8: 0.5%; Institution 9: 0.5%; Institution 10: 0.5%; Institution 11: 0.4%; Institution 12: 0.3%; Institution 13: 0.3%; Institution 14: 0.3%; Institution 15: 0.3%; Institution 16: 0.2%; Institution 17: 0.2%; Institution 18: 0.2%; Institution 19: 0.2%; Institution 20: 0.2%

Portfolios	Limit (% of COF)	Net exposure % weight
Country risk	Very low risk 40%; low risk 20%; average (or lower quality) risk 10%	Country 1 (very low risk): 4.9% ; Country 2 (very low risk): 2.7% ; Country 3 (very low risk): 2.6% ; Country 4 (average or lower quality risk): 2.5% ; Country 5 (very low risk): 2.3% ; Country 6 (very low risk): 1.8% ; Country 7 (very low risk): 1.5% ; Country 8: 1.3% ; Country 9: 0.8% ; Country 10: 0.6% ; Country 11: 0.5% ; Country 12: 0.3% ; Country 13: 0.2% ; Country 14: 0.2% ; Country 15: 0.2%
Sectors of activity	40% of the Group entity's Own Funds	Portugal: Other corporate services 28.4%; Other activities 19.2%; Construction 17.9%; Financial and insurance activities 16.2%; wholesale and retail trade and repairs 16.2% Poland: Wholesale and retail trade and repairs 25.2%; Transporting ansd storage 12.1%; Financial and insurance activities 10.5%

COF = Consolidated Own Funds

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks, which are assessed by measuring the weights of the net exposure values in question in terms of the consolidated Own Funds level. For such measurements, the Risk Office uses a database on credit exposures (the Risk Office Datamart), monthly updated by the Group’s systems, which also feeds a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, used by the Credit Division within the scope of credit analysis for large clients.

Market risk

Market risks consist in losses that may occur as a result of changes in rates (interest or exchange rates) and / or in the prices of different financial instruments, considering not only the correlations between them but also their volatilities.

For the purposes of profitability analysis and market risk quantification and control, the following management areas are defined for each entity of the Group:

- Trading - Management of positions whose objective is the achievement of short term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;
- Funding - Management of institutional funding (wholesale funding) and money market positions;
- Investment - Management of all the positions in securities to be held to maturity (or for a longer period of time) or positions which are not tradable on liquid markets;
- Commercial - Management of positions arising from commercial activity with Customers;
- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM - Assets and Liabilities management.

The definition of these areas allows for an effective separation of the trading and banking portfolios management, as well as for a proper allocation of each operation to the most appropriate management area, according to its context and strategy.

In order to ensure that the risk levels incurred in the different portfolios of the Group comply with the predefined levels of tolerance to risk, various market risks limits are established, at least yearly, being applicable to all portfolios of the risk management areas over which the risks are incident. These limits are monitored on a daily basis (or intra-daily, in the case of financial markets) by the Risk Office.

Stop Loss limits are also defined for the financial markets areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. When these limits are reached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

Trading book market risks (Positions allocated to the Trading Management Area and not, specifically, to the accounting Trading Book)

The Group uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured through standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The following table presents the values at risk for the trading book between 31 December 2017 and 2016, as measured by the above methodologies:

(Thousands of euros)

	2017	Average	Maximum	Minimum	2016
Generic Risk (VaR)					
Interest Rate Risk	2,450	2,946	5,790	834	3,855
FX Risk	790	835	497	443	354
Equity Risk	36	145	11	24	37
Diversification effects	730	827	490	308	325
	2,546	3,099	5,808	993	3,921
Specific Risk	100	386	1,026	81	440
Non Linear Risk	7	7	67	1	8
Commodities Risk	6	18	24	3	16
Global Risk	2,659	3,510	6,925	1,078	4,385

In order to check the appropriateness of the internal VaR model to the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identify risk concentrations that have not been captured by the VaR model and, also, to test for other possible dimensions of loss.

Interest rate risk

The interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, but with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Group holds material positions:

(Thousands of euros)

	2017			
Currency	- 200 bp (*)	- 100 bp (*)	+ 100 bp	+ 200 bp
CHF	2,604	2,604	3,815	7,555
EUR	(62,356)	(64,565)	210,712	409,920
PLN	(27,614)	(14,137)	13,840	27,386
USD	(26,289)	(12,915)	12,423	24,405
	(113,655)	(89,013)	240,790	469,266

(Thousands of euros)

	2016			
Currency	- 200 bp (*)	- 100 bp (*)	+ 100 bp	+ 200 bp
CHF	3,662	3,662	4,929	9,774
EUR	12,055	18,765	79,381	156,355
PLN	19,346	9,639	(8,953)	(17,274)
USD	9,198	(8,630)	8,448	40,601
	44,261	23,436	83,805	189,456

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

As described in accounting policy 1 b), the financial statements of the Group's subsidiaries and associates residing abroad are prepared in their functional currency and translated into Euros at the end of each financial period. The exchange rates used for the conversion of balance sheet foreign currency amounts are the ECB reference rates at the end of each period. In foreign currency conversion of results, are calculated average exchange rates according to the closing exchange rates of each month of the year. The rates used by the Group are as follows:

	Closing exchange rates (Balance sheet)		Average exchange rates (Income statement)	
Currency	**2017**	**2016**	**2017**	**2016**
AOA	199.0190	174.8900	189.7275	180.8171
BRL	3.9775	3.4305	3.6296	3.8609
CHF	1.1704	1.0739	1.1117	1.0925
MOP	9.6669	8.4204	9.6669	8.4204
MZN	70.4400	75.3100	71.6902	69.4927
PLN	4.1756	4.4103	4.2514	4.3756
USD	1.2006	1.0541	1.1344	1.1047

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialisation model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are covered by market operations, taking into account the policy defined and the availability and conditions of the instruments.

As at 31 December 2017, the Group's financial holdings in USD, CHF and PLN were hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, in this case through a 'Fair Value Hedge' methodology.

Regarding equity risk, the Group maintains a series of equity positions of a small size and low risk in the investment portfolio, which are not held for trading purposes. The management of these positions is carried out by a specific area of the Group, with the respective risk being controlled on a daily basis, through the indicators and limits defined for market risks.

As at 31 December 2017, the information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

		2017			
Company	**Currency**	**Net Investment Currency '000**	**Hedging instruments Currency '000**	**Net Investment Euros '000**	**Hedging instruments Euros '000**
Banque Privée BCP (Suisse) S.A.	CHF	81,839	81,839	69,926	69,926
BCP Finance Company	USD	1	1	1	1
bcp holdings (usa), Inc.	USD	44,734	44,734	37,261	37,261
Bank Millennium, S.A.	PLN	2,570,017	2,570,017	615,484	615,484

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. The ineffectiveness generated in the hedging operations is recognised in the statement of income, as referred in the accounting policy 1 e).

The transfer to Portugal of funds, including dividends, which are owed by BCP's subsidiaries or associates in third countries, particularly outside the European Union, are, by their nature, subject to the exchange restrictions and controls that are in force at any time in the country of subsidiaries or associates. In particular, as regards Angola and Mozambique, countries in which the Group holds a minority investment in Banco Millennium Angola and a majority investment in BIM - Banco Internacional de Moçambique, being the case of, export of foreign currency requires prior authorization of the competent authorities, which depends, namely, on the availability of foreign exchange by the central bank of each country. At the date of preparation of this report, there are no outstanding amounts due to the aforementioned requirements.

Liquidity risk

Evaluation of the Group's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The evolution of the Group's liquidity situation for short-term time horizons (up to 3 months) is reviewed daily on the basis of two indicators defined in-house, immediate liquidity and quarterly liquidity. These measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding to the liquidity position of the day under analysis the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the transactions as a whole brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, for their dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered highly liquid is added to the calculated value, leading to determination of the liquidity gap accumulated for each day of the period under review.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risks Commission is responsible for controlling the liquidity risk. This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries, fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

In 2017, there was a reduction of Euros 3,264,484,000 in the wholesale funding requirements on a consolidated basis for which contributed mainly the capital increase, the reduction of the commercial gap in Portugal and the resources released by the commercial activity, whose overall effect was mitigated by the growth of the consolidated portfolio of securities.

The reduction in liquidity needs was accompanied by the change in the financing structure through the repayment of the remaining portion of the CoCos (Euros 700,000,000), a significant decrease in the use of repos in Portugal (Euros 1,490,215,000, for a balance of Euros 827,832,000) and the reduction of collateralized funding with the ECB (decrease of Euros 870,000,000, to Euros 4,000,000,000 corresponding to the balance of the targeted longer-term refinancing operations, named TLTRO).

In net terms, the funding requirements with the ECB were reduced by Euros 1,387,674,000 to Euros 3,048,618,000 simultaneously with a strengthening of the liquidity buffer with the ECB for Euros 9,227,641,000, plus Euros 2,113,840,000 compared to December 2016. Considering other assets highly liquid or convertible into eligible collateral with the ECB in the short term, the buffer would amount to Euros 11,051,641,000, which compares favorably as a year-on-year 2016 of Euros 9,113,801,000.

Regarding medium-long term indebtedness, in May the Bank proceeded to refinance in advance its single live issue of mortgage bonds put on the market, for a new five-year issue in the amount of Euros 1,000,000,000 in the same instrument, thus returning to the debt market about three years after the placement of a MTN issue, amortized in February 2017. In November, the Bank returned to the market with the placement of Euros 300,000,000 of 10-year subordinated debt in an issue that qualifies as Tier 2 equity instrument. Throughout the year it also subscribed new loans to banks of Euros 330,000,000, bringing the Group's balance of medium-long term with banks to Euros 1,712,779,000. Bank Millennium in Poland, also, issued subordinated debt in the amount of PLN 700,000,000 at the end of year, refinancing issuance of the same amount. In consolidated terms, medium and long-term debt maturing in the coming years continued to decrease, totaling only Euros 640,906,000 by 2021.

The eligible pool of assets for funding operations in the European Central Bank and other Central Banks in Europe, net of haircuts, is detailed as follows:

(Thousands of euros)

	2017	2016
European Central Bank	7,431,756	8,592,234
Other Central Banks	3,216,224	3,204,850
	10,647,980	11,797,084

As at 31 December 2017, the amount discounted in the European Central Bank amounted to Euros 4,000,000,000 (31 December 2016: Euros 4,870,000,000). As at 31 December 2017 and 2016 no amounts were discounted in Other Central Banks. The amount of eligible assets for funding operations in the European Central Banks includes securities issued by SPEs concerning securitization operations in which the assets were not derecognised at a consolidated level. Therefore, the respective securities are not recognised in the securities portfolio.

The evolution of the ECB's Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

(Thousands of euros)

	2017	2016
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	7,431,756	8,592,234
Outside the pool of ECB monetary policy	5,344,503	3,457,859
	12,776,259	12,050,093
Net borrowing at the ECB (ii)	3,048,618	4,436,292
Liquidity buffer (iii)	9,727,641	7,613,801

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).
ii) Includes, as at 31 December 2017, the value of funding with ECB net of interest associated with negative financing rate applied to TLTRO (Euros 17,954,000), of deposits with the Bank of Portugal and other liquidity of the Eurosystem (Euros 1,277,481,000), plus the minimum cash reserves (Euros 344,053,000).
iii) Collateral eligible for ECB, after haircuts, less net financing at the ECB.

Liquidity coverage ratio

The BCP Group structurally improved its liquidity profile by recording a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 on 31 December 2017 of 94% and on 31 December 2016 this ratio was set at 99%.

The Basel Committee published the definition of the Liquidity Coverage Ratio (LCR) in 2014, and the Delegated Act by the European Commission was adopted in early October 2015, which introduced, in relation to CRD IV / CRR, new metrics and calculation criteria implemented in the European Union. The adoption of the new framework defines a minimum requirement of 80% for this ratio by the end of 2017 and 100% as at 1 January 2018. The LCR ratio of the BCP Group comfortably stood above the regulamentar limit indicating 158% at the end of 2017 (31 December 2016: 124%), supported by highly liquid asset portfolios of value compatible with prudent management of the Group's short-term liquidity.

Net stable funding ratio

The definition of the Net stable funding ratio (NSFR) was approved by the Basel Committee in October 2014. As regards this ratio, the Group presents a stable financing base obtained by the high weight of customer deposits into the funding structure, by collateralized financing and medium and long-term instruments, which allowed that the levels of stable financing ratio established in December 2017 set the NSFR at124% (31 December 2016: 112%).

According to the Notice n.º28/2014 of the Bank of Portugal, which focuses on the guidance of the European Banking Authority on disclosure of encumbered assets and unencumbered assets (EBA/GL/2014/3), and taking into account the recommendation made by the European Systemic Risk Board, the following information regarding the assets and collaterals, is presented as follows:

(Thousands of euros)

	2017			
Assets	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Assets of the reporting institution, of which:	12,542,681	n/a	60,204,359	n/a
Equity instruments	-	-	1,946,587	1,946,587
Debt securities	2,222,056	2,222,056	11,029,696	11,019,693
Other assets	-	-	8,744,647	n/a

(Thousands of euros)

	2016			
Assets	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Assets of the reporting institution, of which:	15,302,927	n/a	57,835,396	n/a
Equity instruments	-	-	2,092,596	2,092,596
Debt securities	3,372,166	3,372,166	9,425,437	9,418,975
Other assets	-	n/a	8,138,305	n/a

(Thousands of euros)

	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
Collateral received	**2017**	**2016**	**2017**	**2016**
Collateral received by the reporting institution	-	-	-	-
Equity instruments	-	-	-	-
Debt securities	-	-	50,471	151,932
Other assets	-	-	-	-
Own debt securities issued other than own covered bonds or ABSs encumbered	-	-	-	-

(Thousands of euros)

	Carrying amount of selected financial liabilities	
Encumbered assets, encumbered collateral received and matching liabilities	**2017**	**2016**
Matching liabilities, contingent liabilities and securities lent	8,957,873	11,356,280
Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	11,885,777	14,915,249

The encumbered assets are mostly related to collateralized financing, in particular the ECB's, repo transactions, issuance of covered bonds and securitization programs. The types of assets used as collateral of these financing transactions are divided into portfolios of loans to clients, supporting securitization programs and covered bonds issues, whether placed outside the Group, whether to improve the pool of collateral with the ECB, and Portuguese sovereign debt, which collateralize repo transactions in the money market. The funding raised from the IEB is collateralized by Portuguese public debt and bonds issues of the public sector entities.

The balance other assets in the amount of Euros 8,744,647,000 (31 December 2016: Euros 8,138,305,000) although unencumbered, are mostly related to the Group's activity, namely: investments in associates and subsidiaries, tangible fixed assets and investment property, intangible assets, assets associated with derivatives and deferred tax assets and current taxes.

The amounts presented in these tables correspond to the position as at 31 December 2017 and 2016 and reflect the high level of collateralisation of the wholesale funding of the Group. The buffer of eligible assets for the ECB, after haircuts, less net borrowing at the ECB, as at 31 December 2017 amounts to Euros 9,727,641,000 (31 December 2016: Euros 7,613,801,000).

The 2016 values have been restated and presented in accordance with the guidance of the European Banking Authority on the disclosure of encumbered assets and unencumbered assets (EBA / GL / 2014/3) by the median of the quarterly values, except for the buffer of ECB eligible assets after haircuts, less net borrowing at the ECB.

The analysis of the balance sheet items by maturity dates is as follows:

(Thousands of euros)

	2017						
	At sight	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Assets							
Cash and deposits at Central Banks	2,167,934	-	-	-	-	-	2,167,934
Loans and advances to CI							
Repayable on demand	295,532	-	-	-	-	-	295,532
Other loans and advances	-	287,211	761,485	6,872	10,000	-	1,065,568
Loans and advances to customers	-	-	10,232,795	8,653,310	29,047,473	3,021,845	50,955,423
Financial assets (*)	-	1,680,610	1,984,923	4,550,200	3,497,399	798,785	12,511,917
Financial assets held to maturity	-	23,674	50,859	219,249	118,017	-	411,799
	2,463,466	1,991,495	13,030,062	13,429,631	32,672,889	3,820,630	67,408,173
Liabilities							
Resources from CI	-	1,312,660	368,751	4,736,613	1,069,333	-	7,487,357
Resources from costumers	25,447,443	11,847,196	12,193,616	1,685,362	14,200	-	51,187,817
Debt securities issued	-	118,228	346,372	1,419,171	1,114,308	-	2,998,079
Subordinated debt	-	-	67,307	599,854	466,266	27,092	1,160,519
	25,447,443	13,278,084	12,976,046	8,441,000	2,664,107	27,092	62,833,772

(*) Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale.

Operational Risk

The approach to operational risk management is based on the business process structure and an end-to-end processes structure, both for business and business support processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for the risks assessment and for strengthening the performance within the scope of their processes. Process Owners are responsible for the updating of all of the relevant documentation concerning the processes, for ensuring the effective adequacy of all of the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risks self-assessment exercises and for detecting improvement opportunities and implementing improvements, including mitigating measures for the most significant exposures.

Within the operational risk model implemented in the Group, there is a systematic process of capturing data on operational losses that systematically characterizes the loss events in terms of their causes and effects. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

COVENANTS

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português and Banco de Investimento Imobiliário that are currently underway, there are no relevant covenants related to a possible downgrade of BCP.

53. SOLVENCY

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV / CRR), and Banco de Portugal Notice No.6/2013.

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, hybrid instruments subscribed by the Portuguese State within the scope of the Bank's recapitalization process and not reimbursed, reserves and retained earnings and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach and goodwill and other intangible assets. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively.

Additional tier 1 comprises preference shares and hybrid instruments that are compliant with the issue conditions established in the Regulation and minority interests related to minimum additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements lasted until the end of 2017, with the exception of the deferred tax already recorded on the balance sheet of 1 January 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

CRD IV/CRR establishes Pilar 1 capital requirements of 4.5%, 6% and 8% for CET1, Tier 1 and Total Capital, respectively. However, under the scope of SREP, European Central Bank notified BCP about the need to comply with phased-in capital ratios, during 2017 of 8.15% (CET1), 9.65% (Tier 1) and 11.65% (Total), that include 2.4% of additional Pilar 2 requirements and 1.25% of capital conservation buffer. The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

The own funds and the capital requirements determined according to the CRD IV/CRR (phased-in) methodologies previously referred, are the following:

(Thousands of euros)

	2017	2016
Common equity tier 1 (CET1)		
Share capital	5,600,738	4,268,818
Share Premium	16,471	16,471
Ordinary own shares	(88)	(2,880)
Other capital (State aid)	-	700,000
Reserves and retained earnings	401,067	36,875
Minority interests eligible to CET1	564,042	654,488
Regulatory adjustments to CET1	(1,262,956)	(799,737)
	5,319,274	4,874,035
Tier 1		
Capital Instruments	4,130	10,629
Minority interests eligible to AT1	47,084	-
Regulatory adjustments	(51,214)	(10,629)
	5,319,274	4,874,035
Tier 2		
Subordinated debt	596,693	403,491
Minority interests eligible to CET1	146,229	126,963
Others	(130,345)	(147,152)
	612,577	383,302
Total own funds	5,931,851	5,257,337
RWA - Risk weighted assets		
Credit risk	35,366,357	35,007,882
Market risk	991,992	675,498
Operational risk	3,574,097	3,260,661
CVA	238,668	215,749
	40,171,114	39,159,790
Capital ratios		
CET1	13.2%	12.4%
Tier 1	13.2%	12.4%
Tier 2	1.5%	1.0%
	14.8%	13.4%

54. RECENTLY ISSUED ACCOUNTING STANDARDS

1- THE RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS THAT CAME INTO FORCE IN 2017 ARE AS FOLLOWS:

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union with mandatory application for the financial year of the Group started on 1 January 2017:

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses

These amendments clarify the conditions for recognition and measurement of tax assets resulting from unrealized losses.

There were no significant effects on the Bank's financial statements as at 31 December 2017 resulting from the adoption of amendments to this standard.

Amendments to IAS 7 - Disclosures

These amendments introduce additional disclosures related to the cash flows from financing activities.

There were no significant effects on the Bank's financial statements as at 31 December 2017 resulting from the adoption of amendments to this standard.

2 - STANDARDS, INTERPRETATIONS, AMENDMENTS AND REVISIONS THAT WILL TAKE EFFECT IN FUTURE EXERCISES

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, were, as of the date of approval of these financial statements, endorsed by the European Union:

IFRS 9 - Financial instruments (Applicable in the European Union to annual periods beginning on or after 1 January 2018)

This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules.

IFRS 9 - Financial Instruments was endorsed by EU in November 2016 and come into force for periods beginning on or after 1 January 2018. IFRS 9 will replace IAS 39 - Financial Instruments: Recognition and Measurement and will provide new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements. For this reason it is a standard that has been subject to a detailed and complex implementation process that has involved all the key stakeholders in order to understand the impacts and the changes in processes, governance and business strategy that may involve.

The requirements provided by IFRS 9 are, in general, applied retrospectively by adjusting the opening balance at the date of initial application.

Banco Comercial Português ('Group') has been working on this process since 2016 and has launched in this context a project supervised by a Steering Committee involving members of the Executive Committee that is responsible for making key decisions regarding the requirements defined by IFRS 9 and by monitoring the status of the process, of analysing and implementing this new standard. The main departments involved in the project are Risk-Office, Planning, Treasury, Operations, Accounting Department, Credit Departments, Recovery Department and IT Department. The Independent validation unit and the Internal Audit division are also part of the project, namely in the component of its validation, currently ongoing.

Financial Instruments IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. IFRS 9 is effective for periods that begin on or after 1 January 2018, with early adoption permission and will replace IAS 39 Financial Instruments: Recognition and Measurement.

In October 2017, the IASB issued the document "Prepayment features with negative compensation "(amendments to IFRS 9). The changes are effective for annual periods beginning on January 1, 2019, with early adoption allowed.

The Group will apply IFRS 9 as issued in July 2014 and adopt in advance the changes meanwhile made to IFRS 9 in the period beginning on 1 January 2018. According to preliminary assessments made based on the information available on this date, the estimated preliminary impact (before taxes) of the adoption of IFRS 9 in the Group's equity with reference to 1 January 2018 is negative in approximately Euros 250 million.

This assessment, although preliminary, since the transition process to IFRS 9 is not yet finalized, is the best expectation of the impact of adopting the standard on this date. The current impact of the adoption of IFRS 9 on 1 January 2018 may be subject to changes, as:

- IFRS 9 requires the Group to review its accounting procedures and internal control mechanisms, which is not yet finalized;
- although the Bank has made a parallel in the second semester of 2017, changes in IT systems and associated controls have not yet reached an advanced stage of maturity;
- the Group did not finalize the validation of existing controls in its IT system or complete the changes in its governance structure;
- the Group is refining and finalizing the Expected Credit Loss (ECL) calculation models;
- the policies, assumptions, decisions and calculation methods are subject to change until the publication of the audited financial statements for the year 2018; and
- there is currently a legal vacuum regarding the tax treatment of the transition adjustment to IFRS9.

I. Classification of financial instruments

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model used in asset management, as well as the characteristics of the respective contractual cash flows.

IFRS 9 includes three main categories of classification for financial assets: assets measured at amortized cost, assets measured at fair value through other comprehensive income (FVOCI) and assets measured at fair value through profit or loss (FVTPL). Consequently, the folowing categories of IAS 39 Held to Maturity, Loans and Receivables, Available for Sale and Held for trading are eliminated.

A financial asset is measured at amortized cost if it meets, at the same time, with the following characteristics and if it is not assigned to the FVTPL by option (use of Fair Value Option):

- the financial asset is held in a business model whose main objective is the holding of assets to collect their contractual cash flows (HTC - Held to collect); and
- their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the SPPI (Solely Payments of Principal and Interest).

A financial asset is measured at the FVOCI if it, simultaneously, meets the following characteristics and is not assigned at FVTPL by option (use of Fair Value Option):

- the financial asset is held in a business model which the purpose is to collect its contractual cash flows and the sale of this financial asset (Held to collect and Sell); and
- contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

In the initial recognition of an equity instrument that is not held for trading, the Group may irrevocably designate it at FVOCI. This designation is made on a case-by-case basis, investment by investment. This option is available for financial instruments that comply with the definition of capital provided for in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument, within the scope of the issuer, is made under the exceptions provided for in paragraphs 16A and 16D of IAS 32.

All financial assets that are not measured, according to the criteria described above, at amortized cost or at FVOCI, are measured at FVTPL. In addition, at initial recognition, the Group may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, such as FVTPL, if the designation eliminates significantly the accounting mismatch that would otherwise exist (Fair value option).

A financial asset is classified in one of these categories on initial recognition. See point (VIII) below, alluding to the transition requirements related to the classification of financial assets.

Under IFRS 9, embedded derivatives in financial assets are not separated for classification purposes, so a hybrid instrument is evaluated as a whole.

Business Model Evaluation

With reference to 1 January 2018, the Group carried out an evaluation of the business model in which the financial instrument is held at the portfolio level, since this approach reflects the best way in which assets are managed and how that information is available to the management. The information considered in this evaluation included:

- the policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or in the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
-the evaluation of the risks that affect the performance of the business model (and of the financial assets held under this business model) and the way these risks are managed;
- the remuneration of business managers – e.g. in which way the compensation depends on the fair value of the assets under management or contractual cash flows received; and
- the frequency, volume and frequency of sales in previous periods, the reasons for those sales and the expectations about future sales. However, sales information should not be considered in isolation but as part of an overall assessment of how the Group establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value through option (Fair Value Option) will be measured at FVTPL because they are not held either for the collection of contractual cash flows (HTC) or for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond only to the receipt of capital and interest (SPPI)

For the purposes of this assessment, "capital" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the counterparty for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g. liquidity risk and administrative costs), and as a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Group considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfill the SPPI condition. In the evaluation process, the Group considered that:

- contingent events that may change the periodicity of the cash flows;
- characteristics that result in leverage;
- prepayment and extension of maturity clauses;
- clauses that may limit the right of the Group to claim cash flows in relation to specific assets (e.g. contracts with – clauses which prevent access to assets in case of default - non-recourse asset); and
- characteristics that may change the time value of money.

A contract with the possibility of early payment is consistent with the SPPI criterion, if the amount of prepayment represent the unpaid amounts of principal and interest on the amount of principal outstanding (accrual), and may also include reasonable compensation for anticipatory payment (i.e. administrative cost or servicing fee incurred by early termination of the contract).

In addition, an advance payment is consistent with the SPPI criterion if (i) the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value, (ii) the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest , but not paid (may include reasonable compensation for prepayment); and (iii) the prepaid fair value is insignificant at initial recognition

Impact assessment

The standard will have an impact at the level of the classification of the financial assets held as at 1 January 2018, as follows:

- Held for Trading and Derivatives held for risk management, which are classified as "Held-for-Trading" and measured at FVTPL under IAS 39, will be measured at FVTPL under IFRS 9;
- Loans and advances to customers and to Financial Institutions measured at amortized cost under IAS 39 will be generally measured at amortized cost under IFRS 9;
- Investments in held-to-maturity securities, measured at amortized cost under IAS 39, will also be measured, generally, at amortized cost under IFRS 9;
- Investments in debt securities that are classified as available for sale under IAS 39 may, under IFRS 9, be measured at amortized cost, FVOCI or FVTPL, depending on certain circumstances;
- Loans to customers and investment securities that are measured at fair value option under IAS 39 will be measured at FVTPL under IFRS 9;
- Most of the equity instruments that are classified as available for sale under IAS 39 will be measured at FVTPL under IFRS 9. However, some of these equity instruments are held under a long-term strategic investment and will be designated at FVOCI, on 1 January 2018.

Based on this analysis and in the strategy defined, no material changes are estimated at the level of the measurement associated with financial assets of the Group (financial assets measured at amortized cost versus financial assets measured at fair value) with the impact on the transition to IFRS 9.

II. Impairment - Financial Assets, Commitments and Financial Guarantees

IFRS 9 replaces the "loss incurred" model in IAS 39 by a forward-looking model of "expected credit losses (ECL)", which considers expected losses over the life of financial instruments. Thus, in the determination of ECL, macroeconomic factors are considered as well as other forward looking information, whose changes impact expected losses.

The new impairment model is applicable to the following set of Group's instruments, which are not at FVTPL:

- financial assets classified as debt instruments;
- commitments and financial guarantees granted (for which impairment was calculated in accordance with IAS 37 - Provisions, Liabilities and Contingent Assets).

Financial instruments subject to impairment will be divided into three stages based on its level of credit risk as follow:

- Stage 1: without significant increase in credit risk from the moment of initial recognition. In this case, impairment will reflect expected credit losses arising from defaults over the 12 months from the reporting date;
- Stage 2: instruments in which it is considered that a significant increase in credit risk since initial recognition but for which there is still no objective evidence of impairment and interests are recognised. In this case, the impairment will reflect the expected losses from defaults over the residual life period of the financial instrument;
- Stage 3: instruments for which there is objective evidence of impairment in sequence of events that result in a loss and interests are recognised. In this case, the impairment value will reflect the expected losses for credit risk over the expected residual life of the instrument.

The impairment requirements of IFRS 9 are complex and require Management decisions, estimates and assumptions, particularly in following areas:

- evaluation of the existence of a significant risk increase from the moment of initial recognition (SICR); and
- incorporation of forward-looking information into the ECL calculation.

Under the scope of IFRS 9, impairment is not recognised in equity instruments registered at FVOCI, and the respective gains/losses accumulated in the fair value reserve transferred to retained earnings on the disposal moment.

ECL calculation

ECLs are weighted estimates of credit losses that will be determined as follows:

- Financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;
- Financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- Unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the Group expects to receive;
- Financial guarantees: the present value of expected repayments, less the amounts that the Group expects to recover.

IFRS 9 defines financial assets with impairment signals similar to impaired financial assets in accordance with IAS 39.

Definition of defaults

Under IFRS 9, the Group will consider its financial assets to be in default by applying the same definition that is applied for regulatory purposes.

A credit, including capital, interest and expense components, are considered in default when there is a non-compliance of a contractual credit obligation or if an authorized limit has been exceeded and previously communicated to the customer's settlement.

Significant increase in credit risk (SICR)

Under IFRS 9, in order to determine whether there has been a significant increase in credit risk (i.e. default risk) since the initial recognition of the financial instrument, the Group will consider relevant information that is available with no costs and/or excessive effort, including both quantitative and qualitative information as well as an analysis based on Group history, expert judgment and forward-looking.

Under the scope of IFRS 9, the identification of a significant increase in credit risk should be performed by comparing:

- the PD lifetime remaining at the date of the reporting date.
- PD lifetime remaining at the reporting date that would have been estimated at the initial time of exposure recognition.

The Group will monitor the effectiveness of the criteria used to identify the significant increase in credit risk.

Credit risk degrees

According to the current management of the Group's credit risk, each costumer, and consequently its exposures, is allocated to a degree of risk from its master scale (see note 52).

The Group will use these risk grades as a key factor in identifying the significant increase in credit risk under IFRS 9.

Inputs of the ECL

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters will be obtained through internal statistical models, and other relevant historical data, taking into account existing regulatory models and adjusted to reflect forward-looking information.

PDs are estimated based on a certain historical period, and will be calculated based on statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also vary. The PDs will be calculated considering the contractual maturities of exposures.

The risk degrees will be a highly relevant input for determining the PDs associated with each exposure. The Group will collect performance and default indicators on its credit risk exposures with analyses by type of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The Group estimates the LGD parameters based on the historical recovery rates after entry into counterparty defaults. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The Group obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Group will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Group has the right to require payment or end the commitment or guarantee.

Forward-looking information

Under IFRS 9, the Group will incorporate forward-looking information both in its assessment of the significant risk increase and in the measurement of the ECL. The Group projected the future evolution of the relevant macroeconomic variables based on the assessment of internal experts and other external data.

III. Classification - Financial Liabilities

IFRS 9 generally maintains the requirements in IAS 39 regarding the classification of Financial Liabilities. However, under IAS 39 all fair value changes of financial liabilities designated to FVTPL (Fair Value Option) are recognized in the income statement, while under IFRS 9 these fair value changes will be presented as follows:

- the amount related to the variation in the fair value attributable to changes in the credit risk of the liability will be presented in OCI; and
- the remaining value of the change in fair value will be presented in profit or loss.

The Group has adopted the Fair Value Option for some of its own issues which contain embedded derivatives or associated hedging derivatives, or when this designation eliminates or significantly reduces the accounting mismatch of operations. The fair value variations attributable to changes in the credit risk of these liabilities were recognised in profit or loss in 2017 under IAS 39. In adopting IFRS 9, these changes in fair value will be recognised in OCI and the amount recognised in OCI in each year will be variable. The accumulated amount recognised in OCI will be null if these liabilities are repaid at maturity.

IV. Derecognition and modification of contracts

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and liabilities without significant changes.

The Group estimates an immaterial impact arising from the adoption of these new requirements.

V. Hedge accounting

The Group does not estimate any significant impacts on the transition related to the application of hedge accounting.

Vi. Disclosures

IFRS 9 will require an extensive set of new disclosures, particularly with respect to hedge accounting, credit risk and ECLs that will be presented with the financial statements for the year 2018.

VII. Estimated impact on capital ratio

The Bank of Portugal issued guidelines on the transition requirements under the scope of the implementation of IFRS 9. These guidelines allow choosing between two approaches for the recognition of the impact of the adoption of the standard in the regulatory capital:

i) Transition period of the total impact over a 5-year period, based on the following percentages for some components: 5% in 2018, 15% in 2019, 30% in 2020, 50% in 2021 and 75% in 2022;
ii) Recognition of the full impact on the date of adoption.

The Bank decided to adopt the first approach so that the impact of the adoption of IFRS 9 on the Bank's regulatory capital will be phased in accordance with the provisions listed above, in particular regarding the impact arising from the application of the new impairment requirements.

The full recognition of the preliminary impact of IFRS 9 in the Group would lead to a decrease in the CET1 ratio as at 31 December 2017 from -36 basis points, including a negative change of Euros 161 million in CET1.

The adoption of the transition period results in a decrease in the CET1 ratio by 25 basis points on 31 December 2017, corresponding to a CET1 decrease of Euros 107 million.

VIII. Transition

Changes in accounting policies resulting from the application of IFRS 9 will generally be applied retrospectively, with the exception of the following:

- The Group will apply the exception that allows the non-restatement of prior period comparative information regarding classification and measurement changes (including impairment). Differences in the balance sheet values of financial assets and liabilities resulting from the adoption of IFRS 9 will be recognised in Reserves and retained earnings, as at 31 January 2018.

- The following assessment was made based on the facts and circumstances that existed at the time of the initial application:

a) the determination of the business model in which the financial asset is held;
b) the designation and revocation of prior designations of certain financial assets and liabilities designated at FVTPL;
c) the designation of certain equity instruments that are not held for trading as FVOCI; and
d) for financial liabilities designated at FVTPL (Fair Value Option), to assess whether the presentation of the effects in the credit risk variations of the financial liabilities in OCI would create or increase an accounting mismatch in profit or loss.

If a debt security has low credit risk as at 1 January 2018, the Group will determine whether the credit risk of the asset has not increased significantly from the initial recognition.

IFRS 15 - Revenue from contracts with customers (Applicable in the European Union to annual periods beginning on or after 1 January 2018)

This standard introduces a principles-based revenue recognition framework based on a model to be applied to all contracts entered into with clients, replacing IAS 18 - Revenue, IAS 11 - Construction contracts; IFRIC 13 - Loyalty programs; IFRIC 15 - Agreements for the construction of real estate; IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter transactions involving advertising services.

The Group does not anticipate material impact on the application of this change in its financial statements.

IFRS 16 - Locations (Applicable in the European Union to annual periods beginning on or after 1 January 2019)

This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. The standard defines a single accounting model for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except for leases with a period of less than 12 months or for leases that relate to assets of value reduced. Lessors will continue to classify leases between operational or financial, and IFRS 16 will not entail substantial changes to such entities as defined in IAS 17.

The Group does not anticipate any impact on the application of this change in its financial statements.

Amendments to IFRS 15 - Revenue from contracts with customers (Applicable in the European Union to annual periods beginning on or after 1 January 2018)

These amendments introduce a number of clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.

Amendment to IFRS 4: Application of IFRS 9, Financial instruments, with IFRS 4, Insurance contracts (Applicable in the European Union for years beginning on or after 1 January 2018)

This amendment provides guidance on the application of IFRS 4 in conjunction with IFRS 9. IFRS 4 will be replaced with the entry into force of IFRS 17.

These standards, although endorsed by the European Union, were not adopted by the Group in 2017, as their application is not yet mandatory.

3 - STANDARDS, INTERPRETATIONS, AMENDMENTS AND REVISIONS NOT YET ADOPTED BY THE EUROPEAN UNION

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements:

IFRS 17 - Insurance Contracts (Applicable in the European Union for years beginning on or after 1 January 2021)

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces the IFRS 4 - Insurance Contracts.

Amendments to IFRS 2 - Share-based payments (Applicable in the European Union for years beginning on or after 1 January 2018)

These amendments introduce various clarifications in the standard related to: (i) recording cash-settled share-based payment transactions; (Ii) recording changes in share-based payment transactions (from cash settled to settled with equity instruments); (Iii) the classification of transactions with cleared securities.

Amendments to IAS 40 - Transfers of investment property (Applicable in the European Union for years beginning on or after 1 January 2018)

These amendments clarify that a change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset.

Improvements to international financial reporting standards (cycle 2014-2016) - (Applicable in the European Union for years beginning on or after 1 January 2018 with the exception of amendments to IFRS 12, whose application date is 1 January 2017)

These improvements involve the clarification of some aspects related to: IFRS 1 - First-time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 - Disclosure of interests in other entities: clarifies the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 - Investments in associates and joint ventures: introduces clarifications on the fair value measurement by results of investments in associates or joint ventures held by venture capital companies or by investment funds.

Improvements to international financial reporting standards (cycle 2015-2017) - (Applicable in the European Union for years beginning on or after 1 January 2019)

These improvements involve the clarification of some aspects related to: IFRS 3 - Concentration of business activities: it requires re-measurement of interests previously held when an entity obtains control over a subsidiary that previously had joint control; IFRS 11 - Joint ventures: clarifies that there should be no remeasurement of interests previously held when an entity obtains joint control over a joint transaction; IAS 12 - Income Tax: clarifies that all tax consequences of dividends should be recorded in profit or loss, regardless of how the tax arises; IAS 23 - Borrowing costs: clarifies that the part of the loan directly related to the acquisition / construction of an asset, outstanding after the corresponding asset has been ready for the intended use, is, for the purpose of determining the capitalization rate, considered an integral part of the entity's general financing.

Amendment to IFRS 9: Prepayment features with negative clearing (Applicable in the European Union for years beginning on or after 1 January 2019)

This amendment allows financial assets with contractual conditions which, in their early amortization, allow the payment of a considerable amount by the creditor, can be measured at amortized cost or at fair value for reserves (depending on the business model), since that: (i) on the date of the initial recognition of the asset, the fair value of the early amortization component is insignificant; and (ii) the possibility of negative compensation in the early amortization is the only reason for the asset in question not to be considered as an instrument that only includes payments of principal and interest.

Amendment to IAS 28: Long-term investments in associates and joint arrangements (Applicable in the European Union for years beginning on or after 1 January 2019)

This amendment clarifies that IFRS 9 should be applied (including related impairment requirements) to investments in associates and joint arrangements when the equity method is not applied in their measurement.

IFRIC 22 - Foreign currency transactions and down payments (Applicable in the European Union for years beginning on or after 1 January 2019)

This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue.

IFRIC 23 - Uncertainties in the treatment of income tax (Applicable in the European Union for years beginning on or after 1 January 2019)

This interpretation provides guidance on the determination of taxable income, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the treatment of income tax.

These standards have not yet been endorsed by the European Union and as such were not applied by the Group (Company) in the year ended 31 December 2017.

With respect to these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, it is not estimated that their adoption will result in significant impacts on the accompanying financial statements.

55. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

In accordance with accounting policy 1 z), the main contingent liabilities and other commitments under IAS 37 are as follows:

1. In 2012, the Portuguese Competition Authority initiated an administrative proceeding relating to competition restrictive practices. During the investigations, on 6 March 2013, several searches were conducted to the Bank’s premises, as well as to at least 8 other credit institutions, where documentation was seized in order to check for signs of privileged commercial information in the Portuguese banking market.

The Portuguese Competition Authority has declared that the administrative proceedings are to stay under judicial secrecy, once it considered that the interests dealt with in the investigation, as well as the parties’ rights, would not be compatible with the publicity of the process.

The Bank received on 2 June 2015, the notice of an illicit act issued by the Competition Authority relating to the administrative offence proceedings nr. 2012/9, and was charged of taking part in the exchange of information amongst Banks of the system relating to pricing already approved and mortgage and consumption loan operations already approved or granted. Concerning the charges brought forward, the Bank will present its reply to the notice and afterwards, if need be, will present its legal objections. We must point out that a notice of an illicit act does not imply the making of a final decision concerning the proceedings. If the Competition Authority were to issue a conviction, the Bank could be sentenced to pay a fine within the limits set forth by the law, which foresees a maximum amount equivalent to 10% of the consolidated annual turnover registered in the year prior to the making of the decision. Notwithstanding, such a decision may be contested in court. The proceedings were suspended by the Competition Authority until the legal decision of the various pending interlocutory appeals.

In October 2016, the Lisbon Court of Appeal overruled the decision of the Competition, Regulation and Supervision Court which had decided for the proceedings to be suspended. The Bank appealed to the Constitutional Court on this sentence. The Constitutional Court denied the appeal and the decision became final.

On 4 July 2017, the Competition Authority notified the Bank on the decision regarding the withdrawal of the suspension concerning the access to documents deemed as confidential and of the extension of the term for the making of a decision on the illicit act for more 40 days. The Bank has already present its reply.

2. On 20 October 2014, Bank Millennium Poland was notified of a class action against the Bank that aims to assess the "illicit" gains of the Bank taking into account certain clauses in mortgage loan agreements indexed in CHF. On 28 May 2015, the Regional Court of Warsaw dismissed the proceedings. On 3 July 2015 the Claimant filed an appeal against this decision, and the Court of Appeal upheld the appeal by refusing the dismissal of the claim. On 31 March 2016 the Regional Court in Warsaw issued a decision dismissing Bank´s motion for a security deposit to secure litigation costs. Bank Millennium filed an appeal on this decision on 6 April 2016, which was denied by the Court of Appeal on 13 July 2016.

On 17 February 2016 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by a further 1,041 group members. The Bank has not yet been notified of this submission. On 2 August 2016 the Regional Court in Warsaw issued a decision ordering the publication of an announcement in the press concerning the commencement of group action proceedings.

Following the Bank's motion to repeal this decision, the Court suspended its execution, but, on 8 August 2016, it issued another decision for the case to be heard in group action proceedings. On 31 August 2016 the Bank appealed against this decision. On 16 December 2016 the Court of Appeal in Warsaw overruled decision of the Regional Court for the case to be heard in group action proceedings and referred the request for the case to be heard in group action proceedings to the Regional Court for re-examination. At a hearing on 15 March 2017 the Regional Court issued decision for the case to be heard in group action proceedings. On 18 April 2017 the Bank filed an appeal against the above decision; currently the date of reviewing the case by the the Court of Appeal in Warsaw has not been scheduled yet. On 30 June 2017 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by further 676 group members. The new value of the subject matter of the dispute was indicated as approx. PLN 132.7 million (Euros 31.8 million, including the values provided in the statement of claim and the previous submissions concerning extension of the claim dated 4 March 2015 and 17 February 2016). On 28 September 2017 the Court of Appeal in Warsaw issued a decision dismissing the Bank's appeal against the decision the Regional Court in Warsaw dated 15 March 2017; thus, the decision for the case to be heard in group action proceedings became final. . On 20 November 2017, the District Court in Warsaw ordered the publication in the newspaper "Rzeczpospolita" that group proceedings had been initiated. The announcement has not been published yet.

On 3 December 2015 the Bank received notice of a class action lawsuit lodged by a group of 454 borrowers represented by the Municipal Consumer Ombudsman in Olsztyn pertaining to low down payment insurance used with CHF - indexed mortgage loans. The plaintiffs demand the payment of the amount of PLN 3.5 million (Euros 0.84 million) claiming for some clauses of the agreements pertaining to low down payment insurance to be declared null and void. On 3 March 2016 the Bank filed the response to the lawsuit demanding its dismissal. The first court hearing took place on 13 September 2016 and the court issued the decision on the admissibility of the class action in this case. On 16 February 2017, the Court of Appeal denied the appeal brought forward by the Bank and the previous sentence became definitive. On 30 March 2017 the Regional Court in Warsaw dismissed Bank's motion to oblige the plaintiff to provide security for costs of proceedings. On 10 April 2017 Bank filed a complaint to the Court of Appeal in Warsaw against the decision dismissing the motion to provide security. The decision is final. On 28 December 2017, pursuant to the decision from 10 October 2017, the Regional Court in Warsaw announced the initiation of group proceedings in the newspaper "Rzeczpospolita", thus setting a period of three months for submitting by interested parties the statements on joining the group.

3. On 28 December 2015 and 5 April 2016, Bank Millennium was notified of two cases filed by clients (PCZ SA and Europejska Fundacja Współpracy Polsko - Belgijskiej / European Foundation for Polish-Belgian Cooperation (EFWP-B)), in the amount of PLN 150 million (Euros 35.9 million) and of PLN 521.9 million (Euros 125 million) respectively. The authors allege in their petitions that Bank Millennium misrepresented certain contractual clauses, which determined the maturity of the credits, causing losses to the Authors. A decision of the Warsaw Regional Court is awaited. As regards the case brought by PCZ, the Wrocław Regional Court (first instance) on 7 April 2017 issued a verdict favourable to Bank Millennium by rejecting the case.

4. On 21 March 2017, a lawsuit was filed against the subsidiary Bank Millennium by a client in which the amount of PLN 200 million (Euros 47.9 million) was claimed for the payment of damages and compensation following the blocking of accounts in the context of insolvency proceedings. The process is currently at an early stage of assessment. In the Bank's opinion, the probability of the customer winning the process is marginal.

5. On January 3 2018, Bank Millennium received decision of the President of the Office of Competition and Consumer Protection (UOKIK), in which the President of UOKIK found infringement by the Bank of the rights of consumers. In the opinion of the President of UOKiK the essence of the violation is that the Bank informed consumers (it regards 78 agreements) in responses to their complaints, that the court verdict stating the abusiveness of the provisions of the loan agreement regarding exchange rates do not apply to them. According to the position of the President of UOKiK the abusiveness of contract's clauses determined by the court in the course of abstract control is constitutive and effective for every contracts from the beginning. As a result of the decision, the Bank was obliged to:
1) send information on the UOKiK decision to the said 78 clients
2) place the information on decision and the decision itself on the website and on twitter
3) to pay a fine 20.7 mln PLN (Euros 5 million). The decision on the fine is not immediately enforceable.

The decision of the President of UOKIK is not final. The Bank does not agree with this Decision and lodged an appeal within the statutory time limit.

6. On 19 January 2018 the Bank has received the lawsuit petition of First Data Polska SA requesting the payment of PLN 186.8 million (Euros 45 million). First Data claims a share in an amount which the Bank has received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its request on an agreement with the Bank on cooperation in scope of acceptance and settlement of operations conducted with the usage of Visa cards. The Bank does not accept the claim and shall file the response to the lawsuit petition within the deadline set forth in the law.

7. On 2 August 2016 the President's Bill on support for FX mortgage borrowers was submitted to the Parliament. The proposed law is to apply to FX (all currencies) loan agreements signed from 1 July 2000 to 26 August 2011 (when the "Anti-spread Act" came into force). This Bill concerns the return of part of FX spreads applied by banks.

On 2 August 2017 a new Presidential Bill appeared in Parliament regarding changes in the Act on Support for Distressed Borrowers who Took Residential Loans. On 13 October 2017 the first reading of the Bill took place in the Sejm and it was sent to a Parliamentary Committee. The Bill assumes a modification of the existing Borrowers' Support Fund by separating-out two Funds: Supporting Fund and Restructuring Fund. As regards the Supporting Fund, the Bill aims to increase availability of money from the fund by means of: relaxing criteria, which must be satisfied by a borrower applying for support; increasing the maximum amount of support; extending the period, for which the support is granted; forgiving part of the support granted conditional on punctual repayment to the fund. The Restructuring Fund is to be used for currency conversion of FX mortgages to PLN. The Bill contains very general regulations and does not specify criteria of eligibility for such currency conversion and its rules.

Quarterly payments to the Restructuring Fund made by lenders are not to exceed the equivalent of the FX mortgage portfolio and the rate of 0.5%. The maximum costs for the entire sector, estimated by KNF, are up to PLN 2.8 billion (Euros 671million) in the first year of operation of the Restructuring Fund. According to the Bill, KNF may issue a recommendation to lenders specifying the principles of voluntary conversion of receivables for restructuring with consideration of stability of the financial system and effective use of money in the Restructuring Fund.

Including the two above Bills, so far four draft Acts have been submitted to Parliament and in consequence it is not possible to estimate the impact of the proposed legislation on the banking sector and the Bank. However, if any of the Bills is adopted and begins to bind banks, this may lead to significant reduction of the Bank's profitability and its capital position.

8. On 1 October 2015, a set of entities connected to a group with past due loans to the Bank worth Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against the Bank, after receiving the Bank's notice for mandatory payment, a lawsuit aiming to:

a) deny the obligation to settle those debts to the Bank, arguing that the respective agreement is null, but without the corresponding obligation of returning the amounts already paid;
b) have the Bank sentenced to pay amounts of around Euros 90 million and Euros 34 million for other debts owed by those entities to other banking institutions, as well as other amounts, totalling around Euros 26 million, supposedly already paid by the debtors within the scope of the loan agreements;
c) have the Bank be given ownership of the object of the pledges associated to the aforementioned loan agreements, around 340 million shares of the Bank, allegedly purchased on behalf of the Bank, at its request and in its interest.

The Bank presented its defence and counterclaim, demanding the payment of the debt. The Plaintiffs submitted their defence against the counterclaim and the Bank answered in July 2016. The proceedings are waiting for the schedule of a prior hearing or the issue of a conclusive opening order.

9. RESOLUTION FUND

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, the Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the article 145 C (1.b) of the Legal Framework for Credit Institutions and Financial Companies (RGICSF), namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by the Bank of Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming the sole shareholder.

Within this context, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, the Bank of Portugal transferred to the Resolution Fund the liabilities emerging from the "eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to take, following the publication of the report on the result of the independent evaluation, in order to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

Moreover, following this process, a significant number of lawsuits against the Resolution Fund was filed and is underway.

On 20 February 2017, the Bank of Portugal communicated that it decided to select the potential investor Lone Star to be part of an exclusive definitive negotiation stage for the conditions under which the sale of the investment that the Resolution Fund held in Novo Banco, S.A. could be carried out.

On 31 March 2017, the Bank of Portugal made a communication about the sale of Novo Banco, where it states the following: "The Bank of Portugal selected today the company Lone Star to conclude the sale of Novo Banco. The sale agreement documentation has already been signed by the Resolution Fund. In accordance with the sale agreement, Lone Star will make capital injections into Novo Banco totalling Euros 1,000 million, of which Euros 750 million at the moment the operation is completed and Euros 250 million during the following 3 years. Through this capital injection, the company Lone Star will become the owner of 75% of Novo Banco share capital and the Resolution Fund will own the remaining 25%.

The conditions agreed also include the existence of a contingent capitalization mechanism, according to which the Resolution Fund, as shareholder, commits to carry out capital injections if certain cumulative conditions materialize, related with: i) the performance of a defined group of assets of Novo Banco and ii) the evolution of the bank's capitalization levels.

The eventual capital injections to be made in accordance with this contingent mechanism benefit from a capital buffer resulting from the capital injection to be made, in accordance with the terms and conditions of the operation, and are subject to an absolute maximum threshold.

The conditions agreed also foresee mechanisms to safeguard the interests of the Resolution Fund, the alignment of incentives and supervision, despite the limitations resulting from the application of State supporting rules."

On 7 July 2017, the European Commission declared its non-opposition to this sale operation.

On 18 October 2017, following the resolution of the Council of Ministers No. 151-A/2017,of 2 October 2017, the Bank of Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. With this operation, the condition of Novo Banco as a transition bank ceased, fully complying with the purposes of the resolution of Banco Espírito Santo.

In February 2018, the European Commission disclosed the public version on the "Decision not to raise objections" to the state aid in the case of the Resolution of BES. It identifies three support measures of the Resolution Fund and the Portuguese State included in the sale agreement, associated to a loan portfolio of Euros [10-20] billion [*] (GBV) with a uncertain degree of adequacy of the loan coverage (**):

i) Contingent capital mechanism, in which Lone Star has the right to claim from the Resolution Fund the costs of funding, losses and provisioning with the assets belonging to this portfolio, up to a maximum amount of Euro 3.89 billion, subject to the fulfilment of a number of conditions, including a reduction in the capital ratio CET1 to below (8% -13%) (*) (**);

ii) Underwriting by Resolution Fund of the Tier 2 security to be issued by the Novo Banco, up to the amount of Euros 400 million, to the extent necessary, that if executed will be deducted to the amounts relating to the contingent capital mechanism, thus limiting the exposure of the Resolution Fund to the Novo Banco to Euros 3,89 billion (**);

iii) The Portuguese State may inject capital into Novo Banco, under certain conditions and through different instruments, in the event that the total capital ratio reaches values lower than the capital requirements defined under the scope of the Supervisory Review and Evaluation Process ("SREP") (**).

(*) Exact value not disclosed by the European Commission for reasons of confidentiality.
(**) As referred to in the European Commission Decision

On 28 March 2018, the Resolution Fund announced that, following the disclosure of Novo Banco 2017 results, the contingent capitalization mechanism provided in Novo Banco's sale agreement reached Euros 792 million, falling within the obligations of the Resolution Fund. The payment by the Resolution Fund shall be made after the legal certification of Novo Banco accounts and following a verification procedure, to be carried out by an independent entity. To this end, the Resolution Fund will use, in the first place, the available financial resources from banking contributions (direct and indirect). These will be complemented by a State loan, under the terms agreed on October 2017. At this date, the amount of the loan is estimated not to exceed Euros 450 million.

Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of the Bank of Portugal announced that Banif was "at risk of insolvency or insolvent" and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee, for which the Oitante has already made a partial early repayment in the amount of Euros 90 million.

The operation also involved state aid, of which Euros 489 million were provided by the Resolution Fund. The Euros 489 million taken by the Resolution Fund were funded through a loan granted by the State.

In a statement of 21 July 2016, the Resolution Fund announced it had proceeded to the early partial repayment, amounting to Euros 136 million, of the loan obtained from the State in December 2015 to finance the resolution measures applied to Banif. This amount corresponds to the income of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism that was not transferred to the Single Resolution Fund. This amount will be paid to the Single Resolution Fund by credit institutions that are covered by this scheme over a period of 8 years, starting in 2016.

Liabilities and Financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif and after the agreement of sale of Novo Banco to Lone Star, the Resolution hold, as at 31 December 2017, all the share capital of Oitante, and 25% of the capital of Novo Banco but without the corresponding voting rights.

Under the scope of these measures, the Resolution Fund borrowed loans and assumed other responsibilities and contingent liabilities resulting from:

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;
- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A., which must be neutralized by the Resolution Fund;
- Legal proceedings filed against the Resolution Fund;
- Guarantee granted to the bonds issued by Oitante S.A. totalling Euros 746 million, of which Oitante, S.A. made an early repayment of Euros 90 million. This guarantee is counter-guaranteed by the Portuguese State;
- Contingent capital mechanism, in which Lone Star has the right to claim from the Resolution Fund the costs of funding, losses and provisioning with the assets belonging to this portfolio, up to a maximum amount of Euros 3.89 billion, subject to the fulfilment of a number of conditions, including a reduction in the capital ratio CET1 to below (8% -13%) (*) (**);
- Underwriting by Resolution Fund of the Tier 2 security to be issued by the Novo Banco, up to the amount of Euros 400 million, to the extent necessary, that if executed will be deducted to the amounts relating to the contingent capital mechanism, thus limiting the exposure of the Resolution Fund to the Novo Banco to Euros 3,89 billion (**);
- The Portuguese State may inject capital into Novo Banco, under certain conditions and through different instruments, in the event that the total capital ratio reaches values lower than the capital requirements defined under the scope of the Supervisory Review and Evaluation Process ("SREP") (**).

(*) Exact value not disclosed by the European Commission for reasons of confidentiality.
(**) As referred to in the respective European Commission Decision.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement on the basis of a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required to the banking sector at current levels.

According to the communication of the Resolution Fund of 21 March 2017:

- The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed". These loans in the amount of Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euro 700 million were granted by a group of banks".
- "Those loans are now due in December 2046, without prejudice to the possibility of being repaid early based on the use of the Resolution Fund's revenues. The due date will be adjusted so that it enables the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions. The liabilities resulting from the loans agreed between the Resolution Fund and the Sate and the banks pursuant to the resolution measures applied to BES and Banif are handled with one another".
- "The revision of the loans' conditions aimed to ensure the sustainability and financial balance of the Resolution Fund".
- "The new conditions enable the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions".

On 2 October 2017, by Council of Ministers (Resolution No. 151-A/2017), the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when it deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. It is also mentioned that the reimbursement will take into account the stability of the banking sector, i.e. without the Resolution Funds' participants being charged special contributions or any other extraordinary contributions.

On 31 December 2016, the Resolution Fund's own resources had a negative balance of Euros 4,760 million, according to the latest annual report of the Resolution Fund approved by Order No. 913/17 of 26 October 2017, prepared by the Assistant Secretary of State for Treasury and Finance.

In the State Budget for 2018, an amount of Euros 850 million was recorded as exceptional expenses for medium-term loans to the Resolution Fund.

To reimburse the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (Law 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of finance to determine, by ordinance, that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have resources to fulfil with the their obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been proceeding, since 2013, to the mandatory contributions, as provided for in the decree-law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law, thus the Bank is recognising as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to Banco Espírito Santo, S.A., ('BES'). Therefore, the eventual collection of a special contribution appears to be unlikely."

The regime established in Decree-Law no. 24/2013 establishes that the Bank of Portugal fixes, by instruction, the rate to be applied each year on the basis of objective incidence of periodic contributions. The instruction of the Bank of Portugal No. 20/2017, published on 19 December 2017, set the base rate to be effective in 2018 for the determination of periodic contributions to the FR by 0.0459% against the rate of 0.0291% effective in 2017.

Thus, during 2017, the Group made regular contributions to the Resolution Fund in the amount of Euros 8,490,000. The amount related to the contribution on the banking sector, registered in 2017, was Euros 31,037,000. These contributions were recognized as cost in the months of April and June 2017, in accordance with IFRIC No. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund ('SRF'), the Group had to make an initial contribution in the amount of Euros 31,364,000. In accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (starting in 2016) through the periodic contributions to the SRF. The total amount of the contribution, in 2017, attributable to the Group was Euros 21,466,000, of which the Group delivered Euros 18,246,000 and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including the legal proceeding filed by those who have been defrauded by BES; and (v) the guarantee provided to the bonds issued by Oitante.

Despite the possibility foreseen in the applicable legislation concerning the payment of special contributions, taking into consideration the recent developments in the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by a group of banks, including the Bank, and the public notice made by the Resolution Fund and by the Office of the Portuguese Ministry of Finance mentioning that such a possibility will not be used, the financial statements as at 31 December 2017 reflect the Bank's expectation that no special contributions or other type of extraordinary contributions will be required of the institutions to finance the resolution measures applied to BES and to Banif.

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Bank.

10. As announced, in 2012 the Bank issued subordinated debt securities in the amount of Euros 3,000 million, convertible into capital in contingency situations (CoCos), which were subscribed by the Portuguese State and which qualify as Tier I. If the amortization of this outstanding amount does not occur until 30 June 2017, the unamortized securities will be converted into (ordinary) shares, under conditions established by law.

Also under the context of timely published information in this respect, the restructuring plan approved by the European authorities provided for a set of commitments, including those relating to the repayment schedule of these instruments, which could require the Bank to adopt measures with adverse impact on its activity, financial condition and results of operations.

Until 31 December 2016, Euros 2,300 million of the CoCos were reimbursed and, on 9 February 2017, Banco Comercial Português, S.A., reimbursed the remaining Euros 700 million to the Portuguese State. This reimbursement, which marks the return to the normalization of BCP's activity, had previously been approved by the European Central Bank, subject to the success of the capital increase that BCP concluded on that date.

The commitments of the Restructuring Plan ceased on 31 December 2017 with the end of the transition period, following the full reimbursement of the CoCos in anticipation of the defined schedule, and the European Commission confirmed in March 2018 that the Restructuring Plan had been successfully completed and that the monitoring of the commitments contained therein had been closed.

11. On 31 December 2013, a Memorandum of Understanding was signed with the Trade Unions to implement a temporary adjustment process, which will allow BCP to reach the targets agreed by the EC with the Portuguese State to reduce staff costs. This agreement, which entered into force on 1 July 2014, in addition to reducing the remuneration, suspends the promotions, progressions and future diuturnities that should be paid by the end of 2017. This agreement also foresees that this reduction of salaries will be returned to the employees, subject to the approval at the General Meeting of shareholders of the Bank, on proposal of the Executive Committee.

In the last week of 2016, the negotiation that had been held since October 2016 with some labour unions was completed with the objective of reviewing the Collective Labour Agreement ("CLA"), whose main objective was the Bank's ability to maintain adequately the evolution of short-term staff costs with the lowest possible impact on employees' lives.

This revision of the CLA, which has been in force since February 2017, covered several matters, among which the most relevant are (i) the commitment to anticipate, by July 2017, the salary replacement that was scheduled for January 2018 and (ii) to raise the retirement age in order to bring it into line with that of Social Security, which will make it possible to strengthen the sustainability of pension funds.

With the implementation of the Restructuring Plan, the Bank was able to anticipate the full repayment of public funding in February 2017 and for this reason, the Board of Directors decided to bring forward by the end of the transitional period of the wage adjustment to July 2017.

12. The Bank was subject to tax inspections for the years up to 2015. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred in the case of IRC in terms of the tax loss carry forwards and, in the case of VAT, in the calculation of the tax deduction pro rata used for the purpose of determining the amount of deductible VAT. The additional liquidations / corrections made by the tax administration were mostly object of contestation by administrative and / or judicial.

The Bank recorded provisions or deferred tax liabilities at the amount considered adequate to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

56. MOZAMBIQUE'S SOVEREIGN DEBT

Following a period of deceleration in economic activity and increase of inflation, reduction of Republic of Mozambique rating, depreciation of metical and decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate since December 2015, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue a strict liquidity management, emphasis on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, it existed debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique, and were agreed the terms of reference for an external audit.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the bonds holders issued by the Republic of Mozambique "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information.

In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsability of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.

As at 31 December 2017, considering the 66.7% indirect investment in BIM Group, the Bank's interest in BIM's equity amounted to Euros 271,337,000, being the exchange translation reserve associated with this participation a negative amount of Euros 151,710,000. BIM's contribution to consolidated net income for 2017, attributable to the shareholders of the Bank, amounts to Euros 56,747,000.

On that date, the subsidiary BIM's exposure to the State of Mozambique includes public debt securities denominated in metical classified as Financial assets available for sale financial assets and Financial assets held to maturity in the amounts of Euros 422,257,000 and Euros 69,014,000 respectively. These public debt securities mostly have a maturity of less than 1 year.

As at 31 December 2017, the Group has also registered in the balance Loans and advances to costumers, a direct gross exposure to the Mozambican State in the amount of Euros 282,386,000 (of which Euros 275,588,000 are denominated in metical, Euros 6,410,000 denominated in USD and Euros 388,000 denominated in Euros) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 296.004.000 (of which Euros 150,404,000 are denominated in metical and Euros 145,600,000 denominated in USD) and in the balance Guarantees granted and irrevocable commitments, an amount of Euros 95,544,000 (of which Euros 1,484,000 are denominated in metical, Euros 94,033,000 denominated in USD and Euros 27,000 denominated in Euros).

According to public information provided by IMF, there are credits granted in default to Mozambican companies, non-state, guaranteed by the Mozambican State.The ongoing dialogue between the Government of Mozambique, IMF and creditors with the objective of finding a solution to the debt guaranteed by the State of Mozambique that had not previously been disclosed to the IMF referred to above. Nevertheless, in March 2018 the Mozambican Government presented proposals regarding this matter, a solution has not yet been approved to change the Group's current expectations reflected in the financial statements as at 31 December 2017, regarding the capacity of the Government of Mozambique and public companies to repay their debts and the development of the activity of its subsidiary Banco Internacional de Moçambique (BIM).

57. TRANSFERS OF ASSETS

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the Fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the value of the transfer of credits. These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus it related interest. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:
- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in the available for sale portfolio and are accounted for at fair value based on the last available quote, as disclosed by the Management companies and audited at year end, still being analysed by the Bank;
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Group performed, under the scope of IAS 39.20 c, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets and were recorded in 2016 under "Net gains / (losses) arising from trading and hedging activities - Sale of credits" (note 6), a gain of EuroS 1,053,000. During the 2017, no credits were sold to Specialized Credit Funds. The amounts accumulated as at 31 December 2017, related to these operations are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Vallis Construction Sector Fund (d)	238,325	201,737	238,325	36,588
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (e)	113,665	113,653	109,599	(4,054)
	2,005,594	1,586,114	1,612,929	26,815

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; d) Construction and e) Property.

As at 31 December 2017, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2017				
	Senior securities	Junior securities			
	Participation units (note 23)	Participation units (note 23)	Capital supplies (note 32)	Capital supplementary contributions (note 32)	Total
Fundo Recuperação Turismo FCR					
Gross value	287,930	-	31,737	-	319,667
Impairment	(46,791)	-	(31,737)	-	(78,528)
	241,139	-	-	-	241,139
Fundo Reestruturação Empresarial FCR					
Gross value	85,209	-	-	33,280	118,489
Imparirmant and other fair value ajustments	(6,118)	-	-	(33,280)	(39,398)
	79,091	-	-	-	79,091
FLIT-PTREL					
Gross value	261,502	-	38,155	2,939	302,596
Impairment	(3,697)	-	(38,155)	(2,939)	(44,791)
	257,805	-	-	-	257,805
Vallis Construction Sector Fund					
Gross value	203,172	36,292	-	-	239,464
Impairment	(203,172)	(36,292)	-	-	(239,464)
	-	-	-	-	-
Fundo Recuperação FCR					
Gross value	199,324	-	78,995	-	278,319
Impairment	(79,247)	-	(78,995)	-	(158,242)
	120,077	-	-	-	120,077
Fundo Aquarius FCR					
Gross value	138,045	-	-	-	138,045
Impairment	(6,993)	-	-	-	(6,993)
	131,052	-	-	-	131,052
Discovery Real Estate Fund					
Gross value	150,409	-	-	-	150,409
Impairment	(2,690)	-	-	-	(2,690)
	147,719	-	-	-	147,719
Fundo Vega FCR					
Gross value	47,087	-	70,770	-	117,857
Impairment	(1,902)	-	(70,770)	-	(72,672)
	45,185	-	-	-	45,185
Total Gross value	1,372,678	36,292	219,657	36,219	1,664,846
Total Impairment	(350,610)	(36,292)	(219,657)	(36,219)	(642,778)
	1,022,068	-	-	-	1,022,068

As mentioned in note 23, the book value of these assets resulted from the last communication by the respective management company of the NAV of the Fund which, as at 31 December 2017, corresponds to the NAV at that date, with the exception of the Fundo Vega FCR, which reports on 30 June 2017. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Audit Reports available with reference to 31 December 2017 except for Discovery Real Estate Fund, FLIT-PTREL and Vega whose reference date is 31 December 2016 and for the Vallis Fund which is 30 September 2016) do not present any reservations; (ii) the funds are subject to supervision by the competent authorities.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

The impairment for credit restructuring funds with impact on results, which occurred in 2017 amounts to Euros 52,149,000, of which Euros 45,956,000 are recorded in Other financial assets impairment (note 13) and Euros 6,193,000 in Other assets impairment (note 32).

As at 31 December 2016, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2016				
	Senior securities	Junior securities			
	Participation units (note 23)	Participation units (note 23)	Capital supplies (note 32)	Capital supplementary contributions (note 32)	Total
Fundo Recuperação Turismo FCR					
Gross value	287,929	-	31,274	-	319,203
Impairment	(45,611)	-	(31,274)	-	(76,885)
	242,318	-	-	-	242,318
Fundo Reestruturação Empresarial FCR					
Gross value	84,112	-	-	-	84,112
Impairment	(5,463)	-	-	-	(5,463)
	78,649	-	-	-	78,649
FLIT-PTREL					
Gross value	299,479	-	38,155	2,939	340,573
Impairment	(4,713)	-	(38,155)	(2,939)	(45,807)
	294,766	-	-	-	294,766
Vallis Construction Sector Fund					
Gross value	203,172	36,292	-	-	239,464
Impairment	(173,799)	(36,292)	-	-	(210,091)
	29,373	-	-	-	29,373
Fundo Recuperação FCR					
Gross value	215,996	-	77,085	-	293,081
Impairment	(70,698)	-	(77,085)	-	(147,783)
	145,298	-	-	-	145,298
Fundo Aquarius FCR					
Gross value	136,111	-	-	-	136,111
Impairment	(8,967)	-	-	-	(8,967)
	127,144	-	-	-	127,144
Discovery Real Estate Fund					
Gross value	151,086	-	-	-	151,086
Impairment	-	-	-	-	-
	151,086	-	-	-	151,086
Fundo Vega FCR					
Gross value	44,848	-	66,950	-	111,798
Impairment	-	-	(66,950)	-	(66,950)
	44,848	-	-	-	44,848
Total Gross value	1,422,733	36,292	213,464	2,939	1,675,428
Total Impairment	(309,251)	(36,292)	(213,464)	(2,939)	(561,946)
	1,113,482	-	-	-	1,113,482

As at 31 December 2017, the detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	2017		
	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	303,683	287,929	15,754
Fundo Reestruturação Empresarial FCR	101,133	85,237	15,896
FLIT-PTREL	260,244	260,244	-
Vallis Construction Sector Fund	238,929	238,929	-
Fundo Recuperação FCR	220,192	199,324	20,868
Fundo Aquarius FCR	156,100	138,045	18,055
Discovery Real Estate Fund	150,409	150,409	-
Fundo Vega FCR	51,185	47,087	4,098
	1,481,875	1,407,204	74,671

The amount of subscribed capital does not include additional subscription commitments, which amount to Euros 20,978,000 in FLIT-PTREL, Euros 9,689,000 in Discovery and Euros 5,000 in Vallis.

Additionally are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment:

(Thousands of euros)

Items	2017	2016
Loans and advances to customers	271,997	351,624
Guarantees granted and irrevocable credit lines	34,114	134,203
Gross exposure	306,111	485,827
Impairment	(75,571)	(101,795)
Net exposure	230,540	384,032

58. DISCONTINUED OR DISCONTINUING OPERATIONS

Banco Comercial Português, S.A agreed to carry out a merger by incorporation of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A, for that reason, that entity has been considered as a discontinued operation since 31 March 2016. In this context, costs and income for the period from 1 January to 30 April 2016 are presented in a single line denominated Result of discontinued or discontinued operations. After the completion of the merger, which occurred on 30 April 2016, the assets and liabilities of Banco Millennium Angola were derecognized from the balance sheet, and the interest held in Banco Millennium Atlântico, S.A. was registered as an associated company, as described in note 26.

As provided in point a) of IFRS 5 paragraph 33, the net cash flow attributable to operating activities, investing and financing activities of discontinued operations should be disclosed not being however mandatory for groups of assets held for sale that are newly acquired subsidiaries that meet the criteria for classification as held for sale on acquisition.

Following the completion of the merger, the Group has no longer the control over the Banco Millennium Angola, and now holds significant influence over the new entity, Banco Millennium Atlântico S.A., of 22.5% of its share capital. In this context, the Group valued its investment in the associated company Banco Millennium Atlântico, S.A at fair value.

The fair value of the shareholding attributable to Banco Comercial Português in Banco Millennium Atlântico at the date of opening balance (30 April 2016), was established by discounting the cash flows to equity associated to the Business Plan developed for the Project of the Merger between Banco Millennium Angola with Banco Privado Atlântico, adjusted to reflect the change in the local currency rate since the end of the year until that date and the date of opening balance, and the difference between the estimate of the combined Net Asset Value (which was based on the information available at the date of the fair value estimation) and the corresponding estimate in the Business Plan underlying the merger projection.

Additionally, the discretionary adjustment considered at the end of 2015 was kept, although to a lesser extent (-10% instead of -30%), in order to reflect the remaining uncertainty regarding the future evolution of economic and financial conditions in Angola, in spite of the gradual stabilisation that has taken place in the meantime.

The main effects are recognized in the consolidated financial statements associated to this operation were as follows:

- Positive impact on net income /(loss) for the period, as at 31 December 2016, of Euros 7,328,000;
- Positive impact on equity, excluding net income /(loss) for the period, as at 31 December 2016, amounting to Euros 76,835,000, following the valuation at fair value of the shareholding in the new entity.

The negative foreign exchange reserves of Euros 78,554,000 was annulled and recorded in Net income /(loss) of 2016, not implying net impact on equity.

After 30 April 2016, the equity method has been applied to the shareholding held in Banco Millennium Atlântico, S.A. which resulted in a positive contribution of Euros 13,306,000 to the Group's consolidated results of 2016 and other effects on shareholders' equity, in the positive amount of Euros 1,308,000, as at 31 December 2016 (note 26).

As at 31 December 2016, participation in Banco Millennium Atlântico, SA was recorded at Euros 219,754,000, including Euros 102,921,000 relating to goodwill (note 26).

The main items of 2016 income statement, related to this discontinued operation, are analysed as follows:

(Thousands of euros)

	2016		
	Banco Millennium Angola	Others	Total
Net interest income	37,690	-	37,690
Net fees and commissions income	8,777	-	8,777
Net gains on trading	26,962	-	26,962
Other operating income	(328)	(533)	(861)
Total operating income	73,101	(533)	72,568
Staff costs	12,020	-	12,020
Other administrative costs	11,129	(533)	10,596
Depreciation	3,009	-	3,009
Total operating expense	26,158	(533)	25,625
Loans impairment and other provisions	(5,023)	-	(5,023)
Net operating income	41,920	-	41,920
Net gain from the sale of subsidiaries and other assets	14	-	14
Net income before income tax	41,934	-	41,934
Income tax	(5,128)	-	(5,128)
Net income for the year (note 17)	36,806	-	36,806

59. APPLICATION OF IAS 29 IN ANGOLA

In 2017, based on the requirements of IAS 29, Angola was considered, for the purpose of presenting financial statements in accordance with IFRS as adopted by the European Union, as a high inflation economy.

The evolution of the consumer price index in Angola in the last three years is as follows:

	2017	2016	2015
Angola price index	195.63	158.19	112.09
Cumulative annual inflation (%)	24	41	12

Source: National Bank of Angola

In this context, pro-forma accounts of the associate Banco Millennium Atlântico, S.A. ("BMA") were prepared, considering the effects of applying IAS 29, namely for non-monetary assets and liabilities, including goodwill, and equity items were restated by applying the price index from the date of acquisition or the date of the last revaluation. The restated asset amounts have been reduced by the amount that exceeds their recoverable value.

The effects of the application of IAS 29 calculated with reference to 1 January 2017 (restatement of non-monetary assets and liabilities and equity items) were recorded in equity without any impact on profit or loss. The effects of the application of IAS 29 in the 2017 were recorded in the income statement.

In the Group's consolidated accounts were also considered the following aspects:

- The restatement of non-monetary assets and liabilities and equity items of BMA, in accordance with the requirements of IAS 29, was made from 30 April 2016 (date of the conclusion of the merger of Banco Privado Atlântico with Banco Millennium Angola, as described in more detail in notes 17 and 58);
- The goodwill recorded in the Bank's consolidated accounts was restated considering the price index evolution after 30 April 2016, as regards to the date of the merger;
- The amount of the investment held in BMA, after considering the effects of the application of IAS 29 described above, was compared to the respective recoverable amount as at 1 January 2017 and 31 December 2017, to conclude for the need to record impairment for the investment in this associate.

The application of IAS 29 on the investment held by the Group in BMA did not have any impact in net equity as at1 January 2017 and 31 December 2017, implying in 2017:

i) an increase in reserves and retained earnings of Euros 28,428,000:

- increase arising from the application of equity method of consolidation in the amount of Euros 34,321,000 (notes 26 and 43) and,
- decrease of Euros 5,893,000 due to the exchange rate effect (notes 26 and 43).

ii) a decrease in the results of the same amount:

- increase arising from the application of equity method of consolidation in the amount of Euros 11,325,000 (notes 15 and 26) and,
- impairment for the year in the amount of Euros 39,753,000 (note 26).

Therefore, as at 1 January 2017 and 31 December 2017, the investment held in the associate BMA amounts to Euros 219,754,000 and Euros 212,797,000, respectively (note 26).

The aforementioned effects include the appropriation of the gain or loss on the monetary items corresponding to the portion of capital held by the Group in the BMA, which, as at 31 December 2017, amounts to Euros 12,467,000.

60. LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES OF BANCO COMERCIAL PORTUGUÊS GROUP

As at 31 December 2017, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
					%	%	%
	Head	Share			economic	effective	direct
Subsidiary companies	**office**	**capital**	**Currency**	**Activity**	**interests**	**held**	**held**
Banco de Investimento Imobiliário, S.A.	Lisbon	17,500,000	EUR	Banking	100.0	100.0	100.0
Banco ActivoBank, S.A.	Lisbon	17,500,000	EUR	Banking	100.0	100.0	100.0
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1	50.1	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0	100.0	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0	100.0	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	2,000,000	EUR	Venture capital	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100.0	100.0	100.0
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	90,911,185	EUR	Financial	100.0	34.1	–
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	37.1	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	52,270,768	BRL	Financial Services	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
MB Finance AB	Stockholm	500,000	SEK	Financial	100.0	50.1	–
Enerparcela - Empreendimentos Imobiliários, S.A.	Oeiras	37,200,000	EUR	Real-estate management	100.0	100.0	–
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0	100.0	100.0
Adelphi Gere, Investimentos Imobiliários, S.A.	Oeiras	10,706,743	EUR	Real-estate management	100.0	100.0	–
Sadamora - Investimentos Imobiliários, S.A.	Oeiras	11,737,399	EUR	Real-estate management	100.0	100.0	–
Monumental Residence - Investimentos Imobiliários, S.A.	Funchal	30,300,000	EUR	Real-estate management	100.0	100.0	–
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	93.9	93.5	83.5
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotext services	100.0	100.0	100.0
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100.0	50.1	–
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100.0	50.1	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	50.1	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	50.1	–
Millennium Telecomunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	50.1	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	50.1	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9	99.9	99.9

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
MULTI 24 - Sociedade Imobiliária, SA	Lisbon	44,919,000	EUR	Real-estate management	100.0	100.0	–
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0
Setelote - Aldeamentos Turísticos S.A.	Oeiras	400,000	EUR	Real-estate company	100.0	100.0	–
Irgossai - Urbanização e Construção, S.A.	Oeiras	50,000	EUR	Real-estate company	100.0	100.0	–
Imábida - Imobiliária da Arrábida, S.A. (*)	Oeiras	1,750,000	EUR	Real-estate company	100.0	100.0	100.0
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100.0	100.0	–
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100.0	100.0	–
Fiparso – Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100.0	100.0	–

(*) - Company classified as non-current assets held for sale.

As at 31 December 2017, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 b), were as follows:

Subsidiary companies	Head office	Nominal Value Units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	153,883,066	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	11,718,513	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	137,657,450	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	304,320,700	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	12,009,785,300	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	6,653,257	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	7,791,600	EUR	Real estate investment fund	100.0	100.0	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100.0	100.0	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,834,000	EUR	Real estate investment fund	100.0	100.0	100.0
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	491,610	EUR	Real estate investment fund	100.0	100.0	100.0

Subsidiary companies	Head office	Nominal Value Units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	134,023,100	EUR	Real estate investment fund	100.0	100.0	100.0
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0	100.0	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	4,785,000	EUR	Real estate investment fund	54.0	54.0	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	11,945,000	EUR	Real estate investment fund	100.0	100.0	100.0
MR – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	31,056,099	EUR	Real estate investment fund	100.0	100.0	100.0
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,600,000	EUR	Real estate investment fund	50.0	50.0	50.0
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	50,169,036	EUR	Real estate investment fund	60.0	60.0	60.0

(*) - Company classified as non-current assets held for sale.

The Group held a set of securitization transactions regarding mortgage loans which were set through specifically created SPE. As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of IFRS 10.

As at 31 December 2017, the SPEs included in the consolidated accounts under the full consolidation method are as follows:

Special Purpose Entities	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Magellan Mortgages No.2 Limited	Dublin	40,000	EUR	Special Purpose Entities	100.0	100.0	100.0
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4	82.4	82.4

As at 31 December 2017, the Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0	100.0	100.0
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	147,500,000	MZN	Insurance	92.0	61.4	–

As at 31 December 2017, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7	22.5	–
Banque BCP, S.A.S.	Paris	126,955,886	EUR	Banking	19.9	19.9	19.9
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,610	EUR	Extractive industry	20.0	20.0	20.0
Beiranave Estaleiros Navais Beira SARL	Beira	2,849,640	MZN	Naval shipyards	22.8	14.0	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.3	–
Exporsado - Comércio e Indústria de Produtos Do Mar, Lda.	Setúbal	483,750	EUR	Trade and industry of sea products	35.0	35.0	–
Lubuskie Fabryki Mebli, S.A.	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	25.1	–
Mundotêxtil - Indústrias Têxteis, S.A.	Vizela	11,150,000	EUR	Textile products, except	25.1	25.1	–
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3	21.9	–
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	Oeiras	50,000	EUR	Advisory	25.0	25.0	25.0
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	0.6
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1	25.1	25.1

As at 31 December 2017 the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	775,002,375	EUR	Holding company	49.0	49.0	49.0
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

During 2017, the Group liquidated its subsidiaries Propaço - Sociedade Imobiliária de Paço D'Arcos, Lda , M Inovação - Fundo de Capital de Risco BCP Capital, Imoport - Fundo de Investimento Imobiliário Fechado and Caracas Financial Services, Limited and the associated company Imbondeiro Development Corporation. The Group also sold the associated companies Nanium SA., Luanda Waterfront Corporation and Baía de Luanda - Promoção, Montagem e Gestão de Negócios, S.A.

As regards to the 3.6% investment held in Banque BCP (Luxembourg), S.A., it was no longer considered as associated company because the Group no longer maintains a significant influence on the bank.

Regarding the entries in the consolidation perimeter, were included the investment funds Domus Capital– Fundo Especial de Investimento Imobiliário Fechado and Predicapital – Fundo Especial de Investimento Imobiliário Fechado.

ACCOUNTS AND NOTES TO THE 2017 INDIVIDUAL ACCOUNTS

SEPARATE INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Thousands of euros)

	Notes	2017	2016
Interest and similar income	3	1,013,310	1,131,067
Interest expense and similar charges	3	(219,101)	(410,754)
NET INTEREST INCOME		794,209	720,313
Dividends from equity instruments	4	73,197	215,176
Net fees and commissions income	5	433,256	434,333
Net gains / (losses) arising from trading and hedging activities	6	25,820	31,739
Net gains / (losses) arising from financial assets available for sale	7	116,565	95,794
Other operating income / (loss)	8	(25,699)	(11,771)
TOTAL OPERATING INCOME		1,417,348	1,485,584
Staff costs	9	325,409	171,869
Other administrative costs	10	235,803	244,325
Amortizations and depreciations	11	28,993	24,699
TOTAL OPERATING EXPENSES		590,205	440,893
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		827,143	1,044,691
Loans impairment	12	(533,296)	(1,030,606)
Other financial assets impairment	13	(70,310)	(295,304)
Other assets impairment	24, 25 and 29	(132,597)	(211,970)
Other provisions	14	(50,491)	(87,572)
NET OPERATING INCOME / (LOSS)		40,449	(580,761)
Gains / (losses) arising from sales of subsidiaries and other assets	15	21,419	167,941
NET INCOME / (LOSS) BEFORE INCOME TAXES		61,868	(412,820)
Income taxes			
Current	28	(2,489)	(4,854)
Deferred	28	58,642	486,982
NET INCOME FOR THE YEAR		118,021	69,308
Earnings per share (in Euros)	16		
Basic		0.009	0.056
Diluted		0.009	0.056

Chief Accountant

The Executive Committee

See accompanying notes to the separate financial statements.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Thousands of euros)

	Notes	2017	2016
NET INCOME / (LOSS) FOR THE YEAR		118,021	69,308
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT			
Fair value reserves	39	125,012	(148,078)
Taxes		(37,436)	43,637
		87,576	(104,441)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Actuarial (gains) / losses for the year			
Gross amount	44	28,899	(299,840)
Taxes		(44,741)	68,841
		(15,842)	(230,999)
Other comprehensive income / (loss) for the year		71,734	(335,440)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		189,755	(266,132)

Chief Accountant

The Executive Committee

See accompanying notes to the separate financial statements.

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2017 AND 2016

(Thousands of euros)

	Notes	2017	2016
ASSETS			
Cash and deposits at Central Banks	17	1,291,663	790,733
Loans and advances to credit institutions			
Repayable on demand	18	156,460	312,595
Other loans and advances	19	1,254,472	1,497,180
Loans and advances to customers	20	33,356,945	34,028,229
Financial assets held for trading	21	770,639	953,557
Other financial assets held for trading at fair value through profit or loss	21	142,336	146,664
Financial assets available for sale	21	6,692,982	5,959,643
Hedging derivatives	22	18,804	33,347
Financial assets held to maturity	23	342,785	409,791
Investments in subsidiaries and associated companies	24	3,370,361	3,464,107
Non-current assets held for sale	25	1,480,112	1,621,304
Other tangible assets	26	217,101	218,309
Intangible assets	27	21,409	14,526
Current tax assets		7,208	11,136
Deferred tax assets	28	3,018,508	3,050,307
Other assets	29	1,434,731	1,270,437
TOTAL ASSETS		53,576,516	53,781,865
LIABILITIES			
Resources from credit institutions	30	7,825,051	9,745,520
Resources from customers	31	35,037,427	33,957,969
Debt securities issued	32	2,381,881	2,755,844
Financial liabilities held for trading	33	381,380	534,483
Hedging derivatives	22	112,352	108,313
Provisions	34	269,057	223,633
Subordinated debt	35	1,021,541	1,416,033
Current tax liabilities		1,269	2,684
Other liabilities	36	617,291	585,841
TOTAL LIABILITIES		47,647,249	49,330,320
EQUITY			
Share capital	37	5,600,738	4,268,818
Share premium	37	16,471	16,471
Other equity instruments	37	2,922	2,922
Legal and statutory reserves	38	252,806	245,875
Fair value reserves	39	44,501	(43,075)
Reserves and retained earnings	39	(106,192)	(108,774)
Net income for the year		118,021	69,308
TOTAL EQUITY		5,929,267	4,451,545
		53,576,516	53,781,865

Chief Accountant

The Executive Committee

See accompanying notes to the separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Thousands of euros)

	2017	2016
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	980,099	1,053,333
Commissions received	557,616	555,621
Fees received from services rendered	53,230	253,678
Interests paid	(227,797)	(384,903)
Commissions paid	(96,479)	(69,893)
Recoveries on loans previously written off	14,067	29,748
Payments to suppliers and employees	(646,999)	(518,331)
Income taxes (paid) / received	2,073	(16,770)
	635,810	902,483
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	241,224	(703,796)
Loans and advances to customers receivable	136,278	1,182,924
Short term trading account securities	28,689	21,706
Increase / (decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	64,665	(240,196)
Deposits from credit institutions with agreed maturity date	(1,969,719)	1,707,963
Deposits from clients repayable on demand	2,240,921	896,042
Deposits from clients with agreed maturity date	(1,089,194)	(2,071,678)
	288,674	1,695,448
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of shares in subsidiaries and associated companies	714,111	181,743
Acquisition of shares in subsidiaries and associated companies	(649,734)	(25,329)
Dividends received	73,197	215,176
Interest income from available for sale financial assets and held to maturity financial assets	88,673	107,435
Sale of available for sale financial assets	5,970,593	5,233,729
Acquisition of available for sale financial assets	(6,676,995)	(5,122,544)
Maturity of available for sale financial assets	363,497	347,882
Acquisition of tangible and intangible assets	(45,196)	(45,278)
Sale of tangible and intangible assets	883	1,253
Decrease / (increase) in other sundry assets	(160,425)	(824,093)
	(321,396)	69,974
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	300,000	-
Reimbursement of subordinated debt	(701,920)	(121,259)
Issuance of debt securities	1,139,682	53,160
Reimbursement of debt securities	(1,680,978)	(1,350,800)
Issuance of commercial paper and other securities	188,076	57,588
Reimbursement of commercial paper and other securities	(9,674)	(19,202)
Share capital increase	1,295,148	174,582
Increase / (decrease) in other sundry liabilities	(152,817)	(134,218)
	377,517	(1,340,149)
Net changes in cash and equivalents	344,795	425,273
Cash and equivalents at the beginning of the year	648,507	488,310
Deposits at Central Banks (note 17)	454,821	189,745
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,103,328	678,055
Cash (note 17)	337,534	335,912
Deposits at Central Banks (note 17)	954,129	454,821
Loans and advances to credit institutions repayable on demand (note 18)	156,460	312,595
CASH AND EQUIVALENTS AT THE END OF THE YEAR	1,448,123	1,103,328

Chief Accountant

The Executive Committee

See accompanying notes to the separate financial statements.

SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Fair value reserves	Reserves and retained earnings	Net income for the year	Total equity
BALANCE AS AT 31 DECEMBER 2015 (RESTATED)	4,094,235	16,471	2,922	223,270	61,366	65,921	85,044	4,549,229
Net income for the year	-	-	-	-	-	-	69,308	69,308
Fair value reserves (note 39)	-	-	-	-	(104,441)	-	-	(104,441)
Actuarial losses for the year (note 44):								
Gross value	-	-	-	-	-	(299,840)	-	(299,840)
Taxes	-	-	-	-	-	68,841	-	68,841
TOTAL COMPREHENSIVE INCOME	-	-	-	-	(104,441)	(230,999)	69,308	(266,132)
Results aplications:								
Legal reserve (note 38)	-	-	-	22,605	-	-	(22,605)	-
Transfers for Reserves and retained earnings	-	-	-	-	-	62,439	(62,439)	-
Share capital increase (note 37)	174,583	-	-	-	-	-	-	174,583
Regrouping of shares (note 42)	-	-	-	-	-	(1,048)	-	(1,048)
Costs related to the share capital increase	-	-	-	-	-	(6,437)	-	(6,437)
Tax related to costs arising from the share capital increase	-	-	-	-	-	1,350	-	1,350
BALANCE AS AT 31 DECEMBER 2016	4,268,818	16,471	2,922	245,875	(43,075)	(108,774)	69,308	4,451,545
Net income for the year	-	-	-	-	-	-	118,021	118,021
Fair value reserves (note 39)	-	-	-	-	87,576	-	-	87,576
Actuarial losses for the year (note 44):								
Gross value	-	-	-	-	-	28,899	-	28,899
Taxes	-	-	-	-	-	(44,741)	-	(44,741)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	87,576	(15,842)	118,021	189,755
Results aplications:								
Legal reserve (note 38)	-	-	-	6,931	-	-	(6,931)	-
Transfers for Reserves and retained earnings	-	-	-	-	-	62,377	(62,377)	-
Share capital increase (note 37)	1,331,920	-	-	-	-	-	-	1,331,920
Costs related to the share capital increase	-	-	-	-	-	(36,772)	-	(36,772)
Tax related to costs arising from the share capital increase (a)	-	-	-	-	-	(8,264)	-	(8,264)
Other reserves (note 39)	-	-	-	-	-	1,083	-	1,083
BALANCE AS AT 31 DECEMBER 2017	5,600,738	16,471	2,922	252,806	44,501	(106,192)	118,021	5,929,267

(a) Includes the derecognition of deferred taxes related to tax losses from previous years associated to costs arising from the share capital increase

Chief Accountant

The Executive Committee

See accompanying notes to the separate financial statements.

1. ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May, 1986, and these financial statements reflect the results of the operations of the Bank, for the years ended 31 December 2017 and 2016.

Information comparability

The Bank's separate financial statements up to and including 31 December 31 2015 were prepared and presented in accordance with the Adjusted Accounting Standards issued by the Bank of Portugal.

The Adjusted Accounting Standards issued by Bank of Portugal were based on the application of the International Financial Reporting Standards (IFRS) in force and adopted by the European Union, except for the matters defined in no. 2 and 3 of Notice no. 1/2005 and no. 2 of Notice no. 4/2005 of the Bank of Portugal ('NCA's'). The NCAs included the standards issued by the International Accounting Standards Board (IASB) as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies, except for the aspects already mentioned in Notices no. 1/2005 and no. 4/2005 of the Bank of Portugal: i) valuation and provisioning of the credit granted, for which Notice no. 3/95 of the Bank of Portugal was used; (ii) benefits to employees through the establishment of a deferral period of accounting impact resulting from the transition to IAS 19 criteria; and (iii) restriction of the application of certain options provided for in IAS / IFRS.

As of January 1, 2016, following the publication of Bank of Portugal Notice no. 5/2015, of 30 December, the Bank's separate financial statements are now prepared in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union, which were already used in the preparation and presentation of its consolidated financial statements since 2005.

As a result of this change, the loan portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses, calculated in accordance with the requirements of International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39), replacing the register of provisions for specific risks and for general credit risks and for country risk, in accordance with Bank of Portugal Notice no. 3/95, of 30 June. Accordingly, the Bank retrospectively applied the new policy in its financial statements (restatement), with reference to the first comparative period presented, that is, 1 January 2015. In this sense, the Separate Balance Sheet as of 1 January and 31 December 2015 and the Separate Income Statements, Separate Statements of Comprehensive Income and Separate Statements of Changes in Equity for the year ended as at 31 December 2015 were restated, as presented in more detail in note 51.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002 and Regulation no. 1/2005 from the Bank of Portugal (revoked by Notice no. 5/2015 from Bank of Portugal), the Bank's financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU') since the year 2016. IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and their predecessor bodies. The financial statements presented were approved on 23 April 2018 by the Bank's Board of Directors. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

All the references in this document related to any normative always report to current version.

These separate financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

The Bank's financial statements for the year ended 31 December 2017 were prepared in terms of recognition and measurement in accordance with the IFRS adopted by the EU and effective on that date.

The Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2017, as referred in note 48. The accounting policies in this note were applied consistently and are consistent with those used in the preparation of the restated financial statements of the previous period.

The Bank's financial statements are prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets available for sale, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are covered under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the past liabilities with pensions net of the value of the fund's assets.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, on the advice of the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or for which assumptions and estimates are considered to be significant are presented in note 1 ab).

B. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers includes loans and advances originated by the Bank which are not intended to be sold in the short term and are recognised when cash is advanced to customers.

The derecognition of these assets occurs in the following situations: (i) the contractual rights of the Bank have expired; or (ii) the Bank transferred substantially all the associated risks and rewards.

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, being presented in the balance sheet net of impairment losses.

i) Impairment

The Bank's policy consists in a regular assessment of the existence of objective evidence of impairment in the loan portfolios. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed against results, in a subsequent period.

After the initial recognition, a loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, can be classified as impaired when there is an objective evidence of impairment as a result of one or more events and when these have an impact on the estimated future cash flows of the loan or of the loan portfolio that can be reliably estimated.

According to IAS 39, there are two methods of calculating impairment losses: (i) individually assessed loans; and (ii) collective assessment.

1) Individually assessed loans

Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Bank assesses, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors, among others, are considered:

- Bank's aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to each loan;
- a significant downgrading in the customer's rating;
- the assets available on liquidation or insolvency situations;
- the ranking of all creditors claims;
- the amount and timing of expected receipts and recoveries.

Impairment losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, with its current carrying value, being the amount of any loss charged in the income statement. The carrying amount of impaired loans is presented in the balance sheet net of impairment loss. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, which was applicable in the period that the impairment was determined.

Loans that are not identified as having an objective evidence of impairment are grouped on the basis of similar credit risk characteristics, and assessed collectively.

2) Collective assessment

Impairment losses are calculated on a collective basis under two different scenarios:

- for homogeneous groups of loans that are not considered individually significant; or
- losses which have been incurred but have not yet been reported (IBNR) on loans for which no objective evidence of impairment is identified (see last paragraph (i)).

The collective impairment loss is determined considering the following factors:

- historical loss experience in portfolios with similar risk characteristics;
- knowledge of the current economic and credit conditions and its impact on the historical losses level; and
- the estimated period between a loss occurring and its identification.

The methodology and assumptions used to estimate the future cash flows are reviewed regularly by the Bank.

Loans, for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allows the Bank's recognition of losses whose identification in individual terms only occurs in future periods.

Loans and advances to customers are written-off when there is no realistic expectation, from an economic perspective, and for collateralised loans when the funds from the realization of the collateral have already been received, by the use of impairment losses when they correspond to 100% of the credits value considered as non-recoverable.

C. FINANCIAL INSTRUMENTS

(i) Classification, initial recognition and subsequent measurement

Financial assets are recognized on the trade date, thus, in the date that the Bank commits to purchase the asset and are classified considering the intent behind them, according to the categories described below:

1) Financial assets and liabilities at fair value through profit and loss

a) Financial assets and liabilities held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares, those which are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in Net gains / (losses) arising on trading and hedging activities.

The interest from debt instruments is recognised as net interest income.

Trading derivatives with a positive fair value are included in Financial assets held for trading and the trading derivatives with negative fair value are included in Financial liabilities held for trading.

b) Other financial assets and liabilities at fair value through profit and loss ("Fair Value Option")

The Bank has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Bank's credit risk related to financial liabilities accounted under the Fair Value Option are disclosed in the note Net gains / (losses) arising from trading and hedging activities (note 6).

The designation of other financial assets and liabilities at fair value through profit and losses (Fair Value Option) may be performed whenever at least one of the following requirements is fulfilled:

- the financial assets and liabilities are managed, evaluated and reported internally at its fair value;
- the designation eliminates or significantly reduces the accounting mismatch of the transactions;
- the financial assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

Considering that the transactions carried out by the Bank in the normal course of its business are in market conditions, the assets and liabilities financial instruments at fair value through profit or loss are recognised initially at their fair value, with the costs or income associated with the transactions recognised in results at the initial moment, with subsequent changes in fair value recognized in profit or loss. Patrimonial variations in the fair value are recorded in Net gains / (losses) arising from trading and hedging activities (note 6). The accrual of interest and the premium / discount (when applicable) is recognised in the Net interest income based on the effective interest rate of each transaction, as well as the accrual of interest from derivatives associated with financial instruments classified in this category.

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Bank, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale are subsequently measured at fair value. The changes in fair value are accounted for against "Fair value reserves". On disposal of the financial assets available for sale or if impairment loss exists, the accumulated gains or losses recognised as fair value reserves are recognised under "Net gains / (losses) arising from available for sale financial assets" or "Impairment for other financial assets", in the income statement, respectively. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in profit and losses when the right to receive the dividends is attributed.

3) Financial assets held to maturity

The financial assets held to maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Bank has the intention and ability to maintain until the maturity of the assets and that were not included in other categories of financial assets. These financial assets are initially recognised at fair value and subsequently measured at amortised cost. The interest is calculated using the effective interest rate method and recognised in Net interest income. The impairment losses are recognised in profit and loss when identified.

Any reclassification or disposal of financial assets included in this category that does not occur close to the maturity of the assets, or if it is not framed in the exceptions stated by the rules, will require the Bank to reclassify the entire portfolio as Financial assets available for sale and the Bank will not be allowed to classify any assets under this category for the following two years.

4) Loans and receivables - Loans represented by securities

Non-derivative financial assets with fixed or determined payments, that are not quoted in a market and which the Bank does not intend to sell immediately or in a near future, may be classified in this category.

In addition to loans granted, the Bank recognises in this category unquoted bonds and commercial paper. The financial assets recognised in this category are initially accounted at fair value and subsequently at amortised cost net of impairment. The transaction costs are included in the effective interest rate for these financial instruments. The interest accounted based on the effective interest rate method are recognised in Net interest income.

The impairment losses are recognised in profit and loss when identified.

5) Other financial liabilities

Other financial liabilities are all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category includes money market transactions, resources from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in Net interest income.

The financial gains or losses calculated at the time of repurchase of other financial liabilities are recognised as Net gains / (losses) from trading and hedging activities, when occurred.

6) Securitizations operations

a) Traditional securitizations

The Bank has four residential mortgage credit securitizations operations (Magellan Mortgages No.1, No.2, No.3 e No.4) which portfolios were accounted derecognized of the separate balance of the Bank, as the residual notes of the referred operations were sold to institutional investors and consequently, the risks and the benefits were substantially transferred.

The four operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Titularization Fund, which has financed this purchase through the sale of titularization units to a SPE with office in Ireland. At the same time this SPE issued and sold in the capital markets a group of different classes of bonds.

b) Synthetic securitizations

The Bank has two synthetic operations. Caravela SME No.3, which operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies.

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies).

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

ii) Impairment

At each balance sheet date, an assessment is made of the existence of objective evidence of impairment. A financial asset or group of financial assets are impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quoted price, and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reasonably. According to the Bank's policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Reversal of impairment losses on equity instruments, classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (there is no reversal in profit and losses).

iii) Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives, if the economic risks and benefits of the embedded derivative are not closely related to the host contract, as long as the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives are classified as trading and recognised at fair value with changes through profit and loss.

D. DERIVATIVES HEDGE ACCOUNTING

i) Hedge accounting

The Bank designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Bank. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of hedged risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual period of the hedged item.

iii) Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:
- deferred over the residual period of the hedged instrument; or
- recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

iv) Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness has to be demonstrated. As such, the Bank performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

v) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity are transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

E. RECLASSIFICATIONS BETWEEN FINANCIAL INSTRUMENTS CATEGORIES

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer financial assets from Financial assets at fair value through profit and loss – trading to Financial assets available for sale, to Loans and Receivables - Loans represented by securities or to Financial assets held-to-maturity, as long as the requirement referred in the standard namely when there is some event that is uncommon and highly improbable that will occur again in the short term, that is, the event can be classified as a rare circumstance. The Bank adopted this possibility for a group of financial assets.

The analysis of the reclassifications is detailed in note 21 - Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale. Transfers of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables - Loans represented by securities and to Financial assets held-to-maturity are allowed, in determined and specific circumstances.

Transfers from and to Other financial assets and financial liabilities at fair value through profit and loss (Fair value option) are prohibited.

F. DERECOGNITION

The Bank derecognises financial assets when all rights to future cash flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or the Bank does not maintain control over the assets.

The Bank derecognises financial liabilities when these are cancelled or extinguished.

G. EQUITY INSTRUMENTS

A financial instrument is an equity instrument only if (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity and (b) if the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Bank are considered as an equity instrument when redemption of the shares is solely at the discretion of the Bank and dividends are paid at the discretion of the Bank.

Income from equity instruments (dividends) are recognised when the obligation to pay this income is established and are deducted to equity.

H. COMPOUND FINANCIAL INSTRUMENTS

Financial instruments that contain both a liability and an equity component (example: convertible bonds) are classified as compound financial instruments. For those instruments classified as compound financial instruments, the terms of its conversion to ordinary shares (number of shares) cannot change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability. Financial liabilities are measured at amortised cost through the effective interest rate method. The interests are recognised in Net interest income.

I. SECURITIES BORROWING AND REPURCHASE AGREEMENT TRANSACTIONS

i) Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

ii) Repurchase agreements

The Bank performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as resources from customers or resources from credit institutions.

The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

J. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associated are accounted for in the Bank's separate financial statements at its historical cost less any impairment losses.

Subsidiaries are entities controlled by the Bank (including structure entities and investment funds). The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investments in associates

Associates are those entities in which the Bank has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Bank has significant influence when it holds, directly or indirectly, 20% or more of the voting rights of the investee. If the Bank holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Bank does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Bank is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Bank and the investee;
- interchange of the management team; or
- provision of essential technical information.

Impairment

The recoverable amount of the investments in subsidiaries and associates is assessed annually, with reference to the end of the year or whenever exists any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associates and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

K. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OR DISCONTINUING OPERATIONS

Non-current assets, groups of non-current assets held for sale (groups of assets together with related liabilities that include at least a non current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets or group of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and its sale is highly probable. In order for the sale to be considered highly probable, the Bank must be committed to a plan to sell the asset (or disposal group), and must have been initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected the sale to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5 and that the Bank remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

The Bank also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable. Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Non-operating real estate (INAE)

The Bank also classifies non-current assets held for sale the non-operating real estate (INAE), which include properties acquired by the Bank as a result of the resolution of customer credit processes, as well as own properties that are no longer used by the Bank's services.

At the time of acquisition, real estate classified as INAE is recognised at the lower of the value of the loans existing on the date on which the recovery occurs or the judicial decision is formalised, and the fair value of the property, net of estimated costs for sale.

Subsequent measurement of INAE Is is made at the lower of their book value and the corresponding fair value, net of the estimated costs for their sale and are not subject to amortization. Impairment losses are recorded in the results of the period in which they arise.

The fair value is determined based on the market value, which is determined based on the expected sales price obtained through periodic evaluations made by expert external evaluators accredited to the CMVM.

Whenever the net fair value of the selling costs calculated for an INAE is less than the amount by which the same is recognized in the Bank's balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against income for the year.

If the net fair value of the selling costs of an INAE, after recognition of impairment, indicates a gain, the Bank may reflect that gain up to the maximum of the impairment that has been recorded on that property.

L. LEASE TRANSACTIONS

In accordance with IAS 17, the lease transactions are classified as financial whenever their terms transfer substantially all the risks and rewards associated with the ownership of the property to the lessee. The remaining leases are classified as operational. The classification of the leases is done according to the substance and not the form of the contract.

i) Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded at the beginning as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

Assets received arising from the resolution of leasing contracts and complying with the definition of assets held for sale classified in this category, are measured in accordance with the accounting policy defined in note 1k).

ii) Operational leases

At the lessee's perspective, the Bank has various operating leases for properties and vehicles. The payments under these leases are recognised in Other administrative costs during the life of the contract, and neither the asset nor the liability associated with the contract is evidenced in its balance sheet.

M. INTEREST RECOGNITION

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest income or expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised in net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans' portfolio, the following aspects are considered:
- interest income for overdue loans with collaterals are accounted for as income up to the limit of the valuation of the collateral on a prudent basis, in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
- the interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off from the Bank's financial statements and are recognised only when received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains / (losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component is recognised under interest income or expense (Net interest income).

N. RECOGNITION OF INCOME FROM SERVICES AND COMMISSIONS

Income from services and commissions are recognised according to the following criteria:

- when are earned as services are provided, are recognised in income over the period in which the service is being provided;
- when are earned on the execution of a significant act, are recognised as income when the service is completed.

Income from services and commissions, that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

O. FINANCIAL NET GAINS / LOSSES (NET GAINS / LOSSES ARISING FROM TRADING AND HEDGING ACTIVITIES, FROM FINANCIAL ASSETS AVAILABLE FOR SALE AND FROM FINANCIAL ASSETS HELD TO MATURITY)

The caption Financial net gains / losses includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This caption also includes the gains and losses arising from the sale of available for sale financial assets and financial assets held-to-maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

P. FIDUCIARY ACTIVITIES

Assets held in the scope of fiduciary activities are not recognised in the Bank's separate financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

Q. OTHER TANGIBLE ASSETS

Other tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Bank. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other fixed assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash-flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of the fixed tangible assets are recognised in profit and loss for the year.

R. INTANGIBLE ASSETS

i) Research and development expenditure

The Bank does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

ii) Software

The Bank accounts, as intangible assets, the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three years. The Bank does not capitalise internal costs arising from software development.

S. CASH AND EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits with Central Banks and loans and advances to credit institutions.

T. OFFSETTING

Financial assets and liabilities are offset and recognised at their net book value when: i) the Bank has a legal right to offset the amounts recognised and transactions can be settled at their net value; and ii) the Bank intends to settle on a net basis or perform the asset and settle the liability simultaneously. Considering the current operations of the Bank, no compensation of material amount is made. In case of reclassifications of comparative amounts, the provisions of IAS 1.41 are disclosed: i) the nature of the reclassification; ii) the amount of each item (or class of items) reclassified and iii) the reason for the reclassification.

U. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available for sale, for which the difference is recognised against equity.

V. EMPLOYEE BENEFITS

i) Defined benefit plans

The Bank has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the two collective labour arrangements. These benefits are estimated in the pension's plans 'Plano ACT' and 'Plano ACTQ' of the Pension Plan of BCP Group.

Until 2011, along with the benefits provided in two planes above, the Bank had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Bank's employees hired before 21 September, 2006 (Complementary Plan). The Bank at the end of 2012 decided to extinguish ("cut") the benefit of old age Complementary Plan. As at 14 December 2012, the ISP ("Instituto de Seguros de Portugal" - Portuguese Insurance Institute) formally approved this change to the benefit plan of the Bank with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Bank also proceeded to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The Bank supports the remaining difference for the total pension assured in Collective Labour Agreement.

This integration has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in accordance with the "Unit Credit Projected" during the average lifetime of the pension until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated taking into account the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognized under the heading "Current service costs".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the IRCT - Instrument of Collective Regulation of Work of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the Collective Labour Agreement (ACT) was reached between the BCP Group and the two unions representive of the Group's employees, which introduced changes in the Social Security chapter and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT has already been published by the Ministry of Labour in Bulletin of Labour and Employment, and their effects were recorded in the financial statements of 31 December 2016, for employees associated with these two unions.

The negotiation with the " Sindicato dos Bancários do Norte”" ("SBN"), which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labour and Employment, with the effects of this new ACT recorded in the financial statements as at 31December 2017, for employees associates of SBN.

The most relevant changes occurred in the ACT were the change in the retirement age (presumed disability) that changed from 65 years to 66 years and two months in 2016, and the subsequent update of a further month for each year, at the beginning of each calendar year, and can not, in any case, be higher than which it is in force at any moment in the General Regime of Social Security, the change in the formula for determining the employer's contribution to the SAMS and a new benefit called the End of career premium that replaces the Seniority premium.

These changes described above were framed by the Bank as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs ".

In 2017, after the authorization of the Insurance and Pension Funds Supervision Authority (ASF), the BCP group's pension fund agreement was amended. The main purpose of the process was to incorporate into the pension fund the changes introduced in the Group's ACT in terms of retirement benefits and also to pass to the pension fund, the responsibilities that were directly chargeable to the company's (extra-fund liabilities). The pension fund has a part exclusively affected to the financing of these liabilities, which in the scope of the fund are called Additional Complement. The End of career premium also became the responsibility of the pension fund under the basic pension plan.

The Bank's net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimate. The responsibilities with past service are calculated using the Unit Credit Projected method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the Insurance Supervision Authority and Pension Fund (ASF).

The Bank's net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

Extra-fund liability refers to pension supplements allocated to various employees under the retirement's negotiation processes with the aim of encouraging them to join staff reduction programs.

The income / cost of interests with the pension plan is calculated, by the Bank, multiplying the net asset / liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income / cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under other comprehensive income.

The Bank recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of retirement.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by the Bank according to a certain plan contributions to ensure the solvency of the fund. The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

ii) Defined contribution plan

For Defined Contribution Plan, the responsibilities related to the benefits attributed to the Bank's employees are recognised as expenses when incurred.

As at 31 December 2017, the Bank has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Bank's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Bank and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group, and does not have a performance criterion.

iii) Share based compensation plan

As at 31 December 2017 there are no share based compensation plans in force.

iv) Variable remuneration paid to employees

The Executive Committee decides on the most appropriate criteria of allocation among employees, whenever it is attributed. This variable remuneration is charged to income statement in the period to which it relates.

W. INCOME TAXES

The Bank is subject to the regime established by the Income Tax Code ("CIRC"). Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Bank, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In 2016, a group of entities of the BCP Group adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of taxation of income tax, with BCP being the dominant entity.

Under the scope of taxation under this regime, the Group chose to consider that the effects of the determination of the taxable income according to RETGS are reflected in the tax calculation of each entity's fiscal year, which includes the effect on the current tax due to the use of tax loss carry forwards generated by another entity of the Group.

X. SEGMENTAL REPORTING

The Bank adopted the IFRS 8 - Operating Segments for the purpose of disclosure financial information by operating segments. An operating segment is a Bank's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance, and (iii) for which separate financial information is available.

Taking into consideration that the separate financial statements are present with the Group's report, in accordance with the paragraph 4 of IFRS 8, the Bank is dismissed to present separate information regarding Segmental Reporting.

Y. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

i) Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that a payment will be required to settle and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into account the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent in the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

ii) Contingent liabilities

Contingent liabilities are not recognised in the financial statements being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits is not remote.
The Bank registers a contingent liability when:
a) it is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or
b) a present obligation that arises from past events but is not recognised because:
  i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  ii) the amount of the obligation cannot be measured with sufficient reliability

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

iii) Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

Z. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share. If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

AA. INSURANCE OR REINSURANCE INTERMEDIATION SERVICES

The Banco Comercial Português is an entity authorized by the 'Autoridade de Supervisão de Seguros e Fundos de Pensões' (Portuguese Insurance Regulation) to practice the activity of insurance intermediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree-Law n. º 144/2006, of July 31, developing the activity of insurance intermediation in life and non-life.

Within the insurance intermediation services, the Bank performs the sale of insurance contracts. As compensation for services rendered for insurance intermediation, receives commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements / protocols established with the Insurance Companies.

Commissions received by insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions which receipt occurs at different time period to which it relates are subject to registration as an amount receivable under Other Assets.

AB. ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

IFRS set forth a range of accounting treatments that requires that the Board of Directors, on the advice of the Executive Committee, to apply judgments and to make estimates in deciding which treatment is most appropriate. The most significant of these accounting estimates and judgments used in the accounting principles application are discussed in this section in order to improve understanding of how their application affects the Banks's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, on the advice of the Executive Committee, the Bank's reported results would differ if a different treatment was chosen. The Board of Directors, on the advice of the Executive Committee believes that the choices made are appropriate and that the financial statements present the Bank's financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

i) Impairment losses on loans and advances to customers

The Bank reviews its loan portfolios to assess impairment losses on a regularly basis, as described in note 1 b). The evaluation process in determining whether an impairment loss should be recorded is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows received, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in Bank's income statement.

ii) Income taxes

Significant interpretations and estimates are required in determining the total amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Bank considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to the taxable and the interpretation of the tax legislation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors, namely the ability to generate estimated taxable income and the interpretation in the tax legislation.

The taxable profit or tax loss reported by the Bank can be corrected by the Portuguese tax authorities within four years except in the case it has been made any deduction or used tax credit, when the expiration date is the period of this right report. The Executive Committee believes that any corrections resulting mainly from differences in the interpretation of tax law will not have material effect on the financial statements.

Regarding the activity in Portugal, the specific rules regarding the tax regime for credit impairment and guarantees for the tax periods beginning on or after 1 January 2018 are not defined, since the reference to the Bank of Portugal Notice No. 3/95 was only applicable until 31 December 2017 and the regime that will be effective as at 1 January 2018 has not yet been defined. In this context, the Executive Committee is considering, for the purpose of calculating taxable income and the deferred tax recording with reference to 31 December 2017, that the impairment of the credit and guarantees recorded which is deductible for IRC purpose is limited to the amount of the deductible provisions that would have been verified if the Bank of Portugal Notice No. 3/95 still remained in force.

In the projections of future taxable income, the Bank considered the future maintenance of the tax regime applicable to impairment of loans and guarantees, based on the minimum limits applicable under Bank of Portugal Notice No. 3/95, which was in force in 2015 (pursuant to Regulatory Decree No. 19/2015 of 30 December), 2016 (pursuant to Regulatory Decree No. 5/2016 of 18 November) and 2017 (under the terms of Regulatory Decree No. 11/2017, of 28 December).

iii) Non-current assets held for sale (real estate) valuation

The properties registered in the portfolio of non-current assets held for sale are subject to periodic real estate valuations, carried out by independent experts registered at the CMVM, from their registration and until their derecognition, to be carried out on a property by property basis, according to the circumstances in which each property is and consistent with the disposal strategy. The preparation of these evaluations involves the use of several assumptions. Different assumptions or changes occurred in them may affect the recognised value of these assets.

iv) Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rate and mortality table, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund is based on an analysis performed over the market yield regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros - related to a diverse and representative range of issuers.

v) Impairment of financial assets available for-sale

The Bank determines that financial assets available for-sale are impaired when there has been a significant or prolonged decrease in the fair value. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the volatility in the prices of the financial assets. According to the Bank's policies, 30% of depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in profit and loss of the Bank.

vi) Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different results from the ones reported.

vii) Held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying some of its non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment.

In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances — for example, selling an insignificant amount close to maturity — it will be required to reclassify the entire class as available-for-sale with its consequently fair value measure and not at the amortization cost. The investments would therefore be measured at fair value instead of amortised cost. Held-to-maturity investments are subject to impairment tests made by the Bank. The use of different assumptions and estimates could have an impact in profit and loss of the Bank.

viii) Impairment for investments in subsidiary and associated companies

The Bank assesses annually the recoverable amount of investments in subsidiaries and associates, regardless the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period.

The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks, that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the consolidated income statement of the Bank.

AC. SUBSEQUENT EVENTS

The Bank analyses events occurring after the balance sheet date, that is, favorable and / or unfavorable events occurring between the balance sheet date and the date the financial statements were authorized for issue. In this context, two types of events can be identified:

i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and
ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurring after the date of the statement of financial position that are not considered as significant events are disclosed in the notes to the consolidated financial statements.

2. NET INTEREST INCOME, NET GAINS ARISING FROM TRADING AND HEDGING ACTIVITIES AND FROM FINANCIAL ASSETS AVAILABLE FOR SALE

IFRS requires separate disclosure of net interest income and net gains arising from trading and hedging activities and from financial assets available for sale, as presented in notes 3, 6 and 7. A particular business activity can generate impact in each of these captions, whereby the disclosure requirement demonstrates the contribution of the different business activities for the net interest margin and net gains from trading and hedging and from financial assets available for sale.

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Net interest income (note 3)	794,209	720,313
Net gains / (losses) from trading and hedging activities (note 6)	25,820	31,739
Net gains / (losses) from available for sale activities (note 7)	116,565	95,794
	936,594	847,846

3. NET INTEREST INCOME

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Interest and similar income		
Interest on loans	866,040	961,118
Interest on trading securities	2,685	5,195
Interest on other financial assets valued at fair value through profit or loss account	3,422	3,688
Interest on available for sale financial assets	76,639	94,778
Interest on held to maturity financial assets	7,172	9,036
Interest on hedging derivatives	20,518	20,127
Interest on derivatives associated to financial instruments through profit or loss	15,865	17,173
Interest on deposits and other investments	20,969	19,952
	1,013,310	1,131,067
Interest expense and similar charges		
Interest on deposits and other resources	(91,461)	(158,430)
Interest on securities issued	(67,825)	(127,814)
Interest on subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	(6,343)	(65,525)
Others	(40,735)	(40,405)
Interest on hedging derivatives	(7,514)	(7,162)
Interest on derivatives associated to financial instruments through profit or loss	(5,223)	(11,418)
	(219,101)	(410,754)
	794,209	720,313

The balance Interest on loans includes the amount of Euros 35,530,000 (31 December 2016: Euros 39,747,000) related to commissions and other gain which are accounted for in accordance with the effective interest method, as referred in the accounting policy described in note 1m).

The balances Interest on securities issued and Interest on subordinated debt include the amount of Euros 36,601,000 (31 December 2016: Euros 60,652,000) related to commissions and other losses which are accounted according to the effective interest method, as referred in the accounting policy described in note 1m).

The balance Net interest income includes the amount of Euros 96,664,000 (31 December 2016: Euros 110,511,000) related with interest income arising from customers with signs of impairment.

4. DIVIDENDS FROM EQUITY INSTRUMENTS

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Dividends from financial assets available for sale	1,399	7,387
Dividends from subsidiaries and associated companies	71,798	207,789
	73,197	215,176

The balance Dividends from financial assets available for sale include dividends and income from investment fund units received during the year.

The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2017, the amounts of Euros 14,860,000 and Euros 4,444,000 related to the distribution of dividends from the company Banco de Investimento Imobiliário, S.A. and Interfundos Gestão de Fundos de Investimento Imobiliários, S.A., respectively. The balance Dividends from subsidiaries and associated companies includes as of 31 December 2016, the amounts of Euros 32,157,000, and Euros 132,728,000, and Euros 23,400,000 related to the distribution of dividends from the company BCP Investment B.V., BCP Internacional B.V. and Banco de Investimento Imobiliário, S.A., respectively.

5. NET FEES AND COMMISSIONS INCOME

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Fees and commissions received		
From guarantees	50,303	55,503
From commitments	4,465	3,815
From banking services	287,714	268,431
From securities operations	61,002	59,822
From management and maintenance of accounts	92,503	90,481
From other commissions	25,737	34,663
	521,724	512,715
Fees and commissions paid		
From guarantees received provided by third parties	(8,087)	(7,744)
From banking services	(56,088)	(45,519)
From securities operations	(5,814)	(7,599)
From other commissions	(18,479)	(17,520)
	(88,468)	(78,382)
	433,256	434,333

The balance Fees and commissions received - From banking services includes the amount of Euros 77,812,000 (31 December 2016: Euros 76,450,000) related to insurance mediation commissions, as referred in note 45 c).

6. NET GAINS / (LOSSES) ARISING FROM TRADING AND HEDGING ACTIVITIES

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Gains arising on trading and hedging activities		
Foreign exchange activity	262,349	295,001
Transactions with financial instruments recognised at fair value through profit or loss		
Held for trading		
Securities portfolio		
Fixed income	4,417	1,361
Variable income	913	191
Certificates and structured securities issued	51,114	43,511
Derivatives associated to financial instruments at fair value through profit or loss	30,383	40,110
Other financial instruments derivatives	381,817	441,747
Other financial instruments at fair value through profit and loss		
Other financial instruments	4,050	4,217
Repurchase of own issues	361	3,593
Hedging accounting		
Hedging derivatives	93,653	129,819
Hedged items	7,373	106,240
Credit sales	13,094	38,624
Other operations	8,536	1,807
	858,060	1,106,221
Losses arising on trading and hedging activities		
Foreign exchange activity	(211,070)	(271,316)
Transactions with financial instruments recognised at fair value through profit or loss		
Held for trading		
Securities portfolio		
Fixed income	(1,109)	(1,865)
Variable income	(304)	(1)
Certificates and structured securities issued	(124,426)	(62,095)
Derivatives associated to financial instruments at fair value through profit or loss	(22,890)	(33,387)
Other financial instruments derivatives	(317,654)	(425,013)
Other financial instruments at fair value through profit and loss		
Securities portfolio		
Fixed income	(4,329)	(5,362)
Other financial instruments	(9,825)	(7,417)
Repurchase of own issues	(356)	(5,340)
Hedging accounting		
Hedging derivatives	(98,773)	(201,733)
Hedged items	(17,090)	(21,433)
Credit sales	(23,394)	(37,294)
Other operations	(1,020)	(2,226)
	(832,240)	(1,074,482)
	25,820	31,739

During 2017, the balance Net gains arising from trading and hedging activities includes for Deposits from customers - Deposits at fair value through profit and loss, a loss of Euros 499,000 (2016: gain of Euros 3,239,000) related to the fair value changes arising from changes in own credit risk (spread), as referred in note 31.

This balance also includes for Debt securities at fair value through profit and loss, a gain of Euros 34,000 (2016: loss of Euros 1,348,000) as referred in note 32, and for derivatives liabilities associated to financial instruments a loss of Euros 29,000 (2016: gain of Euros 597,000), related to the fair value changes arising from changes in own credit risk (spread).

During 2017, the caption Net gains / (losses) arising from trading and hedging activities - Hedging accounting includes a net gain of Euros 17,894,000 as a result of the sale of available for sale financial assets subject to hedge accounting, which are offset in the caption Net gains / (losses) arising from financial astes available for sale (note 7).

The caption Transactions with financial instruments measured at fair value through profit and loss - Other financial instruments measured at fair value through profit and loss, did not present any material impact on differences in the initial recognition between fair value and transaction price of financial assets or financial liabilities at fair value through profit and loss (IAS 39 paragraphs 43A and AG76 and IFRS 7.28).

The result of repurchase of own issues is determined in accordance with the accounting policy described in note 1 c).

7. NET GAINS / (LOSSES) ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Gains arising from financial assets available for sale		
Fixed income	95,454	59,742
Variable income	29,430	41,168
	124,884	100,910
Losses arising from financial assets available for sale		
Fixed income	(1,637)	(2,710)
Variable income	(6,682)	(2,406)
	(8,319)	(5,116)
	116,565	95,794

During 2017, the balance Gains arising from financial assets available for sale - Fixed income - includes the amount of Euros 35,003,000 (2016: Euros 10,284,000) related to gains resulting from the sale of Portuguese Treasury bonds.

On 21 June 2016, it was completed the purchase of Visa Europe Ltd by Visa Inc. Both BCP and Bank Millennium, as a key member of Visa Europe Ltd benefited from this transaction, which resulted in the receipt for the sale of shareholdings in Visa Europe Ltd to Visa Inc., an up-front cash value and convertible preferred shares into common shares of Visa Inc. Class A and a deferred payment to 3 years.

The balance Gains arising from financial assets available for sale - Variable income included, in 2016, the amount of Euros 26,353,000 related to gains arising from the sale of the investment held in Visa Europe.

8. OTHER OPERATING INCOME / (COSTS)

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Operating income		
Income from services	26,777	24,983
Cheques and others	9,948	11,119
Gains on leasing operations	6,003	8,509
Rents	1,189	1,193
Other operating income	13,820	16,756
	57,737	62,560
Operating costs		
Taxes	(13,777)	(11,347)
Donations and contributions	(3,154)	(3,369)
Contribution over the banking sector	(28,011)	(22,235)
Resolution Funds Contribution	(7,684)	(5,204)
Contribution for the Single Resolution Fund	(17,167)	(20,306)
Contributions to Deposit Guarantee Fund	(27)	(104)
Losses on financial leasing operations	(994)	(330)
Other operating costs	(12,622)	(11,436)
	(83,436)	(74,331)
	(25,699)	(11,771)

The balance Contribution over the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile on the basis of the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF take into account the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) 2015/63 and European Parliament and of the Council Regulation (EU) 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

During 2017, the Bank delivered the amount of Euros 17,167,000 (2016: Euros 20,362,000) to the Single Resolution Fund. The total value of the contribution attributable to the Bank amounted to Euros 20,197,000 (2016: Euros 23,955,000) and the Bank opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,029,000 (2016: Euros 3,593,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014.

9. STAFF COSTS

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Remunerations	257,225	234,615
Mandatory social security charges		
Post-employment benefits (note 44)		
Service cost	(16,054)	(761)
Cost / (income) in the liability coverage balance	4,536	4,467
Cost / (income) with early retirement programs and mutually agreed terminations	12,506	3,049
Collective Labour Agreement	(39,436)	(168,871)
	(38,448)	(162,116)
Other mandatory social security charges	82,674	72,110
	44,226	(90,006)
Voluntary social security charges	7,311	15,135
Other staff costs	16,647	12,125
	325,409	171,869

At the end of December 2016 it was concluded the revision of the Collective Labour Agreement (ACT), between the BCP Group and two of the unions representing the group's employees, which introduced changes in the Social Security chapter and consequently in the pension plan financed by the BCP Group Pension Fund, as described in accounting policy 1v) and note 44. The negotiation with the " Sindicato dos Bancários do Norte" (SBN), which was also involved in the negotiations of the new ACT, was only concluded in April 2017 with publication in the "Boletim de Trabalho e Emprego", with the effects of this new ACT recorded in the financial statements as at 31 December 2017, for SBN's associated employees.

Under the context of the amendments to the ACT, there were also changes in the benefit related to the seniority premium which was replaced by the End of career premium (note 44). During 2017, the impact of this change amounted to Euros 4,826,000 (2016: Euros 18,763,000) and is reflected in the balance Remunerations.

The average number of employees by professional category, at service in the Bank, is analysed as follows by category:

	2017	2016
Top Management	972	982
Intermediary Management	1,645	1,686
Specific/Technical functions	2,887	2,878
Other functions	1,622	1,710
	7,126	7,256

10. OTHER ADMINISTRATIVE COSTS

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Outsourcing and independent labour	96,374	97,260
Rents and leases	28,004	29,344
Other specialised services	13,315	15,481
Communications	12,147	14,371
Information technology services	12,668	13,074
Maintenance and related services	8,499	10,267
Water, electricity and fuel	10,194	10,706
Advertising	10,057	10,366
Advisory services	14,134	11,130
Transportation	6,572	6,818
Legal expenses	5,513	5,491
Travel, hotel and representation costs	4,359	4,309
Insurance	3,107	3,336
Consumables	2,340	2,523
Credit cards and mortgage	1,622	1,547
Training costs	1,530	751
Other supplies and services	5,368	7,551
	235,803	244,325

The balance Rents includes the amount of Euros 26,428,000 (2016: Euros 27,637,000) related to rents paid regarding buildings used by the Bank as lessee.

In accordance with accounting policy 1l), under IAS 17, the Bank has various operating leases for properties and vehicles. The payments under these leases are recognised in the profit and loss during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity, are as follows:

(Thousands of euros)

	2017			2016		
	Properties	Vehicles	Total	Properties	Vehicles	Total
Until 1 year	17,601	206	17,807	17,926	483	18,409
1 to 5 years	9,418	171	9,589	8,575	366	8,941
Over 5 years	5,359	-	5,359	5,174	-	5,174
	32,378	377	32,755	31,675	849	32,524

The item Other specialised services includes fees for services rendered by the Statutory Auditor of the Bank, currently in fucntions, and by companies in its network as part of its statutory audit functions, as well as other services, are as follows:

(Thousands of euros)

	2017	2016
Auditing services		
Legal certification	1,581	1,685
Other assurance services	1,159	833
Other services	985	470
	3,725	2,988

The Statutory Auditor was appointed on 28 April 2016, with effect from 2 May 2016.

11. AMORTIZATIONS AND DEPRECIATIONS

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Intangible assets amortizations (note 27):		
Software	7,122	5,482
Other intangible assets	-	5
	7,122	5,487
Other tangible assets depreciations (note 26):		
Properties	9,746	9,436
Equipment		
Furniture	1,217	1,021
Machinery	231	182
Computer equipment	5,881	4,396
Interior installations	1,053	852
Motor vehicles	2,533	2,185
Security equipment	1,206	1,130
Other equipment	4	10
	21,871	19,212
	28,993	24,699

12. LOANS IMPAIRMENT

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Loans and advances to customers:		
Impairment charge for the year	632,534	1,093,810
Reversals for the year	(85,171)	(33,456)
Recoveries of loans and interest charged-off (note 20)	(14,067)	(29,748)
	533,296	1,030,606

The balance Loans impairment is related to an estimate of the incurred losses determined according with the methodology for a regular evaluation of objective evidence of impairment, as referred in accounting policy described in note 1 b).

13. OTHER FINANCIAL ASSETS IMPAIRMENT

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Impairment of financial assets available for sale		
Charge for the year (note 21)	70,310	295,304

The balance Impairment of financial assets available for sale - Charge for the year includes the impairment losses on shares and on participation units held by the Bank in the amount of Euros 70,290,000 (31 December 2016: Euros 256,120,000). This amount includes Euros 45,956,000 (31 December 2016: Euros 218,381,000) related to impairment losses on investments held in restructuring funds, as described in note 50.

14. OTHER PROVISIONS

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Provision for guarantees and other commitments (note 34)		
Charge for the year	4,449	52,673
Write-back for the year	(52)	-
	4,397	52,673
Other provisions for liabilities and charges (note 34)		
Charge for the year	46,094	46,169
Write-back for the year	-	(11,270)
	46,094	34,899
	50,491	87,572

15. GAINS / (LOSSES) ARISING FROM SALES OF SUBSIDIARIES AND OTHER ASSETS

The amount of this account is comprised of:

(Thousands of euros)

	2017	2016
Sale of subsidiaries	7,311	159,246
Sale of other assets	14,108	8,695
	21,419	167,941

The balance Sale of subsidiaries corresponded in 2016 to the gains generated on the sale to Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda., in the amount of Euros 85,215,000 resulting from the sale of the entire capital held by the Bank on SIBS, S.G.P.S., S.A. and the amount of Euros 72,553,000 resulting from the sale of 31.16% of the share capital of UNICRE - Instituição Financeira de Crédito, S.A.

The balance Sale of subsidiaries included also in 2016, a gain in the amount of Euros 457,000 from the sale of the whole investment held by the Bank in Quinta do Furão - Sociedade de Animação Turística e Agrícola de Sanatna, Lda., as well the amount of Euros 1,092,000 from the price adjustment regarding the sale, in 2015, of the wole investment held by the Bank in Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de investimento, S.A.

The balance Sale of other assets corresponds to the gains and losses arising from the sale and revaluation of assets held by the Bank and classified as non-current assets held for sale (note 25).

16. EARNINGS PER SHARE

The earnings per share are calculated as follows:

(Thousands of euros)

	2017	2016
Net income / (loss) for the year	118,021	69,308
Adjusted net income / (loss)	118,021	69,308
Average number of shares	13,321,460,739	1,231,541,411
Basic earnings per share (Euros)	0.009	0.056
Diluted earnings per share (Euros)	0.009	0.056

The Bank's share capital, as at 31 December 2017, amounts to Euros 5,600,738,053.72 and is represented by 15,113,989,952 ordinary, book-entry and nominate shares, without nominal value, which is fully paid.

In September 2016 there were not considered in the calculation of diluted earnings per share, the qualifying hybrid instruments as common equity tier 1 issued in June 2012 and subscribed fully by the State (CoCos), due to the negative net losses for the period (there is no dilution effect). As referred in note 42, on 9 February 2017, BCP has reimbursed in advance to the Portuguese State, the remaining amount of these instruments (Euros 700 million).

There were not identified another dilution effects of the earnings per share as at 31 December 2017 and 2016, so the diluted result is equivalent to the basic result.

17. CASH AND DEPOSITS AT CENTRAL BANKS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Cash	337,534	335,912
Central Banks	954,129	454,821
	1,291,663	790,733

The balance Central Banks includes deposits with Central Banks in order to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

18. LOANS AND ADVANCES TO CREDIT INSTITUTIONS REPAYABLE ON DEMAND

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Credit institutions in Portugal	312	349
Credit institutions abroad	30,480	97,661
Amounts due for collection	125,668	214,585
	156,460	312,595

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions. These balances are settled in the first days of the following month.

19. OTHER LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Other loans and advances to credit institutions in Portugal		
Very short-term applications	39,742	-
Loans	39,220	15,586
Purchase transactions with resale agreement	379,705	848,044
Subordinated applications	35,011	85,014
Other applications	10,328	5,881
	504,006	954,525
Other loans and advances to credit institutions abroad		
Very short-term applications	388,327	180,347
Short-term applications	86,641	67,371
Other applications	274,837	294,438
	749,805	542,156
	1,253,811	1,496,681
Overdue loans - over 90 days	661	499
	1,254,472	1,497,180

The caption Other loans and advances to credit institutions - Purchase transactions with resale agreement refers in its entirety to operations with Banco de Investimento Imobiliário, S.A.

Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective ("Cash collateral"), the caption Other loans and advances to credit institutions includes the amounts detailed below:

(Thousands of euros)

	2017	2016
Other loans and advances to credit institutions in Portugal		
Other applications	1,010	2,840
Other loans and advances to credit institutions abroad		
Other applications	269,284	275,180
	270,294	278,020

These deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Bank.

This balance is analysed by the period to maturity, as follows:

(Thousands of euros)

	2017	2016
Up to 3 months	827,992	529,922
3 to 6 months	479	55,076
6 to 12 months	-	1,654
1 to 5 years	410,340	895,029
Over 5 years	15,000	15,000
Undetermined	661	499
	1,254,472	1,497,180

20. LOANS AND ADVANCES TO CUSTOMERS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Public sector	713,433	807,373
Asset-backed loans	18,928,322	19,963,817
Other guaranteed loans	3,146,466	3,191,180
Unsecured loans	5,499,852	4,823,757
Foreign loans	1,535,948	1,802,950
Factoring operations	1,601,595	1,364,174
Finance leases	2,159,121	2,175,169
	33,584,737	34,128,420
Overdue loans - less than 90 days	43,539	78,030
Overdue loans - Over 90 days	2,513,799	3,066,124
	36,142,075	37,272,574
Impairment for credit risk	(2,785,130)	(3,244,345)
	33,356,945	34,028,229

As at 31 December 2017, the balance Loans and advances to customers includes the amount of Euros 11,163,389,000 (31 December 2016: Euros 11,014,051,000) regarding credits related to mortgage loans issued by the Bank.

As referred in note 46, the Bank, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank, which include loans and advances to customers.

As at 31 December 2017 and as referred in note 50, the Bank performed a set of sales of loans and advances to customers for Specialized Loan Funds in the amount of Euros 1,586,114,000 (31 December 2016: Euros: 1,586,114,000). During 2017, no credits have been sold to these funds.

As referred in note 45, the Bank provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 2% or more of the share capital, identified in the Board of Directors report and note 37.

As at 31 December 2017, the Bank granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 213,436,000 (31 December 2016: Euros 215,683,000), as referred in note 45 a). The amount of impairment recognised for these contracts amounts to Euros 77,000 (31 December 2016: Euros 111,000).

The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee.

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of euros)

	2017	2016
Loans not represented by securities		
Discounted bills	228,752	263,819
Current account credits	1,503,893	1,509,486
Overdrafts	536,409	556,618
Loans	10,065,178	10,289,855
Mortgage loans	15,506,736	15,902,519
Factoring operations	1,601,595	1,364,174
Finance leases	2,159,121	2,175,169
	31,601,684	32,061,640
Loans represented by securities		
Commercial paper	1,702,941	1,843,345
Bonds	280,112	223,435
	1,983,053	2,066,780
	33,584,737	34,128,420
Overdue loans - less than 90 days	43,539	78,030
Overdue loans - Over 90 days	2,513,799	3,066,124
	36,142,075	37,272,574
Impairment for credit risk	(2,785,130)	(3,244,345)
	33,356,945	34,028,229

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December, 2017 is as follows:

(Thousands of euros)

	2017						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	71,640	69,556	106,234	247,430	9,199	256,629	0.71%
Fisheries	7,320	2,707	7,707	17,734	236	17,970	0.05%
Mining	31,970	15,098	5,645	52,713	7,184	59,897	0.17%
Food, beverage and tobacco	288,248	95,493	58,448	442,189	14,617	456,806	1.26%
Textiles	247,920	85,496	85,218	418,634	24,266	442,900	1.23%
Wood and cork	68,270	27,547	35,450	131,267	10,245	141,512	0.39%
Paper, printing and publishing	120,570	21,121	44,234	185,925	5,710	191,635	0.53%
Chemicals	370,561	96,968	111,689	579,218	43,135	622,353	1.72%
Machinery, equipment and basic metallurgical	294,973	192,910	143,392	631,275	51,171	682,446	1.89%
Electricity and gas	40,935	39,940	428,299	509,174	-	509,174	1.41%
Water	32,425	14,480	114,525	161,430	3,784	165,214	0.46%
Construction	569,695	190,164	697,456	1,457,315	543,030	2,000,345	5.53%
Retail business	541,042	202,929	219,926	963,897	76,143	1,040,040	2.88%
Wholesale business	762,801	284,614	177,024	1,224,439	105,383	1,329,822	3.68%
Restaurants and hotels	78,098	149,053	731,633	958,784	52,631	1,011,415	2.80%
Transports	241,721	144,043	345,970	731,734	14,839	746,573	2.07%
Post offices	906	778	74	1,758	150	1,908	0.01%
Telecommunications	86,354	46,488	47,147	179,989	5,760	185,749	0.51%
Services							
Financial intermediation	449,693	411,045	1,048,677	1,909,415	293,161	2,202,576	6.09%
Real estate activities	297,102	196,362	616,958	1,110,422	344,070	1,454,492	4.02%
Consulting, scientific and technical activities	1,250,946	516,885	367,193	2,135,024	210,195	2,345,219	6.49%
Administrative and support services activities	180,266	128,532	78,538	387,336	26,099	413,435	1.14%
Public sector	80,597	408,324	362,318	851,239	47	851,286	2.36%
Education	35,382	14,515	63,589	113,486	2,340	115,826	0.32%
Health and collective service activities	97,842	60,913	102,153	260,908	2,149	263,057	0.73%
Artistic, sports and recreational activities	38,575	34,961	237,989	311,525	5,658	317,183	0.88%
Other services	32,538	27,350	46,747	106,635	248,641	355,276	0.98%
Consumer credit	507,793	517,048	643,553	1,668,394	251,266	1,919,660	5.31%
Mortgage credit	12,143	194,894	15,114,879	15,321,916	141,271	15,463,187	42.78%
Other domestic activities	3	12	-	15	5,050	5,065	0.01%
Other international activities	176,652	232,633	104,232	513,517	59,908	573,425	1.59%
	7,014,981	4,422,859	22,146,897	33,584,737	2,557,338	36,142,075	100.00%

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December, 2016 is as follows:

(Thousands of euros)

	2016						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	97,218	64,861	88,908	250,987	17,206	268,193	0.72%
Fisheries	6,986	2,990	18,364	28,340	11,972	40,312	0.11%
Mining	27,713	14,840	8,052	50,605	6,571	57,176	0.15%
Food, beverage and tobacco	244,767	79,312	58,401	382,480	17,248	399,728	1.07%
Textiles	224,013	95,811	101,112	420,936	25,608	446,544	1.20%
Wood and cork	61,109	30,164	34,131	125,404	13,435	138,839	0.37%
Paper, printing and publishing	52,656	58,559	49,047	160,262	9,630	169,892	0.46%
Chemicals	276,027	118,890	90,943	485,860	60,808	546,668	1.47%
Machinery, equipment and basic metallurgical	266,642	177,523	146,740	590,905	54,034	644,939	1.73%
Electricity and gas	26,972	56,175	374,598	457,745	784	458,529	1.23%
Water	47,203	21,537	114,817	183,557	3,506	187,063	0.50%
Construction	779,768	162,514	808,567	1,750,849	729,661	2,480,510	6.66%
Retail business	422,350	196,943	227,296	846,589	113,315	959,904	2.58%
Wholesale business	600,903	295,993	202,759	1,099,655	136,546	1,236,201	3.32%
Restaurants and hotels	75,530	151,227	575,749	802,506	112,134	914,640	2.45%
Transports	233,360	203,758	436,623	873,741	56,469	930,210	2.50%
Post offices	1,198	471	48	1,717	221	1,938	0.01%
Telecommunications	80,749	36,248	62,306	179,303	106,303	285,606	0.77%
Services							
Financial intermediation	1,246,340	1,052,489	1,174,636	3,473,465	560,108	4,033,573	10.82%
Real estate activities	242,346	185,004	546,578	973,928	314,529	1,288,457	3.46%
Consulting, scientific and technical activities	421,299	146,098	200,179	767,576	35,026	802,602	2.15%
Administrative and support services activities	135,065	116,219	91,475	342,759	36,839	379,598	1.02%
Public sector	70,105	30,847	431,490	532,442	898	533,340	1.43%
Education	28,116	11,448	70,730	110,294	3,098	113,392	0.30%
Health and collective service activities	77,483	49,969	112,000	239,452	4,165	243,617	0.65%
Artistic, sports and recreational activities	73,874	21,152	265,017	360,043	15,429	375,472	1.01%
Other services	28,918	296,802	51,811	377,531	9,288	386,819	1.04%
Consumer credit	487,689	859,106	614,501	1,961,296	415,188	2,376,484	6.38%
Mortgage credit	8,110	178,396	15,434,894	15,621,400	186,340	15,807,740	42.39%
Other domestic activities	8	1	-	9	7,834	7,843	0.02%
Other international activities	220,593	263,380	192,811	676,784	79,961	756,745	2.03%
	6,565,110	4,978,727	22,584,583	34,128,420	3,144,154	37,272,574	100.00%

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	27,271	39,522	646,640	713,433	47	713,480
Asset-backed loans	822,942	1,340,744	16,764,636	18,928,322	1,329,814	20,258,136
Other guaranteed loans	1,346,164	999,450	800,852	3,146,466	295,034	3,441,500
Unsecured loans	3,411,593	674,562	1,413,697	5,499,852	716,600	6,216,452
Foreign loans	162,098	521,998	851,852	1,535,948	148,849	1,684,797
Factoring operations	1,182,162	381,571	37,862	1,601,595	13,112	1,614,707
Finance leases	62,751	465,012	1,631,358	2,159,121	53,882	2,213,003
	7,014,981	4,422,859	22,146,897	33,584,737	2,557,338	36,142,075

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2016, is as follows:

(Thousands of euros)

	2016					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	34,027	231,131	542,215	807,373	-	807,373
Asset-backed loans	963,785	1,758,183	17,241,849	19,963,817	1,610,088	21,573,905
Other guaranteed loans	1,364,464	970,373	856,343	3,191,180	401,332	3,592,512
Unsecured loans	2,984,512	565,906	1,273,339	4,823,757	901,276	5,725,033
Foreign loans	243,623	595,205	964,122	1,802,950	127,991	1,930,941
Factoring operations	934,061	386,353	43,760	1,364,174	14,987	1,379,161
Finance leases	40,638	471,576	1,662,955	2,175,169	88,480	2,263,649
	6,565,110	4,978,727	22,584,583	34,128,420	3,144,154	37,272,574

The caption Loans and advances to customers includes the effect of synthetic securitization. The characterization of these operations is described in note 1 c) 6 ii).

SYNTHETIC SECURITIZATIONS

The Bank has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No.3, which operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by the Bank, mainly to small and medium companies. The maturity date is 25 March of 2036 and as at 31 December 2017, the synthetic securitization "Caravela SME No.3" amounts to Euros 2,269,231,000. The fair value of swaps is recorded in the amount of Euros 194,606,000 and the associated cost in 2017 amounts to Euros 17,708,000.

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The maturity date is 21 September of 2043 and as at 31 December 2017, the synthetic securitization "Caravela SME No.4" amounts to Euros 1,144,979,000. The fair value of swaps is recorded at the amount of Euros 66,193,000 and their associated cost in 2017 amounts to Euros 1,491,000.

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

These operations involve the Bank's reduced exposure to the risks associated with the credit granted, but it did not transfer to third parties the majority of the rights and obligations arising from the credits included in them, thus not meeting the criteria set out in paragraphs 16 and subsequent IAS 39 for derecognition.

The Bank's credit portfolio, which includes further than loans and advances to customers, the guarantees granted and commitments to third parties, split between loans with or without signs of impairment is analysed as follows:

(Thousands of euros)

	2017	2016
Total loans	39,803,126	41,230,065
Loans and advances to customers with signs of impairment		
Individually significant		
Gross amount	4,742,972	5,933,220
Impairment	(2,301,170)	(2,402,024)
	2,441,802	3,531,196
Collective analysis		
Gross amount	2,141,149	3,185,068
Impairment	(540,006)	(908,415)
	1,601,143	2,276,653
Loans and advances to customers without signs of impairment	32,919,005	32,111,777
Impairment (IBNR)	(58,935)	(44,507)
	36,903,015	37,875,119

The total loan portfolio presented in the table above includes loans and advances to customers in the amount of Euros 36,142,075,000 (31 December 2016: Euros: 37,275,574,000) and guarantees granted and commitments to third parties balance (see note 40), in the amount of Euros 3,661,051,000 (31 December 2016: Euros 3,957,491,000).

The balances Impairment and Impairment ('IBNR') were determined in accordance with the accounting policy described in note 1 b), including the provision for guarantees and other commitments to third parties (note 34), in the amount of Euros 114,981,000 (31 December 2016: Euros 110,601,000).

The analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, considering its fair value, is as follows:

(Thousands of euros)

	2017	2016
Loans and advances to customers with impairment		
Individually significant		
Securities and other financial assets	489,337	647,522
Residential real estate	292,917	372,749
Other real estate	1,157,657	1,312,548
Other guarantees	631,526	659,686
	2,571,437	2,992,505
Collective analysis		
Securities and other financial assets	19,732	22,379
Residential real estate	1,092,011	1,524,385
Other real estate	194,229	284,657
Other guarantees	75,797	105,634
	1,381,769	1,937,055
Loans and advances to customers without impairment		
Securities and other financial assets	1,733,977	1,880,865
Residential real estate	14,213,777	14,282,689
Other real estate	2,755,301	2,643,596
Other guarantees	3,787,827	3,460,571
	22,490,882	22,267,721
	26,444,088	27,197,281

The captions Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Bank (note 46), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Bank is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Bank continued to negotiate additional physical and financial collaterals with its customers.

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

(Thousands of euros)

	2017	2016
Amount of future minimum payments	2,486,723	2,521,112
Interest not yet due	(327,602)	(345,943)
Present value	2,159,121	2,175,169

The amount of future minimum payments of lease contracts, by maturity terms, is analysed as follows:

(Thousands of euros)

	2017	2016
Up to 1 year	350,302	332,254
1 to 5 years	960,669	958,178
Over 5 years	1,175,752	1,230,680
	2,486,723	2,521,112

The analysis of financial lease contracts, by type of client, is presented as follows:

(Thousands of euros)

	2017	2016
Individuals		
Home	55,018	58,862
Consumer	28,122	21,506
Others	112,976	123,698
	196,116	204,066
Companies		
Equipment	352,503	349,211
Real estate	1,610,502	1,621,892
	1,963,005	1,971,103
	2,159,121	2,175,169

Regarding operational leasing, the Bank does not present relevant contracts as leasor.

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may result in a reinforce of guarantees and / or liquidation of part of the credit and involve an extension of maturities or a different interest rate. The analysis of the non-performing restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	2017	2016
Agriculture and forestry	1,112	1,140
Fisheries	9	23
Mining	-	1
Food, beverage and tobacco	50	76
Textiles	189	163
Wood and cork	71	36
Paper, printing and publishing	4	14
Chemicals	48	43
Machinery, equipment and basic metallurgical	515	130
Water	-	20
Construction	1,213	2,231
Retail business	1,388	1,408
Wholesale business	448	437
Restaurants and hotels	2,102	612
Transports	45	68
Telecommunications	40	42
Services		
Financial intermediation	211	154
Real estate activities	905	1,761
Consulting, scientific and technical activities	1,407	137
Administrative and support services activities	2,340	346
Public sector	-	53
Health and collective service activities	-	12
Artistic, sports and recreational activities	118	128
Other services	27	29
Consumer credit	34,407	35,856
	46,649	44,920

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

Regarding the restructured loans, the impairment associated to these operations amounts to Euros 21,244,000 (31 December 2016: Euros 20,176,000).

The Bank has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Bank's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructurings due to financial difficulties (restructuring with loss of value, recidivism of restructuring, unproductive credit, default on customers with restructured operations);
- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined; With regard to collective analysis, and the existence of such operations leads to the integration of the client into a subpopulation with an aggravated impairment rate.

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client.

The definition of Non Performing Loans for more than 90 days (NPL> 90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. As at 31 December 2017, the amount calculated is Euros 3,849,391,000 (31 December 2016: Euros 4,731,688,000).

The definition of Non Performing Exposure (NPE) is as follows:

a) total exposure of defaulted customers;
b) total exposure of customers with signs of impairment;
c) total exposure of customers whose overdue value for more than 90 days represents more than 20% of their total on-balance sheet exposure;
d) total exposure of non-retail customers with at least one overdue operation for more than 90 days;
e) retail operations overdue for more than 90 days;
f) operations restructured due to financial difficulties overdue for more than 30 days.

As at 31 December 2017, the NPE amounts to Euros 6,546,610,000 (31 December 2016: Euros 8,581,222,000), of which Euros 6,480,603,000 are associated to loans not represented by securities (31 December 2016: Euros 8,141,347,000) and Euros 84,007,000 associated to loans represented by securities (31 December 2016: Euros 439,875,000).

The changes occurred in impairment for credit risks are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	3,244,345	2,876,238
Other transfers	(33,211)	714
Impairment charge for the year	632,534	1,093,810
Reversals for the year	(85,171)	(33,456)
Loans charged-off	(972,730)	(693,193)
Exchange rate differences	(637)	232
Balance on 31 December	2,785,130	3,244,345

If the impairment loss decreases in a subsequent period to its initial accounting and this decrease can be objectively associated to an event that occurred after the recognition of the loss, the impairment in excess is reversed through profit and loss.

The analysis of impairment, by sector of activity, is as follows:

(Thousands of euros)

	2017	2016
Agriculture and forestry	13,226	13,384
Fisheries	748	18,651
Mining	10,302	4,291
Food, beverage and tobacco	11,324	10,471
Textiles	23,684	25,945
Wood and cork	19,209	13,968
Paper, printing and publishing	11,438	14,062
Chemicals	36,186	51,111
Machinery, equipment and basic metallurgical	37,165	29,941
Electricity and gas	1,135	1,004
Water	10,881	9,379
Construction	479,813	540,955
Retail business	61,912	82,731
Wholesale business	89,018	105,395
Restaurants and hotels	96,253	108,601
Transports	16,660	102,854
Post offices	277	146
Telecommunications	14,985	18,568
Services		
Financial intermediation	479,873	1,048,644
Real estate activities	216,233	195,622
Consulting, scientific and technical activities	486,268	52,054
Administrative and support services activities	58,600	31,316
Public sector	849	822
Education	5,848	6,967
Health and collective service activities	3,360	4,039
Artistic, sports and recreational activities	78,179	89,430
Other services	147,967	39,688
Consumer credit	201,478	314,991
Mortgage credit	138,486	214,578
Other domestic activities	76	553
Other international activities	33,697	94,184
	2,785,130	3,244,345

The analysis of impairment, by type of credit, is as follows:

(Thousands of euros)

	2017	2016
Public sector	850	-
Asset-backed loans	1,823,087	2,095,608
Other guaranteed loans	336,327	387,056
Unsecured loans	384,905	480,158
Foreign loans	114,752	138,304
Factoring operations	20,981	22,671
Finance leases	104,228	120,548
	2,785,130	3,244,345

The analysis of loans charged-off, by sector of activity, is as follows:

(Thousands of euros)

	2017	2016
Agriculture and forestry	1,595	13,127
Fisheries	22,020	47
Mining	727	4,046
Food, beverage and tobacco	3,612	1,885
Textiles	8,101	8,060
Wood and cork	2,859	14,814
Paper, printing and publishing	4,490	1,080
Chemicals	8,868	27,444
Machinery, equipment and basic metallurgical	12,464	6,520
Electricity and gas	14	3
Water	340	136
Construction	90,839	153,050
Retail business	36,834	47,133
Wholesale business	39,253	48,615
Restaurants and hotels	13,982	16,647
Transports	92,106	2,438
Post offices	74	13
Telecommunications	3,953	9,515
Services		
Financial intermediation	283,976	104,684
Real estate activities	53,567	43,327
Consulting, scientific and technical activities	18,154	24,314
Administrative and support services activities	9,001	3,354
Education	807	55
Health and collective service activities	762	596
Artistic, sports and recreational activities	5,758	893
Other services	2,602	4,015
Consumer credit	223,139	144,754
Mortgage credit	14,641	11,941
Other domestic activities	14,516	671
Other international activities	3,676	16
	972,730	693,193

In compliance with the accounting policy described in note 1 b), loans and advances to customers are charged-off when there are no feasible expectations, of recovering the loan amount and for collateralised loans, the charge-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

The analysis of loans charged-off, by type of credit, is as follows:

(Thousands of euros)

	2017	2016
Asset-backed loans	-	16,254
Other guaranteed loans	-	4,633
Unsecured loans	948,081	663,923
Factoring operations	1,522	240
Finance leases	23,127	8,143
	972,730	693,193

The analysis of recovered loans and interest, occurred during 2017 and 2016, by sector of activity, is as follows:

(Thousands of euros)

	2017	2016
Agriculture and forestry	39	12
Fisheries	42	3
Mining	125	191
Food, beverage and tobacco	198	206
Textiles	304	824
Wood and cork	247	334
Paper, printing and publishing	565	53
Chemicals	433	238
Machinery, equipment and basic metallurgical	246	395
Electricity and gas	-	13
Water	1	10
Construction	4,118	17,675
Retail business	1,102	829
Wholesale business	2,147	2,115
Restaurants and hotels	140	116
Transports	787	122
Telecommunications	1	12
Services		
Financial intermediation	165	57
Real estate activities	1,105	677
Consulting, scientific and technical activities	78	212
Administrative and support services activities	290	117
Education	-	1
Health and collective service activities	10	-
Artistic, sports and recreational activities	-	2,171
Other services	3	37
Consumer credit	1,514	3,171
Mortgage credit	14	21
Other domestic activities	284	136
Other international activities	109	-
	14,067	29,748

The analysis of recovered loans and interest during 2017 and 2016, by type of credit, is as follows:

(Thousands of euros)

	2017	2016
Unsecured loans	13,779	29,130
Foreign loans	119	594
Factoring operations	74	-
Finance leases	95	24
	14,067	29,748

21. FINANCIAL ASSETS HELD FOR TRADING, OTHER FINANCIAL ASSETS HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS AVAILABLE FOR SALE

The balance Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale is analysed as follows:

(Thousands of euros)

	2017	2016
Bonds and other fixed income securities		
Issued by public entities	4,059,084	3,094,852
Issued by other entities	1,023,977	1,211,059
	5,083,061	4,305,911
Overdue securities	3,722	18,022
Impairment for overdue securities	(3,722)	(13,079)
	5,083,061	4,310,854
Shares and other variable income securities	1,826,682	1,922,853
	6,909,743	6,233,707
Trading derivatives	696,214	826,157
	7,605,957	7,059,864

The balance Trading derivatives included as at 31 December 2016, the valuation of the embedded derivatives separated from the host contracts in accordance with the accounting policy 1 c) in the amount of Euros 142,000.

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale securities, net of impairment, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	2017			
	Trading	At fair value through profit or loss	Available for sale	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	10,035	142,336	2,820,068	2,972,439
Foreign issuers	237	-	4,236	4,473
Bonds issued by other entities				
Portuguese issuers	2,412	-	761,586	763,998
Foreign issuers	60,464	-	203,237	263,701
Treasury bills and other Government bonds				
Portuguese issuers	-	-	584,906	584,906
Foreign issuers	-	-	497,266	497,266
	73,148	142,336	4,871,299	5,086,783
Impairment for overdue securities	-	-	(3,722)	(3,722)
	73,148	142,336	4,867,577	5,083,061
Variable income:				
Shares				
Portuguese companies	427	-	29,818	30,245
Foreign companies	-	-	9,394	9,394
Investment fund units	-	-	1,786,193	1,786,193
Other securities	850	-	-	850
	1,277	-	1,825,405	1,826,682
Trading derivatives	696,214	-	-	696,214
	770,639	142,336	6,692,982	7,605,957
Level 1	73,575	142,336	4,610,516	4,826,427
Level 2	409,153	-	219,114	628,267
Level 3	287,911	-	1,863,352	2,151,263

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale securities, net of impairment, as at 31 December 2016, is analysed as follows:

(Thousands of euros)

	2016			
	Trading	At fair value through profit or loss	Available for sale	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	11,803	146,664	2,242,580	2,401,047
Foreign issuers	36,707	-	2,170	38,877
Bonds issued by other entities				
Portuguese issuers	8,990	-	854,866	863,856
Foreign issuers	63,503	-	301,722	365,225
Treasury bills and other Government bonds				
Portuguese issuers	5,642	-	649,286	654,928
	126,645	146,664	4,050,624	4,323,933
Impairment for overdue securities	-	-	(13,079)	(13,079)
	126,645	146,664	4,037,545	4,310,854
Variable income:				
Shares				
Portuguese companies	356	-	41,507	41,863
Foreign companies	-	-	6,208	6,208
Investment fund units	14	-	1,874,383	1,874,397
Other securities	385	-	-	385
	755	-	1,922,098	1,922,853
Trading derivatives	826,157	-	-	826,157
	953,557	146,664	5,959,643	7,059,864
Level 1	123,423	146,664	3,564,725	3,834,812
Level 2	225,923	-	429,590	655,513
Level 3	604,211	-	1,965,328	2,569,539

The trading and available for sale portfolios are recorded at fair value in accordance with the accounting policy described in note 1 c).

As referred in the accounting policy presented in note 1 c), the available for sale securities are presented at market value with the respective fair value accounted against fair value reserves. As at 31 December 2017, the fair value reserves are positive in the amount of Euros 37,394,000 (31 December 2016: negative amount of Euros 138,490,000).

As at 31 December 2017, the balances Financial assets held for trading and Financial assets available for sale include bonds issued with different levels of subordination, including the more subordinated tranche, associated with the traditional securitization transactions, referred in note 1 c) 6) i), in the amount of Euros 5,972,000 (31 December 2016: Euros 6,104,000) and Euros 114,981,000 (31 December 2016: Euros 120,194,000), respectively.

The portfolio of financial assets available for sale, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	2017					
	Amortised cost	Impairment	Amortised cost net of impairment	Fair value hedge adjustments	Fair value reserves	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,740,250	-	2,740,250	145,003	(65,185)	2,820,068
Foreign issuers	4,157	-	4,157	-	79	4,236
Bonds issued by other entities						
Portuguese issuers (*)	833,060	(87,369)	745,691	6	12,167	757,864
Foreign issuers	171,555	(14,823)	156,732	(391)	46,896	203,237
Treasury bills and other Government bonds						
Portuguese issuers	585,072	-	585,072	-	(166)	584,906
Foreign issuers	497,770	-	497,770	-	(504)	497,266
	4,831,864	(102,192)	4,729,672	144,618	(6,713)	4,867,577
Variable income:						
Shares						
Portuguese companies	95,249	(73,106)	22,143	-	7,675	29,818
foreign companies	7,205	(150)	7,055	-	2,339	9,394
Investment fund units	2,266,394	(514,294)	1,752,100	-	34,093	1,786,193
	2,368,848	(587,550)	1,781,298	-	44,107	1,825,405
	7,200,712	(689,742)	6,510,970	144,618	37,394	6,692,982

(*) This caption includes the amount related to impairment of overdue securities

The portfolio of financial assets available for sale, as at 31 December 2016, is analysed as follows:

(Thousands of euros)

	2016					
	Amortised cost	Impairment	Amortised cost net of impairment	Fair value hedge adjustments	Fair value reserves	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,407,771	-	2,407,771	60,008	(225,199)	2,242,580
Foreign issuers	2,087	-	2,087	-	83	2,170
Bonds issued by other entities						
Portuguese issuers (*)	973,806	(130,588)	843,218	(942)	(489)	841,787
Foreign issuers	278,788	(16,459)	262,329	(210)	39,603	301,722
Treasury bills and other Government bonds						
Portuguese issuers	649,256	-	649,256	-	30	649,286
	4,311,708	(147,047)	4,164,661	58,856	(185,972)	4,037,545
Variable income:						
Shares						
Portuguese companies	116,699	(86,197)	30,502	-	11,005	41,507
foreign companies	5,670	(150)	5,520	-	688	6,208
Investment fund units	2,323,126	(484,532)	1,838,594	-	35,789	1,874,383
	2,445,495	(570,879)	1,874,616	-	47,482	1,922,098
	6,757,203	(717,926)	6,039,277	58,856	(138,490)	5,959,643

(*) This caption includes the amount related to impairment of overdue securities

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 31 December 2017, by valuation levels, is analysed as follows:

(Thousands of euros)

	2017			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	2,839,539	132,900	-	2,972,439
Foreign issuers	4,460	13	-	4,473
Bonds issued by other entities				
Portuguese issuers (*)	667,665	75,782	16,829	760,276
Foreign issuers	230,994	3,317	29,390	263,701
Treasury bills and other Government bonds				
Portuguese issuers	584,906	-	-	584,906
Foreign issuers	497,266	-	-	497,266
	4,824,830	212,012	46,219	5,083,061
Variable income:				
Shares				
Portuguese companies	1,541	7,102	21,602	30,245
foreign companies	-	-	9,394	9,394
Investment fund units	56	-	1,786,137	1,786,193
Other securities	-	-	850	850
	1,597	7,102	1,817,983	1,826,682
Trading derivatives	-	409,153	287,061	696,214
	4,826,427	628,267	2,151,263	7,605,957

(*) This caption includes the amount related to impairment of overdue securities

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 31 December 2016, by valuation levels, is analysed as follows:

(Thousands of euros)

	2016			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	2,284,795	116,252	-	2,401,047
Foreign issuers	38,864	13	-	38,877
Bonds issued by other entities				
Portuguese issuers (*)	639,463	179,121	32,193	850,777
Foreign issuers	197,275	137,783	30,167	365,225
Treasury bills and other Government bonds				
Portuguese issuers	654,928	-	-	654,928
	3,815,325	433,169	62,360	4,310,854
Variable income:				
Shares				
Portuguese companies	19,428	-	22,435	41,863
foreign companies	-	-	6,208	6,208
Investment fund units	59	-	1,874,338	1,874,397
Other securities	-	-	385	385
	19,487	-	1,903,366	1,922,853
Trading derivatives	-	222,344	603,813	826,157
	3,834,812	655,513	2,569,539	7,059,864

(*) This caption includes the amount related to impairment of overdue securities

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 43.

During 2017, were made reclassifications from level 2 to level 1 in the amount of Euros 40,349,000 (31 December 2016: Euros 9,822,000) related to securities that became complied with the requirements of this level, as described in note 43.

The variable income securities classified as level 3 includes units in restructuring funds (note 50) in the amount of Euros 1,022,068,000 (31 December 2016: Euros 1,113,482,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the management company, which, as at 31 December 2017, corresponds to the NAV with reference to that date, except for Vega fund which reports to 30 June 2017, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities valued in their respective accounts at fair value through internal methodologies used by the management company. It is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of NAV, nevertheless it should be noted that a variation of + / - 10 % of the NAV has an impact of Euros 102,207,000 (31 December 2016: Euros 111,348,000) in Equity. This impact includes the effect on Fair value reserves of Euros 13,603,000 (31 December 2016: Euros 41,542,000) and in Net income / (loss) for the year, of Euros 88,604,000 (31 December 2016: Euros 75,252,000).

In addition, the balance Investement fund units include, as at 31 December 2017, investements in Real Estate Funds in the amount of Euros 705,702,000 (31 December 2016: Euros 635,440,000), which in turn includes Euros 680,030,000 (31 December 2016: Euros 610,305,000), corrresponding to funfs held mostly by the Bank.

The instruments classified as level 3 have associated net gains not performed in the amount of Euros 44,781,000 (31 December 2016: Euros 41,754,000) recorded in fair value reserves. The amount of impairment associated to these securities amounts to Euros 665,392,000 as at 31 December 2017 (31 December 2016: Euros 668,662,000).

The analysis of the impact of the reclassifications performed in prior periods until 31 December 2017, are analysed as follows:

(Thousands of euros)

	At the reclassification date		2017		
	Book value	Fair value	Book value	Fair value	Difference
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	-	-	-
Financial assets held to maturity	2,144,892	2,144,892	188,014	184,457	(3,557)
From Financial assets available for sale to:					
Loans represented by securities	2,592,280	2,592,280	4,375	4,313	(62)
Financial assets held to maturity	627,492	627,492	74,304	80,191	5,887
	5,561,464	5,561,464	266,693	268,961	2,268

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2017 related to reclassified financial assets are analysed as follows:

(Thousands of euros)

	Net income for the year	Changes	
	Interests	Fair value reserves	Equity
From Financial assets held for trading to:			
Financial assets available for sale	411	-	411
Financial assets held to maturity	3,183	-	3,183
From Financial assets available for sale to:			
Loans represented by securities	127	-	127
Financial assets held to maturity	3,262	252	3,514
	6,983	252	7,235

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2017, would be as follows:

(Thousands of euros)

	Net income for the year			
	Fair value changes	Retained earnings	Fair value reserves	Equity
From Financial assets held for trading to:				
Financial assets held to maturity	14,550	(18,107)	-	(3,557)
From Financial assets available for sale to:				
Loans represented by securities	(62)	-	-	(62)
Financial assets held to maturity	-	-	5,887	5,887
	14,488	(18,107)	5,887	2,268

As at 31 December 2016, this reclassification is analysed as follows:

(Thousands of euros)

	At the reclassification date		2016		
	Book value	Fair value	Book value	Fair value	Difference
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	17,744	17,744	-
Financial assets held to maturity	2,144,892	2,144,892	237,513	219,406	(18,107)
From Financial assets available for sale to:					
Loans represented by securities	2,592,280	2,592,280	4,375	4,375	-
Financial assets held to maturity	627,492	627,492	73,918	80,922	7,004
	5,561,464	5,561,464	333,550	322,447	(11,103)

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2016 related to reclassified financial assets are analysed as follows:

(Thousands of euros)

	Net income for the year	Changes	
	Interests	Fair value reserves	Equity
From Financial assets held for trading to:			
Financial assets available for sale	490	(791)	(301)
Financial assets held to maturity	4,907	-	4,907
From Financial assets available for sale to:			
Loans represented by securities	120	-	120
Financial assets held to maturity	3,262	252	3,514
	8,779	(539)	8,240

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2016, would be as follows:

(Thousands of euros)

	Net income for the year			
	Fair value changes	Retained earnings	Fair value reserves	Equity
From Financial assets held for trading to:				
Financial assets available for sale	(791)	55	736	-
Financial assets held to maturity	(11,716)	(6,391)	-	(18,107)
From Financial assets available for sale to:				
Financial assets held to maturity	-	-	7,004	7,004
	(12,507)	(6,336)	7,740	(11,103)

The changes occurred in impairment for financial assets available for sale are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	717,926	452,897
Transfers	-	2,109
Impairment against profit and loss	70,310	295,304
Amounts charged-off	(107,500)	(22,780)
Other variations	9,006	(9,604)
Balance on 31 December	689,742	717,926

The Bank recognises impairment for financial assets available for sale when there is a significant or prolonged decrease in its fair value or when there is an impact on expected future cash flows of the assets. This assessment involves judgment in which the Bank takes into consideration, among other factors, the volatility of the securities prices.

Thus, as a consequence of the low liquidity and significant volatility in financial markets, the following factors were taken into consideration in determining the existence of impairment:

- Equity instruments: (i) decreases of more than 30% against the purchase price; or (ii) the market value below the purchase price for a period exceeding 12 months;
- Debt instruments: when there is objective evidence of events with impact on recoverable value of future cash flows of these assets.

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by maturity, as at 31 December 2017 is as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	113,831	1,134,958	1,723,650	-	2,972,439
Foreign issuers	-	52	1,512	2,909	-	4,473
Bonds issued by other entities						
Portuguese issuers	27,848	-	642,092	90,336	3,722	763,998
Foreign issuers	-	-	50,115	213,586	-	263,701
Treasury bills and other Government bonds						
Portuguese issuers	89,554	495,352	-	-	-	584,906
Foreign issuers	-	497,266	-	-	-	497,266
	117,402	1,106,501	1,828,677	2,030,481	3,722	5,086,783
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	117,402	1,106,501	1,828,677	2,030,481	-	5,083,061
Variable income:						
Companies' shares						
Portuguese companies	-	-	-	-	30,245	30,245
Foreign companies	-	-	-	-	9,394	9,394
Investment fund units	-	3,455	170,770	1,604,393	7,575	1,786,193
Other securities	-	-	-	-	850	850
	-	3,455	170,770	1,604,393	48,064	1,826,682
	117,402	1,109,956	1,999,447	3,634,874	48,064	6,909,743

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by maturity, as at 31 December 2016 is as follows:

(Thousands of euros)

	2016					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	54,905	493,948	1,852,194	-	2,401,047
Foreign issuers	-	36,465	338	2,074	-	38,877
Bonds issued by other entities						
Portuguese issuers	-	68,737	552,191	224,906	18,022	863,856
Foreign issuers	49,642	-	52,028	263,555	-	365,225
Treasury bills and other Government bonds						
Portuguese issuers	98,638	556,290	-	-	-	654,928
	148,280	716,397	1,098,505	2,342,729	18,022	4,323,933
Impairment for overdue securities	-	-	-	-	(13,079)	(13,079)
	148,280	716,397	1,098,505	2,342,729	4,943	4,310,854
Variable income:						
Companies' shares						
Portuguese companies	-	-	-	-	41,863	41,863
Foreign companies	-	-	-	-	6,208	6,208
Investment fund units	-	102,425	122,842	1,648,828	302	1,874,397
Other securities	-	-	-	385	-	385
	-	102,425	122,842	1,649,213	48,373	1,922,853
	148,280	818,822	1,221,347	3,991,942	53,316	6,233,707

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by sector of activity as at 31 December 2017 is as follows:

(Thousands of euros)

	2017				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Chemicals	26,753	-	-	-	26,753
Construction	-	-	-	2,394	2,394
Wholesale business	49,619	852	-	126	50,597
Restaurants and hotels	-	46	-	-	46
Transports	426,280	2,168	-	-	428,448
Telecommunications	-	6,390	-	-	6,390
Services					
Financial intermediation (*)	281,427	17,001	1,744,650	-	2,043,078
Real estate activities	-	-	41,543	-	41,543
Consulting, scientific and technical activities	111,382	365	-	-	111,747
Administrative and support services activities	-	12,779	-	-	12,779
Public sector	111,833	-	-	-	111,833
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	22	-	1	23
Other international activities	-	-	850	-	850
	1,023,977	39,639	1,787,043	3,722	2,854,381
Government and Public securities	2,976,912	-	1,082,172	-	4,059,084
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	4,000,889	39,639	2,869,215	-	6,909,743

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,022,068,000 which are classified in the Services sector of activity, but which have the core segment as disclosed in note 50.

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by sector of activity as at 31 December 2016 is as follows:

(Thousands of euros)

	2016				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	-	11	-	-	11
Chemicals	26,193	-	-	-	26,193
Electricity and gas	8,742	-	-	-	8,742
Construction	-	-	-	2,395	2,395
Wholesale business	-	655	-	126	781
Restaurants and hotels	-	46	-	-	46
Transports	235,066	766	-	-	235,832
Telecommunications	-	21,020	-	-	21,020
Services					
Financial intermediation (*)	658,535	14,992	1,831,147	14,299	2,518,973
Real estate activities	-	-	43,251	-	43,251
Consulting, scientific and technical activities	176,390	102	-	-	176,492
Administrative and support services activities	-	10,441	-	-	10,441
Health and collective service activities	89,450	-	-	-	89,450
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	22	-	1	23
Other international activities	-	-	384	-	384
	1,211,059	48,071	1,874,782	18,022	3,151,934
Government and Public securities	2,439,924	-	654,928	-	3,094,852
Impairment for overdue securities	-	-	-	(13,079)	(13,079)
	3,650,983	48,071	2,529,710	4,943	6,233,707

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,113,482,000 which are classified in the Services sector of activity, but which have the core segment as disclosed in note 50.

The Bank, as part of the management process of the liquidity risk (note 46), holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Bank operates, which includes fixed income securities. As at 31 December 2017, this caption includes Euros 40,821,000 (31 December 2016: Euros 39,221,000) of securities included in the ECB's monetary policy pool.

The analysis of trading derivatives by maturity as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	342,339	610,766	8,587,986	9,541,091	399,731	332,398
Interest rate options (purchase)	-	83,417	89,285	172,702	456	-
Interest rate options (sale)	-	-	89,285	89,285	-	397
Other interest rate contracts	567	4,070	112,555	117,192	1,947	688
	342,906	698,253	8,879,111	9,920,270	402,134	333,483
Stock Exchange transactions:						
Interest rate futures	110,808	-	-	110,808	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	81,068	57,208	35	138,311	1,360	669
Currency swaps	964,396	403,366	-	1,367,762	2,998	16,096
Currency options (purchase)	11,168	61,638	-	72,806	1,539	-
Currency options (sale)	10,746	61,638	-	72,384	-	1,514
	1,067,378	583,850	35	1,651,263	5,897	18,279
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	-	224,675	371,152	595,827	-	22,288
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	345,574	1,323,637	1,251,343	2,920,554	8,406	4,184
Others shares/indexes options (purchase)	-	-	16,864	16,864	15,588	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	345,574	1,323,637	1,285,071	2,954,282	23,994	4,184
Stock exchange transactions:						
Shares futures	500,045	181,357	-	681,402	-	-
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	13,353	-	-	13,353	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	214,950	177,800	428,310	821,060	264,189	2,988
Other credit derivatives (sale)	-	-	68,908	68,908	-	-
	214,950	177,800	497,218	889,968	264,189	2,988
Total derivatives traded in:						
OTC Market	1,970,808	3,008,215	11,032,587	16,011,610	696,214	381,222
Stock Exchange	624,206	181,357	-	805,563	-	-
Embedded derivatives					-	158
	2,595,014	3,189,572	11,032,587	16,817,173	696,214	381,380

The analysis of trading derivatives by maturity as at 31 December 2016, is as follows:

(Thousands of euros)

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	87,571	923,914	8,882,225	9,893,710	502,555	461,649
Interest rate options (purchase)	-	85,442	83,509	168,951	29	-
Interest rate options (sale)	-	2,025	83,509	85,534	-	739
Other interest rate contracts	-	4,986	18,885	23,871	541	574
	87,571	1,016,367	9,068,128	10,172,066	503,125	462,962
Stock Exchange transactions:						
Interest rate futures	201,384	18,973	-	220,357	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	69,014	121,792	-	190,806	2,541	1,419
Currency swaps	1,942,251	956,930	-	2,899,181	28,256	52,288
Currency options (purchase)	41,232	37,730	42,798	121,760	3,112	-
Currency options (sale)	42,009	37,730	42,798	122,537	-	3,447
	2,094,506	1,154,182	85,596	3,334,284	33,909	57,154
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	-	178,371	358,768	537,139	18,211	52
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	644,404	958,302	1,651,783	3,254,489	29,068	7,799
Others shares/indexes options (purchase)	-	-	16,864	16,864	13,671	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	644,404	958,302	1,685,511	3,288,217	42,739	7,799
Stock exchange transactions:						
Shares futures	249,929	-	-	249,929	-	-
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	74,499	-	-	74,499	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	221,900	567,000	828,544	1,617,444	228,031	6,516
Other credit derivatives (sale)	-	-	55,419	55,419	-	-
	221,900	567,000	883,963	1,672,863	228,031	6,516
Total derivatives traded in:						
OTC Market	3,048,381	3,874,222	12,081,966	19,004,569	826,015	534,483
Stock Exchange	525,812	18,973	-	544,785	-	-
Embedded derivatives					142	-
	3,574,193	3,893,195	12,081,966	19,549,354	826,157	534,483

22.HEDGING DERIVATIVES

This balance is analysed as follows:

(Thousands of euros)

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Swaps	18,804	99,453	28,115	104,957
Others	-	12,899	5,232	3,356
	18,804	112,352	33,347	108,313

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Bank by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these derivatives are classified in level 2. The Bank resources to derivatives to hedge interest, exchange rate exposure risks and credit portfolio risk. The accounting method depends on the nature of the hedged risk, namely if the Bank is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

For the hedging relationships which comply with the hedging requirements of IAS 39, the Bank adopts the hedge accounting method mainly interest rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

During 2017, the relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 5,778,000 (31 December 2016: positive amount of Euros 12,893,000) and the hedging relationships that follow the cash flows model recorded no ineffectiveness.

During 2017, reclassifications were made from fair value reserves to results, related to cash flow hedge relationships, in a positive amount of Euros 26,586,000 (31 December 2016: positive amount of Euros 16,220,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows:

(Thousands of euros)

Hedged items	2017	2016
Loans	4,763	6,019
Deposits	4,194	6,341
Debt issued	(47,816)	(51,038)
	(38,859)	(38,678)

The analysis of hedging derivatives portfolio by maturity as at 31 December 2017 is as follows:

(Thousands of euros)

	2017					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	5,288	6,434,440	6,439,728	17,060	53,401
Others	450,000	-	-	450,000	-	12,899
	450,000	5,288	6,434,440	6,889,728	17,060	66,300
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	-	12,050,000	12,050,000	1,744	46,052
Total derivatives traded by:						
OTC Market	450,000	5,288	18,484,440	18,939,728	18,804	112,352

The analysis of hedging derivatives portfolio by maturity as at 31 December 2016 is as follows:

(Thousands of euros)

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	341,100	-	6,038,576	6,379,676	25,755	75,912
Others	550,000	150,000	-	700,000	5,232	3,356
	891,100	150,000	6,038,576	7,079,676	30,987	79,268
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate Swaps	-	-	6,500,000	6,500,000	2,360	29,045
Total derivatives traded by:						
OTC Market	891,100	150,000	12,538,576	13,579,676	33,347	108,313

23. FINANCIAL ASSETS HELD TO MATURITY

The balance Financial assets held to maturity is analysed as follows:

(Thousands of euros)

	2017	2016
Bonds and other fixed income securities		
Issued by public entities	50,859	50,728
Issued by other entities	291,926	359,063
	342,785	409,791

The balance Financial assets held to maturity includes, as at 31 December 2017, the amount of Euros 188,014,000 (31 December 2016: Euros 237,513,000) related to non derivatives financial assets (bonds) reclassified in previous years from financial assets held for trading caption to financial assets held to maturity caption, as referred in the accounting policy note 1 e) and note 21.

The balance Financial assets held to maturity also includes, as at 31 December 2017, the amount of Euros 74,304,000 (31 December 2016: Euros 73,918,000) related to non derivatives financial assets (bonds) reclassified in previous years from financial assets available for sale caption to financial assets held to maturity caption, as referred in the accounting policy note 1 e) and note 21.

As at 31 December 2017, the Financial assets held to maturity portfolio is analysed as follows:

(Thousands of euros)

			2017			
Description	**Country**	**Maturity date**	**Interest rate**	**Nominal value**	**Book value**	**Fair value**
Issued by Government and public entities:						
BTPS 4.5 PCT 08/01.08.2018 EUR	Italy	August, 2018	4.500%	50,000	50,859	52,383
Issued by other entities:						
CP Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	74,964	80,850
Edia S.A. 07/30.01.2027	Portugal	January, 2027	Euribor 6M+ 0.005%	40,000	39,145	34,555
STCP 00/05.06.2022- 100Mios Call After 10Cpn-Min.10Mios	Portugal	June, 2022	Euribor 6M + 0.0069%	100,000	98,945	98,454
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	Euribor 3M+0.54%	42,631	34,743	34,532
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	Euribor 3M+1.16%	26,300	26,310	24,944
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	Euribor 3M+2.6%	17,800	17,819	14,185
					291,926	287,520
					342,785	339,903

As at 31 December 2016, the Financial assets held to maturity portfolio is analysed as follows:

(Thousands of euros)

			2016			
Description	**Country**	**Maturity date**	**Interest rate**	**Nominal value**	**Book value**	**Fair value**
Issued by Government and public entities:						
BTPS 4.5 PCT 08/01.08.2018 EUR	Italy	August, 2018	4.500%	50,000	50,728	54,623
Issued by other entities:						
CP Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	74,578	81,582
Edia S.A. 07/30.01.2027	Portugal	January, 2027	Euribor 6M+ 0.005%	40,000	39,052	27,675
STCP 00/05.06.2022- 100Mios Call After 10Cpn-Min.10Mios	Portugal	June, 2022	Euribor 6M + 0.0069%	100,000	98,708	87,636
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	51,527	51,975
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	Euribor 3M+0.54%	60,272	51,068	50,399
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	Euribor 3M+1.16%	26,300	26,311	24,339
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	Euribor 3M+2.6%	17,800	17,819	14,185
					359,063	337,791
					409,791	392,414

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2017 is as follows:

(Thousands of euros)

			2017		
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Bonds issued by public entities					
Foreign issuers	-	-	50,859	-	50,859
Bonds issued by other entities					
Portuguese issuers	-	-	173,909	39,145	213,054
Foreign issuers	-	-	-	78,872	78,872
	-	-	224,768	118,017	342,785

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2016 is as follows:

(Thousands of euros)

			2016		
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Bonds issued by public entities					
Foreign issuers	-	-	50,728	-	50,728
Bonds issued by other entities					
Portuguese issuers	-	-	74,578	137,760	212,338
Foreign issuers	51,527	-	-	95,198	146,725
	51,527	-	125,306	232,958	409,791

The analysis of the Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by sector of activity, is analysed as follows:

(Thousands of euros)

	2017	2016
Transports	173,909	173,286
Services		
Financial intermediation	78,872	146,725
Real estate activities	39,145	39,052
	291,926	359,063
Government and Public securities	50,859	50,728
	342,785	409,791

As referred in note 46, as part of the management process of the liquidity risk, the Bank holds a pool of eligible assets that can be used as collateral in funding operations with the European Central Bank and other Central Banks in countries were the Bank operates, in which are included fixed income securities. As at 31 December 2017, there is no securities included in the ECB's monetary policy (31 December 2016: Euros 51,447,000).

24. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Portuguese credit institutions	338,422	260,235
Foreign credit institutions	801,463	658,363
Other Portuguese companies	1,848,351	1,394,789
Other foreign companies	2,771,176	3,502,963
	5,759,412	5,816,350
Impairment for investments in:		
Subsidiary companies	(2,385,466)	(2,342,499)
Associated and other companies	(3,585)	(9,744)
	(2,389,051)	(2,352,243)
	3,370,361	3,464,107

The balance Investments in subsidiaries and associated companies is analysed as follows:

(Thousands of euros)

	2017	2016
ACT - C - Indústria de Cortiças, S.A.	3,585	3,585
Banco ActivoBank, S.A.	78,187	-
Banco de Investimento Imobiliário, S.A.	260,235	260,235
Bank Millennium S.A.	662,951	632,920
Banque BCP, S.A.S.	26,865	25,443
Banque Privée BCP (Suisse) S.A.	111,645	-
BCP África, S.G.P.S., Lda.	683,032	683,032
BCP Capital - Sociedade de Capital de Risco, S.A.	30,773	30,773
BCP International B.V.	1,203,262	1,215,412
BCP Investment, B.V.	1,534,844	2,254,451
Caracas Financial Services, Limited	-	27
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	1,500	1,500
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	459,723	-
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	18,535	18,535
Millennium bcp Imobiliária, S.A.	341,088	341,088
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	327,653	327,653
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	885	885
Nanium, S.A.	-	6,159
Propaço - Sociedade Imobiliária De Paço D'Arcos, Lda.	-	3
S&P Reinsurance Limited	14,536	14,536
Servitrust - Trust Management Services S.A.	100	100
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	13	13
	5,759,412	5,816,350
Impairment for investments in subsidiary and associated companies		
ACT - C - Indústria de Cortiças, S.A.	(3,585)	(3,585)
Banco de Investimento Imobiliário, S.A.	(33,941)	(19,081)
BCP África, S.G.P.S., Lda.	(92,726)	(86,073)
BCP Capital - Sociedade de Capital de Risco, S.A.	(18,480)	(19,264)
BCP International B.V.	(145,988)	(87,856)
BCP Investment, B.V.	(1,394,582)	(1,430,137)
Caracas Financial Services, Limited	-	(27)
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	(18,535)	(18,535)
Millennium bcp Imobiliária, S.A.	(341,088)	(341,088)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	(327,049)	(327,653)
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	(753)	(614)
Nanium, S.A.	-	(6,159)
Propaço - Sociedade Imobiliária De Paço D'Arcos, Lda.	-	(3)
S&P Reinsurance Limited	(12,224)	(12,168)
Servitrust - Trust Management Services S.A.	(100)	-
	(2,389,051)	(2,352,243)
	3,370,361	3,464,107

During 2017, the Bank's investment in the company Nanium, S.A. was sold and were liquidated the investments held by the Bank in the companies Propaço - Sociedade Imobiliária De Paço D'Arcos, Lda. and Caracas Financial Services, Limited (note 15).

During 2017 the Bank aquired to BCP Investment, B.V. the investments corresponding to the entire share capital of Banco ActivoBank, S.A. and Banque Privée BCP (Suisse) S.A., as well 49.0% of the share capital of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.

During the year 2016, the Bank's investment in Bitalpart, B.V. was liquidated/dissolved and the investments held by the Bank in the company Quinta do Furão - Sociedade de Animação Turística e Agricola de Santana, Lda. was sold. During 2016, the Bank also sold 31.16% of the share capital held by the Bank in the company UNICRE - Instituição Financeira de Crédito, S.A. and the investment held in SIBS, S.G.P.S. (note 15).

The movements for Impairment for investments in subsidiary and associated companies are analysed as follows:

(Thousands of euros)

	2017	2016
Impairment for investments in subsidiary and associated companies:		
Balance on 1 January	2,352,243	3,922,833
Transfers	-	99,539
Impairment charge for the year	79,940	140,730
Write-back for the year	(36,943)	(167)
Loans charged-off	(6,189)	(1,810,692)
Balance on 31 December	2,389,051	2,352,243

As at 31 December 2017, the caption Impairment for investments in subsidiaries and associated companies - Loans charged-off results from the liquidation/dissolution of Nanium .S.A., Propaço - Sociedade Imobiliária de Paço D'Arcos, Lda. and Caracas Financial Services, Limited. As at 31 December 2016, this caption results from the liquidation/dissolution of Bitalpart, B.V. and Quinta do Furão - Sociedade de Animação Turística e Agrícola de Santana, Lda.

The Bank's subsidiaries and associated companies are presented in note 52.

The Bank analysed the impairment related to the investments made in subsidiaries and associated as described in note 1 j).

Regarding holding companies, namely BCP International B.V., BCP Investment B.V., Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. and Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda., the impairment analysis was performed considering the recoverable amount of the business controlled by each one of those companies.

The recoverable amounts, as described in note 1 j), was determined based on the higher between the fair value amount less costs to sell and the value in use.

The value in use was determined based on: (i) the business plan approved by each company board for the period from 2018 to 2022 and (ii) the following assumptions depending on the nature of the companies activities and correspondent geography:

	2017			2016		
	Discount rate	Discount rate	Growth rate	Discount rate	Discount rate	Growth rate
	Explicit period	Perpetuity	Perpetuity	Explicit period	Perpetuity	Perpetuity
Portugal	5.875% to 10.375%	10.400%	0.000%	7.250% to 11.750%	11.750%	0.000%
Poland	9.625%	9.625%	2.600%	9.500%	9.500%	3.100%
Angola	19.000%	19.000%	n.a.	18.000%	18.000%	n.a.
Mozambique	20.500%	20.500%	2.400%	19.000%	19.000%	9.200%
Switzerland	9.250%	9.775%	0.000%	9.250%	9.540%	0.000%

Based on the analysis made, the Bank recognised in 2017 impairment for a group of companies, as follows:

(Thousands of euros)

	Balance on 1 January	Impairment charge	Write-back	Loans charged-off	Balance on 31 December
ACT - C - Indústria de Cortiças, S.A.	3,585	-	-	-	3,585
Banco de Investimento Imobiliário, S.A.	19,081	14,860	-	-	33,941
BCP África, S.G.P.S., Lda.	86,073	6,653	-	-	92,726
BCP Capital - Sociedade de Capital de Risco, S.A.	19,264	-	(784)	-	18,480
BCP International B.V.	87,856	58,132	-	-	145,988
BCP Investment B.V.	1,430,137	-	(35,555)	-	1,394,582
Caracas Financial Services, Limited	27	-	-	(27)	-
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	18,535	-	-	-	18,535
Millennium bcp Imobiliária, S.A.	341,088	-	-	-	341,088
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	327,653	-	(604)	-	327,049
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	614	139	-	-	753
Nanium, S.A.	6,159	-	-	(6,159)	-
Propaço - Sociedade Imobiliária de Paço D'Arcos, Lda.	3	-	-	(3)	-
S&P Reinsurance Limited	12,168	56	-	-	12,224
Servitrust - Trust Management Services S.A.	-	100	-	-	100
	2,352,243	79,940	(36,943)	(6,189)	2,389,051

25. NON-CURRENT ASSETS HELD FOR SALE

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Real estate		
Assets arising from recovered loans	1,559,450	1,582,615
Assets for own use (closed branches)	5,553	7,869
Equipment and other	3,304	14,206
Subsidiaries acquired exclusively with the purpose of short-term sale	122,293	235,744
Other assets	26,842	35,177
	1,717,442	1,875,611
Impairment		
Real estate		
Assets arising from recovered loans	(190,359)	(168,626)
Assets for own use (closed branches)	(1,241)	(1,829)
Equipment and other	(3,035)	(4,141)
Subsidiaries acquired exclusively with the purpose of short-term sale	(42,695)	(79,711)
	(237,330)	(254,307)
	1,480,112	1,621,304

The assets included in this balance are accounted for in accordance with the accounting policy described in note 1 k).

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from recovered loans or judicial auction following the resolution of credit agreements to customers being accounted for at the time the Bank assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 46.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale, according to the characteristic of each asset. However, taking into account the actual market conditions, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Bank having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The Bank requests, regularly, to the Bank of Portugal, following the Article No. 114º of the General Regime of Credit Institutions and Financial Companies, the extension of the period of holding these properties.

The referred balance includes real estate for which the Bank has already established contracts for the sale in the amount of Euros 29,081,000 (31 December 2016: Euros 32,586,000), which impairment associated is Euros 4,397,000 (31 December 2016: Euros 16,190,000), which was calculated taking into account the value of the respective contracts.

As at 31 December 2017, the caption Subsidiaries acquired exclusively with the view of short-term sale corresponds to 1 real estate company acquired by the Bank (31 December 2016: 5 companies) within the restructuring of a loan exposure that the Bank intends to sell in less than one year (note 52), which hold real estate assets in the amount of Euros 20,447,000 (31 December 2016: Euros 129,456,000). However, taking into account the actual market conditions, it was not possible to conclude the sales in the expected time.

As part of a corporate restructuring process, as at 31 December 2017, the Bank sold four real estate companies to real estate investment funds held by it, in the amount of Euros 120,938,000, with a net gain of Euros 9,434,000, recognized in the caption Sale of other assets, as described in note 15.

The changes occurred in impairment for non-current assets held for sale are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	254,307	319,794
Transfers	-	(13,746)
Impairment for the year	93,027	33,553
Loans charged-off	(109,581)	(85,294)
Exchange rate differences	(423)	-
Balance on 31 December	237,330	254,307

26. OTHER TANGIBLE ASSETS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Land and buildings	508,440	528,878
Equipment		
Furniture	69,631	70,206
Machinery	16,648	16,416
Computer equipment	175,627	168,051
Interior installations	98,876	96,688
Motor vehicles	13,032	10,377
Security equipment	62,907	64,089
Other equipment	2,868	2,923
Work in progress	10,143	8,322
Other tangible assets	32	30
	958,204	965,980
Accumulated depreciation		
Charge for the year (note 11)	(21,871)	(19,212)
Charge for the previous years	(719,232)	(728,459)
	(741,103)	(747,671)
	217,101	218,309

The changes occurred in Other tangible assets, during 2017, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real Real estate	528,878	23	(16,439)	(3,949)	(73)	508,440
Equipment:						
Furniture	70,206	1,695	(2,155)	(103)	(12)	69,631
Machinery	16,416	329	(87)	-	(10)	16,648
Computer equipment	168,051	9,087	(1,519)	26	(18)	175,627
Interior installations	96,688	445	(659)	2,403	(1)	98,876
Motor vehicles	10,377	3,731	(1,065)	-	(11)	13,032
Security equipment	64,089	441	(1,558)	(62)	(3)	62,907
Other equipment	2,923	40	(95)	-	-	2,868
Work in progress	8,322	15,372	(1,023)	(12,528)	-	10,143
Other tangible assets	30	3	(1)	-	-	32
	965,980	31,166	(24,601)	(14,213)	(128)	958,204
Accumulated depreciation						
Real estate	(352,220)	(9,746)	15,787	5,467	28	(340,684)
Equipment:						
Furniture	(64,623)	(1,217)	2,152	103	10	(63,575)
Machinery	(15,137)	(231)	87	-	7	(15,274)
Computer equipment	(156,864)	(5,881)	1,507	4	13	(161,221)
Interior installations	(91,668)	(1,053)	657	34	1	(92,029)
Motor vehicles	(4,944)	(2,533)	828	-	7	(6,642)
Security equipment	(59,265)	(1,206)	1,548	103	1	(58,819)
Other equipment	(2,920)	(4)	94	-	-	(2,830)
Other tangible assets	(30)	-	1	-	-	(29)
	(747,671)	(21,871)	22,661	5,711	67	(741,103)
	218,309	9,295	(1,940)	(8,502)	(61)	217,101

27. INTANGIBLE ASSETS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Intangible assets		
Software	35,849	26,378
Other intangible assets	177	192
	36,026	26,570
Accumulated amortization		
Charge for the year (note 11)	(7,122)	(5,487)
Charge for the previous years	(7,495)	(6,557)
	(14,617)	(12,044)
	21,409	14,526

The changes occurred in Intangible assets balance, during 2017, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Intangible assets						
Software	26,378	14,030	(4,525)	-	(34)	35,849
Other intangible assets	192	-	-	-	(15)	177
	26,570	14,030	(4,525)	-	(49)	36,026
Accumulated amortization						
Software	(11,949)	(7,122)	4,524	-	13	(14,534)
Other intangible assets	(95)	-	-	-	12	(83)
	(12,044)	(7,122)	4,524	-	25	(14,617)
	14,526	6,908	(1)	-	(24)	21,409

28. INCOME TAX

The deferred income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	2017			2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses	925,673	-	925,673	868,109	-	868,109
Employee benefits	837,422	-	837,422	787,391	-	787,391
	1,763,095	-	1,763,095	1,655,500	-	1,655,500
Deferred taxes depending on the future profits						
Other tangible assets	2,027	(3,252)	(1,225)	860	(3,124)	(2,264)
Impairment losses	930,619	(50,303)	880,316	870,121	(50,303)	819,818
Employee benefits	28,179	(1,803)	26,376	29,585	(377)	29,208
Financial assets available for sale	10,076	(16,993)	(6,917)	22,464	-	22,464
Tax losses carried forward	319,768	-	319,768	490,688	-	490,688
Others	62,835	(25,740)	37,095	56,899	(22,006)	34,893
	1,353,504	(98,091)	1,255,413	1,470,617	(75,810)	1,394,807
Total deferred taxes	3,116,599	(98,091)	3,018,508	3,126,117	(75,810)	3,050,307
Offset between deferred tax assets and deferred tax liabilities	(98,091)	98,091	-	(75,810)	75,810	-
Net deferred taxes	3,018,508	-	3,018,508	3,050,307	-	3,050,307

(a) Special Regime applicable to deferred tax assets

SPECIAL REGIME APPLICABLE TO DEFERRED TAX ASSETS

The Extraordinary General Meeting of the Bank, held on 15 October 2014, approved the Bank's adherence to the special regime applicable to deferred tax assets, approved by Law no. 61/2014, of August 26, applicable to expenses and negative equity variations recorded in taxable periods beginning on or after 1 January 2015 and the deferred tax assets that are recorded in the annual accounts of the taxpayer to the last period prior to that date and the taxation of the expenses and negative equity variations that are associated with them. Pursuant to Law no. 23/2016, of 19 August, this special regime is not apply to expenses and negative equity changes recorded in the tax periods beginning on or after 1 January 2016, or to tax assets associated with them.

The Law no. 61/2014, of 26 August, provides an optional framework with the possibility of subsequent resignation, according to which, in certain situations (those of negative net result in individual annual accounts or liquidation by voluntary dissolution, insolvency decreed in court or revocation of the respective authorization), there will be a conversion into tax credits of the deferred tax assets that have resulted from the non-deduction of expenses and reductions in the value of assets resulting from impairment losses on credits and from post-employment or long-term employee benefits. In this case, it should be constituted a special reserve corresponding to 110% of its amount, which implies the simultaneous constitution of conversion rights attributable to the State of equivalent value, which rights can be acquired by the shareholders through payment to the State of that same amount. Tax credits can be offset against tax debts of the beneficiaries (or from an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. Under the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law no. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the ordinance No. 293-A / 2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 10 years after the date of its creation, and the issuing bank shall deposit in the name of the State the amount of the price corresponding to all the rights issued, within 3 months of date of the confirmation of the convertion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders, or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantively approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset and when the deferred taxes are related to the same tax.

The deferred tax rate is analysed as follows:

Description	2017	2016
Income tax	21.0%	21.0%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than Euros 1,500,000 to Euros 7,500,000	3.0%	3.0%
From more than Euros 7,500,000 to Euros 35,000,000	5.0%	5.0%
More than Euros 35,000,000 (a)	7.0%	7.0%

(a) Law 114/2017, dated 29 December (State Budget Law for 2018) establishes the increase of the state tax rate for the portion of the taxable income above Euros 35,000,000 from 7% to 9% for taxation periods beginning on or after 1 January 2018.

The tax applicable to deferred taxes related to tax losses is 21% (31 December 2016: 21%).

The average deferred tax rate associated with temporary differences of the BanK is 31.30% (31 December 2016: 29.43%).

The reporting period of tax losses in Portugal is 5 years for the losses of 2012, 2013 and 2017 and 12 years for the losses of 2014, 2015 and 2016.

In 2016, Banco Comercial Português, S.A. opted for the Special Regime for Taxation of Groups of Companies (RETGS).

The balance of Deferred tax assets not depending 'on the future profits (covered by the scheme approved by Law no. 61/2014, of 26 August), include the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to specific credit impairment losses registered up to 31 December 2014.

The differed income tax assets associated to tax losses carried forward, by expire date, is presented as follows:

(Thousands of euros)

Expire date	2017	2016
2026	80,758	201,812
2028	239,010	288,876
	319,768	490,688

Following the publication of the Notice of the Bank of Portugal No. 5/2015, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA) began to apply the International Financial Reporting Standards as adopted in the European Union, including, among others, the Bank's individual financial statements.

As a result of this change, in the Bank's individual financial statements, the loans portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses calculated in accordance with the requirements of International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal Notice No. 3/95.

The Regulatory Decree No. 5/2016, of November 18, established the maximum limits of impairment losses and other corrections of value for specific credit risk deductible for the purpose of calculating the taxable profit in the year 2016 This Decree declares that Bank of Portugal Notice No. 3/95 (Notice that was relevant to the determination of provisions for credit in the financial statements presented in the NCA basis) should be considered for the purposes of calculating the maximum loss limits for impairment losses accepted for tax purposes in 2016. This methodology was also applied for the treatment of the transition adjustments related to credit impairment of entities that previously presented their financial statements on an NCA basis.

This Regulatory Decree includes a transitional rule that provides for the possibility of the positive difference between the value of the provisions for credit created on 1 January 2016 under the Notice of Bank of Portugal No. 3/95 and the impairment losses recorded on 1 January 2016 referring to the same credits, will be considered in the calculation of the taxable income of 2016 only in the part that exceeds the tax losses generated in periods of taxation started on or after 1 January 2012 and not used. The Bank opted to apply this transitional standard.

The Regulatory Decree No. 11/2017, of 28 December, established the maximum limits of impairment losses and other corrections of value for specific credit risk deductible for the purposes of calculating taxable income in 2017, establishing that the Notice of Bank of Portugal No. 3/95 should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes in 2017, similar to the regime for 2016.

ANALYSIS OF THE RECOVERABILITY OF DEFERRED TAX ASSETS

In accordance with the accounting policy 1 ab) ii), and with the requirements of IAS 12, the deferred tax assets were recognized based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried based on the respective financial statements prepared under the budget process for 2018 and which support future taxable income considering the macroeconomic and competitive environment, at the same time that incorporate the Bank's strategic priorities.

For the purpose of estimating taxable profits for the periods 2018 and following, the following main assumptions were considered:

- in the absence of specific rules regarding the tax regime for credit impairment and guarantees for taxation periods beginning on or after 1 January 2018, the tax rules that were in force in 2015, 2016 and 2017 were considered and of Decree-Laws published at the end of each of the referred years established that the Notice of Bank of Portugal No. 3/95 should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes;

- the deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- the deductions related to employee benefits are projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

In addition, as part of the analysis of the recoverability of deferred tax assets, the Bank prepared a sensitivity analysis that considered the possibility of approving a document with changes to the tax treatment of impairment losses for credit and guarantees, in the same proposal for amendment to the State Budget Law Proposal for 2018. This proposal provided for modifications to Articles 28-A, 28-C and 39 of the IRC Code, in order to approximate fiscal and introduced a transition period of 19 years with increasing percentages for the tax deductibility of losses due to credit impairment and guarantees not accepted by tax until 31 December 2017 and which became deductible under the envisaged changes.

According to this sensitivity analysis, the Bank also concluded the recoverability of all deferred tax assets recorded as at 31 December 2017.

The projections made take into consideration, in addition to the Group's strategic priorities, essentially reflecting the projection of the Bank's medium-term business in Portugal in terms of results generation, and are broadly consistent with the Reduction Plan of Non-Performing Assets 2018-2020 sent it to the supervisory entity in March 2018, underlining:

- improvement of the net interest income, considering interest rate curves used under the scope of the projections of net interest income in line with the market forecasts;

- evolution of the ratio loans and advances over the balance sheet resources from customer by approximately 100% in Portugal;

- decrease in the cost of risk, supported by the expectation of a gradual recovery of economic activity, consubstantiating a stabilization of the business risk, as well as the reduction of the non-core portfolio. In this way, the gradual convergence of the cost of credit risk (up to 2023) is estimated to be close to those currently observed in other European countries, including in the Iberian Peninsula;

- control of the operating expenses, notwithstanding the investments planned by the Bank in the context of the expected deepening of the digitization and expansion of its commercial activities;

- positive net income, projecting the favourable evolution of the ROE and maintaining of the CET1 ratio fully implemented at lepels appropriate to the requirements and benchmarks. From 2024 onwards, it is estimated an annual growth of the Net income before income taxes, which reflects a partial convergence to the expected level of ROE stabilized term.

The analyses made allow the conclusion of the recoverability of the total deferred tax assets recognised as at 31 December 2017.

It is now present the sensitivity of the analysis of the recoverability of deferred tax assets to the estimate of income before income taxes: if there was a 5% reduction / increase in estimated income before income taxes in all years of projections from 2018 to 2028, the deferred tax assets would have a reduction / increase of about Euros 55 millions / Euros 67millions.

In accordance with this assessment, the amount of unrecognised deferred tax, by year of expiration, is as follows:

(Thousands of euros)

Tax losses carried forward	2017	2016
2026	132,076	-
2028	278,334	171,000
	410,410	171,000

The impact of income taxes in Net income and in other captions of Bank's equity is analysed as follows:

(Thousands of euros)

	2017		2016	
	Net income for the year	Reserves and retained earnings	Net income for the year	Reserves and retained earnings
Deferred taxes				
Deferred taxes not depending on the future profits (a)				
Impairment losses	57,564	-	(10,421)	-
Employee benefits	16,903	33,128	21,774	595
	74,467	33,128	11,353	595
Deferred taxes depending on the future profits				
Other tangible assets	1,039	-	936	-
Impairment losses	60,498	-	405,866	-
Employee benefits	2,690	(5,522)	8,483	20,721
Financial assets available for sale	10,076	(39,457)	-	43,630
Tax losses carried forward (b)	(92,330)	(78,590)	130,452	48,882
Others (c)	2,202	-	(70,108)	-
	(15,825)	(123,569)	475,629	113,233
	58,642	(90,441)	486,982	113,828
Current taxes		-		
Actual year	(3,351)	-	(5,389)	-
Correction of previous years	862	-	535	-
	(2,489)	-	(4,854)	-
	56,153	(90,441)	482,128	113,828

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (annex to Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them. The variation occurred in 2017 refers mainly to the impact of the increase in the State tax rate for the portion of taxable income exceeding Euros 35 millions from 7% to 9% for taxation periods beginning on or after 1 January 2018.

(b) Taxes on reserves and retained earnings refers to realities recognised in reserves and retained earnings that compete for the purposes of calculating taxable income.

(c) The caption Others includes essentially the reversal of deferred tax assets related to the distribution of dividends in 2016.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	2017	2016
Net income / (loss) before income taxes	61,868	(412,820)
Current tax rate (%)	31.30%	29.43%
Expected tax	(19,365)	121,493
Elimination of double economic taxation of dividends received	22,473	61,152
Non deductible impairment	8,130	(78,122)
Contribution to the banking sector	(8,767)	(6,544)
Employees' benefits	11,761	-
Fiscal gains and losses	(1,862)	47,732
Other accruals and deductions for the purpose of calculating taxable income	(204)	(181)
Derecognition of deferred tax associated with tax losses	(90,308)	-
Effect of difference of rate tax and deferred tax not recognised previously (a)	133,494	330,833
Correction of previous years	2,633	7,780
(Autonomous tax) / Tax credits	(1,832)	(2,015)
Total	56,153	482,128
Effective rate (%)	-	116.79%

(a) The value of 2017 essentially relates to the deferred tax impact of the increase in the state tax rate for the portion of taxable income above Euros 35,000,000 from 7% to 9% for taxation periods beginning on or after 1 January 2018. The value of 2016 includes the impact of the combined effects of the repeal of Banco of Portugal Notice No. 3/95, the transitional regime provided for in Regulatory Decree No. 5/2016, of 18 November and the (annex to Law no. 61/2014, of August 26), in the amount of Euros 281,170,000.

29. OTHER ASSETS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Debtors	137,938	164,067
Capital supplies	226,708	233,998
Capital supplementary contributions	363,331	377,817
Other financial investments	441	14,061
Gold and other precious metals	3,637	3,633
Deposit account applications	187,863	295,669
Debtors for futures and options transactions	97,830	49,422
Artistic patrimony	28,656	28,622
Amounts due for collection	36,618	29,600
Other recoverable tax	22,401	22,000
Subsidies receivables	3,523	4,474
Associated companies	4,479	8,812
Interest and other amounts receivable	28,299	25,881
Prepaid expenses	23,555	25,754
Amounts receivable on trading activity	210,410	28,183
Amounts due from customers	130,953	227,373
Obligations with post-employment benefits (note 44)	113,843	29,765
Sundry assets	106,074	24,381
	1,726,559	1,593,512
Impairment for other assets	(291,828)	(323,075)
	1,434,731	1,270,437

As referred in note 49, the balance Capital supplies includes the amount of Euros 219,657,000 (31 December 2016: Euros 213,464,000) and the balance Capital supplementary contributions includes the amount of Euros 2,939,000 (31 December 2016: Euros 2,939,000), arising from the transfers of assets to specialized recovery funds which have impaiment in the same amount. The impairment with impact on results in 2017 related to these operations amounted to Euros 6,193,000 (31 December 2016: Euros 5,853,000).

As at 31 December 2017, the caption Deposit account applications includes the amount of Euros 94,770,000 (31 December 2016: Euros 228,949,000) on the Clearing houses / Clearing derivatives.

The caption Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Bank procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is recognised in the income statement.

The caption Supplementary capital contributions is analysed as follows:

(Thousands of euros)

	2017	2016
Millennium bcp Imobiliária, S.A.	51,295	51,295
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	290,447	305,583
Millennium bcp - Prestação de Serviços, A.C.E.	18,000	18,000
Servitrust - Trust Management Services S.A.	650	-
Others	2,939	2,939
	363,331	377,817

The changes occurred in impairment for other assets are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	323,075	369,250
Transfers	41,247	(77,808)
Impairment for the year	16,827	38,642
Write back for the year	(20,254)	(788)
Amounts charged-off	(69,067)	(6,221)
Balance on 31 December	291,828	323,075

30. RESOURCES FROM CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousands of euros)

	2017			2016		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	-	3,969,731	3,969,731	-	4,081,574	4,081,574
Central Banks abroad	-	170,734	170,734	-	220,554	220,554
	-	4,140,465	4,140,465	-	4,302,128	4,302,128
Resources from credit institutions in Portugal						
Very short-term deposits	-	19,993	19,993	-	-	-
Sight deposits	480,495	-	480,495	390,707	-	390,707
Term Deposits	-	91,169	91,169	-	764,397	764,397
Other resources	17,540	-	17,540	1,240	-	1,240
	498,035	111,162	609,197	391,947	764,397	1,156,344
Resources from credit institutions abroad						
Very short-term deposits	-	83	83	-	11	11
Sight deposits	145,044	-	145,044	170,878	-	170,878
Term Deposits	-	625,075	625,075	-	505,641	505,641
Loans obtained	-	1,467,096	1,467,096	-	1,226,097	1,226,097
Sales operations with repurchase agreement	-	827,913	827,913	-	2,317,772	2,317,772
Other resources	-	10,178	10,178	-	66,649	66,649
	145,044	2,930,345	3,075,389	170,878	4,116,170	4,287,048
	643,079	7,181,972	7,825,051	562,825	9,182,695	9,745,520

This balance is analysed by remaining period, as follows:

(Thousands of euros)

	2017	2016
Up to 3 months	1,335,169	3,764,169
3 to 6 months	65,031	552,379
6 to 12 months	260,125	124,631
1 to 5 years	4,784,375	4,314,091
Over 5 years	1,380,351	990,250
	7,825,051	9,745,520

The caption Resources from credit institutions abroad includes, under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral "), the amount of Euros 17,540,000 (31 December 2016: Euros 63,393,000). These deposits are held by the Bank and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

The caption Resources from credit institutions - Resources from credit institutions abroad - Sales operations with repurchase agreement, corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

31. RESOURCES FROM CUSTOMERS AND OTHER LOANS

This balance is analysed as follows:

(Thousands of euros)

	2017			2016		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	-	16,661,108	16,661,108	-	14,420,226	14,420,226
Term deposits	-	11,993,615	11,993,615	-	13,270,051	13,270,051
Saving accounts	-	2,978,608	2,978,608	-	2,792,217	2,792,217
Deposits at fair value through profit and loss	-	2,902,392	2,902,392	-	2,985,741	2,985,741
Treasury bills and other assets sold under repurchase agreement	-	129,758	129,758	-	137,707	137,707
Cheques and orders to pay	361,755	-	361,755	316,231	-	316,231
Other	-	10,191	10,191	-	35,796	35,796
	361,755	34,675,672	35,037,427	316,231	33,641,738	33,957,969

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the referred fund are defined in the Regulation No. 11/94 of the Bank of Portugal.

The caption Deposits from customers - Deposits at fair value through profit and loss is measured at fair value in accordance with internal valuation techniques considering mainly observable internal inputs. In accordance with the hierarchy of the valuation sources, and as referred in IFRS 13, these instruments are classified in level 3 (note 43). These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c) and was recognized in 2017 a loss of Euros 499,000 (31 December 2016: gain of Euros 3,239,000) related to the fair value changes resulting from variations in the credit risk of the Bank, as referred in note 6.

The nominal amount of the caption Deposits from customers - Deposits at fair value through profit and loss amounts to, as at 31 December 2017, Euros 2,901,459,000 (31 December 2016: Euros 2,992,567,000).

This balance is analysed by remaining period, as follows:

(Thousands of euros)

	2017	2016
Deposits repayable on demand	16,661,108	14,420,226
Term deposits and saving accounts		
Up to 3 months	6,454,029	7,947,907
3 to 6 months	4,478,026	4,114,368
6 to 12 months	3,785,290	3,589,315
1 to 5 years	240,678	273,506
Over 5 years	14,200	137,172
	14,972,223	16,062,268
Deposits at fair value through profit and loss		
Up to 3 months	377,045	400,680
3 to 6 months	395,330	338,827
6 to 12 months	925,921	602,762
1 to 5 years	1,204,096	1,643,472
	2,902,392	2,985,741
Treasury bills and other assets sold under repurchase agreement		
Up to 3 months	129,758	137,707
Cheques and orders to pay		
Up to 3 months	361,755	316,231
Other		
Up to 3 months	1,334	2,367
6 to 12 months	1,286	1,286
1 to 5 years	7,571	10,143
Over 5 years	-	22,000
	10,191	35,796
	35,037,427	33,957,969

32. DEBT SECURITIES ISSUED

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Debt securities at amortised cost		
Bonds	432,876	670,458
Covered bonds	992,725	926,828
MTNs	9,958	339,372
	1,435,559	1,936,658
Accruals	5,069	33,522
	1,440,628	1,970,180
Debt securities at fair value through profit and loss		
Bonds	13,368	38,709
MTNs	160,466	157,872
	173,834	196,581
Accruals	3,500	3,566
	177,334	200,147
Certificates at fair value through profit or loss	763,919	585,517
	2,381,881	2,755,844

As referred in note 42, the Bank issued covered mortgage bonds, under its Covered Bond Program, with subscription date on 31 May 2017.

The issue, in the amount of Euros 1,000 million, has a term of 5 years, an issuance price of 99.386% and an annual interest rate of 0.75%, reflecting a spread of 65 basis points over 5-year swaps.

The securities included in caption Debt securities at fair value through profit and loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are classified in level 3 (note 43). These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c), and was recognised a gain in 2017 of Euros 34,000 (2016: loss of Euros 1,348,000) related to the fair value changes resulting from variations in the credit risk of the Bank, as referred in note 6.

The nominal value of the balance Debt securities at fair value through profit and loss includes, as at 31 December 2017, the amount of Euros 153,721,000 (31 December 2016: Euros 177,890,000).

The characteristics of the bonds issued by the Bank, as at 31 December 2017 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Debt securities at amortised cost					
BCP Fixa out 2019-Vm Sr.44	November, 2011	October, 2019	Fixed rate of 6.875%	5,400	6,194
BCP Float fev 2018-Vm 102-Ref.35	December, 2011	February, 2018	Until 17 May 2012: Fixed rate 1.957% year; after 17 May 2012: Euribor 3M + 0.5%	54,600	54,115
BCP Float mai 2018-Vm 104-Ref.37	December, 2011	May, 2018	Until 12 May 2012: Fixed rate 1.964% year; after 12 May 2012: Euribor 3M + 0.5%	38,500	37,521
BCP Float mar 2018-Vm Sr.103 Ref.36	December, 2011	March, 2018	Euribor 3M + 0.5%	49,300	48,480
BCP Float jan 2019-Vm 105-Ref.38	December, 2011	January, 2019	Until 5 April 2012: Fixed rate 2.367% year; after 5 April 2012: Euribor 3M + 0.81%	50,000	47,476
BCP Float fev 2019-Vm 106 Ref.39	December, 2011	February, 2019	Until 16 May 2012: Fixed rate 2.459% year; after 16 May 2012: Euribor 3M + 1.000%	10,850	10,236
BCP Fixa out 2019-Vm Sr.61	December, 2011	October, 2019	Fixed rate of 6.875%	9,500	10,875
BCP Fixa out 19-Vm Sr 110	January, 2012	October, 2019	Fixed rate of 6.875%	4,000	4,570
BCP Floater nov 18-Vm Sr 124	February, 2012	November, 2018	Until 3 Aug 2012: fixed rate 1.715% year; after 3 Aug 2012: Euribor 3M + 0.6%	30,000	28,472
BCP Floater jun 18-Vm Sr. 132	February, 2012	June, 2018	Until 15 Jun 2013: fixed rate 2.639% year; after 15 Jun 2013: Euribor 12M + 0.5%	18,500	17,985
BCP Fixa out 19-Vm Sr. 177	April, 2012	October, 2019	Fixed rate of 6.875%	2,000	2,263
BCP Fixa out 19-Vm Sr 193	April, 2012	October, 2019	Fixed rate of 6.875%	4,900	5,544
BCP 4.75 % set 20 -Vm Sr 279	September, 2012	September, 2020	Fixed rate of 4.750%	27,100	28,699
BCP Cln Brisa Fev 2023 - Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	1,994
BCP 4.03 Maio 2021 Epvm Sr 33	August, 2015	May, 2021	Until 27 Sep 2015: Fixed rate 6.961%; after 27 Sep 2015: Fixed rate 4.03%	2,500	2,532
Bcp Rend Trim 1 Ser 2017-Mtn 853	May, 2017	May, 2022	1st year=0.6%; 2nd year=0.7%; 3rd year=0.8%; 4º e 5ºyear=1%	125,920	125,920
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate of 0.75%	1,000,000	992,725
Bcp Inv Eur Ac Cup Ext Xi/17-mtn 4	November, 2017	November, 2020	Indexed to EuroStoxx 50 index	1,400	1,372
Bcp Div Cabaz 3 Acoes-Smtn 3	December, 2017	December, 2020	Indexed to a portfolio of 3 shares	6,829	6,694
Bcp Rend Euro-Div Auto Xii Smtn 5	December, 2017	December, 2020	Indexed to EuroStoxx Selected Dividend 30	1,930	1,892
					1,435,559
Accruals					5,069
					1,440,628

(continues)

(continuation)

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Debt securities at fair value through profit and loss					
BCP Cln Portugal - Emtn 726	June, 2010	June, 2018	Fixed rate of 4.72% underlying asset OT - 2018/06	59,100	60,242
BCP Eur Cln Port 2Emis - Emtn 765	November, 2010	June, 2018	Fixed rate of 4.45% underlying asset OT - 2018/06	11,550	12,256
BCP Eur Cln Port 10/15.06.20 - - Emtn 766	November, 2010	June, 2020	Fixed rate of 4.8% underlying asset OT - 2020/06	30,000	33,816
BCP Eur Cln Portugal 3Rd-Emtn 840	May, 2012	June, 2018	Fixed rate of 4.45% underlying asset OT - 2018/06	32,700	46,600
Part. Multisetorial Europ.-Emtn 850	June, 2013	June, 2018	Indexed to DB SALSA Sectors EUR	3,950	4,435
BCP Reemb Parciais Eur Ind I-Epvm 20	February, 2015	January, 2018	Until 15 Apr 2015: Fixed rate 3.164%; after 15 Apr 2015 until 15 Jul 2015: Fixed rate 5.4%; after 15 Jul 2015 until 15 Jan 2016: Fixed rate 9%; after 15 Jan 2016 until 15 Jan 2017: Fixed rate 4.5%; after 15 Jan 2017 until 15 Jan 2018: Fixed rate 4.5%	1,790	1,776
BCP Ind Setor Cup Fixo Vi-Epvm 29	June, 2015	June, 2018	1st year Fixed rate 9%; 2nd year and followings indexed to a portfolio of 3 indexes	2,810	2,749
BCP Rend Acoes Zon Eur Autc-Epvm 32	August, 2015	August, 2018	Indexed to EuroStoxx 50 index	1,770	1,783
BCP Inv Banc Zona Eur Xi-Epvm 37	November, 2015	November, 2019	Indexed to indice EuroStoxx Banks	1,000	865
BCP Rend Part Zo Eur Autoc-Epvm 40	January, 2016	January, 2019	Indexed to EuroStoxx	1,730	2,046
BCP Ree Parc Eur Ind Ii Eur-Epvm 41	February, 2016	February, 2018	Until 4 May 2016: Fixed rate 1.752%; after 4 May 2016 until 4 Aug 2016: Fixed rate 4.2%; after 4 Aug 2016 until 4 Feb 2017: Fixed rate 7%; after 4 Feb 2017 until 6 Feb 2018: Fixed rate 3.5196%	268	266
BCP Inv Eur-Ac Autoc Ii Eur-Epvm 42	February, 2016	February, 2019	Indexed to EuroStoxx 50 index	1,750	1,731
BCP Inv Acoes Zona Eur Iii-Epvm 43	March, 2016	April, 2018	Indexed to EuroStoxx 50 index	1,700	1,793
Bcp Reemb Parc Eur Acoes Iii-Epvm 49	March, 2017	March, 2020	1st quarter=1.624%; 2nd quarter= 3.9%;2nd semester=6.5%; 2nd year= 3.25%; 3rd year=3.25%	368	359
Bcp Euro Divid Cup Mem Vi 17-Smtn 1	June, 2017	June, 2020	Indexed to EuroStoxx Select Dividend 30 Index	1,240	1,171
Bcp Reemb Parc Ener Eur Viii-Smtn 2	August, 2017	August, 2020	Indexed to EuroStoxx Oil & Gas Index	1,995	1,946
					173,834
Accruals					3,500
					177,334

This balance, as at 31 December 2017, excluding accruals, is analysed by the remaining period, as follow

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortized cost						
Bonds	102,595	55,506	28,472	244,309	1,994	432,876
Covered bonds	-	-	-	992,725	-	992,725
MTNs	-	-	-	9,958	-	9,958
	102,595	55,506	28,472	1,246,992	1,994	1,435,559
Debt securities at fair value through profit and loss						
Bonds	2,042	4,542	1,783	5,001	-	13,368
MTNs	-	123,533	-	36,933	-	160,466
	2,042	128,075	1,783	41,934	-	173,834
Certificates	-	23	-	-	763,896	763,919
	104,637	183,604	30,255	1,288,926	765,890	2,373,312

This balance, as at 31 December 2017, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2016					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortized cost						
Bonds	92,394	131,823	156,827	287,420	1,994	670,458
Covered bonds	-	926,828	-	-	-	926,828
MTNs	339,372	-	-	-	-	339,372
	431,766	1,058,651	156,827	287,420	1,994	1,936,658
Debt securities at fair value through profit and loss						
Bonds	1,403	7,020	8,732	21,554	-	38,709
MTNs	-	-	-	157,872	-	157,872
	1,403	7,020	8,732	179,426	-	196,581
Certificates	-	-	-	-	585,517	585,517
	433,169	1,065,671	165,559	466,846	587,511	2,718,756

33. FINANCIAL LIABILITIES HELD FOR TRADING

The balance is analysed as follows:

(Thousands of euros)

	2017	2016
Trading derivatives (note 21):		
Swaps	378,642	528,878
Options	1,911	4,186
Embedded derivatives	158	-
Forwards	669	1,419
	381,380	534,483
Level 2	381,044	470,704
Level 3	336	63,779

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 43.

The balance Financial liabilities held for trading includes, as at 31 December 2017, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 c), in the amount of Euros 158,000. This note should be analysed together with note 21.

34. PROVISIONS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Provision for guarantees and other commitments (note 20)	114,981	110,601
Other provisions for liabilities and charges	154,076	113,032
	269,057	223,633

Changes in Provision for guarantees and other commitments are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	110,601	57,924
Charge for the year	4,449	52,673
Reversals for the year	(52)	-
Exchange rate differences	(17)	4
Balance on 31 December	114,981	110,601

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of euros)

	2017	2016
Balance on 1 January	113,032	95,982
Transfers	(588)	13,747
Charge for the year	46,094	46,169
Reversals for the year	-	(11,270)
Amounts charged-off	(4,462)	(31,596)
Balance on 31 December	154,076	113,032

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Bank's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment. This caption includes provisions for contingencies in the sale of Millennium Bank (Greece), lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 54,762,000 (31 December 2016: Euros 46,698,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

35. SUBORDINATED DEBT

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Bonds		
Non Perpetual	917,846	608,932
Perpetual	86,928	88,478
CoCos	-	703,421
	1,004,774	1,400,831
Accruals	16,767	15,202
	1,021,541	1,416,033

The Bank fixed on 29 November 2017 the terms for a new issue of medium term subordinated debt notes eligible for approval by the ECB as Tier 2 capital, under its Euro Medium Term Notes Programme, as referred in note 42. The issue, in the amount of Euros 300 million, has a tenor of 10 years, with the option of early redemption by the Bank at the end of the fifth year, and an annual interest rate of 4.5 per cent. during the first five years (corresponding to a spread of 4.267 per cent over the 5 year mid-swap rate, which, for the determination of the interest rate for the remaining five years, will be applied over the mid swaps rate in force at the beginning of that period).

As referred in note 42, the Bank has proceeded, on 9 February 2017, to the early repayment to the Portuguese state of the remaining Core Tier 1 hybrid capital instruments, in the amount of Euros 700 ,000,000.

As at 31 December 2017, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Non Perpetual Bonds					
MBCP Ob Cx Sub 1 Serie 2008-2018	September, 2008	September 2018(i)	See reference (viii)	73,618	73,618
MBCP Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018 (ii)	See reference (viii)	20,741	20,741
BCP Ob Sub jun 2020-EMTN 727	June, 2010	June, 2020 (iii)	See reference (ix)	16,294	16,294
BCP Ob Sub ago 2020-EMTN 739	August, 2010	August, 2020 (iv)	See reference (x)	9,409	9,409
BCP Ob Sub mar 2021-EMTN 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000
BCP Ob Sub abr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100
BCP Ob Sub 3S abr 2021-EMTN 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000
BCP Sub 11/25.08.2019-EMTN 823	August, 2011	August, 2019	Fixed rate of 6.383%	7,500	7,832
BCP Subord set 2019-EMTN 826	October, 2011	September, 2019	Fixed rate of 9.31%	50,000	55,251
BCP Subord nov 2019-EMTN 830	November, 2011	November, 2019	Fixed rate of 8.519%	40,000	44,338
MBCP Subord dez 2019-EMTN 833	December, 2011	December, 2019	Fixed rate of 7.15%	26,600	29,945
MBCP Subord jan 2020-EMTN 834	January, 2012	January, 2020	Fixed rate of 7.01%	14,000	15,504
MBCP Subord fev 2020-Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9%	23,000	24,722
BCP Subord abr 2020-Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.15%	51,000	54,412
BCP Subord 2 Ser abr 2020-Vm 194	April, 2012	April, 2020	Fixed rate of 9%	25,000	26,632
BCP Subordinadas jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate of 9%	26,250	27,465
Bcp Fix Rate Reset Sub Notes-EMTN 854	December, 2017	December, 2027	See reference (xi)	300,000	298,583
					917,846
Perpetual Bonds					
Obrigações Caixa Perpétuas					
Subord 2002/19Jun2012	June, 2002	See reference (v)	See reference (xi)	85	85
TOPS BPSM 1997	December, 1997	See reference (vi)	Euribor 6M + 0.9%	22,035	22,035
BCP Leasing 2001	December, 2001	See reference (vii)	Euribor 3M + 2.25%	4,986	4,986
BCP - Euro 500 millions	June, 2004	-	See reference (xii)	43,968	43,895
Subord.debt BCP Finance Company	October, 2005	-	See reference (xiii)	15,942	15,927
					86,928
Accruals					16,767
					1,021,541

References:

Date of exercise of the next call option - It is considered the first date after the end of the restructuring period (31 December 2017). Subject to prior approval of the Supervisory Authorities.

(i) March 2018; (ii) - April 2018; (iii) - June 2018; (iv) - February 2018; (v) - March 2018; (vi) - June 2018 ; (vii) March 2018.

Interest rate

(viii) - 1st year 6%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%; (ix) - Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%; (x) - 1st year: 3%; 2nd year 3.25%; 3rd year 3.5%; 4th year 4%; 5th year 5%; 6th year and following Euribor 6M + 1.25%; (xi) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (xii) Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%; (xiii) until June 2014 fixed rate 5.543%; June 2014 and following Euribor 3M + 2.07%; (xiv) until October 2015 Fixed rate 4.239%; October 2015 and following Euribor 3M + 1.95%.

As at 31 December 2016, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Non Perpetual Bonds					
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September 2018(i)	See reference (viii)	73,785	73,783
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018 (ii)	See reference (viii)	20,741	20,741
Bcp Ob Sub Jun 2020 - EMTN 727	June, 2010	June, 2020 (iii)	See reference (ix)	16,294	16,294
Bcp Ob Sub Aug 2020 - EMTN 739	August, 2010	August, 2020 (iv)	See reference (x)	9,409	9,409
Bcp Ob Sub Mar 2021 - EMTN 804	March, 2011	March, 2021	Euribor 3M + 3.750%	114,000	114,000
Bcp Ob Sub Apr 2021 - EMTN 809	April, 2011	April, 2021	Euribor 3M + 3.750%	64,100	64,100
Bcp Ob Sub 3S Apr 2021 - EMTN 812	April, 2011	April, 2021	Euribor 3M + 3.750%	35,000	35,000
Bcp Sub 11/25.08.2019 - EMTN 823	August, 2011	August, 2019	Fixed rate of 6.383%	7,500	8,011
Bcp Subord Sep 2019 - EMTN 826	October, 2011	September, 2019	Fixed rate of 9.310%	50,000	53,933
Bcp Subord Nov 2019 - EMTN 830	November, 2011	November, 2019	Fixed rate of 8.519%	40,000	42,675
Bcp Subord Dec 2019 - EMTN 833	December, 2011	December, 2019	Fixed rate of 7.150%	26,600	28,260
Mill Bcp Subord Jan 2020 - EMTN 834	January, 2012	January, 2020	Fixed rate of 7.010%	14,000	14,490
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9.000%	23,000	23,730
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.150%	51,000	52,485
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate of 9.000%	25,000	25,650
Bcp Subordinadas Jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate of 9.000%	26,250	26,371
					608,932
Perpetual Bonds					
Obrigações Caixa Perpétuas					
Subord 2002/19jun2012	June, 2002	See reference (v)	See reference (xi)	95	95
TOPS BPSM 1997	December, 1997	See reference (vi)	Euribor 6M + 0.900%	23,216	23,216
BCP Leasing 2001	December, 2001	See reference (vii)	Euribor 3M + 2.250%	5,548	5,548
BCP - Euro 500 milhões	June, 2004	-	See reference (xii)	43,968	43,782
Emp. sub. BCP Fin. Company	October, 2005	-	See reference (xiii)	15,942	15,837
					88,478
CoCos					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (xiv)	700,000	703,421
Accruals					15,202
					1,416,033

References:

<u>Date of exercise of the next call option</u> - It is considered the first date after the end of the restructuring period (31 December 2017). Subject to prior approval of the Supervisory Authorities.

(i) March 2018; (ii) - April 2018; (iii) - June 2018; (iv) - February 2018; (v) - March 2018; (vi) - June 2018 ; (vii) March 2018.

<u>Interest rate</u>

(viii) - 1st year 6%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%; (ix) - Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%; (x) - 1st year: 3%; 2nd year 3.25%; 3rd year 3.5%; 4th year 4%; 5th year 5%; 6th year and following Euribor 6M + 1.25%; (xi) Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%; (xii) until June 2014 fixed rate 5.543%; June 2014 and following years Euribor 3M + 2.07%; (xiii) until October 2015 Fixed rate 4.239%; October 2015 and following Euribor 3M + 1.95%; (xiv) 1st year 8.5%; 2nd year 8.75%; 3rd year 9%; 4th year 9.5%; 5th year 10%.

The analysis of the subordinated debt by remaining period, is as follows:

(Thousands of euros)

	2017	2016
3 to 6 months	-	703,419
Up to 1 year	94,359	-
1 to 5 years	524,904	608,934
Over 5 years	298,583	-
Undetermined	86,928	88,478
	1,004,774	1,400,831
Accruals	16,767	15,202
	1,021,541	1,416,033

36. OTHER LIABILITIES

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Creditors:		
Suppliers	36,699	19,283
From factoring operations	24,937	13,717
Deposit account applications and others applications	55,073	22,567
For futures and options transactions	10,972	6,517
Obligations not covered by the Group Pension Fund - amounts payable by the Bank (note 44)	20,582	45,604
Other creditors		
Residents	42,469	47,917
Non-residents	577	47
Public sector	29,729	27,078
Interests and other amounts payable	18,839	26,857
Deferred income	5,725	6,297
Holiday pay and subsidies	43,694	41,001
Amounts payable on trading activity	1,441	803
Operations to be settled - foreign, transfers and deposits	218,834	213,205
Other liabilities	107,720	114,948
	617,291	585,841

The caption Obligations not covered by the Group Pension Fund - amounts payable by the Bank includes the amount of Euros 9,098,000 (31 December 2016: Euros 17,416,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees and the amount of Euros 3,733,000 (31 December 2016: Euros 3,837,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors, as referred in note 44. This balance also includes the amount of Euros 5,000,000 regarding to restructuration costs. These obligations are not covered by the Group Pension Fund and therefore, correspond to amounts payable by the Bank.

As at 31 December 2016, this caption also included the amount of Euros 20,962,000 related to the seniority premium.

The caption Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

37. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS

The Bank's share capital, as at 31 December 2017, amounts to Euros 5,600,738,053.72 and is represented by 15,113,989,952 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

As referred in note 42, the Board of Directors of BCP has resolved on 9 January 2017, to increase the share capital of BCP from Euros 4,268,817,689.20 to Euros 5,600,738,053.72, through an offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value. The resulting number of BCP ordinary shares is 15,113,989,952.

In November 2016, and in accordance with the resolution of the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the shareholders, the Board of Directors of BCP has approved a resolution for the increase of BCP's share capital, from Euros 4,094,235,361.88 to Euros 4,268,817,689.20, by way of a private placement of 157,437,395 new shares offered for subscription by Chiado at a subscription price of Euros 1.1089 per new share.

In October 2016, Banco Comercial Português proceeded with a reverse stock split, without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping ratio of 1:75, every 75 shares prior to the reverse split corresponding to 1 share thereafter, which is applicable to all the shares, in the same proportion. Thus, BCP's share capital at that date, in the amount of Euros 4,094,235,361.88, was represented by 787,186,977 shares.

The share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 December 2017, the balance preference shares amounts to Euros 59,910,000.

The preference shares includes two issues by BCP Finance Company Ltd which considering the rules established in IAS 32 and in accordance with the accounting policy presented in note 1 f), were considered as equity instruments. The issues are analysed as follows:

- 439,684 preference shares with par value of Euros 100 each, perpetual without voting rights in the total amount of Euros 43,968,400, issued on 9 June 2004.

- 15,942 preference shares with par value of Euros 1,000 each, perpetual without voting rights, in the total amount of Euros 15,942,000, issued on 13 October 2005.

The balance Other equity instruments, in the amount of Euros 2,922,000 includes 2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each.

As referred in note 42, on 9 February 2017, BCP reimbursed the remaining CoCos to the Portuguese State in the amount of Euros 700 million. This repayment, which marks the return to the normalization of BCP's activity, had previously been approved by the European Central Bank, subject to the success of the capital increase that BCP concluded on that date.

Pursuant to the conditions of the issue of Core Tier I Capital Instruments underwritten by the State, under Law no. 63-A/2008 and Implementing Order no. 150-A/2012 (CoCos), the Bank could not distribute dividends until the issue was fully reimbursed.

As at 31 December 2017, the shareholders who hold individually or jointly 2% or more of the capital of the Bank, are the following:

Shareholder	number of shares	% share capital	% voting rights
Grupo Fosun - Chiado (Luxembourg) S.a.r.l. detida pela Fosun International Holdings Ltd	4,089,789,779	27.06%	27.06%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, diretamente	2,946,353,914	19.49%	19.49%
BlackRock, Inc. *	427,218,720	2.83%	2.83%
Fundo de Pensões EDP **	319,113,690	2.11%	2.11%
Total Qualified Shareholdings	7,782,476,103	51.49%	51.49%

(*) According to the press release of 29 December 2017.

(**) Imputation in accordance with paragraph f) of No. 1 of Article 20 of the Portuguese Securities Code.

38. LEGAL AND STATUTORY RESERVES

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. In accordance with the proposal for the application of results for the year 2016 approved at the General Shareholders' Meeting held on 10 May 2017, the Bank increased its legal reserve in the amount of Euros 6,931,000. As at 31 December 2017, the amount of Legal reserves amounts to Euros 222,806,000 (31 December 2016: Euros 215,875,000).

The amount of Statutory reserves amounts to Euros 30,000,000 (31 December 2016: Euros 30,000,000) and correspond to a reserve to steady dividends that, according to the bank's by-laws, can be distributed.

39. FAIR VALUE RESERVES AND RESERVES AND RETAINED EARNINGS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Fair value reserves		
Financial assets available for sale (note 21)		
Potential gains and losses recognised in fair value reserves (*)	37,394	(138,490)
Financial assets held to maturity (**)	(451)	(703)
	36,943	(139,193)
Cash-flow hedge	26,236	77,360
	63,179	(61,833)
Tax		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	(10,607)	41,318
Financial assets held to maturity	141	207
Cash-flow hedge	(8,212)	(22,767)
	(18,678)	18,758
Fair value reserve net of taxes	44,501	(43,075)
Actuarial losses (net of taxes)	(2,568,813)	(2,552,971)
Legal reserve	222,806	215,875
Statutory reserve	30,000	30,000
Other reserves and retained earnings	2,462,621	2,444,197
Reserves and retained earnings	146,614	137,101

(*) Includes the effects arising from the application of hedge accounting.

(**) Refers to the amount not accrued of the fair value reserve at the date of reclassification for securities subject to reclassification.

The Fair value reserves correspond to the accumulated fair value changes of the financial assets available for sale and Cash flow hedge, in accordance with the accounting policy presented in note 1 c).

The changes occurred in Fair value reserves, excluding the effect of hedge accounting, during 2017, are analysed as follows:

(Thousands of euros)

	2017					
	Balance on 1 January	Fair value adjustment	Fair value hedge adjustment	Impairment in profit and loss	Sales	Balance on 31 December
Portuguese public debt securities	(225,170)	278,269	(84,995)	-	(33,454)	(65,350)
Visa Inc.	462	1,650	-	-	-	2,112
Others	85,515	28,234	(767)	70,310	(83,111)	100,181
	(139,193)	308,153	(85,762)	70,310	(116,565)	36,943

The changes occurred in Fair value reserves, excluding the effect of hedge accounting, during 2016, are analysed as follows:

(Thousands of euros)

	2016					
	Balance on 1 January	Fair value adjustment	Fair value hedge adjustment	Impairment in profit and loss	Sales	Balance on 31 December
Portuguese public debt securities	(90,822)	(82,573)	(43,062)	-	(8,713)	(225,170)
Visa Europe Limited	18,276	8,077	-	-	(26,353)	-
Visa Inc.	-	462	-	-	-	462
Others	156,916	(307,350)	1,373	295,304	(60,728)	85,515
	84,370	(381,384)	(41,689)	295,304	(95,794)	(139,193)

40. GUARANTEES AND OTHER COMMITMENTS

This balance is analysed as follows:

(Thousands of euros)

	2017	2016
Guarantees granted (note 20)		
Guarantees	2,966,103	2,866,166
Stand-by letter of credit	42,133	46,181
Open documentary credits	293,752	366,707
Bails and indemnities	190,303	394,677
Other liabilities	168,760	283,760
	3,661,051	3,957,491
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	1,318,879	612,612
Securities subscription	105,341	-
Other irrevocable commitments	112,566	113,339
Revocable commitments		
Revocable credit lines	4,180,826	4,092,675
Bank overdraft facilities	663,624	664,121
	6,381,236	5,482,747
Guarantees received	21,792,044	22,728,790
Commitments from third parties	10,679,342	10,612,792
Securities and other items held for safekeeping	53,314,176	47,220,565
Securities and other items held under custody by the Securities Depository Authority	59,748,170	51,379,618
Other off balance sheet accounts	123,817,080	124,438,693

The guarantees granted by the Bank may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 34).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1 b). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Bank in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

41. ASSETS UNDER MANAGEMENT AND CUSTODY

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. There is no capital or profitability guaranteed by the Bank in these assets. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management and custody are analysed as follows:

(Thousands of euros)

	2017	2016
Assets under deposit	49,282,175	43,457,096
Wealth management	-	2,220,048
	49,282,175	45,677,144

42. RELEVANT EVENTS OCCURRED DURING 2017

RESOLUTIONS OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

Banco Comercial Português, S.A. concluded on 10 May 2017, with 54.17% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

- Item One – Approval of the individual and consolidated annual reports, balance sheet and financial statements for 2016;

- Item Two – Approval of the proposal for the application of year-end 2016 results;

- Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

- Item Four – Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;

- Item Five – Approval of the appointment of two new directors: Lingiang Xu as non-executive member of the Board of Directors of BCP and João Nuno de Oliveira Palma as executive member of the Board of Directors of BCP;

- Item Six - Approval of the acquisition and sale of own shares and bonds;

- Item Seven – Election of the members of the Board of the General Meeting of Banco Comercial Português for the term-of-office of 2017/2019.

ADMINISTRATIVE LEGAL PROCEEDINGS

Banco Comercial Português, after having conveyed reservations regarding the contingent capitalization obligation by the Portuguese Resolution Fund) which was announced to be included in a sale agreement of Novo Banco, has decided, in light of the legal deadline and for caution, to request the respective appreciation through administrative legal proceedings. This diligence does not comprise nor entail, the production of any suspensive effects on the sale of Novo Banco, S.A. and, consequently, brings legally no impediment to such sale within the foreseen delays, which centres exclusively on the referred capitalization contingent obligation.

SHARE CAPITAL INCREASE OF BANCO COMERCIAL PORTUGUÊS, S.A. FROM EUROS 4,268,817,689.20 TO EUROS 5,600,738,053.72 (NOTE 37)

The Board of Directors of Banco Comercial Português, S.A. ("BCP") has resolved on 9 January 2017, with the favourable prior opinion of the Audit Committee, to increase the share capital of BCP, from Euros 4,268,817,689.20 to Euros 5,600,738,053.72, through an Public Offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value. The resulting number of ordinary shares will be 15,113,989,952.

The subscription price was set at Euros 0.0940 per share. Each holder of BCP's ordinary shares will receive one subscription right for each ordinary share it owns.

Further to the subscription by Chiado (Luxembourg) S.à r.l. ("Chiado"), a member of the Fosun group, of the reserved capital increase completed on 18 November 2016, through which Chiado holds a shareholding of approximately 16.67% of the total share capital of BCP, Chiado presented an irrevocable anticipated subscription order of an amount of shares that, if satisfied in full, will increase its holding in BCP's share capital to 30% after the Rights Offering, to be achieved through the exercise of the subscription rights corresponding to the number of shares presently held by it and, in addition, an oversubscription order and/or the potential exercise of further subscription rights that may be acquired by Chiado. This order could not be withdrawn except under certain circumstances where material adverse changes have occurred, as long as the same circumstances have led to the termination of the Underwriting Agreement referred to below by the Joint Global Coordinators.

Under the terms of the subscription order, Chiado has committed to (i) a lock-up period related to the sale of shares subscribed by it through its proportional subscription rights corresponding to the number of shares acquired as part of the Reserved Capital Increase, for a period of three years starting from 18 November 2016 and (ii) taking all reasonably appropriate actions to avoid the sale or transfer, within 30 days of closing of the Public Offering, of any of the shares obtained by Chiado in the Rights Offering. For the avoidance of doubt, this limitation does not prohibit Chiado from pledging the shares subscribed by it.

In connection with the Rights Offering, BCP has entered into an underwriting agreement with a syndicate of banks, pursuant to which the banks have agreed, and subject to certain conditions, to procure subscribers for, or failing which to subscribe for, any remaining offered shares in the Rights Offering, but excluding the shares to be subscribed by Chiado under its irrevocable anticipated subscription order.

The 14,169,365,580 new ordinary shares issued pursuant to the Rights Offering, as well as the 157,437,395 shares fully subscribed and paid-up by the shareholder Chiado (Luxembourg) S.à r.l. in the BCP's reserved share capital increase (in the amount of Euros 174,582,327.32) completed on 18 November 2016, was admitted to trading on Euronext Lisbon as at 9 February 2017. As such, the BCP's share capital from this date amounts to Euros 5,600,738,053.72, represented by 15,113,989,952 ordinary, registered, book-entry shares without nominal value.

REPAYMENT OF HYBRID CAPITAL INSTRUMENTS (COCOS) (NOTE 35)

Banco Comercial Português, S.A. has proceeded, on 9 February 2017, to the early repayment to the Portuguese state of the remaining Core Tier 1 hybrid capital instruments, in the amount of Euros 700 million. This repayment, key to the return to normalisation of BCP's activity, was previously approved by the European Central Bank, subject to the success of the share capital increase completed in this date.

NEW ISSUE OF COVERED MORTGAGE BONDS (NOTE 32)

Banco Comercial Português, S.A. fixed on 23 May 2017, the terms and conditions for a new issue of covered mortgage bonds, under its Covered Bond Program, with subscription date on 31 May. The issue, in the amount of Euros 1,000 million has a term of 5 years, an issuance price of 99.386% and an annual interest rate of 0.75%, reflecting a spread of 65 basis points over 5-year swaps.

The operation was placed successfully with a very diverse group of European institutional investors. Demand for the issue was more than 180% the amount on offer, and the speed with which the placement was completed demonstrate unequivocally the confidence of the market in the Bank and its clear ability to access this important source of financing.

PLATFORM FOR THE INTEGRATED MANAGEMENT OF DELINQUENT LOANS

Banco Comercial Português, Caixa Geral de Depósitos and Novo Banco signed, on 28 September 2017, a memorandum of understanding for the creation of "Plataforma de Gestão de Créditos Bancários, ACE" ("the Platform"), a tool that will allow for an enhanced co-ordination among lenders, aimed at increasing the effectiveness and speed of credit and companies' restructuring processes. Under this memorandum, the three parties involved have stated their intention to create the Platform, with the purpose of managing, in an integrated manner, an array of credits granted to a number of shared debtors and classified as NPE ("Non Performing Exposures").

On an initial phase, the Platform will manage credits with a nominal aggregate value not lower than Euros 5,000,000 (five million euros) per eligible debtor. Assets to be managed by the Platform will remain in each of the banks' balance sheets. The Platform is designed as to allow other financial institutions or financial societies, sharing debtors with other members, to join on a voluntary basis in the future.

The Platform is to pursue the following goals:

- Recovering credit and speeding-up the reduction of NPE portfolios held by banks;
- Supporting the recovery of several sectors of the Portuguese economy, through credit and debtors' restructuring, and increasing asset viability;
- Fostering companies' re-composition and consolidation, when necessary to ensure debtors viability and soundness;
- Facilitating and fostering the access of companies, either already restructured or under restructuring, to public or private sources of new capital or of funding;
- Accelerating and facilitating debtors' negotiations with banks, aimed at corporate restructuring;
- Lobbying the Government and the Bank of Portugal for changes to the legal, judicial and fiscal framework, as to render corporate restructuring processes swifter and more efficient.

ISSUE OF SUBORDINATED NOTES (NOTE 35)

Banco Comercial Português, S.A. ("Millennium bcp") fixed, on 29 November 2017, the terms for a new issue of medium term subordinated debt notes eligible for approval by the ECB as Tier 2 capital, under its Euro Medium Term Notes Programme.

The issue, in the amount of Euros 300 million, has a tenor of 10 years, with the option of early redemption by the Bank at the end of the fifth year, and an annual interest rate of 4.5 per cent. during the first five years (corresponding to a spread of 4.267 per cent over the 5 year mid-swap rate, which, for the determination of the interest rate for the remaining five years, will be applied over the mid swaps rate in force at the beginning of that period).

The transaction was placed with a very diversified group of European institutional investors. The demand, which was approximately three times the amount of the issue, as well as the swiftness of the execution of the transaction, represent the confidence of the market in Bank, in the success of its restructuring process and its capacity to access this important segment of the capital markets.

The issue, which is the first issue of such an instrument by a Portuguese bank to take place in the market after completion of the Portuguese financial assistance programme, is part of the Bank's strategy of strengthening its total capital ratio and its presence in the international capital markets.

MINIMUM PRUDENTIAL REQUIREMENTS APPLICABLE FROM 1ST JANUARY 2018

Banco Comercial Português, S.A. (BCP) has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled from 1st January 2018, based on the results of the Supervisory Review and Evaluation Process (SREP). In addition, BCP was informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII).

The above referred decisions define, as regards to the minimum capital requirements to be complied from 1 January 2018, the following ratios, determined by the total value of the risk-weighted assets (RWA):

	Minimum capital requirements from 1 January 2018			
	Minimum	of which:		
	requirements	Pilar 1	Pilar 2	Buffers
CET1	8.8125%	4.5%	2.25%	2.0625%
T1	10.3125%	6.0%	2.25%	2.0625%
Total	12.3125%	8.0%	2.25%	2.0625%

Buffers include the conservation buffer (1.875%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.1875%).

According to ECB's decision under the SREP, the Pillar 2 requirement for BCP was set at 2.25%, a 0.15 percentage point reduction from 2017.

43. FAIR VALUE

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Bank's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However it does not consider prospective factors, as the future business evolution. Therefore the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

CASH AND DEPOSITS AT CENTRAL BANKS, LOANS AND ADVANCES TO CREDIT INSTITUTIONS REPAYABLE ON DEMAND

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

LOANS AND ADVANCES TO CREDIT INSTITUTIONS, RESOURCES FROM CREDIT INSTITUTIONS AND ASSETS WITH REPURCHASE AGREEMENTS

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is 0.0% as at 31 December 2017 (31 December 2016: 0.00%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Bank on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market). As at 31 December 2017, the average discount rate was 0.77% for loans and advances and 0.67% for resources, for operations in Euros these rates are -0.09% and 0.60% (these values include the spread associated with each type of operation).

LOANS AND ADVANCES TO CUSTOMERS AND DEPOSITS REPAYABLE ON DEMAND WITHOUT DEFINED MATURITY DATE

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore the amount in the balance sheet is a reasonable estimate of its fair value.

LOANS AND ADVANCES TO CUSTOMERS WITH DEFINED MATURITY DATE

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Bank for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date. As at 31 December 2017, the average discount rate was 3.69%, for operations in Euros this rates is 3.70% (these values include the spread associated with each type of operation). The calculations made incorporate the credit risk spread.

RESOURCES FROM CUSTOMERS AND OTHER LOANS

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Bank. This was calculated from the average production of the three most recent months compared to the reporting date. As at 31 December 2017, the average discount rate was 0.20% (for operations in Euros this rates is 0.08%).

As at 31 December 2017, the average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions	Loans and advances to customers	Resources from credit institutions	Resources from customers
EUR	-0.09%	3.70%	0.60%	0.08%
AUD	n.a.	n.a.	n.a.	2.08%
CAD	n.a.	1.66%	n.a.	1.90%
CHF	n.a.	n.a.	n.a.	-0.37%
CNY	n.a.	n.a.	n.a.	3.95%
DKK	n.a.	n.a.	n.a.	-0.02%
GBP	0.80%	3.39%	n.a.	0.80%
HKD	n.a.	1.51%	n.a.	1.16%
MOP	n.a.	1.25%	n.a.	1.51%
NOK	0.80%	4.36%	n.a.	1.25%
PLN	n.a.	n.a.	1.88%	1.95%
SEK	n.a.	n.a.	n.a.	0.02%
USD	1.98%	2.80%	2.02%	2.10%
ZAR	7.22%	n.a.	n.a.	7.58%
Average discount rate	0.77%	3.69%	0.67%	0.20%

FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING (EXCEPT DERIVATIVES) AND FINANCIAL ASSETS AVAILABLE FOR SALE

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

FINANCIAL ASSETS HELD TO MATURITY

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

HEDGING AND TRADING DERIVATIVES

All derivatives are recorded at fair value.

In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

DEBT SECURITIES ISSUED AND SUBORDINATED DEBT

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Bank.

As original reference, the Bank applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non institutional costumers of the Bank, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of own securities was 6.76% (31 December, 2016: 8.82%, not considering CoCos). Regarding the subordinated issues placed on the retail market it was determined a discount rate of 2.01% (31 December, 2016: 3.00%). As at 31 December 2016, the average discount rate calculated for senior issues in Euros (including the Government guaranteed and asset-backed) was 0.71%. For senior and collateralised securities placed on the retail market, the average discount rate was 1.06% (31 December 2016: 1.02%) .

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined as at 31 December 2017 is a positive amount of Euros 8,613,000 (31 December 2016: a positive amount of Euros 24,427,000), and includes a payable amount of Euros 158,000 (31 December 2016: a receivable amount of Euros 142,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2017, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Bank:

	Currencies			
	EUR	USD	GBP	PLN
1 day	-0.43%	1.42%	0.47%	1.47%
7 days	-0.43%	1.50%	0.51%	1.47%
1 month	-0.42%	1.63%	0.50%	1.55%
2 months	-0.39%	1.65%	0.56%	1.58%
3 months	-0.38%	1.70%	0.61%	1.62%
6 months	-0.32%	1.83%	0.72%	1.71%
9 months	-0.27%	1.90%	0.81%	1.72%
1 year	-0.26%	1.88%	0.88%	1.80%
2 years	-0.15%	2.06%	0.78%	2.03%
3 years	0.01%	2.15%	0.89%	2.22%
5 years	0.31%	2.23%	1.03%	2.50%
7 years	0.57%	2.30%	1.14%	2.70%
10 years	0.89%	2.38%	1.27%	2.94%
15 years	1.25%	2.47%	1.41%	3.25%
20 years	1.42%	2.51%	1.46%	3.37%
30 years	1.50%	2.52%	1.43%	3.37%

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2017:

(Thousands of euros)

	2017				
	Fair value through profit or loss	**Fair value through reserves**	**Amortised cost**	**Book value**	**Fair value**
Assets					
Cash and deposits at Central Banks	-	-	1,291,663	1,291,663	1,291,663
Loans and advances to credit institutions					
Repayable on demand	-	-	156,460	156,460	156,460
Other loans and advances	-	-	1,254,472	1,254,472	1,257,994
Loans and advances to customers (i)	-	-	33,356,945	33,356,945	31,639,558
Financial assets held for trading	770,639	-	-	770,639	770,639
Other financial assets held for trading at fair value through profit or loss	142,336	-	-	142,336	142,336
Financial assets available for sale	-	6,692,982	-	6,692,982	6,692,982
Hedging derivatives (ii)	18,804	-	-	18,804	18,804
Held to maturity financial assets	-	-	342,785	342,785	339,903
	931,779	6,692,982	36,402,325	44,027,086	42,310,339
Liabilities					
Resources from credit institutions	-	-	7,825,051	7,825,051	7,753,210
Resources from customers (i)	2,902,392	-	32,135,035	35,037,427	35,049,359
Debt securities (i)	941,253	-	1,440,628	2,381,881	2,390,494
Financial liabilities held for trading	381,380	-	-	381,380	381,380
Hedging derivatives (ii)	112,352	-	-	112,352	112,352
Subordinated debt (i)	-	-	1,021,541	1,021,541	1,127,749
	4,337,377	-	42,422,255	46,759,632	46,814,544

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognized in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2016:

(Thousands of euros)

	2016				
	Fair value through profit or loss	**Fair value through reserves**	**Amortised cost**	**Book value**	**Fair value**
Assets					
Cash and deposits at Central Banks	-	-	790,733	790,733	790,733
Loans and advances to credit institutions					
Repayable on demand	-	-	312,595	312,595	312,595
Other loans and advances	-	-	1,497,180	1,497,180	1,520,092
Loans and advances to customers (i)	-	-	34,028,229	34,028,229	32,239,809
Financial assets held for trading	953,557	-	-	953,557	953,557
Other financial assets held for trading at fair value through profit or loss	146,664	-	-	146,664	146,664
Financial assets available for sale	-	5,959,643	-	5,959,643	5,959,643
Hedging derivatives (ii)	33,347	-	-	33,347	33,347
Held to maturity financial assets	-	-	409,791	409,791	392,414
	1,133,568	5,959,643	37,038,528	44,131,739	42,348,854
Liabilities					
Resources from credit institutions	-	-	9,745,520	9,745,520	9,853,570
Resources from customers (i)	2,985,741	-	30,972,228	33,957,969	33,859,052
Debt securities (i)	785,664	-	1,970,180	2,755,844	2,780,271
Financial liabilities held for trading	534,483	-	-	534,483	534,483
Hedging derivatives (ii)	108,313	-	-	108,313	108,313
Subordinated debt (i)	-	-	1,416,033	1,416,033	1,569,732
	4,414,201	-	44,103,961	48,518,162	48,705,421

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognized in reserves in the application of accounting cash flow hedge.

The Bank classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13.

The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

LEVEL 1 - WITH QUOTATION IN ACTIVE MARKET

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued on the basis of prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i) - There is a firm daily enforceable quotation for the financial instruments concerned, or;
ii) - There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;
iii) - Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

LEVEL 2 - VALUATION METHODS AND TECHNIQUES BASED ON MARKET DATA

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i) - Failure to comply with the rules defined for level 1, or;
ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)), in particular with MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant. In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (eg internal ratings, default probabilities determined by internal models, etc.) incorporated in valuation of CVA is not significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

LEVEL 3 - VALUATION METHODS AND TECHNIQUES BASED ON DATA NOT OBSERVABLE IN THE MARKET

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i) - They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;
ii) - They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);
iii) - They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities/real estate/other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSAs), and whose unobservable market data component incorporated in the valuation of CVA is significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2017:

(Thousands of euros)

	2017			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	1,291,663	-	-	1,291,663
Loans and advances to credit institutions				
Repayable on demand	156,460	-	-	156,460
Other loans and advances	-	-	1,257,994	1,257,994
Loans and advances to customers	-	-	31,639,558	31,639,558
Financial assets held for trading	73,575	409,153	287,911	770,639
Other financial assets held for trading at fair value through profit or loss	142,336	-	-	142,336
Financial assets available for sale	4,610,516	219,114	1,863,352	6,692,982
Hedging derivatives	-	18,804	-	18,804
Held to maturity financial assets	52,383	287,520	-	339,903
	6,326,933	934,591	35,048,815	42,310,339
Liabilities				
Resources from credit institutions	-	-	7,753,210	7,753,210
Resources from customers	-	-	35,049,359	35,049,359
Debt securities	763,919	-	1,626,575	2,390,494
Financial liabilities held for trading	-	381,044	336	381,380
Hedging derivatives	-	112,352	-	112,352
Subordinated debt	-	-	1,127,749	1,127,749
	763,919	493,396	45,557,229	46,814,544

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2016:

(Thousands of euros)

	2016			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	790,733	-	-	790,733
Loans and advances to credit institutions				
Repayable on demand	312,595	-	-	312,595
Other loans and advances	-	-	1,520,092	1,520,092
Loans and advances to customers	-	-	32,239,809	32,239,809
Financial assets held for trading	123,423	225,923	604,211	953,557
Other financial assets held for trading at fair value through profit or loss	146,664	-	-	146,664
Financial assets available for sale	3,564,725	429,590	1,965,328	5,959,643
Hedging derivatives	-	33,347	-	33,347
Held to maturity financial assets	54,623	337,791	-	392,414
	4,992,763	1,026,651	36,329,440	42,348,854
Liabilities				
Resources from credit institutions	-	-	9,853,570	9,853,570
Resources from customers	-	-	33,859,052	33,859,052
Debt securities	585,517	-	2,194,754	2,780,271
Financial liabilities held for trading	-	470,704	63,779	534,483
Hedging derivatives	-	108,313	-	108,313
Subordinated debt	-	-	1,569,732	1,569,732
	585,517	579,017	47,540,887	48,705,421

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2017 is presented as follows:

(Thousands of euros)

	2017			
	Financial assets			Financial liabilities held for trading
	held for trading	available for sale	Total	
Balance on January 1	604,211	1,965,328	2,569,539	63,779
Gains / (losses) recognised in profit or loss				
Results on financial operations	42,739	7,788	50,527	-
Net interest income	-	2,045	2,045	-
Impairment and other provisions	-	(70,059)	(70,059)	-
Transfers between levels	(350,191)	-	(350,191)	(55,730)
Purchases	469	378,869	379,338	332
Sales, repayments or amortizations	(9,317)	(423,644)	(432,961)	(8,045)
Gains / (losses) recognised in reserves	-	3,027	3,027	-
Accruals of interest	-	(2)	(2)	-
Balance as at December 31	287,911	1,863,352	2,151,263	336

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2016 is presented as follows:

(Thousands of euros)

	2016		
	Financial assets		
	held for trading	available for sale	Total
Balance on January 1	172,256	2,316,989	2,489,245
Gains / (losses) recognised in profit or loss			
Results on financial operations	73,244	36,228	109,472
Impairment and other provisions	-	(281,452)	(281,452)
Transfers from investments in associated companies	-	691	691
Transfers between levels	336,353	(12,411)	323,942
Purchases	82,341	105,011	187,352
Sales, repayments or amortizations	(59,983)	(148,555)	(208,538)
Gains / (losses) recognised in reserves	-	(51,087)	(51,087)
Accruals of interest	-	(86)	(86)
Balance as at December 31	604,211	1,965,328	2,569,539

44. POST-EMPLOYMENT BENEFITS AND OTHER LONG TERM BENEFITS

The Bank assumed the liability to pay to their employees pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 v).

As at 31 December 2017 and 2016, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	2017	2016
Number of participants		
Pensioners	16,697	16,511
Former attendees acquired rights	3,224	3,237
Employees	7,205	7,368
	27,126	27,116

In accordance with the accounting policy described in note 1 v), the Bank's pension obligation and other benefits and the respective coverage for the Group based on the projected unit credit method are analysed as follows:

(Thousands of euros)

	2017	2016
Projected benefit obligations		
Pensioners	1,989,404	1,956,652
Former attendees acquired rights	202,400	217,219
Employees	833,875	894,488
	3,025,679	3,068,359
Pension Fund Value	(3,139,522)	(3,098,124)
Net (Assets) in balance sheet (note 36)	(113,843)	(29,765)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,172,332	3,201,231

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and also to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which in the scope of the fund is called an Additional Complement, which in December 2017 amounted to Euros 296,485,000. The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

As at 31 December 2016, the projected benefit liabilities include Euros 323,268,000 which correspond to Extra-fund liabilities and as such are not covered by the Pension Fund.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	2017			2016		
	Pension benefit obligations	Extra-Fund	Total	Pension benefit obligations	Extra-Fund	Total
Balance as at 1 January	2,745,091	323,268	3,068,359	2,798,159	310,875	3,109,034
Service cost	(16,054)	-	(16,054)	(761)	-	(761)
Interest cost / (income)	57,054	6,376	63,430	69,068	7,521	76,589
Actuarial (gains) and losses						
Not related to changes in actuarial assumptions	26,052	(2,337)	23,715	21,724	(1,691)	20,033
Arising from changes in actuarial assumptions	-	-	-	92,613	18,501	111,114
Payments	(79,691)	(16,732)	(96,423)	(70,397)	(21,541)	(91,938)
Early retirement programmes and terminations by mutual agreement	13,957	-	13,957	4,280	-	4,280
Contributions of employees	8,106	-	8,106	8,234	-	8,234
Changes occurred in the Collective Lab	(39,436)	-	(39,436)	(178,474)	9,603	(168,871)
Transfer between plans	310,600	(310,575)	25	645	-	645
Balance at the end of the year	3,025,679	-	3,025,679	2,745,091	323,268	3,068,359

As at 31 December 2017 the value of the benefits paid by the Pension Fund, excluding other benefits included on Extra-fund, amounts to Euros 79,691,000 (31 December 2016: Euros 70,397,000).

The Pension benefit obligations include the liabilities with health benefits and correspond, as at 31 December 2017, to the amount of Euros 305,243,000 (31 December 2016: Euros 311,996,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2017 amounts to Euros 65,266,000 (31 December 2016: Euros 68,530,000), in order to pay:

i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

CHANGES IN THE CLA

At the end of December 2016, a revision of the Collective Labour Agreement (CLA) was reached between the BCP Group and the Workers' Trade Unions, "Federação dos Sindicatos Independentes da Banca" and" Federação Nacional do Sector Financeiro", resulted in a profit of Euros 187,635,000 (of which Euros 18,764,000 do not correspond to benefits post-employment). Regarding the "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new CLA, formalize the acceptance of the amendments to the CLA in April 2017 and, as such, the Bank only recognise the impact of changes from CLA to employees associates of SBN in 2017.

The profit arising from the changes amounts to Euros 44,262,000 (of which Euro 4,826,000 do not correspond to benefits post-employment). The new CLAs have already been published by the Ministry of Labour in Bulletin of Labour and Employment.

The most relevant changes that occurred in the CLA and can be described as follows:

- Change in the retirement age (presumed disability) from 65 years to 66 years and 2 months in 2016. This age is not fixed and increases at the beginning of each calendar year one month. So in 2017 the retirement age is 66 years and 3 months. It was agreed that the retirement age in each year, fixed by the application of the above mentioned rule, cannot exceed in any case the normal retirement age in force in the General Social Security Regime. For the actuarial calculation, a progressive increase in retirement age was considered up to 67 years and 2 months.

- It was introduced a change into the formula for determining the employer's contribution to the SAMS, which is no longer a percentage of the Pensions (Euros 88 per beneficiary and Euros 37.93 in the case of pensioners). This amount will be updated by the salary table update rate. This change has no impact on participants and beneficiaries, both in terms of their contributions and in their benefits.

- A new benefit and retirement was introduced called End of Career Premium. At the retirement date the participant is entitled to a capital equal to 1.5 times the amount of the monthly remuneration earned at the retirement date. This benefit replaces the Seniority premium that was awarded during active life. This benefit, to be attributed at the retirement date or in the event of death, is considered to be a post-employment benefit by which it becomes part of retirement liabilities. This benefit is not included in the pension fund agreement and as such was considered as Extra-Fund.

During 2017 and 2016, the changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	2017	2016
Balance as at 1 January	3,098,124	3,130,932
Contributions to the Fund	52,614	(168,693)
Employees' contributions	-	124,050
Payments	(79,691)	(70,397)
Expected return on plan assets	58,894	72,122
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	1,451	1,231
Employees' contributions	8,106	8,234
Transfers from other plans	24	645
Balance at the end of the year	3,139,522	3,098,124

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of euros)

	2017			2016		
Asset class	**Assets with market price in active market**	**Remaining**	**Total Portfolio**	**Assets with market price in active market**	**Remaining**	**Total Portfolio**
Shares	275,874	94,945	370,819	419,792	101,895	521,687
Bonds and other fixed income securities	1,049,980	4,881	1,054,861	1,177,759	158,279	1,336,038
Participations units in investment funds	-	802,019	802,019	-	257,137	257,137
Participation units in real estate funds	-	261,787	261,787	-	241,636	241,636
Properties	-	252,162	252,162	-	280,302	280,302
Loans and advances to credit institutions and others	-	397,874	397,874	-	461,324	461,324
	1,325,854	1,813,668	3,139,522	1,597,551	1,500,573	3,098,124

The balance Shares includes an investment of 2.71% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2017 amounts to Euros 93,582,000 (31 December 2016: Euros 100,519,000). This valuation was determined by the Management Company based on the last independent valuation carried out by Achmea solicitation.

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 31 December 2017, amounts to Euros 251,819,000 (31 December 2016: Euros 279,626,000), mostly a set of properties called "Taguspark" whose book value as at 31 December 2017 amounts to Euros 241,685,000 (31 December 2016: Euros 267,028,000). This book value was calculated on the basis of valuations performed by independent expert evaluators performed in 2017.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of euros)

	2017	2016
Bonds and other fixed income securities	41	128,876
Loans and advances to credit institutions and others	323,795	348,815
	323,836	477,691

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of euros)

	2017	2016
Balance as at 1 January	(29,765)	(21,898)
Recognised in the income statement:		
Service cost	(16,054)	(761)
Interest cost / (income)	4,536	4,467
Cost with early retirement programs	13,957	4,280
Amount transferred to the Fund resulting from acquired rights		
unassigned related to the Complementary Plan	(1,451)	(1,231)
Changes occurred in the Collective Labour Agreement	(39,436)	(168,871)
	(38,448)	(162,116)
Recognised in the Statement of Comprehensive Income:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Deviation between the estimated and the actual income of the fund	(52,614)	168,693
Difference between expected and effective obligations	23,715	20,033
Arising from changes in actuarial assumptions	-	111,114
	(28,899)	299,840
Contributions to the fund	-	(124,050)
Payments	(16,731)	(21,541)
Balance at the end of the year	(113,843)	(29,765)

During the 2017, no contributions were made to the Pension Fund by the Bank (31 December 2016: contributions in cash of Euros 124,050,000).

The estimated contributions to be made in 2018, by the Bank and by the employees, for the Defined Benefit Plan amount to Euros 9,855,000 and Euros 7,998,000, respectively.

In accordance with IAS 19, as at 31 December 2017, the Bank accounted post-employment benefits as a gain in the amount of Euros 38,448,000 (31 December 2016: gain of Euros 162,116,000), which is analysed as follows:

(Thousands of euros)

	2017	2016
Current service cost	(16,054)	(761)
Net interest cost in the liability coverage balance	4,536	4,467
Cost / (income) with early retirement programs and mutually agreed terminations	12,506	3,049
Changes occurred in the Collective Labour Agreement	(39,436)	(168,871)
(Income) / Cost of the year	(38,448)	(162,116)

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB / ACT regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated taking into account the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognized under the heading "Current service costs".

BOARD OF DIRECTORS PLAN

As the Board of Directors Retirement Regulation establish that the pensions are increased annually, and as it is not common in the insurance market the acquisition of perpetual annuities including the increase in pensions, the Bank determined, the liability to be recognised on the financial statements taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Bank has the responsibility of supporting the cost with the retirement pensions of former Group's Executive Board Members, as well as the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised a provision of Euros 3,733,000 (31 December 2016: Euros 3,837,000).

The changes occurred in responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities (note 36), are analysed as follows:

(Thousands of euros)

	2017	2016
Balance as at 1 January	3,837	4,245
Reversal	(104)	(408)
Balance at the end of the year	3,733	3,837

Considering the market indicators, particularly the inflation rate estimates and the long term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Bank considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2017	2016
Salary growth rate	0.25% until 2019 0.75% after 2019	0.25% until 2019 0.75% after 2019
Pensions growth rate	0% until 2019 0.5% after 2019	0% until 2019 0.5% after 2019
Discount rate / Projected Fund's rate of return	2.1%	2.1%
Mortality tables		
Men	TV 88/90	TV 88/90
Women (a)	TV 88/90 - 3 years	TV 88/90 - 3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 3 months	66 years and 2 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1%	1%

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) The retirement age is variable. In 2017 it is 66 years and 3 months and will increase by 1 month for each calendar year. This age cannot be higher than the normal retirement age in force in the General Social Security System (RGSS). The normal retirement age in RGSS is variable and depends on the evolution of the average life expectancy at 65 years. For the purposes of the actuarial calculation, it was assumed that the increase in life expectancy in future years will be one year in every 10 years. However, as a prudential factor the maximum age was 67 years and 2 months.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was determined on 31 December 2016, based on an analysis performed over the market yield regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros - related to a diverse and representative range of issuers. As at 31 December 2017 and 31 December 2016, the Bank used a discount rate of 2.1% to measure its liability for defined benefit pension plans of its employees and managers.

As at 31 December 2017, no changes were made to these actuarial assumptions.As at 31 December 2016 the Bank taking into consideration the positive deviations observed in the last financial year and the current trend of wages evolution and the economic situation at this time, determined a growth rate of wages progressive of 0.25% by 2019 and 0.75% from 2019 and a growth rate of pensions from 0% by 2019 and 0.50% from 2019.

Net actuarial gains amounts to Euros 28,898,000 (31 December 2016: actuarial losses amounts to Euros 299,840,000) and are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values actually verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	2017		2016	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		23,715		20,033
Changes on the assumptions:				
Discount rate		-		221,742
Salary growth rate and total salary rate for Social Security purposes		-		(87,125)
Pensions increase rate		-		(39,554)
Mortality tables		-		24,261
Other changes*		-		(8,210)
Return on Fund	4.16%	(52,614)	-2.62%	168,693
		(28,899)		299,840

(*) Change in the methodology for determining the retirement age in accordance with the General Social Security System.

The change in the wage growth assumption includes, in 2016, the effect of changing the growth rate of the pensionable wage and the change in the rate of growth of the total salary used for the purposes of calculating social security responsibility.

As at 31 December 2017, the actuarial losses not resulting from changes in assumptions amount to Euros 23,715,000 (31 December 2016: Euros 20,033,000).

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	2017		2016 (*)	
	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%
Discount rate	128,087	(120,462)	133,085	(125,383)
Pensions increase rate	(123,921)	152,087	(121,138)	159,574
Increase in future compensation levels	(34,086)	36,516	(35,331)	37,726

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2017		2016 (*)	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Mortality Table	97,819	(98,095)	72,113	(97,080)

(*) The sensitivities presented were determined based on the application of the same conditions to the whole population, that is, as at 31 December 2016, the affiliates of the "Sindicato dos Bancários do Norte" are considered to have the same plan as the rest. It is considered that this simplification does not materially affect the analysis.

During the 2017 and 2016, a sensitivity analysis was performed to a positive variation and a negative variation of one percentage point in the value of the health benefits costs, the impact of which is analysed as follows:

(Thousands of euros)

	Positive variation of 1%		Negative variation of 1%	
	2017	2016	2017	2016
Pension cost impact	26	28	(26)	(28)
Liability impact	3,052	3,120	(3,052)	(3,120)

DEFINED CONTRIBUTION PLAN

According to what is described in accounting policy 1 v ii), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in 2017 and 2016, for employees who have been admitted until 1 July 2009, because the following requirements have not been met: (i) Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Bank and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group, and does not have a performance criterion. The Bank accounted as staff costs the amount of Euros 61,000 (31 December 2016: Euros 47,000) related to this contribution.

45. RELATED PARTIES

As defined by IAS 24, are considered related parties of the Bank, the companies detailed in note 52 - List of subsidiary and associated companies of Banco Comercial Português S.A., the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

According to Portuguese law, in particular under Articles 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 37.

A) TRANSACTIONS WITH QUALIFIED SHAREHOLDERS

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	2017	2016
Assets		
Loans and advances to customers	213,436	215,683
Financial assets held for trading	11,704	15,813
Financial assets available for sale	61,356	106,390
	286,496	337,886
Liabilities		
Resources from customers	280,648	359,980
	280,648	359,980

Loans and advances to customers are net of impairment in the amount of Euros 77,000 (31 December 2016: Euros 111,000).

During 2017 and 2016, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	2017	2016
Income		
Interest and similar income	4,582	7,057
Commissions income	5,880	2,242
	10,462	9,299
Costs		
Interest and similar expenses	807	469
Commissions expenses	256	30
	1,063	499

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2017	2016
Guarantees granted	39,164	30,378
Revocable credit lines	236,577	201,251
Irrevocable credit lines	121	-
	275,862	231,629

B) TRANSACTIONS WITH MEMBERS OF THE BOARD OF DIRECTORS AND KEY MANAGEMENT MEMBERS

The balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	
	2017	2016	2017	2016	2017	2016
Board of Directors						
Non-executive directors	-	-	19	20	-	-
Executive Committee	-	-	124	139	-	-
Closely related people	-	-	13	13	-	-
Controlled entities	-	2,840	-	-	22	844
Key management members						
Key management members	-	-	6,592	7,255	-	-
Closely related people	-	-	461	250	-	-
Controlled entities	-	-	78	196	-	-
	-	2,840	7,287	7,873	22	844

The balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Resources from credit institutions		Resources from customers		Financial liabilities held for trading	
	2017	2016	2017	2016	2017	2016
Board of Directors						
Non-executive directors	-	-	556	1,593	-	-
Executive Committee	-	-	2,664	1,094	-	-
Closely related people	-	-	1,844	1,663	-	-
Controlled entities	14,838	16,858	459	452	-	1,053
Key management members						
Key management members	-	-	7,134	1,757	-	-
Closely related people	-	-	1,680	3,412	-	-
Controlled entities	-	-	1,728	904	-	-
	14,838	16,858	16,065	10,875	-	1,053

As at 31 December 2017 and 2016, the balances with related parties discriminated in the following table, included in income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions' income	
	2017	2016	2017	2016
Board of Directors				
Non-executive directors	-	-	78	81
Executive Committee	-	-	28	27
Closely related people	1	-	15	22
Controlled entities	-	6	148	156
Key management members				
Key management members	46	52	64	64
Closely related people	8	9	36	34
Controlled entities	3	6	10	10
	58	73	379	394

As at 31 December 2017 and 2016, the balances with related parties discriminated in the following table, included in cost items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	2017	2016	2017	2016
Board of Directors				
Non-executive directors	3	11	2	2
Executive Committee	2	5	1	1
Closely related people	4	10	1	1
Controlled entities	63	104	1	1
Key management members				
Key management members	38	52	2	2
Closely related people	5	8	1	2
Controlled entities	2	1	2	2
	117	191	10	11

Revocable and irrevocable credit lines granted by the Bank to the following related parties are as follows:

(Thousands of euros)

	Revocable credit lines		Irrevocable credit lines	
	2017	2016	2017	2016
Board of Directors				
Non-executive directors	83	109	-	-
Executive Committee	105	95	-	-
Closely related people	99	132	-	-
Controlled entities	25	25	-	-
Key management members				
Key management members	317	376	8	39
Closely related people	135	247	-	-
Controlled entities	16	16	-	-
	780	1,000	8	39

The fixed remunerations and social charges paid to members of the Board of Directors and Key management members are analysed as follows:

(Thousands of euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2017	2016	2017	2016	2017	2016
Remunerations	3,676	1,922	786	526	6,651	5,471
Supplementary retirement pension	776	702	-	-	-	-
Post-employment benefits	19	28	-	-	(18)	51
Other mandatory social security charge	887	484	188	124	1,648	1,466
	5,358	3,136	974	650	8,281	6,988

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or governing bodies for which they have been designated by indication of the Bank or representing it, in the latter case, the net amount of the remunerations annually received by each member would be deducted from the fixed annual remuneration attributed by the Bank.

During 2017 and 2016, no variable remuneration was attributed to the members of the Executive Committee.

During 2017, were paid Euros 150,000 of severance payments to one key management member (2016: Euros 483,000 paid to one member).

The shareholder and bondholder position of members of the Board of Directors, Key management members and persons closely related to the previous categories, is as follows:

		Number of securities at					Unit Price
Shareholders / Bondholders	**Security**	**31/12/2017**	**31/12/2016**	**Acquisitions (*)**	**Disposals**	**Date**	**Euros**
MEMBERS OF BOARD OF DIRECTORS							
Álvaro Roque de Pinho de Bissaia Barreto	BCP Shares	0	0				
André Magalhães Luiz Gomes	BCP Shares	11,392	712	10,680		3-Feb-17	0.094
António Henriques Pinho Cardão (2)	BCP Shares	55,304	10,304	45,000		3-Feb-17	0.094
António Luís Guerra Nunes Mexia	BCP Shares	2,416	151	2,265		2-Feb-17	0.094
António Vítor Martins Monteiro (1)	BCP Shares	3,872	242	3,630		3-Feb-17	0.094
Carlos José da Silva	BCP Shares	248,704	15,544	233,160		3-Feb-17	0.094
Cidália Maria Mota Lopes (3)	BCP Shares	2,184	136	2,048		2-Feb-17	0.094
Jaime de Macedo Santos Bastos	BCP Shares	848	53	795		3-Feb-17	0.094
João Manuel Matos Loureiro	BCP Shares	2,800	175	2,625		3-Feb-17	0.094
João Nuno Oliveira Jorge Palma	BCP Shares	32,695	2,133	31,995		2-Feb-17	0.094
					700	7-Dec-17	0.262
				700		7-Dec-17	0.263
					1,433	21-Dec-17	0.270
José Jacinto Iglésias Soares	BCP Shares	0	0				
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	1,748	278	1,470		3-Feb-17	0.094
Lingjiang Xu	BCP Shares	0	0				
Maria da Conceição Mota Soares de Oliveira Callé Lucas	BCP Shares	58,672	3,667	55,005		3-Feb-17	0.094
Miguel de Campos Pereira de Bragança	BCP Shares	365,968	22,873	343,095		3-Feb-17	0.094
Miguel Maya Dias Pinheiro	BCP Shares	361,408	22,588	338,820		3-Feb-17	0.094
Nuno Manuel da Silva Amado	BCP Shares	1,025,388	50,996	974,392		3-Feb-17	0.094
Raquel Rute da Costa David Vunge (4)	BCP Shares	0	0				
Rui Manuel da Silva Teixeira (5)	BCP Shares	36,336	2,271	34,065		2-Feb-17	0.094
KEY MANAGEMENT MEMBERS							
Albino António Carneiro de Andrade	BCP Shares	0	0				
Américo João Pinto Carola (6)	BCP Shares	503	503				
Ana Isabel dos Santos de Pina Cabral (7)	BCP Shares	39,040	2,440	36,600		3-Feb-17	0.094
Ana Maria Jordão F. Torres Marques Tavares (8)	BCP Shares	82,635	9,509	73,126		2-Feb-17	0.094
André Cardoso Meneses Navarro	BCP Shares	267,888	16,743	251,145		2-Feb-17	0.094
António Augusto Amaral de Medeiros	BCP Shares	42,656	2,666	39,990		2-Feb-17	0.094
António Augusto Decrook Gaioso Henriques	BCP Shares	506,126	29,036	477,090		2-Feb-17	0.094
António Ferreira Pinto Júnior	BCP Shares	21,344	1,334	20,010		2-Feb-17	0.094
António José Lindeiro Cordeiro	BCP Shares	0	0				
António Luís Duarte Bandeira (9)	BCP Shares	113,001	8,000	105,001		2-Feb-17	0.094
Artur Frederico Silva Luna Pais	BCP Shares	328,795	20,047	308,748		2-Feb-17	0.094
Belmira Abreu Cabral	BCP Shares	0	1,206	0	1,206	19-Jan-17	0.152
Carlos Alberto Alves	BCP Shares	106,656	6,666	99,990		2-Feb-17	0.094
Diogo Cordeiro Crespo Cabral Campello	BCP Shares	29,328	1,833	27,495		2-Feb-17	0.094
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP Shares	11,691	1,911	9,780		2-Feb-17	0.094
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	0	0				
Francisco António Caspa Monteiro (10)	BCP Shares	29,354	2,965	0	2,965	17-Jan-17	0.160
				29,354		2-Feb-17	0.094
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	48	3	45			
Hugo Miguel Martins Resende	BCP Shares	11,984	11,984				
João Manuel Taveira Pinto Santos Paiva	BCP Shares	500			3,156	11-Aug-17	0.232
	BCP Shares				2,500	28-Sep-17	0.244
	BCP Shares				1,500	11-Oct-17	0.245
	BCP Shares				1,000	13-Oct-17	0.250
	BCP Shares				2,000	20-Oct-17	0.259
João Nuno Lima Brás Jorge	BCP Shares	91,709	5,653	86,056		3-Feb-17	0.094

(*) Under the scope of the increase of share capital occurred in February 2017, as referred in note 37.

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

Shareholders / Bondholders	Security	Number of securities at 31/12/2017	Number of securities at 31/12/2016	Acquisitions (*)	Disposals	Date	Unit Price Euros
Joaquim Fernando Nogueira	BCP Shares	413,406	413				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	1,600	100	1,500		2-Feb-17	0.094
Jorge Manuel Machado de Sousa Góis	BCP Shares	0	0				
José Gonçalo Prior Regalado (11)	BCP Shares	0	0				
José Guilherme Potier Raposo Pulido Valente	BCP Shares	138,719	28,600	110,119		2-Feb-17	0.094
José Laurindo Reino da Costa (12)	BCP Shares	172,428	12,433	169,995		3-Feb-17	0.094
					170,000	20-Jul-17	0.250
				160,000		24-Jul-17	0.249
Luis Miguel Manso Correia dos Santos	BCP Shares	21,328	1,333	19,995		2-Feb-17	0.094
Margarida Isabel Vaz da Silva	BCP Shares	10,640					
Maria Manuela de Araujo Mesquita Reis (13)	BCP Shares	106,656	6,666	99,990		2-Feb-17	0.094
Mário António Pinho Gaspar Neves	BCP Shares	30,000	1,855	28,145		6-Feb-17	0.094
	Certificado BCPI Eurostox 50	0	187		187	18-Jan-17	115.820
	Certificado BCPI DAX 30	0	55		55	18-Jan-17	32.900
Miguel Pedro Lourenço Magalhães Duarte	BCP Shares	30,600	30,600				
Nelson Luís Vieira Teixeira	BCP Shares	285	285				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	1,800	1,800				
Nuno Maria Lagoa Ribeiro de Almeida	BCP Shares	2,560	0				
Nuno Miguel Nobre Botelho	BCP Shares	0	0				
Pedro José Mora de Paiva Beija	BCP Shares	0	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	0	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	14,816	926	13,890		3-Feb-17	0.094
Pedro Torcato Alvares Ribeiro	BCP Shares	42,672	0				
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	0	0				
Ricardo Potes Valadares	BCP Shares	10,373	1,373	9,000		23-Jan-17	0.094
Rosa Maria Ferreira Vaz Santa Barbara	BCP Shares	8,240	1,205	7,035		23-Jan-17	0.094
Rui Fernando da Silva Teixeira	BCP Shares	12,614	12,614				
Rui Manuel Pereira Pedro	BCP Shares	149,328	9,333	139,995		3-Feb-17	0.094
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	0	0				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	0	0				
Teresa Paula Corado Leandro Chaves do Nascimento	BCP Shares	0	0				
Vânia Alexandra Machado Marques Correia	BCP Shares	0	0				
Vasco do Carmo Viana Rebelo de Andrade	BCP Shares	0	0				
PERSONS CLOSELY RELATED TO THE PREVIOUS CATEGORIES							
Alexandre Miguel Martins Ventura (3)	BCP Shares	2,184	137	2,047		3-Feb-17	0.094
Américo Simões Regalado (11)	BCP Shares	880	0				
Ana Isabel Salgueiro Antunes (6)	BCP Shares	29	29				
Ana Margarida Rebelo A.M. Soares Bandeira (9)	BCP Shares	2,976	186	2,790		2-Feb-17	0.094
Eusébio Domingos Vunge (4)	BCP Shares	4,170	691	3,479			
	Certificate BCPI DAX 30	100	100				
	Certificate BCPI Eurostox 50	142	142				
Francisco Jordão Torres Marques Tavares (8)	BCP Shares	1,016	62	954		2-Feb-17	0.094
Isabel Maria V Leite P Martins Monteiro (1)	BCP Shares	3,104	195	2,909		3-Feb-17	0.094
João Paulo Fernandes de Pinho Cardão (2)	BCP Shares	72,736	4,546	68,190		3-Feb-17	0.094
José Manuel de Vasconcelos Mendes Ferreira (7)	BCP Shares	1,616	101	1,515		3-Feb-17	0.094
Luís Filipe da Silva Reis (13)	BCP Shares	336,000	0				
Luís Miguel Fernandes de Pinho Cardão (2)	BCP Shares	3,104	194	2,910		3-Feb-17	0.094
Maria da Graça dos Santos Fernandes de Pinho Cardão (2)	BCP Shares	3,728	383	3,345		3-Feb-17	0.094
Maria Helena Espassandim Catão (5)	BCP Shares	576	36	540		2-Feb-17	0.094
Maria Raquel Sousa Candeias Reino da Costa (12)	BCP Shares	288	18	270		2-Feb-17	0.094
Ricardo Miranda Monteiro (10)	BCP Shares	1,639	100	1,539		1-Feb-17	0.094
Rita Miranda Monteiro (10)	BCP Shares	1,639	100	1,539		1-Feb-17	0.094

(*) Under the scope of the increase of share capital occurred in February 2017, as referred in note 37.

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

C) BALANCES AND TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATED COMPANIES, DETAILED IN NOTE 52

As at 31 December 2017, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euros)

	Loans and advances to credit institutions							
	Repayable on demand	Other loans and advances	Loans and advances to customers	Financial assets held for trading	Financial assets available for sale	Non-current assets held for sale	Other assets	Total
Banco ActivoBank, S.A.	-	-	-	-	-	-	22	22
Banco de Investimento Imobiliário, S.A.	-	414,716	-	480	-	-	56,838	472,034
Banco Millennium Atlântico, S.A.	1,798	264,029	-	-	-	-	-	265,827
Banque BCP, S.A.S.	5	-	-	-	-	-	-	5
BCP Capital - Sociedade de Capital de Risco, S.A.	-	-	-	-	-	-	4	4
BCP Finance Bank Ltd	-	-	-	-	3,235	-	-	3,235
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	-	-	3,382	-	-	-	162	3,544
BIM - Banco Internacional de Moçambique, S.A.R.L.	188	-	-	83	-	-	2,331	2,602
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A	-	-	373	-	-	-	49	422
Fiparso- Sociedade Imobiliária Lda.	-	-	26	-	-	-	5	31
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	3	3
Fundo de Investimento Imobiliário Fechado Gestimo	-	-	-	-	-	-	1	1
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	575	575
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	229	229
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	43	-	-	-	3	46
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	2	2
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	4	4
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	2	2
Bank Millennium (Poland) Group	293	-	-	-	-	-	3	296
Imábida - Imobiliária da Arrábida, S.A.	-	-	-	-	-	38,477	-	38,477
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	86	86
Irgossai - Urbanização e construção, S.A.	-	-	4,382	-	-	-	-	4,382
Magellan Mortgages No. 2 PLC	-	-	-	-	16,329	-	-	16,329
Magellan Mortgages No. 3 PLC	-	-	-	5,848	112,531	-	-	118,379
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	58,974	91,084	-	-	12,824	162,882
Millennium bcp Bank & Trust	-	-	-	954	-	-	-	954
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	-	-	-	18,804	18,804
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	57,203	57,203
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	-	-	-	-	290,447	290,447
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	-	-	-	-	-	102,002	102,002
MR – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
MULTI 24 - Sociedade Imobiliária, S.A.	-	-	9,824	-	-	-	-	9,824
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	-	1,459	-	-	-	3	1,462
Mundotêxtil - Indústrias Têxteis, S.A.	-	-	4,283	15	-	-	-	4,298
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	43,782	2	43,784
Servitrust - Trust Management Services S.A.	-	-	-	-	-	-	650	650
UNICRE - Instituição Financeira de Crédito, S.A.	-	44,565	23	-	-	-	-	44,588
Webspectator Corporation	-	-	-	-	-	16,043	-	16,043
	2,284	723,310	82,769	98,464	132,095	98,302	542,259	1,679,483

As at 31 December 2016, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euros)

	Loans and advances to credit institutions							
	Repayable on demand	Other loans and advances	Loans and advances to customers	Financial assets held for trading	Financial assets available for sale	Non-current assets held for sale	Other assets	Total
Banco ActivoBank, S.A.	-	-	-	-	-	-	5	5
Banco de Investimento Imobiliário, S.A.	-	934,137	-	17,220	-	-	17,715	969,072
Banco Millennium Atlântico, S.A.	980	237,536	-	43	-	-	-	238,559
BCP Finance Bank Ltd	-	-	-	-	52,426	-	-	52,426
BCP Investment, B.V.	-	-	58,413	-	-	-	-	58,413
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	-	-	-	-	-	9,495	-	9,495
BIM - Banco Internacional de Moçambique, S.A.R.L.	187	-	-	-	-	-	3,975	4,162
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Finalgarve- Sociedade de Promoção Imobiliária Turística, S./	-	-	-	-	-	47,128	-	47,128
Fiparso- Sociedade Imobiliária Lda.	-	-	-	-	-	2,086	-	2,086
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	3	3
Fundo de Investimento Imobiliário Fechado Gestimo	-	-	-	-	-	-	1	1
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	588	588
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	217	217
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	4	4
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	2	2
Bank Millennium (Poland) Group	207	-	-	12	-	-	-	219
Imábida - Imobiliária da Arrábida, S.A.	-	-	-	-	-	38,477	-	38,477
Imoport - Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	2	2
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	35	35
Irgossai - Urbanização e construção, S.A.	-	-	-	-	-	92,368	-	92,368
Magellan Mortgages No. 2 PLC	-	-	-	-	18,504	-	-	18,504
Magellan Mortgages No. 3 PLC	-	-	-	5,983	116,771	-	-	122,754
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	5,649	73,468	-	-	12,617	91,734
Millennium bcp Bank & Trust	-	-	-	3,856	-	-	-	3,856
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	-	-	-	18,901	18,901
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	57,195	57,195
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	-	599	-	-	305,583	306,182
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	-	-	-	-	-	9	9
MR – Fundo Especial de Investimento Imobiliário Fechado	-	-	15	-	-	-	16	31
Mundotêxtil - Indústrias Têxteis, S.A.	-	-	6,326	-	-	-	-	6,326
MULTI 24 - Sociedade Imobiliária, S.A.	-	-	9,824	-	-	-	-	9,824
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	-	1,074	-	-	-	3	1,077
Nanium, S.A.	-	-	18,866	-	-	-	13,621	32,487
Propaço- Sociedade Imobiliária De Paço D'Arcos, Lda.	-	-	-	-	-	-	13,535	13,535
Setelote-Aldeamentos Turísticos, S.A.	-	-	-	-	-	13,000	-	13,000
UNICRE - Instituição Financeira de Crédito, S.A.	-	10,571	14	-	-	-	-	10,585
Webspectator Corporation	-	-	-	-	-	18,272	-	18,272
	1,374	1,182,244	100,181	101,181	187,701	220,826	444,033	2,237,540

As at 31 December 2017, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Resources from Credit Institutions	Resources from Customers	Debt Securities Issued	Financial liabilities held for trading	Subordinated Debt	Other liabilities	Total
Adelphi Gere, Investimentos Imobiliários, S.A.	-	198	-	-	-	-	198
Banco ActivoBank, S.A.	100,801	-	-	-	-	12,057	112,858
Banco de Investimento Imobiliário, S.A.	293,430	-	-	2,427	28,763	6,630	331,250
Banco Millennium Atlântico, S.A.	95,776	-	-	-	-	-	95,776
Banque BCP, S.A.S.	111,293	-	-	-	-	-	111,293
Banque Privée BCP (Suisse) S.A.	14,983	-	-	-	-	-	14,983
BCP África, S.G.P.S., Lda.	-	75,703	-	-	-	-	75,703
BCP Capital - Sociedade de Capital de Risco, S.A.	-	11,280	-	-	-	-	11,280
BCP Finance Bank Ltd	112,030	-	-	1,147	-	-	113,177
BCP Finance Company, Ltd	-	105,931	-	-	71,190	-	177,121
BCP Holdings (USA), Inc.	-	37,261	-	-	-	-	37,261
BCP International, B.V.	-	94,966	-	-	-	-	94,966
BCP Investment, B.V.	-	163,667	-	-	-	-	163,667
BIM - Banco Internacional de Moçambique, S.A.R.L.	1,926	-	-	-	-	6	1,932
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	300	-	-	-	-	300
Enerparcela - Empreendimentos Imobiliários, S.A.	-	1,856	-	-	-	-	1,856
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	2,911	-	-	-	-	2,911
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	98	-	-	-	-	98
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	2,481	-	-	-	-	2,481
Fundo de Investimento Imobiliário Fechado Gestimo	-	2,628	-	-	-	-	2,628
Fundo de Investimento Imobiliário Gestão Imobiliária	-	1,954	-	-	-	-	1,954
Fundo de Investimento Imobiliário Imorenda	-	140	-	-	-	-	140
Fundo de Investimento Imobiliário Imosotto Acumulação	-	12,930	-	-	-	-	12,930
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	64	-	-	-	-	64
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	712	-	-	-	-	712
Fundo Especial de Investimento Imobiliário Oceânico II	-	1,012	-	-	-	-	1,012
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	364	-	-	-	-	364
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	88	-	-	-	-	88
Bank Millennium (Poland) Group	63	-	-	-	-	-	63
Imábida - Imobiliária da Arrábida, S.A.	-	77	-	-	-	-	77
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	5,536	-	-	-	-	5,536
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	533,743	462,203	40,323	480,359	(2)	1,516,626
Millennium bcp - Prestação de Serviços, A.C.E.	-	4,449	-	-	-	1,691	6,140
Millennium bcp Bank & Trust	379,798	-	-	-	-	-	379,798
Millennium bcp Imobiliária, S.A.	-	2,009	-	-	-	-	2,009
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	85,518	-	-	-	-	85,518
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	129	-	-	-	2	131
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	115,859	-	-	-	-	115,859
Monumental Residence - Investimentos Imobiliários, S.A.	-	928	-	-	-	-	928
MR – Fundo Especial de Investimento Imobiliário Fechado	-	403	-	-	-	-	403
Mundotêxtil - Indústrias Têxteis, S.A.	-	36	-	-	-	-	36
MULTI 24 - Sociedade Imobiliária, S.A.	-	1,243	-	-	-	-	1,243
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	2,880	-	-	-	-	2,880
Setelote-Aldeamentos Turísticos, S.A.	-	167	-	-	-	-	167
Servitrust - Trust Management Services S.A.	-	19	-	-	-	-	19
SIBS, S.G.P.S., S.A.	-	4,464	-	-	-	-	4,464
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	1,432	-	-	-	-	1,432
UNICRE - Instituição Financeira de Crédito, S.A.	4	-	-	-	-	-	4
	1,110,104	1,275,436	462,203	43,897	580,312	20,384	3,492,336

As at 31 December 2017, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares in the amount of Euros 38,531,000.

As at 31 December 2016, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Resources from Credit Institutions	Resources from Customers	Debt Securities Issued	Financial liabilities held for trading	Subordinated Debt	Other liabilities	Total
Adelphi Gere, Investimentos Imobiliários, S.A.	-	218	-	-	-	-	218
Banco ActivoBank, S.A.	432,369	-	-	-	-	10,544	442,913
Banco de Investimento Imobiliário, S.A.	167,799	-	-	45,877	28,768	10,085	252,529
Banco Millennium Atlântico, S.A.	85,755	-	-	-	-	-	85,755
Banque BCP (Luxembourg), S.A.	483	-	-	-	-	-	483
Banque BCP, S.A.S.	107,978	-	-	-	-	-	107,978
Banque Privée BCP (Suisse) S.A.	12,172	-	-	-	-	-	12,172
BCP África, S.G.P.S., Lda.	-	42,132	-	-	-	-	42,132
BCP Capital - Sociedade de Capital de Risco, S.A.	-	11,355	-	-	-	-	11,355
BCP Finance Bank Ltd	230,954	-	-	1,540	-	-	232,494
BCP Finance Company, Ltd	-	105,958	-	-	69,946	-	175,904
BCP Holdings (USA), Inc.	-	41,013	-	-	-	-	41,013
BCP International, B.V.	-	115,782	-	-	-	-	115,782
BCP Investment, B.V.	-	193,550	-	-	-	-	193,550
BIM - Banco Internacional de Moçambique, S.A.R.L.	5,847	-	-	-	-	-	5,847
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	203	-	-	-	-	203
Enerparcela - Empreendimentos Imobiliários, S.A.	-	1,552	-	-	-	-	1,552
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	220	-	-	-	-	220
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	186	-	-	-	-	186
Fundo de Investimento Imobiliário Fechado Gestimo	-	763	-	-	-	-	763
Fundo de Investimento Imobiliário Gestão Imobiliária	-	1,259	-	-	-	-	1,259
Fundo de Investimento Imobiliário Imorenda	-	10,256	-	-	-	-	10,256
Fundo de Investimento Imobiliário Imosotto Acumulação	-	8,585	-	-	-	-	8,585
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	150	-	-	-	-	150
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	234	-	-	-	-	234
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	233	-	-	-	-	233
Fundo Especial de Investimento Imobiliário Oceânico II	-	1,432	-	-	-	-	1,432
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	1,866	-	-	-	-	1,866
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	280	-	-	-	-	280
Bank Millennium (Poland) Group	141	-	-	-	-	-	141
Imábida - Imobiliária da Arrábida, S.A.	-	82	-	-	-	-	82
Imoport - Fundo de Investimento Imobiliário Fechado	-	3,088	-	-	-	-	3,088
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	4,805	-	-	-	-	4,805
Irgossai - Urbanização e construção, S.A.	-	469	-	-	-	-	469
M Inovação - Fundo de Capital de Risco BCP Capital	-	108	-	-	-	-	108
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	468,968	956,479	66,946	475,222	13	1,967,628
Millennium bcp - Prestação de Serviços, A.C.E.	-	4,321	-	-	-	(2,331)	1,990
Millennium bcp Bank & Trust	102,515	-	-	-	-	-	102,515
Millennium bcp Imobiliária, S.A.	-	797	-	-	-	-	797
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	74,349	-	-	-	-	74,349
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	332	-	-	-	-	332
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	83,581	-	-	-	-	83,581
Mundotêxtil - Indústrias Têxteis, S.A.	-	1,718	-	-	-	-	1,718
MULTI 24 - Sociedade Imobiliária, S.A.	-	79	-	-	-	-	79
Nanium, S.A.	-	7,900	-	-	-	-	7,900
Propaço- Sociedade Imobiliária De Paço D'Arcos, Lda.	-	95	-	-	-	-	95
Sadamora - Investimentos Imobiliários, S.A.	-	322	-	-	-	-	322
S&P Reinsurance Limited	-	2,468	-	-	-	-	2,468
Servitrust - Trust Management Services S.A.	-	618	-	-	-	-	618
SIBS, S.G.P.S., S.A.	-	7,348	-	-	-	-	7,348
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	1,753	-	-	-	-	1,753
UNICRE - Instituição Financeira de Crédito, S.A.	132	-	-	-	-	-	132
	1,146,145	1,200,428	956,479	114,363	573,936	18,311	4,009,662

As at 31 December 2016, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 8,694,500 BCP shares in the amount of Euros 9,312,000.

As at 31 December 2017, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Banco ActivoBank, S.A.	-	-	30	-	-	30
Banco de Investimento Imobiliário, S.A.	1,670	1,549	-	40,465	14,860	58,544
Banco Millennium Atlântico, S.A.	7,607	880	85	-	-	8,572
Banque BCP, S.A.S.	-	2	-	-	2,844	2,846
Banque Privée BCP (Suisse) S.A.	-	984	99	-	-	1,083
BCP Capital - Sociedade de Capital de Risco, S.A.	-	1	-	-	-	1
BCP Finance Bank Ltd	314	-	-	354	-	668
BCP International, B.V.	-	-	-	-	20,759	20,759
BCP Investment, B.V.	2,618	-	-	-	28,619	31,237
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	111	-	-	-	-	111
BIM - Banco Internacional de Moçambique, S.A.R.L.	1	104	10,442	-	-	10,547
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	55	8	-	-	-	63
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	4	-	-	-	-	4
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	36	-	-	-	36
Fundo de Investimento Imobiliário Fechado Gestimo	-	15	-	-	-	15
Fundo de Investimento Imobiliário Gestão Imobiliária	-	2	-	-	-	2
Fundo de Investimento Imobiliário Imorenda	-	173	-	-	-	173
Fundo de Investimento Imobiliário Imosotto Acumulação	-	237	-	-	-	237
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	6	-	-	-	6
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	27	-	-	-	27
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	23	-	-	-	23
Fundo Especial de Investimento Imobiliário Oceânico II	-	46	-	-	-	46
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	12	-	-	-	12
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	22	-	-	-	22
Bank Millennium (Poland) Group	1	33	-	-	-	34
Imoport - Fundo de Investimento Imobiliário Fechado	-	11	-	-	-	11
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	304	150	-	4,444	4,898
Irgossai - Urbanização e construção, S.A.	3	-	-	-	-	3
Magellan Mortgages No. 2 PLC	1,032	133	-	-	-	1,165
Magellan Mortgages No. 3 PLC	5,406	475	-	-	-	5,881
Millennium bcp Bank & Trust	-	-	-	206	-	206
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	270	54,398	239	-	-	54,907
Millennium bcp Imobiliária, S.A.	-	2	-	-	-	2
Millennium bcp - Prestação de Serviços, A.C.E.	-	137	4,986	-	-	5,123
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	-	222	222
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	17	-	-	-	17
Monumental Residence - Investimentos Imobiliários, S.A.	2,979	-	1	-	-	2,980
MR – Fundo Especial de Investimento Imobiliário Fechado	-	14	-	-	-	14
MULTI 24 - Sociedade Imobiliária, S.A.	100	1	-	-	-	101
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	4	42	-	-	-	46
Mundotêxtil - Indústrias Têxteis, S.A.	141	48	-	-	-	189
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	15	-	-	-	15
Sadamora - Investimentos Imobiliários, S.A.	-	19	-	-	-	19
Setelote-Aldeamentos Turísticos, S.A.	1	-	-	-	-	1
SIBS, S.G.P.S., S.A.	-	6	-	-	-	6
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	1	-	-	50	51
UNICRE - Instituição Financeira de Crédito, S.A.	541	1,246	2	-	278	2,067
	22,858	61,043	16,034	41,025	72,076	213,036

As at 31 December 2016, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Total
ACT-C-Indústria de Cortiças, S.A.	1	-	-	-	1
Banco ActivoBank, S.A.	-	-	139	-	139
Banco de Investimento Imobiliário, S.A.	2,575	88	-	31,304	33,967
Banco Millennium Atlântico, S.A.	6,474	192	-	-	6,666
Banque BCP, S.A.S.	-	2	-	-	2
Banque BCP (Luxembourg), S.A.	-	3	-	-	3
Banque Privée BCP (Suisse) S.A.	-	923	129	-	1,052
BCP Finance Bank Ltd	359	-	-	513	872
BCP Investment, B.V.	2,722	-	-	-	2,722
BIM - Banco Internacional de Moçambique, S.A.R.L.	1	46	9,382	-	9,429
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	7
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	8	-	-	8
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	37	-	-	37
Fundo de Investimento Imobiliário Fechado Gestimo	-	24	-	-	24
Fundo de Investimento Imobiliário Gestão Imobiliária	-	2	-	-	2
Fundo de Investimento Imobiliário Imorenda	-	172	-	-	172
Fundo de Investimento Imobiliário Imosotto Acumulação	-	228	-	-	228
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	6	-	-	6
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	305	121	-	426
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	6	-	-	6
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	6	-	-	6
Fundo Especial de Investimento Imobiliário Oceânico II	-	46	-	-	46
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	16	-	-	16
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	22	-	-	22
Bank Millennium (Poland) Group	13	165	-	-	178
Imoport - Fundo de Investimento Imobiliário Fechado	-	24	-	-	24
Magellan Mortgages No. 2 PLC	1,212	155	-	-	1,367
Magellan Mortgages No. 3 PLC	4,214	523	-	-	4,737
Millennium bcp Bank & Trust	-	-	-	1,908	1,908
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	167	52,222	235	-	52,624
Millennium bcp Imobiliária, S.A.	-	20	-	-	20
Millennium bcp - Prestação de Serviços, A.C.E.	-	105	5,900	-	6,005
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	16	-	-	16
Monumental Residence - Investimentos Imobiliários, S.A.	-	-	1	-	1
MULTI 24 - Sociedade Imobiliária, S.A.	32	-	-	-	32
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	1	43	-	-	44
Nanium, S.A.	302	138	-	-	440
Sadamora - Investimentos Imobiliários, S.A.	-	13	-	-	13
SIBS, S.G.P.S., S.A.	-	6	-	-	6
UNICRE - Instituição Financeira de Crédito, S.A.	226	1,095	-	-	1,321
	18,299	56,664	15,907	33,725	124,595

As at 31 December 2017, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating costs	Administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	477	14,262	(16)	(22)	-	14,701
Banco de Investimento Imobiliário, S.A.	569	2,808	(16)	57	41,955	45,373
Banco Millennium Atlântico, S.A.	396	3	-	-	-	399
Banque BCP, S.A.S.	1,476	-	-	-	-	1,476
BCP Capital - Sociedade de Capital de Risco, S.A.	186	-	-	(25)	-	161
BCP Finance Bank Ltd	13,415	-	-	-	320	13,735
BCP Finance Company, Ltd	1,243	-	-	-	-	1,243
BIM - Banco Internacional de Moçambique, S.A.R.L.	140	7	-	-	-	147
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	1	-	-	-	-	1
Fiparso- Sociedade Imobiliária Lda.	-	-	(1,389)	-	-	(1,389)
Fundo de Investimento Imobiliário Gestão Imobiliária	-	-	-	9	-	9
Fundo de Investimento Imobiliário Imorenda	3	-	-	6,806	-	6,809
Fundo de Investimento Imobiliário Imosotto Acumulação	3	-	-	2,019	-	2,022
Bank Millennium (Poland) Group	2	37	-	-	-	39
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	5	-	-	-	-	5
Irgossai - Urbanização e construção, S.A.	-	-	265	-	-	265
Millennium bcp Bank & Trust	2,144	-	-	-	240	2,384
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	50,200	4	-	(8)	-	50,196
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	13	20,278	-	20,291
Millennium bcp Imobiliária, S.A.	-	-	-	36	-	36
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	15	-	15
Millennium Fundo de Capitalização - Fundo de Capital de Risco	238	-	-	-	-	238
MULTI 24 - Sociedade Imobiliária, S.A.	-	-	-	13	-	13
Mundotêxtil - Indústrias Têxteis, S.A.	1	-	-	-	-	1
Servitrust - Trust Management Services S.A.	1	-	-	-	-	1
SIBS, S.G.P.S., S.A.	4	-	-	-	-	4
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	2	-	-	-	-	2
UNICRE - Instituição Financeira de Crédito, S.A.	-	5	-	20	-	25
	70,506	17,126	(1,143)	29,198	42,515	158,202

As at 31 December 2016, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating costs	Administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	629	14,474	-	(27)	-	15,076
Banco de Investimento Imobiliário, S.A.	476	2,597	-	-	14,475	17,548
Banco Millennium Atlântico, S.A.	196	-	-	-	-	196
Banque BCP, S.A.S.	7,894	-	-	-	-	7,894
BCP África, S.G.P.S., Lda.	18	-	-	-	-	18
BCP Capital - Sociedade de Capital de Risco, S.A.	190	-	-	(38)	-	152
BCP Finance Bank Ltd	14,052	-	-	-	1,026	15,078
BCP Finance Company, Ltd	1,597	-	-	-	-	1,597
BCP International, B.V.	24	-	-	-	-	24
BCP Investment, B.V.	29	-	-	-	-	29
BIM - Banco Internacional de Moçambique, S.A.R.L.	20	5	-	-	-	25
Bitalpart, B.V.	4	-	-	-	-	4
Fundo de Investimento Imobiliário Fechado Gestimo	5	-	-	-	-	5
Fundo de Investimento Imobiliário Gestão Imobiliária	1	-	-	-	-	1
Fundo de Investimento Imobiliário Imorenda	7	-	-	7,056	-	7,063
Fundo de Investimento Imobiliário Imosotto Acumulação	6	-	-	1,910	-	1,916
Fundo Especial de Investimento Imobiliário Fechado Intercapital	1	-	-	-	-	1
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	1	-	-	-	-	1
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	1	-	-	-	-	1
Fundo Especial de Investimento Imobiliário Oceânico II	1	-	-	-	-	1
Funsita - Fundo Especial de Investimento Imobiliário Fechado	10	-	-	-	-	10
Bank Millennium (Poland) Group	(2)	30	-	-	-	28
Imoport - Fundo de Investimento Imobiliário Fechado	17	-	-	-	-	17
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	5	-	-	-	-	5
Millennium bcp Bank & Trust	699	-	-	-	1,389	2,088
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	55,913	4	-	176	-	56,093
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	4	21,507	-	21,511
Millennium bcp Imobiliária, S.A.	-	-	-	36	-	36
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	15	-	15
Millennium Fundo de Capitalização - Fundo de Capital de Risco	277	-	-	-	-	277
MULTI 24 - Sociedade Imobiliária, S.A.	-	-	3	-	-	3
Nanium, S.A.	-	1	-	-	-	1
SIBS, S.G.P.S., S.A.	11	-	-	-	-	11
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	4	-	-	-	-	4
UNICRE - Instituição Financeira de Crédito, S.A.	2	1	-	-	-	3
	82,088	17,112	7	30,635	16,890	146,732

As at 31 December 2017, the Guarantees granted, Revocable and Irrevocable credit lines to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Total
Banco de Investimento Imobiliário, S.A.	79	61,244	-	61,323
Banco Millennium Atlântico, S.A.	7,200	-	-	7,200
Banque Privée BCP (Suisse) S.A.	-	200,000	-	200,000
BCP Finance Bank Ltd	108,850	-	-	108,850
BCP Finance Company, Ltd	59,910	-	-	59,910
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	-	66	-	66
BIM - Banco Internacional de Moçambique, S.A.R.L.	991	-	-	991
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	127	-	127
Fiparso- Sociedade Imobiliária Lda.	-	14	-	14
Fundo de Investimento Imobiliário Imorenda	-	-	1,513	1,513
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	695	695
Bank Millennium (Poland) Group	355	-	-	355
Irgossai - Urbanização e construção, S.A.	-	136	-	136
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	221	2	-	223
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	441	-	441
Mundotêxtil - Indústrias Têxteis, S.A.	789	241	-	1,030
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	107	-	107
Setelote-Aldeamentos Turísticos, S.A.	-	35	-	35
SIBS, S.G.P.S., S.A.	50	-	-	50
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	22	17	-	39
UNICRE - Instituição Financeira de Crédito, S.A.	-	602	-	602
	178,467	263,032	2,208	443,707

As at 31 December 2016, the Guarantees granted, Revocable and Irrevocable credit lines to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Total
Banco de Investimento Imobiliário, S.A.	79	59,433	-	59,512
Banco Millennium Atlântico, S.A.	768	-	-	768
Banque Privée BCP (Suisse) S.A.	500	200,000	-	200,500
BCP Finance Bank Ltd	223,850	-	-	223,850
BCP Finance Company, Ltd	59,910	-	-	59,910
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	-	274	-	274
BIM - Banco Internacional de Moçambique, S.A.R.L.	897	-	-	897
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	270	-	270
Fundo de Investimento Imobiliário Imorenda	-	-	1,513	1,513
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	695	695
Bank Millennium (Poland) Group	338	-	-	338
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	85	-	-	85
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	676	-	676
Mundotêxtil - Indústrias Têxteis, S.A.	-	530	-	530
Nanium, S.A.	-	49	-	49
SIBS, S.G.P.S., S.A.	-	280	-	280
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	17	-	17
UNICRE - Instituição Financeira de Crédito, S.A.	-	9,528	-	9,528
	286,427	271,057	2,208	559,692

Under the scope of the Bank's insurance mediation activities, the remunerations from services rendering are analysed as follows:

(Thousands of euros)

	2017	2016
Life insurance		
Saving products	32,885	31,535
Mortgage and consumer loans	18,628	19,762
Others	31	34
	51,544	51,331
Non - Life insurance		
Accidents and health	15,882	15,132
Motor	3,391	3,200
Multi-Risk Housing	5,968	5,855
Others	1,027	932
	26,268	25,119
	77,812	76,450

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, S.A.

The Bank does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activity, by nature, are analysed as follows:

(Thousands of euros)

	2017	2016
Funds receivable for payment of life insurance commissions	12,686	12,616
Funds receivable for payment of non-life insurance commissions	6,607	6,061
	19,293	18,677

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;
- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

D) TRANSACTIONS WITH THE PENSION FUND

The balances with the Pension Fund included in Liabilities items of the consolidated balance sheet are as follows:

(Thousands of euros)

	2017	2016
Resources from customers	323,795	348,815
Subordinated debt	41	128,876
	323,836	477,691

During 2017, there were no transactions of financial assets between the Bank and the Pension Fund. During 2016, the Bank sold bonds to the pension fund in the amount of Euros 16,736,000.

During 2017 and 2016, the balances with the Pension Fund included in income and expense items of the consolidated income statement, are as follows:

(Thousands of euros)

	2017	2016
Income		
Commissions	821	768
Expenses		
Interest expense and similar charges	26	126
Administrative costs	887	824
	913	950

The balance Administrative costs corresponds to the amount of rents incurred under the scope of Fund's properties which the tenant is the Bank.

As at 31 December 2017, the amount of Guarantees granted by the Bank to the Pension Fund amounted to Euros 5,000 (31 December 2016: Euros 5,000).

46. RISK MANAGEMENT

The Bank is subject to several risks during the course of its business.

The Bank's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line. Under this scope, the monitoring and control of the main types of financial risks to which the Bank's business is subject to – credit, market, liquidity and operational – is particularly relevant.

MAIN TYPES OK RISK

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between these instruments and the respective volatilities.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

INTERNAL ORGANISATION

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval of the principles and rules at the very highest level to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at Bank level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Bank, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Bank activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention and repression of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

RISK ASSESSMENT

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Bank have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Bank's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	2017	2016
Central Governments or Central Banks	5,047,298	4,284,363
Regional Governments or Local Authorities	655,673	663,346
Administrative and non-profit Organisations	169,848	370,189
Other Credit Institutions	3,898,664	3,145,466
Retail and Corporate customers	43,570,050	43,536,374
Other items (*)	16,290,455	18,972,579
	69,631,988	70,972,317

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

(*) In addition to positions in equity, collective investment and securitization, the Other items contain other assets subject to credit risk in accordance with article 134 of the CRR.

Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees, when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognized stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, it can be applied the substitution principle by replacing the Risk Grade of the client by the Risk Grade of the guarantor, (if the Risk of Grade Degree of the guarantor is better than the client's), when the protection is formalized through:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, there is a recovery agreement of the provider);
- Credit derivatives;
- Formalization of the clause of the contracting party in leasing contracts in which it is an entity that is in a relationship of dominion or group with the lessee.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Bank of Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following two methods:

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;
ii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance wit the established standards from ECB and Bank of Portugal.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews in accordance with the Regulation (EU) 575/2013, in the case of offices, commercial spaces, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer, preserving the referred i) above.

For the remaining real estate (lan or country side buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

As at 31 December 2017, the following table includes the fair value and the accounting net value of the properties arising from recovered loans, by asset and aging:

(Thousands of euros)

	2017	
	Assets arising from recovered loans results (note 25)	
Asset	**Value of the asset**	**Book value**
Land		
Urban	527,824	484,750
Rural	9,964	7,631
Buildings in development		
Commercials	5,246	4,640
Mortgage loans	40,963	37,473
Constructed buildings		
Commercials	345,152	306,000
Mortgage loans	589,527	528,474
Others	320	123
	1,518,996	1,369,091

As at 31 December 2017, the following tables include the fair value and the accounting net value of the properties arising from recovered loans, by asset and by antiquity:

(Thousands of euros)

	2017					
		Past due since the lieu / execution				
Asset	Number of properties (*)	<1 year	>=1 year and <2.5 years	>=2.5 years and <5 years	>=5 years	Total
Land						
Urban	1,749	44,164	312,587	79,834	48,165	484,750
Rural	211	2,019	3,132	929	1,551	7,631
Buildings in development						
Commercials	41	-	1,303	758	2,579	4,640
Mortgage loans	287	8,392	21,241	4,504	3,336	37,473
Constructed buildings						
Commercials	1,679	62,921	51,278	107,169	84,632	306,000
Mortgage loans	5,908	192,228	192,455	105,783	38,008	528,474
Others	5	14	9	100	-	123
	9,880	309,738	582,005	299,077	178,271	1,369,091

(*) quantified by autonomous fraction

As at 31 December 2016, the following tables include the fair value and the accounting net value of the properties arising from recovered loans, by asset and by antiquity:

(Thousands of euros)

	2016	
	Assets arising from recovered loans results (note 25)	
Asset	Value of the asset	Book value
Land		
Urban	577,207	504,867
Rural	15,417	11,974
Constructed buildings		
Commercials	218,852	189,304
Mortgage loans	650,202	559,334
Others	176,386	148,510
	1,638,064	1,413,989

As at 31 December 2016, the following tables include the fair value and the accounting net value of the properties arising from recovered loans, by asset and by antiquity:

(Thousands of euros)

	2016					
		Past due since the lieu / execution				
Asset	Number of properties (*)	<1 year	>=1 year and <2.5 years	>=2.5 years and <5 years	>=5 years	Total
Land						
Urban	1,776	194,207	203,366	58,786	48,508	504,867
Rural	181	7,196	1,527	906	2,345	11,974
Constructed buildings						
Commercials	1,450	29,943	62,221	71,954	25,186	189,304
Mortgage loans	5,925	302,622	151,819	69,720	35,173	559,334
Others	383	16,894	26,446	64,144	41,026	148,510
	9,715	550,862	445,379	265,510	152,238	1,413,989

(*) quantified by autonomous fraction

Market risk

For the monitoring and control of market risk existing in the different portfolios, the Bank uses an integrated risk measure that includes the main types of market risks identified by the Group: generic risk, specific risk, non linear risk and commodities risk.

The measure used in the evaluation of generic market risk is the VaR (Value at Risk). The VaR is calculated on the basis of the analysis approximation defined in the methodology developed by RiskMetrics. It is calculated considering a 10-working day time horizon and a unilateral statistical confidence interval of 99%. The estimation of the volatility associated to each risk factor in the model assumes an historical approach (equally weighted), with a one year observation period.

A specific risk evaluation model is also applied to securities (bonds, shares, certificates, etc) and associated derivatives, for which the performance is directly related to its value. With the necessary adjustments, this model follows regulatory standard methodology.

Complementary measures are also used for other types of risk: a risk measure that incorporates the non-linear risk of options not covered in the VaR model, with a confidence interval of 99%, and a standard measure for commodities risks.

These measures are included in the market risk indicator of market risk with the conservative assumption of perfect correlation between the various types of risk.

Capital at risk values are determined both on an individual basis - for each portfolio of the areas having responsibilities in risk taking and management – and in consolidated terms, taking into account the effects of diversification between the various portfolios.

To ensure that the VaR model adopted is adequate to evaluate the risks involved in the positions held, a back testing process has been established. This is carried out on a daily basis and it confronts the VaR indicators with the actual results.

The following table shows the main indicators for these measures, for the trading portfolio:

(Thousands of euros)

	2017	2016
Generic Risk (VaR)	2,543	3,877
Specific Risk	99	439
Non Linear Risk	7	8
Commodities Risk	6	16
Global Risk	2,655	4,340

The assessment of the interest rate risk originated by the banking portfolio's operations is performed by a risk sensitivity analysis process carried out every month for all operations included in the Bank's balance sheet.

This analysis considers the financial characteristics of the contracts available in information systems. Based on this data, a projection for expected cash flows is made, according to the repricing dates and any prepayment assumptions considered.

Aggregation of the expected cash flows for each time interval and for each of the currencies under analysis, allows to calculate the interest rate gap per repricing period.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables shows the expected impact on the banking books economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, on each of the main currencies:

(Thousands of euros)

	2017			
Currency	- 200 pb (*)	- 100 pb (*)	+ 100 pb	+ 200 pb
CHF	165	165	454	889
EUR	(103,147)	(102,624)	222,552	428,871
PLN	(3,248)	(2,008)	1,983	3,943
USD	(20,033)	(9,880)	9,457	18,477
	(126,263)	(114,347)	234,446	452,180

(Thousands of euros)

	2016			
Currency	- 200 pb (*)	- 100 pb (*)	+ 100 pb	+ 200 pb
CHF	168	168	328	642
EUR	12,984	19,704	68,427	133,741
PLN	(566)	(364)	360	716
USD	(21,312)	(12,006)	11,759	23,263
	(8,726)	7,502	80,874	158,362

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialisation model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are covered by market operations, taking into account the policy defined and the availability and conditions of the instruments. On an individual basis hedge accounting is made for hedge investments on investments os subsisiries, by applying Fair Value Hedge.

The Bank applies, to hedge the foreign exchange risk of the partial investment made in foreign currency in Bank Millennium (Poland), the fair value hedge accounting model.

The amount of the investment subject to hedging is PLN 2,570,017,000 (31 December 2016: PLN 2,285,125,000), with the equivalent amount of Euros 615,484,000 (31 December 2016: Euros 518,134,000), with the hedging instrument in the same amount.

No ineffectiveness has been recognised as a result of the hedging operations, as referred in the accounting policy 1 d).

Regarding equity risk, the Group maintains a series of equity positions of a small size and low risk in the investment portfolio, which are not held for trading purposes. The management of these positions is carried out by a specific area of the Group, with the respective risk being controlled on a daily basis, through the indicators and limits defined for market risks.

Liquidity risk

The assessment of the Bank's liquidity risk is carried out on a regular basis using indicators defined by the supervisory authorities and other internal metrics for which exposure limits are also defined.

The evolution of the Banks's liquidity situation for short-term time horizons (of up to 3 months) is reviewed daily on the basis of two indicators internally defined: immediate liquidity and quarterly liquidity. These indicators measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding, to the liquidity position of the day under analysis, the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the set of transactions brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, due to its dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered to be highly liquid is then added to the previously calculated amount, leading to the liquidity gap accumulated for each day of the period at stake.

In parallel, the evolution of the Bank's liquidity position is calculated on a regular basis, also identifying all the factors that justify the variations occurred. This analysis is submitted to the appreciation of the Capital and Assets and Liabilities Committee (CALCO), in order to enable the decision taking that leads to the maintenance of adequate financing conditions to business continuity.

In addition, the Risks Commission is responsible for controlling the liquidity risk. This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfill their obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

Considering the prudential criteria adopted by the Group for liquidity management, continued to receive particular attention, in addition to the reduction of market financing needs, particularly with the ECB, the active management of liquidity buffer provided by the portfolio of discountable assets at the ECB (or other Central Banks). In this line, the portfolio of discountable assets to the ECB finished the year of 2017 with a value of Euros 11,979,049,000, plus Euros 1,280,377,000 than 2016 figure, of which Euros 6,974,487,000 in the BCE policy monetary pool.

The eligible pool of assets for funding operations in the European Central Bank, net of haircuts, is detailed as follows:

(Thousands of euros)

	2017	2016
European Central Bank	6,974,487	7,621,792

As at 31 December 2017, the amount discounted in the European Central Bank amounts to Euros 4,000,000,000 (31 December 2016: Euros 4,100,000,000).

Liquidity coverage ratio

The Bank structurally improved its liquidity profile by recording a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 on 31 December 2017 of 97% and on 31 December 2016 this ratio was set at 102%.

The analysis of the balance sheet items by maturity dates is as follows:

(Thousands of euros)

	2017						
	At sight	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Assets							
Cash and deposits at Central Banks	1,291,663	-	-	-	-	-	1,291,663
Loans and advances to CI							
Repayable on demand	156,460	-	-	-	-	-	156,460
Other loans and advances	-	827,992	479	410,340	15,000	661	1,254,472
Loans and advances to customers	-	-	7,014,981	4,422,859	22,146,897	2,557,338	36,142,075
Financial assets (*)	-	117,402	1,109,956	1,999,447	3,634,874	744,278	7,605,957
Financial assets held to maturity	-	-	-	224,768	118,017	-	342,785
	1,448,123	945,394	8,125,416	7,057,414	25,914,788	3,302,277	46,793,412
Liabilities							
Resources from CI	-	1,335,169	325,156	4,784,375	1,380,351	-	7,825,051
Resources from costumers	16,661,108	7,323,921	9,585,853	1,452,345	14,200	-	35,037,427
Debt securities issued	-	104,637	213,859	1,288,926	765,890	-	2,373,312
Subordinated debt	-	-	94,359	524,904	298,583	86,928	1,004,774
	16,661,108	8,763,727	10,219,227	8,050,550	2,459,024	86,928	46,240,564

(*) Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale.

Operational Risk

The approach to operational risk management is based on the business process struture and an end-to-end processes structure, both for business and business support processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for the risks assessment and for strengthening the performance within the scope of their processes. Process Owners are responsible for the updating of all of the relevant documentation concerning the processes, for ensuring the effective adequacy of all of the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risks self-assessment exercises and for detecting improvement opportunities and implementing improvements, including mitigating measures for the most significant exposures.

Within the operational risk model implemented in the Bank, there is a systematic process of capturing data on operational losses that systematically characterizes the loss events in terms of their causes and effects. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

COVENANTS

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português and Banco de Investimento Imobiliário that are currently underway, there are no relevant covenants related to a possible downgrade of the Bank.

47. SOLVENCY

The Millenniumbcp's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV / CRR), and Banco de Portugal Notice No.6/2013.

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, hybrid instruments subscribed by the Portuguese State within the scope of the Bank's recapitalization process and not reimbursed, reserves and retained earnings and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach and goodwill and other intangible assets. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively.

Additional tier 1 comprises preference shares and hybrid instruments that are compliant with the issue conditions established in the Regulation and minority interests related to minimum additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to communitarian law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements will last until the end of 2017, with the exception of the deferred tax already recorded on the balance sheet of January 1, 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

According to the regulatory framework, financial institutions should report common equity tier 1, tier 1 and total capital ratios of at least 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer, but benefiting from a transitional period that will last until the end of 2018.

The Millenniumbcp has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio and its corporate portfolio. The Millenniumbcp has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and the standard method was used for the purposes of operating risk coverage.

The own funds and the capital requirements determined according to the methodologies CRD IV / CRR (phased-in) previously referred, are the following:

(Thousands of euros)

	2017	2016
Common equity tier 1 (CET1)		
Ordinary share capital	5,600,738	4,268,818
Share Premium	16,471	16,471
Other capital (State aid)	-	700,000
Reserves and retained earnings	309,136	163,334
Regulatory adjustments to CET1	(959,028)	(486,436)
	4,967,317	4,662,187
Tier 1		
Capital Instruments	1,461	1,753
Regulatory adjustments	(1,461)	(1,753)
	4,967,317	4,662,187
Tier 2		
Subordinated debt	584,186	397,833
Others	(115,769)	(80,640)
	468,417	317,193
Total own funds	5,435,734	4,979,380
RWA - Risk weighted assets		
Credit risk	29,533,569	29,761,348
Market risk	981,291	702,411
Operational risk	2,248,553	1,939,075
CVA	177,715	283,520
	32,941,128	32,686,354
Capital ratios		
CET1	15.1%	14.3%
Tier 1	15.1%	14.3%
Tier 2	1.4%	1.0%
Total	16.5%	15.2%

48. RECENTLY ISSUED ACCOUNTING STANDARDS

1- THE RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS THAT CAME INTO FORCE IN 2017 ARE AS FOLLOWS:

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union with mandatory application for the financial year of the Bank started on 1 January 2017:

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses

These amendments clarify the conditions for recognition and measurement of tax assets resulting from unrealized losses.

There were no significant effects on the Bank's financial statements as at 31 December 2017 resulting from the adoption of amendments to this standard.

Amendments to IAS 7 - Disclosures

These amendments introduce additional disclosures related to the cash flows from financing activities.

There were no significant effects on the Bank's financial statements as at 31 December 2017 resulting from the adoption of amendments to this standard.

2 - STANDARDS, INTERPRETATIONS, AMENDMENTS AND REVISIONS THAT WILL TAKE EFFECT IN FUTURE EXERCISES

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, were, as of the date of approval of these financial statements, endorsed by the European Union:

IFRS 9 - Financial instruments (Applicable in the European Union to annual periods beginning on or after 1 January 2018)

This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules.

IFRS 9 - Financial Instruments was endorsed by EU in November 2016 and come into force for periods beginning on or after 1 January 2018. IFRS 9 will replace IAS 39 - Financial Instruments: Recognition and Measurement and will provide new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements. For this reason it is a standard that has been subject to a detailed and complex implementation process that has involved all the key stakeholders in order to understand the impacts and the changes in processes, governance and business strategy that may involve.

The requirements provided by IFRS 9 are, in general, applied retrospectively by adjusting the opening balance at the date of initial application.

Banco Comercial Português ('Group') has been working on this process since 2016 and has launched in this context a project supervised by a Steering Committee involving members of the Executive Committee that is responsible for making key decisions regarding the requirements defined by IFRS 9 and by monitoring the status of the process, of analysing and implementing this new standard. The main departments involved in the project are Risk-Office, Planning, Treasury, Operations, Accounting Department, Credit Departments, Recovery Department and IT Department. The Independent validation unit and the Internal Audit division are also part of the project, namely in the component of its validation, currently ongoing.

Financial Instruments IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. IFRS 9 is effective for periods that begin on or after 1 January 2018, with early adoption permission and will replace IAS 39 Financial Instruments: Recognition and Measurement.

In October 2017, the IASB issued the document "Prepayment features with negative compensation "(amendments to IFRS 9). The changes are effective for annual periods beginning on January 1, 2019, with early adoption allowed.

The Bank will apply IFRS 9 as issued in July 2014 and adopt in advance the changes meanwhile made to IFRS 9 in the period beginning on 1 January 2018. According to preliminary assessments made based on the information available on this date, the estimated preliminary impact (before taxes) of the adoption of IFRS 9 in the Bank's equity with reference to 1 January 2018 is approximately Euros 166,927,000, representing:

- reduction of approximately Euros 159,014,000 related to impairment requirements; and
- reduction of approximately Euro 7,913,000 related to changes in classification and measurement, which are not related to impairment.

This assessment, although preliminary, since the transition process to IFRS 9 is not yet finalized, is the best expectation of the impact of adopting the standard on this date. The current impact of the adoption of IFRS 9 on 1 January 2018 may be subject to changes, as:

- IFRS 9 requires the Bank to review its accounting procedures and internal control mechanisms, which is not yet finalized;
- although the Bank has made a parallel in the second semester of 2017, changes in IT systems and associated controls have not yet reached an advanced stage of maturity;
- the Bank did not finalize the validation of existing controls in its IT system or complete the changes in its governance structure;
- the Bank is refining and finalizing the Expected Credit Loss (ECL) calculation models;
- the policies, assumptions, decisions and calculation methods are subject to change until the publication of the audited financial statements for the year 2018; and
- there is currently a legal vacuum regarding the tax treatment of the transition adjustment to IFRS9.

I. Classification of financial instruments

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model used in asset management, as well as the characteristics of the respective contractual cash flows.

IFRS 9 includes three main categories of classification for financial assets: assets measured at amortized cost, assets measured at fair value through Other comprehensive income (FVOCI) and assets measured at fair value through profit or loss (FVTPL). Consequently, the folowing categories of IAS 39 Held to Maturity, Loans and Receivables, Available for Sale and Held for trading" are eliminated.

A financial asset is measured at amortized cost if it meets at the same time with the following characteristics and if it is not assigned to the FVTPL by option (use of Fair Value Option):

- the financial asset is held in a business model whose main objective is the holding of assets to collect their contractual cash flows (HTC - Held to collect); and
- their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the SPPI (Solely Payments of Principal and Interest).

A financial asset is measured at the FVOCI if it simultaneously meets the following characteristics and is not assigned at FVTPL by option (use of Fair Value Option):

- the financial asset is held in a business model which the purpose is to collect its contractual cash flows and the sale of this financial asset (Held to collect and Sell); and
- contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

In the initial recognition of an equity instrument that is not held for trading, the Bank may irrevocably designate it at FVOCI. This designation is made on a case-by-case basis, investment by investment. This option is available for financial instruments that comply with the definition of capital provided for in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument, within the scope of the issuer is made under the exceptions provided for in paragraphs 16A and 16D of IAS 32.

All financial assets that are not measured, according to the criteria described above, at amortized cost or at FVOCI, are measured at FVTPL. In addition, at initial recognition, the Bank may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, such as FVTPL, if the designation eliminates significantly the accounting mismatch that would otherwise exist (Fair value option).

A financial asset is classified in one of these categories on initial recognition. See point (VIII) below, alluding to the transition requirements related to the classification of financial assets.

Under IFRS 9, embedded derivatives in financial assets are not separated for classification purposes, so a hybrid instrument is evaluated as a whole.

Business Model Evaluation

With reference to 1 January 2018, the Bank carried out an evaluation of the business model in which the financial instrument is held at the portfolio level, since this approach reflects the best way in which assets are managed and how that information is available to the management. The information considered in this evaluation included:

- the policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or in the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
-the evaluation of the risks that affect the performance of the business model (and of the financial assets held under this business model) and the way these risks are managed;
- the remuneration of business managers – e.g. in which way the compensation depends on the fair value of the assets under management or contractual cash flows received; and
- the frequency, volume and frequency of sales in previous periods, the reasons for those sales and the expectations about future sales. However, sales information should not be considered in isolation but as part of an overall assessment of how the Bank establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value through option (Fair Value Option) will be measured at FVTPL because they are not held either for the collection of contractual cash flows (HTC) or for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond only to the receipt of capital and interest (SPPI)

For the purposes of this assessment, "capital" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the counterparty for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g. liquidity risk and administrative costs), and as a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Bank considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfill the SPPI condition. In the evaluation process, the Bank considered that:

- contingent events that may change the periodicity of the cash flows;
- characteristics that result in leverage;
- prepayment and extension of maturity clauses;
- clauses that may limit the right of the Bank to claim cash flows in relation to specific assets (e.g. contracts with – clauses which prevent access to assets in case of default - non-recourse asset); and
- characteristics that may change the time value of money.

A contract with the possibility of early payment is consistent with the SPPI criterion, if the amount of prepayment represent the unpaid amounts of principal and interest on the amount of principal outstanding (accrual), and may also include reasonable compensation for anticipatory payment (i.e. administrative cost or servicing fee incurred by early termination of the contract).

In addition, an advance payment is consistent with the SPPI criterion if (i) the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value, (ii) the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest , but not paid (may include reasonable compensation for prepayment); and (iii) the prepaid fair value is insignificant at initial recognition.

Impact assessment

The standard will have an impact at the level of the classification of the financial assets held as at1 January 2018, as follows:

- Held for Trading and Derivatives held for risk management, which are classified as "Held-for-Trading" and measured at FVTPL under IAS 39, will be measured at FVTPL under IFRS 9;
- Loans and advances to customers and to Financial Institutions measured at amortized cost under IAS 39 will be generally measured at amortized cost under IFRS 9;
- Investments in held-to-maturity securities, measured at amortized cost under IAS 39, will also be measured, generally, at amortized cost under IFRS 9;
- Investments in debt securities that are classified as available for sale under IAS 39 may, under IFRS 9, be measured at amortized cost, FVOCI or FVTPL, depending on certain circumstances;
- Loans to customers and investment securities that are measured at fair value option under IAS 39 will be measured at FVTPL under IFRS 9;
- Most of the equity instruments that are classified as available for sale under IAS 39 will be measured at FVTPL under IFRS 9. However, some of these equity instruments are held under a long-term strategic investment and will be designated at FVOCI, on 1 January 2018.

Based on this analysis and in the strategy defined, no material changes are estimated at the level of the measurement associated with financial assets of the Bank (financial assets measured at amortized cost versus financial assets measured at fair value) with the impact on the transition to IFRS 9.

II. Impairment - Financial Assets, Commitments and Financial Guarantees

IFRS 9 replaces the "loss incurred" model in IAS 39 by a forward-looking model of "expected credit losses (ECL)", which considers expected losses over the life of financial instruments. Thus, in the determination of ECL, macroeconomic factors are considered as well as other forward looking information, whose changes impact expected losses.

The new impairment model is applicable to the following set of Bank's instruments, which are not at FVTPL:
- financial assets classified as debt instruments;
- commitments and financial guarantees granted (for which impairment was calculated in accordance with IAS 37 - Provisions, Liabilities and Contingent Assets).

Financial instruments subject to impairment will be divided into three stages based on its level of credit risk as follow:

- Stage 1: without significant increase in credit risk from the moment of initial recognition. In this case, impairment will reflect expected credit losses arising from defaults over the 12 months from the reporting date.

- Stage 2: instruments in which it is considered that a significant increase in credit risk since initial recognition but for which there is still no objective evidence of impairment and interests are recognised. In this case, the impairment will reflect the expected losses from defaults over the residual life period of the financial instrument.

- Stage 3: instruments for which there is objective evidence of impairment in sequence of events that result in a loss and interests are recognised. In this case, the impairment value will reflect the expected losses for credit risk over the expected residual life of the instrument.

The impairment requirements of IFRS 9 are complex and require Management decisions, estimates and assumptions, particularly in following areas:

- evaluation of the existence of a significant risk increase from the moment of initial recognition (SICR); and
- incorporation of forward-looking information into the ECL calculation.

Under the scope of IFRS 9, impairment is not recognised in equity instruments registered at FVOCI, and the respective gains/losses accumulated in the fair value reserve transferred to retained earnings on the disposal moment.

ECL calculation

ECLs are weighted estimates of credit losses that will be determined as follows:

- Financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Bank expects to receive;
- Financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- Unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the Bank expects to receive;
- Financial guarantees: the present value of expected repayments, less the amounts that the Group expects to recover.

IFRS 9 defines financial assets with impairment signals similar to impaired financial assets in accordance with IAS 39.

Definition of defaults

Under IFRS 9, the Bank will consider its financial assets to be in default by applying the same definition that is applied for regulatory purposes.

A credit, including capital, interest and expense components, are considered in default when there is a non-compliance of a contractual credit obligation or if an authorized limit has been exceeded and previously communicated to the customer's settlement.

Significant increase in credit risk (SICR)

Under IFRS 9, in order to determine whether there has been a significant increase in credit risk (i.e. default risk) since the initial recognition of the financial instrument, the Bank will consider relevant information that is available with no costs and/or excessive effort, including both quantitative and qualitative information as well as an analysis based on Bank history, expert judgment and forward-looking.

Under the scope of IFRS 9, the identification of a significant increase in credit risk should be performed by comparing:

- the PD lifetime remaining at the date of the reporting date.
- PD lifetime remaining at the reporting date that would have been estimated at the initial time of exposure recognition.

The Bank will monitor the effectiveness of the criteria used to identify the significant increase in credit risk.

Credit risk degrees

According to the current management of the Bank's credit risk, each costumer, and consequently its exposures, is allocated a degree of risk from its master scale (see note 46).

The Bank will use these risk grades as a key factor in identifying the significant increase in credit risk under IFRS 9.

Inputs of the ECL

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters will be obtained through internal statistical models, and other relevant historical data, taking into account existing regulatory models and adjusted to reflect information forward-looking information.

PDs are estimated based on a certain historical period, and will be calculated based on statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also vary. The PDs will be calculated considering the contractual maturities of exposures.

The risk degrees will be a highly relevant input for determining the PDs associated with each exposure. The Bank will collect performance and default indicators on its credit risk exposures with analyses by type of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The Bank estimates the LGD parameters based on the historical recovery rates after entry into counterparty defaults. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The Bank obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Bank will calculate the ECL value considering the risk of default during the contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Bank has the right to require payment or end the commitment or guarantee.

Forward-looking information

Under IFRS 9, the Bank will incorporate forward-looking information both in its assessment of the significant risk increase and in the measurement of the ECL. The Bank projected the future evolution of the relevant macroeconomic variables based on the assessment of internal experts and other external data.

III. Classification - Financial Liabilities

IFRS 9 generally maintains the requirements in IAS 39 regarding the classification of Financial Liabilities. However, under IAS 39 all fair value changes of financial liabilities designated to FVTPL (Fair Value Option) are recognized in the income statement, while under IFRS 9 these fair value changes will be presented as follows:

- the amount related to the variation in the fair value attributable to changes in the credit risk of the liability will be presented in OCI; and
- the remaining value of the change in fair value will be presented in profit or loss.

The Bank has adopted the Fair Value Option for some of its own issues which contain embedded derivatives or associated hedging derivatives, or when this designation eliminates or significantly reduces the accounting mismatch of operations. The fair value variations attributable to changes in the credit risk of these liabilities were recognised in profit or loss in 2017 under IAS 39. In adopting IFRS 9, these changes in fair value will be recognised in OCI and the amount recognised in OCI in each year will be variable. The accumulated amount recognised in OCI will be null if these liabilities are repaid at maturity.

IV. Derecognition and modification of contracts

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and liabilities without significant changes.

The Bank estimates an immaterial impact arising from the adoption of these new requirements.

V. Hedge accounting

The Bank does not estimate any significant impacts on the transition related to the application of hedge accounting.

Vi. Disclosures

IFRS 9 will require an extensive set of new disclosures, particularly with respect to hedge accounting, credit risk and ECLs that will be presented with the financial statements for the year 2018.

VII. Estimated impact on capital ratio

The Bank of Portugal issued guidelines on the transition requirements under the scope of the implementation of IFRS 9. These guidelines allow choosing between two approaches for the recognition of the impact of the adoption of the standard in the regulatory capital:

i) Transition period of the total impact over a 5-year period, based on the following percentages for some components: 5% in 2018, 15% in 2019, 30% in 2020, 50% in 2021 and 75% in 2022;
ii) Recognition of the full impact on the date of adoption.

The Bank decided to adopt the first approach so that the impact of the adoption of IFRS 9 on the Bank's regulatory capital will be phased in accordance with the provisions listed above, in particular regarding the impact arising from the application of the new impairment requirements.

The full recognition of the preliminary impact of IFRS 9 in the Bank would lead to a decrease in the CET1 ratio as at 31 December 2017 from -36 basis points, including a negative change of Euros 130 million in CET1.

The adoption of the transition period results in a decrease in the CET1 ratio by 28 basis points on 31 December 2017, corresponding to a CET1 decrease of Euros 99 million.

VIII. Transition

Changes in accounting policies resulting from the application of IFRS 9 will generally be applied retrospectively, with the exception of the following:

- The Bank will apply the exception that allows the non-restatement of prior period comparative information regarding classification and measurement changes (including impairment). Differences in the balance sheet values of financial assets and liabilities resulting from the adoption of IFRS 9 will be recognised in Reserves and retained earnings, as at 31 January 2018.

- The following assessment was made based on the facts and circumstances that existed at the time of the initial application:

a) the determination of the business model in which the financial asset is held;
b) the designation and revocation of prior designations of certain financial assets and liabilities designated at FVTPL;
c) the designation of certain equity instruments that are not held for trading as FVOCI; and
d) for financial liabilities designated at FVTPL (Fair Value Option), to assess whether the presentation of the effects in the credit risk variations of the financial liabilities in OCI would create or increase an accounting mismatch in profit or loss.

If a debt security has low credit risk as at 1 January 2018, the Bank will determine whether the credit risk of the asset has not increased significantly from the initial recognition.

IFRS 15 - Revenue from contracts with customers (Applicable in the European Union to annual periods beginning on or after 1 January 2018)

This standard introduces a principles-based revenue recognition framework based on a model to be applied to all contracts entered into with clients, replacing IAS 18 - Revenue, IAS 11 - Construction contracts; IFRIC 13 - Loyalty programs; IFRIC 15 - Agreements for the construction of real estate; IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter transactions involving advertising services.

The Bank does not anticipate material impact on the application of this change in its financial statements.

IFRS 16 - Locations (Applicable in the European Union to annual periods beginning on or after 1 January 2019)

This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. The standard defines a single accounting model for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except for leases with a period of less than 12 months or for leases that relate to assets of value reduced. Lessors will continue to classify leases between operational or financial, and IFRS 16 will not entail substantial changes to such entities as defined in IAS 17.

The Bank does not anticipate any impact on the application of this change in its financial statements.

Amendments to IFRS 15 - Revenue from contracts with customers (Applicable in the European Union to annual periods beginning on or after 1 January 2018)

These amendments introduce a number of clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.

Amendment to IFRS 4: Application of IFRS 9, Financial instruments, with IFRS 4, Insurance contracts (Applicable in the European Union for years beginning on or after 1 January 2018)

This amendment provides guidance on the application of IFRS 4 in conjunction with IFRS 9. IFRS 4 will be replaced with the entry into force of IFRS 17.

These standards, although endorsed by the European Union, were not adopted by the Bank in 2017, as their application is not yet mandatory.

3 - STANDARDS, INTERPRETATIONS, AMENDMENTS AND REVISIONS NOT YET ADOPTED BY THE EUROPEAN UNION

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements:

IFRS 17 - Insurance Contracts (Applicable in the European Union for years beginning on or after 1 January 2021)

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces the IFRS 4 - Insurance Contracts.

Amendments to IFRS 2 - Share-based payments (Applicable in the European Union for years beginning on or after 1 January 2018)

These amendments introduce various clarifications in the standard related to: (i) recording cash-settled share-based payment transactions; (Ii) recording changes in share-based payment transactions (from cash settled to settled with equity instruments); (Iii) the classification of transactions with cleared securities.

Amendments to IAS 40 - Transfers of investment property (Applicable in the European Union for years beginning on or after 1 January 2018)

These amendments clarify that a change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset.

Improvements to international financial reporting standards (cycle 2014-2016) - (Applicable in the European Union for years beginning on or after 1 January 2018 with the exception of amendments to IFRS 12, whose application date is 1 January 2017)

These improvements involve the clarification of some aspects related to: IFRS 1 - First-time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 - Disclosure of interests in other entities: clarifies the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 - Investments in associates and joint ventures: introduces clarifications on the fair value measurement by results of investments in associates or joint ventures held by venture capital companies or by investment funds.

Improvements to international financial reporting standards (cycle 2015-2017) - (Applicable in the European Union for years beginning on or after 1 January 2019)

These improvements involve the clarification of some aspects related to: IFRS 3 - Concentration of business activities: it requires re-measurement of interests previously held when an entity obtains control over a subsidiary that previously had joint control; IFRS 11 - Joint ventures: clarifies that there should be no remeasurement of interests previously held when an entity obtains joint control over a joint transaction; IAS 12 - Income Tax: clarifies that all tax consequences of dividends should be recorded in profit or loss, regardless of how the tax arises; IAS 23 - Borrowing costs: clarifies that the part of the loan directly related to the acquisition / construction of an asset, outstanding after the corresponding asset has been ready for the intended use, is, for the purpose of determining the capitalization rate, considered an integral part of the entity's general financing.

Amendment to IFRS 9: Prepayment features with negative clearing (Applicable in the European Union for years beginning on or after 1 January 2019)

This amendment allows financial assets with contractual conditions which, in their early amortization, allow the payment of a considerable amount by the creditor, can be measured at amortized cost or at fair value for reserves (depending on the business model), since that: (i) on the date of the initial recognition of the asset, the fair value of the early amortization component is insignificant; and (ii) the possibility of negative compensation in the early amortization is the only reason for the asset in question not to be considered as an instrument that only includes payments of principal and interest.

Amendment to IAS 28: Long-term investments in associates and joint arrangements (Applicable in the European Union for years beginning on or after 1 January 2019)

This amendment clarifies that IFRS 9 should be applied (including related impairment requirements) to investments in associates and joint arrangements when the equity method is not applied in their measurement.

IFRIC 22 - Foreign currency transactions and down payments (Applicable in the European Union for years beginning on or after 1 January 2019)

This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue.

IFRIC 23 - Uncertainties in the treatment of income tax (Applicable in the European Union for years beginning on or after 1 January 2019)

This interpretation provides guidance on the determination of taxable income, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the treatment of income tax.

These standards have not yet been endorsed by the European Union and as such were not applied by the Bank (Company) in the year ended 31 December 2017.

With respect to these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, it is not estimated that their adoption will result in significant impacts on the accompanying financial statements.

49. CONTINGENCIES AND COMMITMENTS

In accordance with accounting policy 1 (y), the main contingent liabilities and other commitments under IAS 37 are as follows:

1. In 2012, the Portuguese Competition Authority initiated an administrative proceeding relating to competition restrictive practices. During the investigations, on 6 March 2013, several searches were conducted to the Bank's premises, as well as to at least 8 other credit institutions, where documentation was seized in order to check for signs of privileged commercial information in the Portuguese banking market.

The Portuguese Competition Authority has declared that the administrative proceedings are to stay under judicial secrecy, once it considered that the interests dealt with in the investigation, as well as the parties' rights, would not be compatible with the publicity of the process.

The Bank received on 2 June 2015, the notice of an illicit act issued by the Competition Authority relating to the administrative offence proceedings nr. 2012/9, and was charged of taking part in the exchange of information amongst Banks of the system relating to pricing already approved and mortgage and consumption loan operations already approved or granted. Concerning the charges brought forward, the Bank will present its reply to the notice and afterwards, if need be, will present its legal objections. We must point out that a notice of an illicit act does not imply the making of a final decision concerning the proceedings. If the Competition Authority were to issue a conviction, the Bank could be sentenced to pay a fine within the limits set forth by the law, which foresees a maximum amount equivalent to 10% of the consolidated annual turnover registered in the year prior to the making of the decision. Notwithstanding, such a decision may be contested in court. The proceedings were suspended by the Competition Authority until the legal decision of the various pending interlocutory appeals.

In October 2016, the Lisbon Court of Appeal overruled the decision of the Competition, Regulation and Supervision Court which had decided for the proceedings to be suspended. The Bank appealed to the Constitutional Court on this sentence. The Constitutional Court denied the appeal and the decision became final.

On 4 July 2017, the Competition Authority notified the Bank on the decision regarding the withdrawal of the suspension concerning the access to documents deemed as confidential and of the extension of the term for the making of a decision on the illicit act for more 40 days. The Bank has already present its reply.

2. On 20 October 2014, Bank Millennium Poland was notified of a class action against the Bank that aims to assess the "illicit" gains of the Bank taking into account certain clauses in mortgage loan agreements indexed in CHF. On 28 May 2015, the Regional Court of Warsaw dismissed the proceedings. On 3 July 2015 the Claimant filed an appeal against this decision, and the Court of Appeal upheld the appeal by refusing the dismissal of the claim. On 31 March 2016 the Regional Court in Warsaw issued a decision dismissing Bank´s motion for a security deposit to secure litigation costs. Bank Millennium filed an appeal on this decision on 6 April 2016, which was denied by the Court of Appeal on 13 July 2016.

On 17 February 2016 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by a further 1,041 group members. The Bank has not yet been notified of this submission. On 2 August 2016 the Regional Court in Warsaw issued a decision ordering the publication of an announcement in the press concerning the commencement of group action proceedings.

Following the Bank's motion to repeal this decision, the Court suspended its execution, but, on 8 August 2016, it issued another decision for the case to be heard in group action proceedings. On 31 August 2016 the Bank appealed against this decision. On 16 December 2016 the Court of Appeal in Warsaw overruled decision of the Regional Court for the case to be heard in group action proceedings and referred the request for the case to be heard in group action proceedings to the Regional Court for re-examination. At a hearing on 15 March 2017 the Regional Court issued decision for the case to be heard in group action proceedings. On 18 April 2017 the Bank filed an appeal against the above decision; currently the date of reviewing the case by the the Court of Appeal in Warsaw has not been scheduled yet. On 30 June 2017 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by further 676 group members. The new value of the subject matter of the dispute was indicated as approx. PLN 132.7 million (Euros 31.8 million, including the values provided in the statement of claim and the previous submissions concerning extension of the claim dated 4 March 2015 and 17 February 2016). On 28 September 2017 the Court of Appeal in Warsaw issued a decision dismissing the Bank's appeal against the decision the Regional Court in Warsaw dated 15 March 2017; thus, the decision for the case to be heard in group action proceedings became final. . On 20 November 2017, the District Court in Warsaw ordered the publication in the newspaper "Rzeczpospolita" that group proceedings had been initiated. The announcement has not been published yet.

On 3 December 2015 the Bank received notice of a class action lawsuit lodged by a group of 454 borrowers represented by the Municipal Consumer Ombudsman in Olsztyn pertaining to low down payment insurance used with CHF - indexed mortgage loans. The plaintiffs demand the payment of the amount of PLN 3.5 million (Euros 0.84 million) claiming for some clauses of the agreements pertaining to low down payment insurance to be declared null and void. On 3 March 2016 the Bank filed the response to the lawsuit demanding its dismissal. The first court hearing took place on 13 September 2016 and the court issued the decision on the admissibility of the class action in this case. On 16 February 2017, the Court of Appeal denied the appeal brought forward by the Bank and the previous sentence became definitive. On 30 March 2017 the Regional Court in Warsaw dismissed Bank's motion to oblige the plaintiff to provide security for costs of proceedings. On 10 April 2017 Bank filed a complaint to the Court of Appeal in Warsaw against the decision dismissing the motion to provide security. The decision is final. On 28 December 2017, pursuant to the decision from 10 October 2017, the Regional Court in Warsaw announced the initiation of group proceedings in the newspaper "Rzeczpospolita", thus setting a period of three months for submitting by interested parties the statements on joining the group.

3. On 28 December 2015 and 5 April 2016, Bank Millennium was notified of two cases filed by clients (PCZ SA and Europejska Fundacja Współpracy Polsko - Belgijskiej / European Foundation for Polish-Belgian Cooperation (EFWP-B)), in the amount of PLN 150 million (Euros 35.9 million) and of PLN 521.9 million (Euros 125 million) respectively. The authors allege in their petitions that Bank Millennium misrepresented certain contractual clauses, which determined the maturity of the credits, causing losses to the Authors. A decision of the Warsaw Regional Court is awaited. As regards the case brought by PCZ, the Wrocław Regional Court (first instance) on 7 April 2017 issued a verdict favourable to Bank Millennium by rejecting the case.

4. On 21 March 2017, a lawsuit was filed against the subsidiary Bank Millennium by a client in which the amount of PLN 200 million (Euros 47.9 million) was claimed for the payment of damages and compensation following the blocking of accounts in the context of insolvency proceedings. The process is currently at an early stage of assessment. In the Bank's opinion, the probability of the customer winning the process is marginal.

5. On January 3 2018, Bank Millennium received decision of the President of the Office of Competition and Consumer Protection (UOKIK), in which the President of UOKIK found infringement by the Bank of the rights of consumers. In the opinion of the President of UOKiK the essence of the violation is that the Bank informed consumers (it regards 78 agreements) in responses to their complaints, that the court verdict stating the abusiveness of the provisions of the loan agreement regarding exchange rates do not apply to them. According to the position of the President of UOKiK the abusiveness of contract's clauses determined by the court in the course of abstract control is constitutive and effective for every contracts from the beginning. As a result of the decision, the Bank was obliged to:

1) send information on the UOKiK decision to the said 78 clients;
2) place the information on decision and the decision itself on the website and on twitter;
3) to pay a fine 20.7 mln PLN (Euros 5 million). The decision on the fine is not immediately enforceable.

The decision of the President of UOKIK is not final. The Bank does not agree with this Decision and lodged an appeal within the statutory time limit.

6. On 19 January 2018 the Bank has received the lawsuit petition of First Data Polska SA requesting the payment of PLN 186.8 million (Euros 45 million). First Data claims a share in an amount which the Bank has received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its request on an agreement with the Bank on cooperation in scope of acceptance and settlement of operations conducted with the usage of Visa cards. The Bank does not accept the claim and shall file the response to the lawsuit petition within the deadline set forth in the law.

7. On 2 August 2016 the President's Bill on support for FX mortgage borrowers was submitted to the Parliament. The proposed law is to apply to FX (all currencies) loan agreements signed from 1 July 2000 to 26 August 2011 (when the "Anti-spread Act" came into force). This Bill concerns the return of part of FX spreads applied by banks.

On 2 August 2017 a new Presidential Bill appeared in Parliament regarding changes in the Act on Support for Distressed Borrowers who Took Residential Loans. On 13 October 2017 the first reading of the Bill took place in the Sejm and it was sent to a Parliamentary Committee. The Bill assumes a modification of the existing Borrowers' Support Fund by separating-out two Funds: Supporting Fund and Restructuring Fund. As regards the Supporting Fund, the Bill aims to increase availability of money from the fund by means of: relaxing criteria, which must be satisfied by a borrower applying for support; increasing the maximum amount of support; extending the period, for which the support is granted; forgiving part of the support granted conditional on punctual repayment to the fund. The Restructuring Fund is to be used for currency conversion of FX mortgages to PLN. The Bill contains very general regulations and does not specify criteria of eligibility for such currency conversion and its rules.

Quarterly payments to the Restructuring Fund made by lenders are not to exceed the equivalent of the FX mortgage portfolio and the rate of 0.5%. The maximum costs for the entire sector, estimated by KNF, are up to PLN 2.8 billion (Euros 671million) in the first year of operation of the Restructuring Fund. According to the Bill, KNF may issue a recommendation to lenders specifying the principles of voluntary conversion of receivables for restructuring with consideration of stability of the financial system and effective use of money in the Restructuring Fund.

Including the two above Bills, so far four draft Acts have been submitted to Parliament and in consequence it is not possible to estimate the impact of the proposed legislation on the banking sector and the Bank. However, if any of the Bills is adopted and begins to bind banks, this may lead to significant reduction of the Bank's profitability and its capital position.

8. On 1 October 2015, a set of entities connected to a group with past due loans to the Bank worth Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against the Bank, after receiving the Bank's notice for mandatory payment, a lawsuit aiming to:

a) deny the obligation to settle those debts to the Bank, arguing that the respective agreement is null, but without the corresponding obligation of returning the amounts already paid;
b) have the Bank sentenced to pay amounts of around Euros 90 million and Euros 34 million for other debts owed by those entities to other banking institutions, as well as other amounts, totalling around Euros 26 million, supposedly already paid by the debtors within the scope of the loan agreements;
c) have the Bank be given ownership of the object of the pledges associated to the aforementioned loan agreements, around 340 million shares of the Bank, allegedly purchased on behalf of the Bank, at its request and in its interest.

The Bank presented its defence and counterclaim, demanding the payment of the debt. The Plaintiffs submitted their defence against the counterclaim and the Bank answered in July 2016. The proceedings are waiting for the schedule of a prior hearing or the issue of a conclusive opening order.

9. RESOLUTION FUND

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, the Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the article 145 C (1.b) of the Legal Framework for Credit Institutions and Financial Companies (RGICSF), namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by the Bank of Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming the sole shareholder.

Within this context, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, the Bank of Portugal transferred to the Resolution Fund the liabilities emerging from the “eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies”.

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to take, following the publication of the report on the result of the independent evaluation, in order to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

Moreover, following this process, a significant number of lawsuits against the Resolution Fund was filed and is underway.

On 20 February 2017, the Bank of Portugal communicated that it decided to select the potential investor Lone Star to be part of an exclusive definitive negotiation stage for the conditions under which the sale of the investment that the Resolution Fund held in Novo Banco, S.A. could be carried out.

On 31 March 2017, the Bank of Portugal made a communication about the sale of Novo Banco, where it states the following: "The Bank of Portugal selected today the company Lone Star to conclude the sale of Novo Banco. The sale agreement documentation has already been signed by the Resolution Fund. In accordance with the sale agreement, Lone Star will make capital injections into Novo Banco totalling Euros 1,000 million, of which Euros 750 million at the moment the operation is completed and Euros 250 million during the following 3 years. Through this capital injection, the company Lone Star will become the owner of 75% of Novo Banco share capital and the Resolution Fund will own the remaining 25%.

The conditions agreed also include the existence of a contingent capitalization mechanism, according to which the Resolution Fund, as shareholder, commits to carry out capital injections if certain cumulative conditions materialize, related with: i) the performance of a defined group of assets of Novo Banco and ii) the evolution of the bank's capitalization levels.

The eventual capital injections to be made in accordance with this contingent mechanism benefit from a capital buffer resulting from the capital injection to be made, in accordance with the terms and conditions of the operation, and are subject to an absolute maximum threshold.

The conditions agreed also foresee mechanisms to safeguard the interests of the Resolution Fund, the alignment of incentives and supervision, despite the limitations resulting from the application of State supporting rules."

On 7 July 2017, the European Commission declared its non-opposition to this sale operation.

On 18 October 2017, following the resolution of the Council of Ministers No. 151-A/2017,of 2 October 2017, the Bank of Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. With this operation, the condition of Novo Banco as a transition bank ceased, fully complying with the purposes of the resolution of Banco Espírito Santo.

On February 2018, the European Commission disclosed the public version on the "Decision not to raise objections" to the state aid in the case of the Resolution of BES. It identifies three support measures of the Resolution Fund and the Portuguese State included in the sale agreement, associated to a loan portfolio of Euros [10-20] billion [*] (GBV) with a uncertain degree of adequacy of the loan coverage (**):

i) Contingent capital mechanism, in which Lone Star has the right to claim from the Resolution Fund the costs of funding, losses and provisioning with the assets belonging to this portfolio, up to a maximum amount of Euro 3.89 billion, subject to the fulfilment of a number of conditions, including a reduction in the capital ratio CET1 to below (8% -13%) (*) (**);

ii) Underwriting by Resolution Fund of the Tier 2 security to be issued by the Novo Banco, up to the amount of Euros 400 million, to the extent necessary, that if executed will be deducted to the amounts relating to the contingent capital mechanism, thus limiting the exposure of the Resolution Fund to the Novo Banco to Euros 3,89 billion (**);

iii) The Portuguese State may inject capital into Novo Banco, under certain conditions and through different instruments, in the event that the total capital ratio reaches values lower than the capital requirements defined under the scope of the Supervisory Review and Evaluation Process ("SREP") (**).

(*) Exact value not disclosed by the European Commission for reasons of confidentiality.
(**) As referred to in the European Commission Decision

On 28 March 2018, the Resolution Fund announced that, following the disclosure of Novo Banco 2017 results, the contingent capitalization mechanism provided in Novo Banco's sale agreement reached Euros 792 million, falling within the obligations of the Resolution Fund. The payment by the Resolution Fund shall be made after the legal certification of Novo Banco accounts and following a verification procedure, to be carried out by an independent entity. To this end, the Resolution Fund will use, in the first place, the available financial resources from banking contributions (direct and indirect). These will be complemented by a State loan, under the terms agreed on October 2017. At this date, the amount of the loan is estimated not to exceed Euros 450 million.

Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of the Bank of Portugal announced that Banif was "at risk of insolvency or insolvent" and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee, for which the Oitante has already made a partial early repayment in the amount of Euros 90 million.

The operation also involved state aid, of which Euros 489 million were provided by the Resolution Fund. The Euros 489 million taken by the Resolution Fund were funded through a loan granted by the State.

In a statement of 21 July 2016, the Resolution Fund announced it had proceeded to the early partial repayment, amounting to Euros 136 million, of the loan obtained from the State in December 2015 to finance the resolution measures applied to Banif. This amount corresponds to the income of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism that was not transferred to the Single Resolution Fund. This amount will be paid to the Single Resolution Fund by credit institutions that are covered by this scheme over a period of 8 years, starting in 2016.

Liabilities and Financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif and after the agreement of sale of Novo Banco to Lone Star, the Resolution hold, as at 31 December 2017, all the share capital of Oitante, and 25% of the capital of Novo Banco but without the corresponding voting rights.

Under the scope of these measures, the Resolution Fund borrowed loans and assumed other responsibilities and contingent liabilities resulting from:

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;
- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A., which must be neutralized by the Resolution Fund;
- Legal proceedings filed against the Resolution Fund;
- Guarantee granted to the bonds issued by Oitante S.A. totalling Euros 746 million, of which Oitante, S.A. made an early repayment of Euros 90 million. This guarantee is counter-guaranteed by the Portuguese State;
- Contingent capital mechanism, in which Lone Star has the right to claim from the Resolution Fund the costs of funding, losses and provisioning with the assets belonging to this portfolio, up to a maximum amount of Euros 3.89 billion, subject to the fulfilment of a number of conditions, including a reduction in the capital ratio CET1 to below (8% -13%) (*) (**);
- Underwriting by Resolution Fund of the Tier 2 security to be issued by the Novo Banco, up to the amount of Euros 400 million, to the extent necessary, that if executed will be deducted to the amounts relating to the contingent capital mechanism, thus limiting the exposure of the Resolution Fund to the Novo Banco to Euros 3,89 billion (**);
- The Portuguese State may inject capital into Novo Banco, under certain conditions and through different instruments, in the event that the total capital ratio reaches values lower than the capital requirements defined under the scope of the Supervisory Review and Evaluation Process ("SREP") (**).

(*) Exact value not disclosed by the European Commission for reasons of confidentiality.
(**) As referred to in the respective European Commission Decision.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement on the basis of a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required to the banking sector at current levels.

According to the communication of the Resolution Fund of 21 March 2017:

- The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed". These loans in the amount of Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euro 700 million were granted by a group of banks";
- "Those loans are now due in December 2046, without prejudice to the possibility of being repaid early based on the use of the Resolution Fund's revenues. The due date will be adjusted so that it enables the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions. The liabilities resulting from the loans agreed between the Resolution Fund and the Sate and the banks pursuant to the resolution measures applied to BES and Banif are handled with one another";
- "The revision of the loans' conditions aimed to ensure the sustainability and financial balance of the Resolution Fund";
- "The new conditions enable the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions".

On 2 October 2017, by Council of Ministers (Resolution No. 151-A/2017), the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when it deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. It is also mentioned that the reimbursement will take into account the stability of the banking sector, i.e. without the Resolution Funds' participants being charged special contributions or any other extraordinary contributions.

On 31 December 2016, the Resolution Fund's own resources had a negative balance of Euros 4,760 million, according to the latest annual report of the Resolution Fund approved by Order No. 913/17 of 26 October 2017, prepared by the Assistant Secretary of State for Treasury and Finance.

In the State Budget for 2018, an amount of Euros 850 million was recorded as exceptional expenses for medium-term loans to the Resolution Fund.

To reimburse the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (Law 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of finance to determine, by ordinance, that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have resources to fulfil with the their obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been proceeding, since 2013, to the mandatory contributions, as provided for in the decree-law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law, thus the Bank is recognising as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to Banco Espírito Santo, S.A., ('BES'). Therefore, the eventual collection of a special contribution appears to be unlikely."

The regime established in Decree-Law no. 24/2013 establishes that the Bank of Portugal fixes, by instruction, the rate to be applied each year on the basis of objective incidence of periodic contributions. The instruction of the Bank of Portugal No. 20/2017, published on 19 December 2017, set the base rate to be effective in 2018 for the determination of periodic contributions to the FR by 0.0459% against the rate of 0.0291% effective in 2017.

Thus, during 2017, the Group made regular contributions to the Resolution Fund in the amount of Euros 8,490,000. The amount related to the contribution on the banking sector, registered in 2017, was Euros 31,037,000. These contributions were recognized as cost in the months of April and June 2017, in accordance with IFRIC No. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund ('SRF'), the Group had to make an initial contribution in the amount of Euros 31,364,000. In accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (starting in 2016) through the periodic contributions to the SRF. The total amount of the contribution, in 2017, attributable to the Group was Euros 21,466,000, of which the Group delivered Euros 18,246,000 and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including the legal proceeding filed by those who have been defrauded by BES; and (v) the guarantee provided to the bonds issued by Oitante.

Despite the possibility foreseen in the applicable legislation concerning the payment of special contributions, taking into consideration the recent developments in the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by a group of banks, including the Bank, and the public notice made by the Resolution Fund and by the Office of the Portuguese Ministry of Finance mentioning that such a possibility will not be used, the financial statements as at 31 December 2017 reflect the Bank's expectation that no special contributions or other type of extraordinary contributions will be required of the institutions to finance the resolution measures applied to BES and to Banif.

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Bank.

10. As announced, in 2012 the Bank issued subordinated debt securities in the amount of Euros 3,000 million, convertible into capital in contingency situations (CoCos), which were subscribed by the Portuguese State and which qualify as Tier I. If the amortization of this outstanding amount does not occur until 30 June 2017, the unamortized securities will be converted into (ordinary) shares, under conditions established by law.

Also under the context of timely published information in this respect, the restructuring plan approved by the European authorities provided for a set of commitments, including those relating to the repayment schedule of these instruments, which could require the Bank to adopt measures with adverse impact on its activity, financial condition and results of operations.

Until 31 December 2016, Euros 2,300 million of the CoCos were reimbursed and, on 9 February 2017, Banco Comercial Português, S.A., reimbursed the remaining Euros 700 million to the Portuguese State. This reimbursement, which marks the return to the normalization of BCP's activity, had previously been approved by the European Central Bank, subject to the success of the capital increase that BCP concluded on that date.

The commitments of the Restructuring Plan ceased on 31 December 2017 with the end of the transition period, following the full reimbursement of the CoCos in anticipation of the defined schedule, and the European Commission confirmed in March 2018 that the Restructuring Plan had been successfully completed and that the monitoring of the commitments contained therein had been closed.

11. On 31 December 2013, a Memorandum of Understanding was signed with the Trade Unions to implement a temporary adjustment process, which will allow BCP to reach the targets agreed by the EC with the Portuguese State to reduce staff costs. This agreement, which entered into force on 1 July 2014, in addition to reducing the remuneration, suspends the promotions, progressions and future diuturnities that should be paid by the end of 2017. This agreement also foresees that this reduction of salaries will be returned to the employees, subject to the approval at the General Meeting of shareholders of the Bank, on proposal of the Executive Committee.

In the last week of 2016, the negotiation that had been held since October 2016 with some labour unions was completed with the objective of reviewing the Collective Labour Agreement ("CLA"), whose main objective was the Bank's ability to maintain adequately the evolution of short-term staff costs with the lowest possible impact on employees' lives.

This revision of the CLA, which has been in force since February 2017, covered several matters, among which the most relevant are (i) the commitment to anticipate, by July 2017, the salary replacement that was scheduled for January 2018 and (ii) to raise the retirement age in order to bring it into line with that of Social Security, which will make it possible to strengthen the sustainability of pension funds.

With the implementation of the Restructuring Plan, the Bank was able to anticipate the full repayment of public funding in February 2017 and for this reason, the Board of Directors decided to bring forward by the end of the transitional period of the wage adjustment to July 2017.

12. The Bank was subject to tax inspections for the years up to 2015. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred in the case of IRC in terms of the tax loss carry forwards and, in the case of VAT, in the calculation of the tax deduction pro rata used for the purpose of determining the amount of deductible VAT. The additional liquidations / corrections made by the tax administration were mostly object of contestation by administrative and / or judicial.

The Bank recorded provisions or deferred tax liabilities at the amount considered adequate to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

50. TRANSFERS OF ASSETS

The Bank performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the Fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the value of the transfer of credits. These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus it related interest. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:
- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in the available for sale portfolio and are accounted for at fair value based on the last available quote, as disclosed by the Management companies and audited at year end, still being analysed by the Bank;
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Group performed, under the scope of IAS 39.20 c, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets and were recorded in 2016 under "Net gains / (losses) arising from trading and hedging activities - Sale of credits" (note 6), a gain of EuroS 1,053,000. During the 2017, no credits were sold to Specialized Credit Funds. The amounts accumulated as at 31 December 2017, related to these operations are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Vallis Construction Sector Fund (d)	238,325	201,737	238,325	36,588
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (e)	113,665	113,653	109,599	(4,054)
	2,005,594	1,586,114	1,612,929	26,815

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; d) Construction and e) Property.

As at 31 December 2017, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2017				
	Senior securities	Junior securities			
	Participation units (note 21)	Participation units (note 21)	Capital supplies (note 29)	Capital supplementary contributions (note 29)	Total
Fundo Recuperação Turismo FCR					
Gross value	287,930	-	31,737	-	319,667
Impairment	(46,791)	-	(31,737)	-	(78,528)
	241,139	-	-	-	241,139
Fundo Reestruturação Empresarial FCR					
Gross value	85,209	-	-	33,280	118,489
Imparirmant and other fair value ajustments	(6,118)	-	-	(33,280)	(39,398)
	79,091	-	-	-	79,091
FLIT-PTREL					
Gross value	261,502	-	38,155	2,939	302,596
Impairment	(3,697)	-	(38,155)	(2,939)	(44,791)
	257,805	-	-	-	257,805
Vallis Construction Sector Fund					
Gross value	203,172	36,292	-	-	239,464
Impairment	(203,172)	(36,292)	-	-	(239,464)
	-	-	-	-	-
Fundo Recuperação FCR					
Gross value	199,324	-	78,995	-	278,319
Impairment	(79,247)	-	(78,995)	-	(158,242)
	120,077	-	-	-	120,077
Fundo Aquarius FCR					
Gross value	138,045	-	-	-	138,045
Impairment	(6,993)	-	-	-	(6,993)
	131,052	-	-	-	131,052
Discovery Real Estate Fund					
Gross value	150,409	-	-	-	150,409
Impairment	(2,690)	-	-	-	(2,690)
	147,719	-	-	-	147,719
Fundo Vega FCR					
Gross value	47,087	-	70,770	-	117,857
Impairment	(1,902)	-	(70,770)	-	(72,672)
	45,185	-	-	-	45,185
Total Gross value	1,372,678	36,292	219,657	36,219	1,664,846
Total Impairment	(350,610)	(36,292)	(219,657)	(36,219)	(642,778)
	1,022,068	-	-	-	1,022,068

As mentioned in note 21, the book value of these assets resulted from the last communication by the respective management company of the NAV of the Fund which, as at 31 December 2017, corresponds to the NAV at that date, with the exception of the Fundo Vega FCR, which reports on 30 June 2017. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Audit Reports available with reference to 31 December 2017 except for Discovery Real Estate Fund, FLIT-PTREL and Vega whose reference date is 31 December 2016 and for the Vallis Fund which is 30 September 2016) do not present any reservations; (ii) the funds are subject to supervision by the competent authorities.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

The impairment for credit restructuring funds with impact on results, which occurred in 2017 amounts to Euros 52,149,000, of which Euros 45,956,000 are recorded in Other financial assets impairment (note 13) and Euros 6,193,000 in Other assets impairment (note 29).

As at 31 December 2016, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2016				
	Senior securities	Junior securities			
	Participation units (note 21)	Participation units (note 21)	Capital supplies (note 29)	Capital supplementary contributions (note 29)	Total
Fundo Recuperação Turismo FCR					
Gross value	287,929	-	31,274	-	319,203
Impairment	(45,611)	-	(31,274)	-	(76,885)
	242,318	-	-	-	242,318
Fundo Reestruturação Empresarial FCR					
Gross value	84,112	-	-	-	84,112
Impairment	(5,463)	-	-	-	(5,463)
	78,649	-	-	-	78,649
FLIT-PTREL					
Gross value	299,479	-	38,155	2,939	340,573
Impairment	(4,713)	-	(38,155)	(2,939)	(45,807)
	294,766	-	-	-	294,766
Vallis Construction Sector Fund					
Gross value	203,172	36,292	-	-	239,464
Impairment	(173,799)	(36,292)	-	-	(210,091)
	29,373	-	-	-	29,373
Fundo Recuperação FCR					
Gross value	215,996	-	77,085	-	293,081
Impairment	(70,698)	-	(77,085)	-	(147,783)
	145,298	-	-	-	145,298
Fundo Aquarius FCR					
Gross value	136,111	-	-	-	136,111
Impairment	(8,967)	-	-	-	(8,967)
	127,144	-	-	-	127,144
Discovery Real Estate Fund					
Gross value	151,086	-	-	-	151,086
Impairment	-	-	-	-	-
	151,086	-	-	-	151,086
Fundo Vega FCR					
Gross value	44,848	-	66,950	-	111,798
Impairment	-	-	(66,950)	-	(66,950)
	44,848	-	-	-	44,848
Total Gross value	1,422,733	36,292	213,464	2,939	1,675,428
Total Impairment	(309,251)	(36,292)	(213,464)	(2,939)	(561,946)
	1,113,482	-	-	-	1,113,482

As at 31 December 2017, the detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

Corporate restructuring funds	2017 Subscribed capital	2017 Capital realized	2017 Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	303,683	287,929	15,754
Fundo Reestruturação Empresarial FCR	101,133	85,237	15,896
FLIT-PTREL	260,244	260,244	-
Vallis Construction Sector Fund	238,929	238,929	-
Fundo Recuperação FCR	220,192	199,324	20,868
Fundo Aquarius FCR	156,100	138,045	18,055
Discovery Real Estate Fund	150,409	150,409	-
Fundo Vega FCR	51,185	47,087	4,098
	1,481,875	1,407,204	74,671

The amount of subscribed capital does not include additional subscription commitments, which amount to Euros 20,978,000 in FLIT-PTREL, Euros 9,689,000 in Discovery and Euros 5,000 in Vallis.

Additionally are booked in Loans and advances to customer’s portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment:

(Thousands of euros)

Items	2017	2016
Loans and advances to customers	271,997	351,624
Guarantees granted and irrevocable credit lines	34,114	134,203
Gross exposure	306,111	485,827
Impairment	(75,571)	(101,795)
Net exposure	230,540	384,032

51. COMPARABILITY OF INFORMATION: IMPACT ON ENTRY OF THE NOTICE NO. 5/2015 OF THE BANK OF PORTUGAL

The Bank's separate financial statements up to and including December 31, 2015 were prepared and presented in accordance with the Adjusted Accounting Standards issued by the Bank of Portugal. As of January 1, 2016, following the publication of Bank of Portugal Notice no. 5/2015, of December 30, the Bank's separate financial statements are now prepared in accordance with International Reporting Standards (IAS / IFRS) as adopted by the European Union, which were already used in the preparation and presentation of its consolidated financial statements since 2005.

As a result of this change, the loan portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses, calculated in accordance with the requirements of International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39), replacing the register of provisions for specific risks and for general credit risks and for country risk, in accordance with Bank of Portugal Notice No. 3/95, of June 30. As a result, the Bank retrospectively applied the new policy in its financial statements (restatement), with reference to the first comparative period presented, i.e., 1 January, 2015.

In this sense, the Separate Balance Sheet as of 31 December 2015 and the Separate Income, Comprehensive Income and Shareholders' Equity Statements of 31 December 2015, presented in the appendix, were restated, with the impact of this restatement consisted an increase in the Bank's separate equity at 1 January, 2015 in the amount of Euros 1,262,944,000, a decrease in separate net income as of 31 December, 2015 at Euros 141,013,000 and an increase in separate shareholders' equity at 31 December 2015 of Euros 1,121,931,000.

These impacts are presented in the following tables:

(Thousands of euros)

	31 Dec 2015 (restated)	Reexpression	31 Dec 2015
Cash and deposits at central banks and credit institutions	678,055	-	678,055
Loans and advances to credit institutions	791,607	24,233	767,374
Loans and advances to customers	36,385,436	1,279,645	35,105,791
Treasury portfolio and derivatives	8,391,109	-	8,391,109
Other assets	8,748,622	(460,166)	9,208,788
Total assets	54,994,829	843,712	54,151,117
Resources from credit institutions	8,280,004	-	8,280,004
Resources from customers	35,150,754	-	35,150,754
Financial liabilities held for trading	644,931	-	644,931
Provisions	153,905	(278,219)	432,124
Other Liabilities	6,216,006	-	6,216,006
Total liabilities	50,445,600	(278,219)	50,723,819
Equity	4,094,235	-	4,094,235
Share premium	16,471	-	16,471
Other equity instruments	2,922	-	2,922
Reserves and retained earnings	350,557	1,262,944	(912,387)
Net income / (loss) for the year	85,044	(141,013)	226,057
Total equity	4,549,229	1,121,931	3,427,298
Total liabilities and equity	54,994,829	843,712	54,151,117

(Thousands of euros)

	31 Dec 2015 (restated)	Reexpression	31 Dec 2015
Net interest income	693,850	29,786	664,064
Dividends from equity instruments	154,814	-	154,814
Net fees and commissions income	428,631	-	428,631
Net gains on trading	373,275	(59,428)	432,703
Other operating income / (costs)	(26,495)	-	(26,495)
Total operating income	1,624,075	(29,642)	1,653,717
Staff cost	365,190	-	365,190
Other administrative cost	251,022	-	251,022
Depreciation	23,864	-	23,864
Operating expenses	640,076	-	640,076
Loans and other assets impairment and other provisions	(1,038,316)	(170,734)	(867,582)
Operating net (loss) / income	(54,317)	(200,376)	146,059
Gains / (losses) arising from the sale of subsidiaries and other assets	101,937	-	101,937
Net income / (loss) before income taxes	47,620	(200,376)	247,996
Income taxes	37,424	59,363	(21,939)
Net income / (loss) for the year	85,044	(141,013)	226,057

(Thousands of euros)

	Equity (restated)			
	Equity 31.12.2015	Other variations 2015	Net income 2015	Equity 01.01.2015
Previously reported value (NCA's)	3,427,298	324,853	226,057	2,876,388
Impact on the entry of Notice no. 5/2015 of the Bank of Portugal				
Loans impairment	1,583,757	-	(200,376)	1,784,133
Deferred tax	(461,826)	-	59,363	(521,189)
	1,121,931	-	(141,013)	1,262,944
Balances under IFRS as adopted by the European Union (restated balances)	4,549,229	324,853	85,044	4,139,332

52. LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES OF BANCO COMERCIAL PORTUGUÊS S.A.

As at 31 December 2017, the Banco Comercial Português S.A. subsidiary companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
Banco de Investimento Imobiliário, S.A.	Lisbon	17,500,000	EUR	Banking	100.0
Banco ActivoBank, S.A.	Lisbon	17,500,000	EUR	Banking	100.0
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	2,000,000	EUR	Venture capital	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100.0
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	52,270,768	BRL	Financial Services	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	83.5
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Serviços de videotex	100.0
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0
Imábida - Imobiliária da Arrábida, S.A. (*)	Oeiras	1,750,000	EUR	Real-estate company	100.0

(*) Company classified as non-current assets held for sale.

During 2017, the Bank's investment in the company Nanium, S.A. was sold and were liquidated the investments held by the Bank in the companies Propaço - Sociedade Imobiliária De Paço D'Arcos, Lda. and Caracas Financial Services, Limited.

As at 31 December 2017, the Banco Comercial Português, S.A. investment and venture capital funds, are as follows:

Subsidiary companies	Head office	Nominal Value Units	Currency	Activity	% held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	153,883,066	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	11,718,513	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	137,657,450	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	304,320,700	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	12,009,785,300	EUR	Real estate investment fund	100.0

Subsidiary companies	Head office	Nominal Value Units	Currency	Activity	% held
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	6,653,257	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	7,791,600	EUR	Real estate investment fund	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,834,000	EUR	Real estate investment fund	100.0
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	491,610	EUR	Real estate investment fund	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	134,023,100	EUR	Real estate investment fund	100.0
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	4,785,000	EUR	Real estate investment fund	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	11,945,000	EUR	Real estate investment fund	100.0
MR – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	31,056,099	EUR	Real estate investment fund	100.0
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,600,000	EUR	Real estate investment fund	50.0
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	50,169,036	EUR	Real estate investment fund	60.0

(*) Company classified as non-current assets held for sale.

As at 31 December 2017, the Bank's subsidiary insurance companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0

As at 31 December 2017, the Bank's associated companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Banque BCP, S.A.S.	Paris	126,955,886	EUR	Banking	19.9
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,610	EUR	Extractive industry	20.0
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	775,002,375	EUR	Holding company	49.0
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	Oeiras	50,000	EUR	Advisory	25.0
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1

DECLARATION OF COMPLIANCE

DECLARATION OF COMPLIANCE

It is hereby declared that, to the best of the knowledge of the undersigned, the condensed individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which include (i) the condensed individual and consolidated balance sheets as at 31 December 2017, (ii) the condensed individual and consolidated income statements for the year ended on 31 December 2017, (iii) the condensed individual and consolidated statement of changes in equity and cash flow statement for the year ended on 31 December 2017, (iv) a summary of the significant accounting policies, and (v) the individual and consolidated explanatory notes, give a true and appropriate image of the individual and consolidated financial situation of the Bank as at 31 December 2017, the individual and consolidated results of their operations, and the individual and consolidated changes in equity and cash flow for the year ended on that date, in accordance to the International Accounting Standards, endorsed by the European Union.

The Bank's condensed individual and consolidated financial statements relative to 31 December 2017 were approved by the Board of Directors on 16 April 2018.

Furthermore, it is also declared that the management report of BCP faithfully presents the evolution of the business, performance and situation of the Bank and companies included in the consolidation perimeter and contain a description of the principal risks and uncertainties facing them. The management report was approved by the Board of Directors on 16 April 2018.

Porto Salvo, 23 April 2018

António Vítor Martins Monteiro
(Chairman)

Carlos José da Silva
(Vice-Chairman)

Nuno Manuel da Silva Amado
(Vice-Chairman)

Álvaro Roque de Pinho Bissaia Barreto
(Member)

André Magalhães Luiz Gomes
(Member)

António Henriques de Pinho Cardão
(Member)

António Luís Guerra Nunes Mexia
(Member)

Cidália Maria Mota Lopes
(Member)

Jaime de Macedo Santos Bastos
(Member)

João Manuel de Matos Loureiro
(Member)

João Nuno de Oliveira Jorge Palma
(Member)

José Jacinto Iglésias Soares
(Member)

José Miguel Bensliman Schorcht da Silva Pessanha
(Member)

Lingjiang Xu
(Member)

Maria da Conceição Mota Soares de Oliveira Callé Lucas
(Member)

Miguel de Campos Pereira de Bragança
(Member)

Miguel Maya Dias Pinheiro
(Member)

Raquel Rute da Costa David Vunge
(Member)

Rui Manuel da Silva Teixeira
(Member)

AUDIT COMMITTEE ANNUAL REPORT

AUDIT COMMITTEE ANNUAL REPORT

I – Introduction

The Audit Committee (Committee) of Banco Comercial Português, S.A. (Bank) hereby presents the report on its supervisory functions relating to the 2017 financial year, in compliance with the legal requirements.

The Audit Committee is the Bank's supervision body, exercising the functions committed to it by the Law, the Articles of Association and its Regulations (available at https://ind.millenniumbcp.pt/pt/Institucional/governacao/Pages/normas_regulamentos.aspx).

The Audit Committee submits a quarterly report to the Board of Directors, in writing, informing on the work carried out by it and on the conclusions it has reached and an annual report of its activities, without prejudice to the duty of reporting, at any moment, to the Chairperson of the Board of Directors any and all situations the Committee finds and deems to be of high risk.

II - Activities carried out

In 2017, the Audit Committee met 20 times, having drawn up minutes of all the meetings. By invitation, the members of the Committee also attended several meetings of the Committee for Risk Assessment.

The Committee received from the Executive Committee, in a timely and appropriate manner, all the information requested.

In the undertaking of its activities, the Committee held regular meetings with the Chief Financial Officer (CFO), the Director in charge of Risk, the Statutory Auditor and External Auditor, the Risk Officer, the Compliance Officer, the Head of Internal Audit and the Head of Research, Planning and ALM Division.

Apart from that, in 2017, the Committee met with several other members of the Bank's Executive Committee, namely its Chairman and the Director in charge of the Credit Area. Based on its power for summoning any Manager it wishes to hear, the Audit Committee met with the Heads of the Accounting and Consolidation, Tax Advisory and Quality and Network Support Divisions, as well as with the Company Secretary and the Client Ombudsman.

While drawing up this Report the Committee also met with the heads of the Human Resources, Logistics & Procurement, International, Treasury and Markets, Credit, and Real Estate Business Divisions and with the Shareholdings Department.

For the effective undertaking of its functions, the Audit Committee requested and obtained all the data and clarifications relevant for that purpose, which included the timely and appropriate monitoring of the compliance with the Bank’s articles of association and with the applicable legal and regulatory provisions, meeting no constraints to its actions.

Throughout the financial year, the Committee undertook, among other, the following activities:

Recapitalisation Plan

The Committee monitored the implementation of the commitments of the Bank's Recapitalisation Plan within the scope of the access, in 2012, to public investment to increase Core Tier I own funds, including those in the attachment to the Decision nr.

8840-B/2012 and in the Decision of the European Commission and those established with the Directorate-General for Competition of the European Commission.

Capital Increases

The Committee appraised and resolved to issue a favourable opinion on the increase of the share capital of the Bank through new entries in cash, with a preferential reserve for shareholders, totalling €1,331,920,364.52 (one thousand three hundred and thirty-one million, nine hundred and twenty thousand, three hundred and sixty-four Euros and fifty-two cents) under the terms proposed by the Executive Committee.

After the share capital increase was concluded, the Committee also followed-up the early repayment of the convertible bonds held by the State.

The Committee monitored the issue of subordinated debt (Tier 2), issued at the end of 2017.

Supervision of the preparation and disclosure of the financial information

The Committee examined the main accounting policies adopted, in particular those that could have an impact on the financial statements of the Bank and of its subsidiaries.

The Audit Committee paid close attention to the introduction of the new accounting standard IFRS 9 – Financial Instruments, as of 1 January 2018. Together with the Bank's areas closer connected to these matters and the CFO himself, the AudC analysed the impacts of the implementation of IFRS 9.

Throughout the year the Committee also regularly monitored the largest credit exposures and impairments of the Group, as well as other impairment and provisions. The Plan for the Reduction of Non Performing Exposures (NPE) was closely monitored, having attained results by the end of 2017 that surpassed the goals disclosed to the supervisors and presented to the market.

The Committee also continued to pay close attention to the accounting of deferred taxes, as well as the assessment of the respective studies on their recovery.

The Committee reviewed the information relative to the Pension Fund of the Group BCP and the actuarial assumptions used to determine the liabilities with retirement pensions.

The valuation of the real estate properties classified as non-recurrent assets held for sale and through participation units in Real Estate Investment Funds wherein the Bank is the majority holder was one of the other matters followed by the Committee throughout the year.

The Committee followed the evolution of the Bank’s exposure to Corporate Recovery Funds (FRE).

The Audit Committee was always informed on the process for the sale of Novo Banco by the Resolution Fund and requested and obtained information from the Executive Committee, namely on the potential and effective impacts, direct and indirect, on Group BCP.

The Committee appraised, on a monthly basis, the financial statements, on an individual and consolidated basis, and the earnings and key financial indicators of the Group companies. It also regularly analysed the Bank's liquidity, cost-to-income and solvency ratios,

In April 2017, and with reference to 2016, the Committee issued an opinion on the Bank's Annual Report. In the beginning of 2018, and with reference to 2017, the Committee appraised the Annual Report drawn up by the Executive Committee and the Legal Certifications of the Accounts and Audit Reports prepared by Deloitte &

Associados – SROC, S.A. (Deloitte), on the individual and consolidated financial statements, which were issued without reservations or emphases.

In accordance with article 420 (5) of the Companies Code, the Committee confirmed that the Corporate Governance Report, included in the Bank's Annual Report, with reference to 2017, contains the data mentioned in article 245-A of the Securities Code.

In view of the result of the work carried out, the Committee issued a favourable opinion on the Bank's Annual Report, which includes the individual and consolidated financial statements for the year ended on 31 December 2017.

The Committee also appraised the Group Budget for 2018, examining the assumptions used, the earnings and activity indicators forecast, the risk factors, the market shares, investments and the evolution of own funds. The budget exercise included a sensitivity analysis based on a set of adverse scenarios.

Follow-up of international operations

Throughout the year, the Committee regularly monitored the performance of the international operations, namely due to its size and relevance for the Group, of Millennium Bank in Poland and of Millennium bim, in Mozambique. It carried out a monthly evaluation of the most relevant business indicators and financial statements of these operations and, whenever justified, assessed, with the Executive Directors, the main risks presented by each operation and country.

Regarding Millennium bim, the Committee closely monitored the country's macroeconomic evolution and the main credit exposures of that Bank.

Supervision of the effectiveness of the risk management, internal control and internal audit systems

The Committee followed the annual revision of the internal control system, a revision complemented by the analysis and evaluation made by the external consultant chosen for this purpose since 2011, Deloitte. It also monitored the drafting of the Internal Control Reports, under the responsibility of the BofD - with contributions from the Risk Office, Compliance Office and Audit Division -, and issued the opinions addressed to the Board of Directors on those Reports, which were sent to the supervision authorities in June 2017.

Likewise, the Committee also monitored the making of the Report on the Prevention of Money Laundering and Terrorism Financing, foreseen in Notice nr. 9 of 2012 of Banco de Portugal on which it issued an opinion for the BofD. It also appraised the result of the Bank's self-assessment on the prevention of money laundering and terrorism financing.

Regularly, it appraised the execution of the recommendations made in the Internal Control and Prevention of Money Laundering and Terrorism Financing Reports.

It appraised the activities developed by the Risk Office, namely those included in the monthly reports on impairments and on the evolution of the main risk indicators that contain information on credit, liquidity, market, operational, compliance and reputational risks.

It assessed the Activity Plan of the Audit Division for 2017, as well as the 2016 activity report and the 2017 quarterly reports. On a monthly basis, the head of the internal Audit informed the Committee on the inspection actions carried out by the supervision authorities of the different markets where the Group operates.

In what regards the Compliance Office, the Committee also assessed the Activity Plan for 2017, as well as the 2016 activity report and the 2017 quarterly reports.

The Committee received ongoing information on all legislative and regulatory main alterations and updated its Regulations.

It was regularly informed on the correspondence exchanged between the Bank and supervision authorities and asked the Executive Committee and the Bank's various areas for additional clarifications and information whenever deemed necessary.

Supervision of the activities of the Statutory Auditor and of the External Auditor

The Committee analysed the conclusions of the audit work on the individual and consolidated financial statements of 2016, carried out by the Statutory Auditor and External Auditor. Throughout 2017, it analysed the conclusions of the Desktop Review on the financial statements for the first and third quarters and of the Limited Review of the interim financial statements for the first half-year. In the beginning of 2018, the Committee analysed the conclusions of the audit analysis to the 2017 financial statements on an individual and consolidated basis, carried out by the Statutory Auditor and by the External Auditor.

Concerning other reports made by the external auditors, the Committee analysed: (i) the report on the impairment of the loan portfolio as at 30 June 2016, 31 December 2016 and 30 June 2017; (ii) the Reports on the Internal Control System; and (iii) the Report on the Prevention of Money Laundering and Terrorism Financing.

The Committee appraised the proposals for contracting additional services to be provided by the External Auditor, within the scope of the "Policy for the Approval of Audit Services provided by External Auditors".

In 2017, the Audit Committee revised the Group Regulation GR0022, which provides the framework for the policy for the approval of the services provided by external auditors. This new version entered into force in 2018. This revision incorporated the new legislation in effect regarding this matter.

The Committee supervised Deloitte's independence as Statutory Auditor and External Auditor by means of an ongoing evaluation of the respective performance. In the 2017 financial year, the Audit Committee concluded that Deloitte exercised its activity in an independent manner and that its performance was globally positive. However, the quality of the services provided has room for improvement, especially in what regards the timely delivery of the assignments. This conclusion was supported by a formal assessment of independence and performance, made by the Committee in the beginning of 2018, which included, among other elements, surveys especially designed for that purpose and the independence confirmation statement provided by the Deloitte itself.

Issue of opinions on operations made with members of corporate bodies and holders of stakes above 2% or more in the Bank's share capital

The Committee assessed the Bank's credit exposure to members of the BofD and to qualified shareholders and entities related to them and issued an opinion on nineteen credit operations that were presented to the BofD. The Committee also issued an opinion on five other contracts established with entities related with members of the BoD and qualified shareholders.

Complaints and claims

The Committee was regularly informed on the handling of complaints and claims from customers by the Client Ombudsman's Office and by the Quality and Network Support Division. It also monitored two claims addressed to it through the channel "Report irregularities - Whistleblowing", yet without significant relevance.

III – Acknowledgements

The Committee expresses its gratitude to the remaining Corporate Bodies and Services of the Bank it contacted and with which it collaborated throughout 2017, in particular, the Head of the Support Office of the Board of Directors, for all the collaboration provided in the performance of its duties.

Comissão de Auditoria

Banco Comercial Português, S.A.

Lisbon, 23 April 2018

João Matos Loureiro (Chairman)

Jaime Santos Bastos (Member)

Cidália Mota Lopes (Member)

OPINION OF THE AUDIT COMMITTEE

OPINION OF THE AUDIT COMMITTEE
ON THE 2017 FINANCIAL YEAR

1. Within the scope of its statutory and regulatory powers, the Audit Committee appraised the Directors Report and the Financial Statements of Banco Comercial Português, S.A. (Bank) for the 2017 financial year, drawn up by the Executive Committee, and the Legal Certifications of the Accounts and Audit Reports, as well as the Additional Report to the Supervision Body prepared by Deloitte & Associados - SROC, S.A. (Deloitte), on the individual and consolidated financial statements, which were issued without reservations or emphases.

2. The Audit Committee, as usual, monitored the drawing up of the Annual Report as well as the final version approved by the Executive Committee. In order to prepare the opinion given herein, the Audit Committee met with the Executive Committee, with the Chief Financial Officer, with those in charge of the competent divisions of the Bank, particularly the Accounting and Consolidation Division, the Tax Advisory Division, the Audit Division, the Risk Office, the Compliance Office, the Research, Planning and ALM Division, the Company Secretary, as well as with the Statutory Auditor and External Auditor, requesting all the information and clarifications relevant to its functions, which included the timely and appropriate monitoring of compliance with the articles of association and with the applicable legal provisos.

3. The underwriters declare to the best of their knowledge that the financial information analysed was drawn up in compliance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, of the financial situation and of the earnings of the Bank and of the companies consolidated by it, and that the annual report truthfully shows the evolution of the business, the performance and position of the Bank and of the companies consolidated by it,

containing a description of the main risks and uncertainties faced by them.

4. The Legal Certifications of Accounts and Audit Reports, made according to the formats resulting from the EU Regulation nr. 537/2014, dated 16 April and from Law 140/2015, dated 7 September, include the denominated “Audit Relevant Matters” which, concerning the Bank, Deloitte identifies as being:
    a. Impairment for loans to customers;
    b. Recovery of deferred tax assets;
    c. Liabilities with retirement pensions - main actuarial assumptions;
    d. Valuation of real estate properties classified as non-current assets held for sale and held through participation units in real estate investment funds mainly owned by the Bank;
    e. Resolution Fund.

    All these issues were, throughout 2017 monitored by the Audit Committee aided by the contributions provided by the Executive Committee, by the Bank's relevant Divisions and by the External Auditors.

5. As a result of the work carried out, the Audit Committee concurs with the contents of the Legal Certifications of Accounts and Audit Reports made by Deloitte and issues a favourable opinion on the Bank's Annual Report, which includes the financial statements, on an individual and consolidated basis, of the financial year ended on the 31 December 2017, approved on 23 April 2018 by the Board of Directors, of which the members of the Audit Committee are part.

6. Pursuant to what is stated above, it is our opinion that the General Meeting of Shareholders of Banco Comercial Português S.A. should approve:
    a) The directors report and other documents pertaining to the individual and consolidated financial statements for the financial year ended on 31 December 2017;
    b) The proposal made by the Board of Directors for the appropriation of the net income computed in the 2017 individual balance sheet, amounting to 118,021,411.94 Euros, as follows:

        11,802,141.20 Euros for reinforcement of the Legal Reserve;

        106,219,270.74 Euros for Retained Earnings.

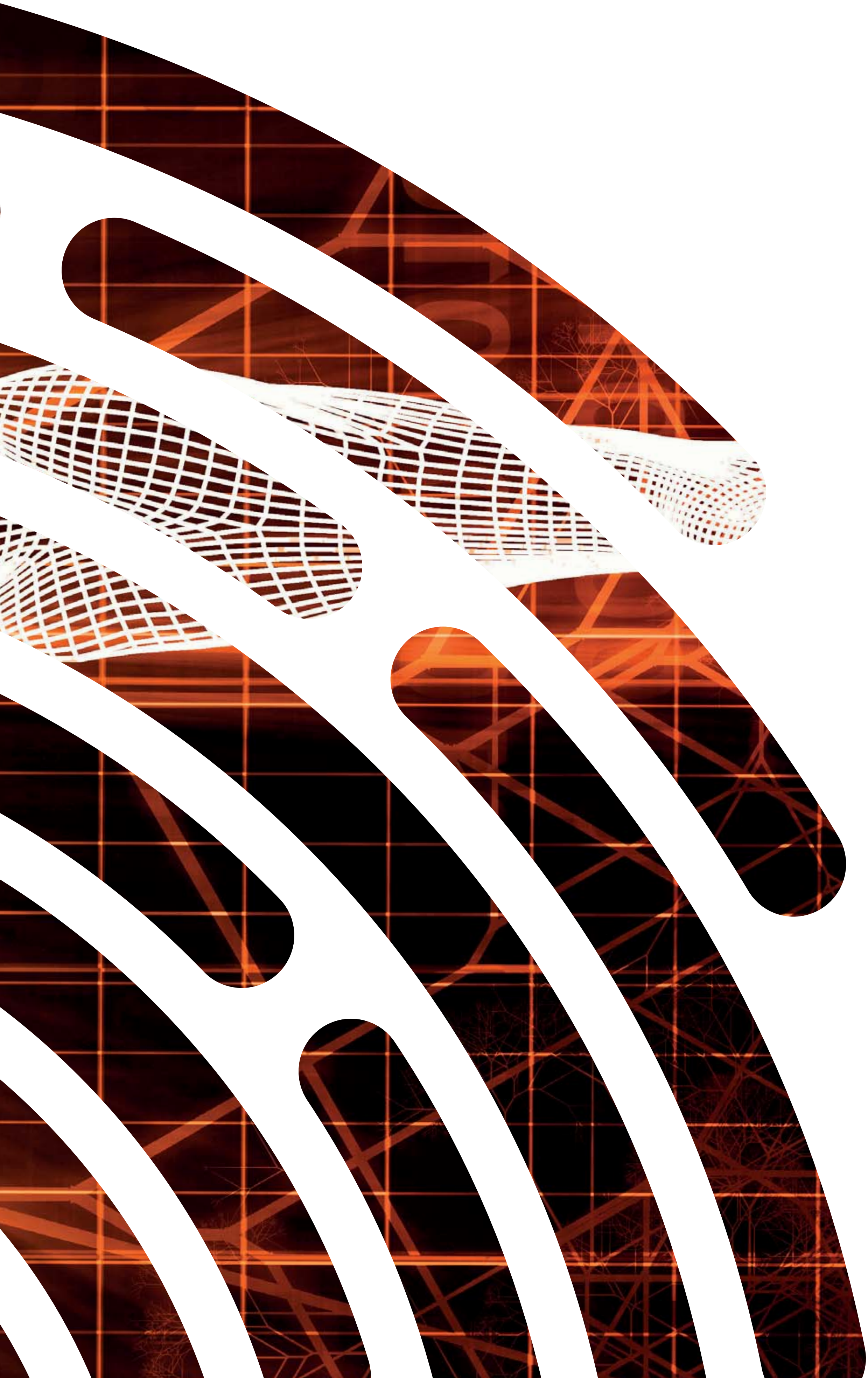
Lisbon, 23 April 2018

João Matos Loureiro (Chairman)

Jaime Santos Bastos (Member)

Cidália Mota Lopes (Member)

EXTERNAL AUDITORS' REPORT



STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1a)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Banco Comercial Português, S.A. ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2017 (that presents a total of 71,939,450 t.euros and total consolidated equity of 7,179,736 t.euros, including a consolidated net profit attributable to the shareholders of the Bank of 186,391 t.euros), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of Banco Comercial Português, S.A. and its subsidiaries as at 31 December 2017 and its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Those matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Impairment for loans to customers (Notes 1.c), 1.ad), 22, 37 and 52 – Credit Risk)	
The accumulated impairment losses for loans and provisions for guarantees and other commitments recorded by the Group ("impairment losses") as at 31 December 2017 amount to 3,321,931 t.euros and 130,875 t.euros, respectively.	• Analysis of the relevant control activities implemented by the Group in the process of identification and determination of impairment losses for its loan portfolio. • Selection of a sample of clients subject to individual impairment analysis by the Group, which included exposures that presented higher risk characteristics as well as randomly selected exposures.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Impairment for loans to customers (Notes 1.c), 1.ad), 22, 37 and 52 – Credit Risk)	
Impairment losses represent the Group's Management's best estimate of the losses incurred on its credit portfolio at the reference date of the consolidated financial statements. These impairment losses are determined through individual analysis for clients with high exposure and risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section Accounting policies of the Notes to the consolidated financial statements. The determination of impairment losses through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and in estimating the present value of the amount that the Group expects to recover from the loan, that incorporates also assumptions about future events that may not occur as expected and reflects the Management's intentions at each moment regarding management and future holding of the loans. Collective impairment is based on a model of a certain degree of complexity, as it incorporates in the computation of the impairment several variables, namely operations characteristics, the value of collaterals and risk parameters, such as the probability of default and loss given default. Different methodologies or assumptions used in the impairment analysis and different recovery strategies affect the estimate of the recovery cash flows and their expected timing, and may have a relevant impact on the determination of impairment. Given this is an area in which Management has to make estimates that incorporate a high degree of subjectivity or certain complexity (in the case of collective impairment), as well as the materiality of the amounts in the context of the consolidated financial statements, impairment for loans to customers was considered a key audit matter.	• For the selected sample, analysis of the reasonableness of the estimated impairment losses recorded in the consolidated financial statements based on the review of the Group's judgments about the information available regarding the economic and financial situation of the clients, valuation of the collaterals and prospects about the evolution of their activity and also the intentions of Management regarding management and future holding of those loans. • Regarding collective impairment (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Group; (ii) analysis on a sample basis of the calculation of risk parameters and collective impairment; and (iii) validation on a sample basis of the inputs used to determine the main risk parameters and of the collaterals value considered in the determination of impairment losses. • Review of the disclosures included in the consolidated financial statements related to these matters, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Recoverability of deferred tax assets (Notes 1.x), 1.ad) and 31)</td></tr>
<tr><td>As at 31 December 2017, the balance of deferred tax assets amounts to 3,137,767 t.euros, of which 1,322,463 t.euros are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred taxes assets, approved by Law no. 61/2014, of 26 August), including:

• 950,794 t.euros related to impairment losses; and

• 321,774 t.euros resulting from tax losses carried forward (essentially related to the individual activity of the Bank and originated in 2014 and 2016). According to Law No. 2/2014 of 16 January, the use of tax losses in future periods of taxation cannot exceed 70% of the taxable income in each of those periods, and the tax losses originated in 2014 and 2016 have a 12-year reporting period (i.e. up to 2026 and 2028, respectively).

In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal.

The Bank prepared an estimate of its taxable income for the period 2018-2028 to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions used by Management to calculate the evolution of pre-tax profit and on its interpretation of the tax legislation.

To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated results.

Any changes in the assumptions used in the estimation of future results or in the interpretation of the tax legislation may have a material impact on deferred tax assets.

Given the materiality of deferred tax assets in the consolidated financial statements and the need to use estimates to determine their recoverability, this area was considered a key audit matter.</td><td>• Analysis of the relevant control activities implemented by the Bank in the context of the estimate of the recoverability of deferred tax assets.

• Understanding and analysis of the main assumptions considered by the Bank to estimate the evolution of pre-tax profits in the period between 2018 and 2028.

• Review of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank in the estimation of future taxable profits.

• Review of the calculations made by the Bank to demonstrate the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above.

• Review of the disclosures included in the consolidated financial statements for these matters, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Liabilities with retirement pensions - Main actuarial assumptions (Notes 1.w, 1.ad) and 49)	
The Group has assumed the responsibility of paying to its employees and pensioners retirement pensions and other associated benefits under the terms defined in collective labour agreements. As at 31 December 2017, the liabilities for past services of the Group with retirement pensions and other associated benefits amount to 3,049,570 t.euros. The Group's liabilities associated with the defined benefit plans were determined by the responsible actuary, considering a set of actuarial assumptions, including the discount rate, the growth rate of wages and pensions, and the mortality table. Any changes in actuarial assumptions may have a material impact on past service pension liabilities. Given the importance of the actuarial assumptions in determining the liabilities for past services related to pensions in the context of the consolidated financial statements, we considered this area a key audit matter.	• Analysis of the relevant control activities implemented by the Group in determining the main actuarial assumptions used in the calculation of liabilities for past services related to pensions. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and analysis of its independence statement included in the actuarial study of 31 December 2017 sent to ASF. • Reading of the actuarial study with reference to 31 December 2017 and discussion with the responsible actuary on the main actuarial assumptions used. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into consideration: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management. • Review of the disclosures included in the consolidated financial statements for this matter, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Valuation of properties classified as non-current assets held for sale (Notes 1.k), 1.ad), 27 and 52 – Credit Risk)</td></tr>
<tr><td>As at 31 December 2017, the net book value of properties classified as non-current assets held for sale amount to 2,096,953 t.euros, which are recorded at the lowest between book value and fair value less costs to sell, in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations.

The valuation of these assets, and consequently the impairment losses recorded in the Group's accounts as at 31 December 2017, is supported by appraisals carried out by independent appraisers, which incorporate several assumptions namely about the evolution of the real estate market, property best use, and expectations regarding the development of real estate projects when applicable, and also considers the intentions of Management regarding the commercialization of these assets.

The assumptions used in the appraisals of these properties have an impact on its valuation and therefore on the determination of impairment.

Taking into consideration the relevance of these assets in the consolidated financial statements and the judgmental component incorporated in their valuation, this area was considered a key audit matter.</td><td>• Analysis of the relevant control activities implemented by the Group in the process of valuing properties classified as non-current assets held for sale.

• Verification, on a sample basis, of the registration of the external appraisers in the Portuguese Securities Market Commission (“Comissão do Mercado de Valores Mobiliários” (CMVM)) and analysis of their independence.

• Analysis of the reasonableness of the valuation recorded in the consolidated accounts for a selected sample of properties, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used, meetings held with the external appraisers and understanding of the strategy defined by the Group for these assets.

• For properties held by the Group through real estate investment funds (which are classified in the consolidated accounts as non-current assets held for sale), we additionally read the Audit Reports on the financial statements of those funds as at 31 December 2017.

• Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Resolution Fund (Note 55)	
Following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif), as of 31 December 2016 the Resolution Fund held the entire share capital of Novo Banco, S.A. (Novo Banco) and Oitante, S.A. as at 31 December 2016. In this context, the Resolution Fund contracted loans with the Portuguese State and with a banking syndicate and assumed contingent liabilities and other responsibilities, including those related to the litigation associated with the resolution processes. The Bank participated in the banking syndicate through a loan agreement. As disclosed in the Report and Accounts of the Resolution Fund for the year 2016, following the last renegotiations the loans that the Resolution Fund obtained to finance the resolution measures applied to BES and Banif (namely the loan granted by the Portuguese State and the loan from the banking syndicate, which amounted to 4,253,000 t.euros and 700,000 t.euros, respectively, as at 31 December 2016), have a maturity date of 31 December 2046 and establish the possibility of adjusting that date. The purpose is to guarantee the capacity of the Resolution Fund to fully meet its obligations based on regular revenues and without the need to resort to special contributions or any other type of extraordinary contributions from the banking sector. It was also established the pari passu treatment of the Resolution Fund's obligations arising from the loan agreement entered into with the banking syndicate of which the Bank is a part, and the loan agreements entered into with the Portuguese State. On 31 March 2017 Banco de Portugal announced having selected Lone Star to execute the sale of 75% of the share capital of Novo Banco, the conclusion of which was communicated by the Resolution Fund on 18 October 2017. On 2 October 2017 a framework agreement was established between the Portuguese State and the Resolution Fund with an annual limit of 850,000 t.euros, to provide the Resolution Fund with financial resources, if and when deemed necessary, for the fulfilment of the contractual obligations related to the above mentioned sale of 75% of the share capital of Novo Banco. This framework agreement also refers that it aims to ensure the stability of the contribution effort that relays on the banking sector, meaning without the	• Analysis of the loan agreement established between the banks and the Resolution Fund and the respective amendments signed in August 2016 and February 2017. • Analysis of the public communications from the Resolution Fund and from the Office of the Portuguese Minister of Finance of 28 September 2016 and of the public communication from the Resolution Fund of 21 March 2017, regarding the new conditions of the loans from the Portuguese State and from the banking syndicate to the Resolution Fund and the corresponding impact on its sustainability and financial soundness. • Consideration of the simplified cash flow projections model of the Resolution Fund presented to us by the Bank in the context of the renegotiation of the loans obtained by the Resolution Fund. • Analysis of the public announcement and the content of the resolution approved by the Portuguese Council of Ministers on 2 October 2017, which authorized the Portuguese State, as the ultimate guarantor of financial stability, to establish a framework agreement with the Resolution Fund in order to make available to the Resolution Fund the financial resources, if and when necessary, for the fulfilment of contractual obligations that may arise from the sale of the 75% of the share capital of Novo Banco. • Analysis of the framework agreement established between the Portuguese State and the Resolution Fund. • Analysis of the public notice of the Resolution Fund dated 18 October 2017, referring to the conclusion of the sale of Novo Banco to Lone Star. • Analysis of the public communication of the Resolution Fund of 28 March 2018, regarding the payment to be made by the Resolution Fund to Novo Banco related to the use of the contingent capitalization mechanism established in the agreements entered into related to the sale of Novo Banco. • Reading of the latest available Report and Accounts from the Resolution Fund, which refers to the year of 2016. • Review of the accounting framework of the contributions to the Resolution Fund.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Resolution Fund (Note 55)	
need to charge special contributions or any other type of extraordinary contribution to the participants of the Resolution Fund. As mentioned above, on 18 October 2017 the sale to Lone Star of 75% of the share capital of Novo Banco was concluded, with the Resolution Fund maintaining a 25% stake. The agreed conditions in this transaction include, in particular, the existence of a mechanism of contingent capitalization under which the Resolution Fund undertakes to make capital injections in Novo Banco up to the maximum total amount of 3,890,000 t.euros if certain cumulative conditions occur. In March 2018, the said contingent capitalization mechanism was activated for the first time by Novo Banco at 792,000 t.euros. The payment of that amount by the Resolution Fund will be carried out after the statutory audit certification of Novo Banco and after a verification procedure, to be carried out by an independent entity. As a consequence of the activation of the contingent capitalization mechanism, the Resolution Fund will contract a loan which it estimates not to exceed 450,000 t.euros, under the framework agreement established between the Portuguese State and the Resolution Fund referred to above. In order to reimburse the loans contracted and to meet other responsibilities already assumed or that may still be assumed, the Resolution Fund has essentially the revenues from the periodic contributions of the participating institutions (including the Bank) and from the contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own resources for the fulfilment of its obligations. The cost with periodic contributions and with the contribution over the banking sector, is recorded by the Group on an annual basis, as provided in IFRIC 21 - Levies. The consolidated financial statements as at 31 December 2017 reflect the Management's expectation that no special contributions or any other extraordinary contributions will be required to the Group to finance the resolution measures applied to BES and to Banif or any other responsibility or contingent liability assumed by the Resolution Fund in the context of those measures.	• Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 55)	
Taking into account the responsibilities of the Resolution Fund and its effects for the Group, and the judgments of Management as described above, this was considered a key audit matter.	

Responsibilities of Management and Supervisory Body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that present true and fairly the financial position, the financial performance and the cash flows of the Group in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS);

- the preparation of the Management report, including the corporate governance report, under the applicable legal and regulatory terms;

- the implementation and maintenance of an appropriate internal control system to allow the preparation of consolidated financial statements that are free from material misstatements due to fraud or error;

- the adoption of accounting principles and criteria appropriate in the circumstances; and

- the evaluation of the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body is responsible for overseeing the Group's financial closing and reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we should draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether those consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we are the ultimate responsibles for our audit opinion;

- we communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and that are the key audit matters. We describe these matters in our report unless law or regulation precludes its public disclosure;

- we declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and we communicate all relationships and other matters that may be perceived to threat our independence, and where applicable, the related safeguards.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the consolidated financial statements and the verifications included in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), as well as the verification that a non-financial statement was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the Management report was prepared in accordance with the current applicable law and regulations, the financial information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge of the Group, we did not identify material misstatements. In accordance with article 451, number 7 of the Portuguese Commercial Code, this conclusion does not apply to the non-financial statement included in the Management report.

About the corporate governance report

In compliance with article 451, number 4, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Group under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and m) of the referred article.

About the non-financial statement provided for in article 508-G of the Portuguese Commercial Code

In compliance with article 451, number 6, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we hereby inform that the Group included in the management report the non-financial statement provided for in article 508-G the Portuguese Commercial Code.

About the additional elements provided for in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed auditors of Banco Comercial Português, S.A. (parent-company of the Group) for the first time in the Shareholders' General Meeting that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018.

- The Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the consolidated financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Group's Supervisory Body at this date.

- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and that we kept our independence from the Group during the execution of the audit.

Lisbon, 23 April 2018

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Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1a)

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Banco Comercial Português, S.A. ("the Bank"), which comprise the separate balance sheet as at 31 December 2017 (that presents a total of 53,576,516 t.euros and total equity of 5,929,267 t.euros, including a net profit of 118,021 t.euros), the separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the separate financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying separate financial statements present true and fairly, in all material respects, the non-consolidated financial position of Banco Comercial Português, S.A. as at 31 December 2017 and its non-consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the separate financial statements" section. We are independent from the Bank in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. Those matters were addressed in the context of the audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Impairment for loans to customers (Notes 1.b), 1.ab), 20, 34 and 46) – Credit Risk	
The accumulated impairment losses for loans and provisions for guarantees and other commitments granted by the Bank ("impairment losses") as at 31 December 2017 amount to 2,785,130 t.euros and 114,981 t.euros, respectively.	• Analysis of the relevant control activities implemented by the Bank in the process of identification and determination of impairment losses for its loan portfolio. • Selection of a sample of clients subject to individual impairment analysis by the Bank, which included exposures that presented higher risk characteristics as well as randomly selected exposures.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Impairment for loans to customers (Notes 1.b), 1.ab), 20, 34 and 46) – Credit Risk</td></tr>
<tr><td>Impairment losses represent the Bank's Management's best estimate of the losses incurred on its credit portfolio at the reference date of the separate financial statements. These impairment losses are determined through individual analysis for clients with high exposure and risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section Accounting policies of the Notes to the separate financial statements.

The determination of impairment losses through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and in estimating the present value of the amount that the Bank expects to recover from the loan, that incorporates also assumptions about future events that may not occur as expected and reflects the Management’s intentions at each moment regarding management and future holding of the loans.

Collective impairment is based on a model of a certain degree of complexity, as it incorporates in the computation of the impairment several variables, namely operations characteristics, the value of collaterals and risk parameters, such as the probability of default and loss given default.

Different methodologies or assumptions used in the impairment analysis and different recovery strategies affect the estimate of the recovery cash flows and their expected timing, and may have a relevant impact on the determination of impairment.

Given this is an area in which Management has to make estimates that incorporate a high degree of subjectivity or certain complexity (in the case of collective impairment), as well as the materiality of the amounts in the context of the separate financial statements, impairment for loans to customers was considered a key audit matter.</td><td>• For the selected sample, analysis of the reasonableness of the estimated impairment losses recorded in the separate financial statements based on the review of the Bank's judgments about the information available regarding the economic and financial situation of the clients, valuation of the collaterals and prospects about the evolution of their activity and also the intentions of Management regarding management and future holding of those loans.

• Regarding collective impairment (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Bank; (ii) analysis on a sample basis of the calculation of risk parameters and collective impairment; and (iii) validation on a sample basis of the inputs used to determine the main risk parameters and of the collaterals value considered in the determination of impairment losses.

• Review of the disclosures included in the separate financial statements related to these matters, considering the applicable accounting framework.</td></tr>
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<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Recoverability of deferred tax assets (Notes 1.w), 1.ab) and 28)</td></tr>
<tr><td>As at 31 December 2017, the balance of deferred tax assets amounts to 3,018,508 t.euros, of which 1,255,413 t.euros are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred taxes assets, approved by Law no. 61/2014, of 26 August), including:

• 880,316 t.euros related to impairment losses; and

• 319,768 t.euros resulting from tax losses carried forward originated in 2014 and 2016. According to Law No. 2/2014 of 16 January, the use of tax losses in future periods of taxation cannot exceed 70% of the taxable income in each of those periods, and the tax losses originated in 2014 and 2016 have a 12-year reporting period (i.e. up to 2026 and 2028, respectively).

In accordance with IAS 12 - Income taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal.

The Bank prepared an estimate of its taxable income for the period 2018-2028 to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions used by Management to calculate the evolution of pre-tax profit and on its interpretation of the tax legislation.

To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated results.

Any changes in the assumptions used in the estimation of future results or in the interpretation of the tax legislation may have a material impact on deferred tax assets.

Given the materiality of deferred tax assets in the separate financial statements and the need to use estimates to determine their recoverability, this area was considered a key audit matter.</td><td>• Analysis of the relevant control activities implemented by the Bank in the context of the estimate of the recoverability of deferred tax assets.

• Understanding and analysis of the main assumptions considered by the Bank to estimate the evolution of pre-tax profits in the period between 2018 and 2028.

• Review of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank in the estimation of future taxable profits.

• Review of the calculations made by the Bank to demonstrate the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above.

• Review of the disclosures included in the separate financial statements for these matters, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Liabilities with retirement pensions - Main actuarial assumptions (Notes 1.v, 1.ab) and 44)	
The Bank has assumed the responsibility of paying to its employees and pensioners retirement pensions and other associated benefits under the terms defined in collective labour agreements. As at 31 December 2017, the liabilities for past services of the Bank with retirement pensions and other associated benefits amount to 3,025,679 t.euros. The Bank's liabilities associated with the defined benefit plans were determined by the responsible actuary, considering a set of actuarial assumptions, including the discount rate, the growth rate of wages and pensions, and the mortality table. Any changes in actuarial assumptions may have a material impact on past service pension liabilities. Given the importance of the actuarial assumptions in determining the liabilities with past services related to pensions in the context of the separate financial statements, we considered this area a key audit matter.	• Analysis of the relevant control activities implemented by the Bank in determining the main actuarial assumptions used in the calculation of liabilities with past services related to pensions. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and analysis of its independence statement included in the actuarial study of 31 December 2017 sent to ASF. • Reading of the actuarial study with reference to 31 December 2017 and discussion with the responsible actuary on the main actuarial assumptions used. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into consideration: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management. • Review of the disclosures included in the separate financial statements for this matter, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Valuation of properties classified as non-current assets held for sale and properties held through real estate investment funds in which the Bank owns the majority of the fund units (Notes 1.c), 1.k), 1.ab), 21, 25 and 46 – Credit Risk)</td></tr>
<tr><td>As at 31 December 2017, the caption Non-current assets held for sale include 1,373,403 t.euros of properties held directly by the Bank and 79,598 t.euros of investments in real estate companies which main assets are properties. In addition, the caption Available-for-sale financial assets include 680,030 t.euros of real estate investment funds in which the Bank owns the majority of the units.

These assets are recorded in accordance with applicable accounting standards (IFRS 5 for non-current assets held for sale and IAS 39 for available-for-sale financial assets).

The valuation of these assets, and consequently the impairment losses recorded in the Bank's accounts as at 31 December 2017, is supported by appraisals carried out by independent appraisers, which incorporate several assumptions namely about the evolution of the real estate market, property best use, and expectations regarding the development of real estate projects when applicable, and also considers the intentions of Management regarding the commercialization of these assets. In addition, the valuation of the units in the real estate investment funds was based on the most up-to-date information that Management has available regarding its Net Asset Value, which depends on the funds’ properties appraisals carried out by independent external appraisers.

The assumptions used in the appraisals of these properties have an impact on its valuation and therefore on the determination of impairment losses.

Taking into consideration the relevance of these assets in the separate financial statements and the judgmental component incorporated in their valuation, this area was considered a key audit matter.</td><td>• Analysis of the relevant control activities implemented by the Bank in the process of valuing properties classified as non-current assets held for sale and properties held through real estate investment funds in which the Bank owns the majority of the units.

• Verification, on a sample basis, of the registration of the external appraisers in the Portuguese Securities Market Commission (“Comissão do Mercado de Valores Mobiliários” (CMVM)) and analysis of their independence.

• Analysis of the reasonableness of the valuation recorded in the separate accounts for a selected sample of properties, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used, meetings held with the external appraisers and understanding of the strategy defined by the Bank for these assets.

• In relation to the real estate investment funds in which the Bank owns the majority of the units (which are classified in the separate accounts as available-for-sale financial assets), we additionally read the Audit Reports on the financial statements of those funds as at 31 December 2017.

• Review of the disclosures included in the separate financial statements related to this matter, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 49)	
Following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif), as at 31 December 2016 the Resolution Fund held the entire share capital of Novo Banco, S.A. (Novo Banco) and Oitante, S.A.. In this context, the Resolution Fund contracted loans with the Portuguese State and with a banking syndicate and assumed contingent liabilities and other responsibilities, including those related to the litigation associated with the resolution processes. The Bank participated in the banking syndicate through a loan agreement. As disclosed in the Report and Accounts of the Resolution Fund for the year 2016, following the last renegotiations the loans that the Resolution Fund obtained to finance the resolution measures applied to BES and Banif (namely the loan granted by the Portuguese State and the loan from the banking syndicate, which amounted to 4,253,000 t.euros and 700,000 t.euros, respectively, as at 31 December 2016), have a maturity date of 31 December 2046 and establish the possibility of adjusting that date. The purpose is to guarantee the capacity of the Resolution Fund to fully meet its obligations based on regular revenues and without the need to resort to special contributions or any other type of extraordinary contributions from the banking sector. It was also established the pari passu treatment of the Resolution Fund's obligations arising from the loan agreement entered into with the banking syndicate of which the Bank is a part, and the loan agreements entered into with the Portuguese State. On 31 March 2017 Banco de Portugal announced having selected Lone Star to execute the sale of 75% of the share capital of Novo Banco, the conclusion of which was communicated by the Resolution Fund on 18 October 2017. On 2 October 2017 a framework agreement was established between the Portuguese State and the Resolution Fund with an annual limit of 850,000 t.euros, to provide the Resolution Fund with financial resources, if and when deemed necessary, for the fulfilment of the contractual obligations related to the above mentioned sale of 75% of the share capital of Novo Banco. This framework agreement also refers that it aims to ensure the stability of the contribution effort that relays on the banking sector, meaning without the need to charge special contributions or any other type of extraordinary contribution to the participants of the Resolution Fund.	• Analysis of the loan agreement established between the banks and the Resolution Fund and the respective amendments signed in August 2016 and February 2017. • Analysis of the public communications from the Resolution Fund and from the Office of the Portuguese Minister of Finance of 28 September 2016 and of the public communication from the Resolution Fund of 21 March 2017, regarding the new conditions of the loans from the Portuguese State and from the banking syndicate to the Resolution Fund and the corresponding impact on its sustainability and financial soundness. • Consideration of the simplified cash flow projections model of the Resolution Fund presented to us by the Bank in the context of the renegotiation of the loans obtained by the Resolution Fund. • Analysis of the public announcement and the content of the resolution approved by the Portuguese Council of Ministers on 2 October 2017, which authorized the Portuguese State, as the ultimate guarantor of financial stability, to establish a framework agreement with the Resolution Fund in order to make available to the Resolution Fund the financial resources, if and when necessary, for the fulfilment of contractual obligations that may arise from the sale of the 75% of the share capital of Novo Banco. • Analysis of the framework agreement established between the Portuguese State and the Resolution Fund. • Analysis of the public notice of the Resolution Fund dated 18 October 2017, referring to the conclusion of the sale of Novo Banco to Lone Star. • Analysis of the public communication of the Resolution Fund of 28 March 2018, regarding the payment to be made by the Resolution Fund to Novo Banco related to the use of the contingent capitalization mechanism established in the agreements entered into related to the sale of Novo Banco. • Reading of the latest available Report and Accounts from the Resolution Fund, which refers to the year of 2016. • Review of the accounting framework of the contributions to the Resolution Fund.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 49)	
As mentioned above, on 18 October 2017 the sale to Lone Star of 75% of the share capital of Novo Banco was concluded, with the Resolution Fund maintaining a 25% stake. The agreed conditions in this transaction include, in particular, the existence of a mechanism of contingent capitalization under which the Resolution Fund undertakes to make capital injections in Novo Banco up to the maximum total amount of 3,890,000 t.euros if certain cumulative conditions occur. In March 2018, the said contingent capitalization mechanism was activated for the first time by Novo Banco at 792,000 t.euros. The payment of that amount by the Resolution Fund will be carried out after the statutory audit certification of Novo Banco and after a verification procedure, to be carried out by an independent entity. As a consequence of the activation of the contingent capitalization mechanism, the Resolution Fund will contract a loan which it estimates not to exceed 450,000 t.euros, under the framework agreement established between the Portuguese State and the Resolution Fund referred to above. In order to reimburse the loans contracted and to meet other responsibilities already assumed or that may still be assumed, the Resolution Fund has essentially the revenues from the periodic contributions of the participating institutions (including the Bank) and from contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own resources for the fulfilment of its obligations. The cost with periodic contributions and with the contribution over the banking sector, is recorded by the Bank on an annual basis, as provided in IFRIC 21 - Levies. The separate financial statements as at 31 December 2017 reflect the Management's expectation that no special contributions or any other extraordinary contributions will be required to the Bank to finance the resolution measures applied to BES and to Banif or any other responsibility or contingent liability assumed by the Resolution Fund in the context of those measures.	• Review of the disclosures included in the separate financial statements related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 49)	
Taking into account the responsibilities of the Resolution Fund and its effects for the Bank, and the judgments of Management as described above, this was considered a key audit matter.	

Other matters

The accompanying separate financial statements refer to the activity of Banco Comercial Português, S.A. at the non-consolidated level and have been prepared for approval and publication in accordance with the legislation in force. As indicated in Note 1.j), financial investments in subsidiaries and associates are recorded at acquisition cost less impairment losses. The accompanying separate financial statements do not include the effect of full consolidation, nor the application of the equity method, which will be done in consolidated financial statements to be approved and published separately. Additional information on subsidiary and associated entities is given in Notes 24 and 52.

Responsibilities of Management and Supervisory Body for the separate financial statements

Management is responsible for:

- the preparation of separate financial statements that present true and fairly the financial position, the financial performance and the cash flows of the Bank in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS);
- the preparation of the management report, including the corporate governance report, under the applicable legal and regulatory terms;
- the implementation and maintenance of an appropriate internal control system to allow the preparation of financial statements that are free from material misstatements due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Bank's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body is responsible for overseeing the Bank's financial closing and reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the separate financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exist, we should draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether those separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- we communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and that are the key audit matters. We describe these matters in our report unless law or regulation precludes its public disclosure;

- we declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and we communicate all relationships and other matters that may be perceived to threat our independence, and where applicable, the related safeguards.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the separate financial statements and the verifications included in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), as well as verification that the non-financial statement was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the Management report was prepared in accordance with the current applicable law and regulations, and the financial information included therein is in agreement with the audited separate financial statements, and considering our knowledge of the Bank, we did not identify material misstatements. In accordance with article 451, number 7 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), this conclusion is not applicable to the non-financial statement included in the management report.

About the corporate governance report

In compliance with article 451, number 4, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Bank under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and m) of the referred article.

About non-financial statement provided for in the article 66-B of the Portuguese Commercial Code

In compliance with article 451, number 6 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we hereby inform that the Bank included in the management report the non-financial statement set forth in article 66-B of the Portuguese Commercial Code ("Código das Sociedades Comerciais").

About the additional elements provided for in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed auditors of Banco Comercial Português, S.A. for the first time in the Shareholders' General Meeting that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018.

- The Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the separate financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the separate financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the separate financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Bank's Supervisory Body at this date.

- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and that we kept our independence from the Bank during the execution of the audit.

Lisbon, 23 April 2018

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Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

Independent Limited Assurance Report

*** (Free translation from the original in Portuguese)**

To the Board of Directors

Introduction

1 We were engaged by the Board of Directors of Banco Comercial Português, S.A. ("Millennium bcp " or "Company") to perform a limited assurance engagement on the sustainability information, associated with GRI Standards indicators, included in the Annual Report 2017, in particular in the Chapter "Non-financial statement", for the year ended in December 31, 2017, prepared by the Company for the purpose of communicating its annual sustainability performance.

Responsibilities

2 It is the responsibility of the Board of Directors to prepare the sustainability information, associated with GRI Standards indicators, included in the Annual Report 2017, in accordance with the sustainability reporting guidelines "Global Reporting Initiative" ("GRI"), GRI Standards version, and with the instructions and criteria disclosed in the Annual Report 2017, as well as for the maintenance of an appropriate internal control system that enables the adequately preparation of the mentioned information.

3 Our responsibility is to issue a limited assurance report, which is professional and independent, based on the procedures performed and specified in the paragraph below.

Scope

4 The work performed was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the sustainability information, associated with GRI Standards indicators, is free from material misstatement.

5 Our limited assurance engagement also consisted in carrying out procedures with the objective of obtaining a limited level of assurance as to whether the Company applied, in the sustainability information included in the Annual Report 2017, the GRI Standards guidelines.

6 For this purpose the above mentioned work included:

(i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the report;
(ii) Identification of the existence of internal management procedures leading to the implementation of economic, environmental and social policies;
(iii) Testing, on a sampling basis, the efficiency of processes and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned, through calculations and validation of reported data;

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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

(iv) Confirmation that operational units follow the instructions on collection, consolidation, validation and reporting of performance information;
(v) Execution of substantive procedures, on a sampling basis, in order to collect evidence of the reported information;
(vi) Comparison of financial and economic data included in the sustainability information with the audited by the external auditor, in the scope of the legal review of Company's financial statements for the year ended in December 31, 2017;
(vii) Verification that the sustainability information included in the Report complies with the requirements of GRI Guidelines, version GRI Standards.

7 The procedures performed were more limited than those used in an engagement to obtain reasonable assurance and, therefore, less assurance was obtained than in a reasonable assurance engagement.

8 We believe that the procedures performed provide an acceptable basis for our conclusion

Quality control and independence

9 We apply the International Standard on Quality Control 1 (ISQC1) and, accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

10 We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and of the ethics code of the Institute of Statutory Auditors.

Conclusion

11 Based on the work performed, nothing has come to our attention that causes us to believe that the sustainability information, associated with GRI Standards indicators, included in the Annual Report 2017, in particular in the Chapter "Non-financial statement", for the year ended in December 31, 2017, was not prepared, in all material respects, in accordance with GRI Standards requirements and with the instructions and criteria disclosed in the Report and that Millennium bcp has not applied, in the sustainability information included in the Annual Report 2017, the GRI Standards guidelines.

Restriction on use

12 This report is issued solely for information and use of the Board of Directors of the Company for the purpose of communicating the sustainability information in the Annual Report 2017, and should not be used for any other purpose. We will not assume any responsibility to third parties other than Millennium bcp by our work and the conclusions expressed in this report, which will be attached to the Company's Annual Report 2017.

April 23, 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
Represented by:

António Brochado Correia, R.O.C.

*** (This is a translation, not to be signed)**

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

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Introduction

Banco Comercial Português, S.A. (hereinafter "Company, Bank, BCP, Millennium bcp") prepared the present Corporate Governance Report relative to the financial year of 2017 in conformity with the Legal Framework for Credit Institutions and Financial Companies (RGICSF), the Securities Code (CVM), Regulation 4/2013 of CMVM (Portuguese stock market regulator), the Corporate Governance Code of the CMVM (Recommendations), and all other applicable Portuguese and European legal and regulatory standards.

The table below discloses the Bank's understanding of its level of compliance with the Corporate Governance Code of the CMVM, which the Bank has decided to follow voluntarily, and includes an index referring to the contents of the Corporate Governance Report, substantiating the reasons for a judgement of compliance or not (principle of 'comply or explain') with these recommendations.

Recommendations of the CMVM	Declaration of Compliance	Information with reference to the Corporate Governance Report
I. VOTING AND CONTROL OF THE COMPANY		
I.1. Companies should encourage their shareholders to participate and vote in the general meetings, in particular by not establishing an excessively high number of shares required to have the right to vote and implementing the indispensable means to the exercise of the right to vote by correspondence and electronically.	Compliant	Item 12
I.2. Companies should not adopt mechanisms that hinder the adoption of resolutions by their shareholders, in particular establishing a deliberative quorum higher than that established by law.	Not accepted	Item 12
I.3. Companies should not establish mechanisms with the effect of causing a time lag between the right to receive dividends or subscribe new securities and the right to vote of each ordinary share, unless duly justified on the grounds of the long term interests of the shareholders.	Not applicable	
I.4. Articles of association of companies which foresee the limitation of the number of votes which may be held or exercised by a single shareholder, individually or in combination with other shareholders, must also establish that, at least every five years, the alteration or maintenance of this statutory provision will be subject to deliberation by the General Meeting – without requirement of a quorum larger than that legally established – and that, in this deliberation, all the votes cast will count, without the application of this limitation.	Not accepted	Item 13
I.5. Defensive measures should not be adopted if they imply payments or the incurrence of expenses by the company in the event of the transfer of control or change of the composition of the management body, and which might hinder the free transferability of shares and the free appraisal by the shareholders of the performance of members of the management body.	Compliant	Item 4
II. SUPERVISION, MANAGEMENT AND INSPECTION		
II. 1 MANAGEMENT AND SUPERVISION		
II.1.1. Within the limits established by the law, and unless as a result of the small size of the company, the Board of Directors should delegate the daily management of the company, with the delegated duties being identified in the annual Corporate Governance Report.	Compliant	Items 18 and 21 Board of Directors and Executive Committee
II.1.2. The Board of Directors should assure that the company acts in accordance with its objectives, and should not delegate its competence, namely, with respect to: i) definition of the strategy and general policies of the company; ii) definition of the Group's business structure; iii) decisions which should be considered strategic due to their amount, risk or special features.	Compliant	Item 21 Board of Directors
II.1.3. The Supervisory Board, in addition to the performance of the supervisory duties entrusted to it, should undertake full responsibility in terms of corporate governance, hence statutory provisions of equivalent measures should establish that it is compulsory for this body to issue statements on the strategy and main policies of the company, define the group's business structure and decisions which should be considered strategic due to their amount or risk. This body should also assess compliance with the strategic plan and the implementation of the company's policies.	Not applicable	

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Recommendations of the CMVM	Declaration of Compliance	Information with reference to the Corporate Governance Report
II.1. MANAGEMENT AND SUPERVISION		
II.1.4. Unless as a result of the small size of the company, the Board of Directors and Supervisory Board, according to the adopted model, should create the committees deemed necessary for:	Compliant	Item 21 Board of Directors and Executive Committee and Items 24 and 27
a) Assure competent and independent appraisal of the performance of the executive directors and their own overall performance, as well as that of the different existing committees;	Compliant	Items 24, 25, 26 and 27 c) Committee for Nominations and Remunerations.
b) Reflect on the adopted governance system, structure and practices, verifying their efficacy and proposing to the competent bodies the measures to be implemented aimed at their improvement.	Compliant	Item 27 b)
II.1.5. The Board of Directors or Supervisory Board, according to the applicable model, should establish objectives on matters of risk-taking and create systems for their control, aimed at assuring that the risks that are effectively incurred are consistent with those objectives.	Compliant	Item 21 Board of Directors and Audit Committee and Item 27 a) Committee for Risk Assessment
II.1.6. The Board of Directors should include a sufficient number of non-executive members so as to ensure effective capacity to monitor, supervise and assess the activities of the remaining members of the management body.	Compliant	Items 17 and 26 A.
II.1.7. The non-executive directors should include an adequate proportion of independent directors, taking into account the adopted governance model, the size of the company and its shareholder structure, and respective free float. The independence of the members of the Supervisory Board and members of the Audit Committee is appraised pursuant to the legislation in force. Regarding the other members of the Board of Directors, an independent person is considered a person who is neither associated to any specific group of interests in the company of the Bank, or under any circumstance capable of influencing the impartiality of his analysis or decision making, namely as a result of:	Compliant	Items 17, 18 and 26 A
a. Being an employee of the company over the last three years or a company which is in a controlling or group relationship; b. Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person; c. Having received remuneration paid by a company which has been in a controlling or group relationship, apart from the remuneration arising from the performance of directorship duties; d. Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors or natural persons directly or indirectly holding qualifying stakes; e. Being the holder of a qualifying stake or representative of a shareholder with qualifying stakes.	Compliant	Items 17 and 18
II.1.8. Directors who perform executive duties, when requested by other members of the governing bodies, should provide, in due time and in a form appropriate to the request, the requested information.	Compliant	Item 21 Executive Committee, Reports of the Board of Directors and Audit Committee.
II.1.9. The chairman of the executive management body or executive committee should send, as applicable, to the Chairman of the Board of Directors, Chairman of the Audit Board, Chairman of the Audit Committee, Chairman of the Supervisory Board and Chairman of the Financial Matters Committee, the summons and minutes of the respective meetings.	Compliant	Item 21 Executive Committee
II.1.10. Should the chairman of the management body perform executive roles, this body should indicate, among its members, an independent director to conduct the coordination of the work of the other non-executive members and the conditions to assure that they are able to make decisions in an independent and informed manner, or find another equivalent mechanism that assure this coordination.	The Chairman of the Board of Directors is not an executive director	
II.2. SUPERVISION		
II.2.1. According to the applicable model, the Chairman of the Audit Board, Audit Committee or Financial Matters Committee should be independent, pursuant to the applicable legal criterion, and possess adequate competence to perform the respective duties.	Not accepted	Item 21 Audit Committee and Items 17, 26 A and C.V. Annex I

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(cont.)

Recommendations of the CMVM	Declaration of Compliance	Information with reference to the Corporate Governance Report
II.2. SUPERVISION		
II.2.2. The supervisory body should be the main item of contact of the external auditor and the first receiver of the respective reports, being entrusted, in particular, with proposing the respective remuneration and ensuring that the company provides the appropriate conditions for the provision of the audit services.	Compliant	Item 21 Audit Committee
II.2.3. The supervisory body should assess the external auditor on an annual basis and propose, to the competent body, the dismissal of the external auditor or the termination of the audit service contract whenever there is fair cause for the effect.	Compliant	Item 21 Audit Committee and respective Report
II.2.4. The supervisory body must evaluate the functioning of the internal control and risk management systems and propose the necessary adjustments.	Compliant	Item 21 Audit Committee
II.2.5. The Audit Committee, Supervisory Board and Audit Board should issue statements on the work plans and resources allocated to the internal audit services and to the services which strive to ensure compliance with the regulations applied to the company (compliance services), and should receive the reports produced by these services at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential illegalities.	Compliant	Item 21 Audit Committee, Items 50 and 51
II.3. ESTABLISHMENT OF REMUNERATIONS		
II.3.1. All the members of the Remuneration Committee or equivalent should be independent from the executive members of the management body and include at least one member with knowledge and experience on matters of remuneration policy.	Compliant	Item 67 and Curricula Annex II
II.3.2. No natural or legal person who provides or has provided, over the last three years, services to any structure dependent on the management body, to the actual management body of the company or who has a current relationship with the company or a consultant of the company, should be contracted to support the Remuneration Committee in the performance of its duties. This recommendation is equally applicable to any natural or legal person related to the above through a work or service contract.	Compliant	Item 67
II.3.3. The statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law 28/2009, of 19 June, should also contain:		
a) Identification and explanation of the criteria for determination of the remuneration to be attributed to the members of the governing bodies;	Compliant	Item 69
b) Information as to the potential maximum amount, both in individual and aggregate terms, payable to the members of the governing bodies, and identification of the circumstances under which these maximum amounts may be due;	Compliant	Items 69 and 77
c) Information on the payability or non-payability of amounts relative to dismissal or termination of duties of directors.	Compliant	Item 80
II.3.4. Proposals relative to the approval of plans to attribute shares and/or share acquisition options, or based on share price variations, to members of the governing bodies, should be submitted to the General Meeting. The proposal should contain all the elements necessary for a correct assessment of the plan.	Not applicable	
II.3.5. Proposals relative to the approval of any system of retirement benefits established in favour of the members of the governing bodies should be submitted to the General Meeting. The proposal should contain all the elements necessary for a correct assessment of the system.	Compliant	Item 76
III. REMUNERATIONS		
III.1. The remuneration of the executive members of the management body should be based on effective performance and discourage excessive risk-taking.	Compliant	Items 69 and 77
III.2. The remuneration of the non-executive members of the management body and the remuneration of the members of the supervisory body should not include any component whose value depends on the performance or value of the company.	Compliant	Items 69 and 77
III.3. The variable component of remuneration should be reasonable, as a whole, in relation to the fixed component of remuneration, and maximum limits should be established for all components.	Not applicable	Items 69 and 77

(cont.)

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Recommendations of the CMVM	Declaration of Compliance	Information with reference to the Corporate Governance Report
III. REMUNERATIONS		
III.4. A significant part of the variable remuneration should be deferred for a period of not less than three years, and the right to its receipt should be dependent on the continuation of the positive performance of the company over this period.	Not applicable	Item 69
III.5. The members of the management body should not conclude contracts, either with the company or with third parties, which have the effect of mitigating the risk inherent to the variability of their remuneration established by the company.	Compliant	Item 69
III.6. Until the end of their term of office, executive directors must keep any company shares which have been acquired through variable remuneration schemes, up to the limit of twice the value of the annual total remuneration, with the exception of shares which need to be sold for the purpose of payment of taxes arising from the earnings of these same shares.	Not applicable	Item 69 - There are no schemes of this type
III.7. When the variable remuneration comprehends the attribution of options, the beginning of the exercise period must be deferred for a period of time not inferior to three years.	Not applicable	Item 69 - There are no schemes of this type
III.8. When the dismissal of a director neither arises from serious breach of duties nor inaptitude for normal performance of the respective duties but, even so, is the outcome of inadequate performance, the company should be endowed with the appropriate and necessary legal instruments to ensure that any indemnity or compensation, apart from that legally due, is not payable.	Not applicable	Item 69 - There are no schemes of this type
IV. AUDIT		
IV.1. The external auditor should, under his duties, verify the application of the remuneration policies and systems of the governing bodies, the efficacy and operation of the internal control mechanisms and report any failures to the supervisory body of the company.	Compliant	Item 66
IV.2. The company or any entities in a controlling relationship should neither contract from the external auditor, nor from any entities which are in a group relationship with it or are part of the same network, services other than audit services. When there are motives for the contracting of such services – which should be approved by the supervisory body and explained in its Annual Corporate Governance Report – they cannot represent a figure above 30% of the total value of the services provided to the company.	Compliant	Item 47
IV.3. Companies should promote the rotation of the auditor at the end of two or three terms of office, according to whether they are of four or three years, respectively. The auditor's maintenance beyond this period should be based on the grounds expressed in a specific opinion issued by the supervisory body which explicitly weighs up the conditions of independence of the auditor and the advantages and costs of his replacement.	Compliant	Items 40 and 44
V. CONFLICTS OF INTERESTS AND TRANSACTIONS WITH RELATED PARTIES		
V.1. Company business with shareholders owning qualifying holdings, or with entities that are in any relationship with them, under the terms of article 20 of the Securities Code, should be conducted under normal market conditions.	Compliant	Item 21 Audit Committee, and Items 10 and 91
V.2. The supervisory or audit board should establish the necessary procedures and criteria for the definition of the relevant level of significance of business with shareholders of qualifying stakes or with entities which are in any of the relations stipulated in number 1 of article 20 of the Securities Code, with the conduct of business of significant relevance being dependent on the prior opinion of this body.	Compliant	Item 21 - Audit Committee and Board of Directors, paragraph 4 Item 18 (material limit), and Items 10 and 91.
VI. INFORMATION		
VI.1. Companies should ensure, through their website, in Portuguese and English, access to information that enables knowledge on their evolution and their current situation in economic, financial and governance terms.	Compliant	http://www.millenniumbcp.pt/Institucional/

(cont.)

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Recommendations of the CMVM	Declaration of Compliance	Information with reference to the Corporate Governance Report
VI. INFORMATION		
VI.2. Companies should assure the existence of an investor support office and its permanent contact with the market, so as to answer requests made by investors in due time. Records should be kept of all the requests submitted and their subsequent treatment.	Compliant	Items 56 to 58

Part I – Information on Shareholder Structure, Organisation and Corporate Governance

A. SHAREHOLDER STRUCTURE

I. Capital Structure

1. The capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of shares that are not admitted to trading, different classes of shares, rights and duties of same and the capital percentage that each class represents (Article 245-A/1/a).

On the date this Report was made (March 2018) the share capital of the Bank amounted to 5,600,738,053.72 Euros, represented by 15,113,989,952 shares of a single category, nominative, book-entry, without nominal value, fully subscribed and paid up, all admitted to trading in a regulated market (Euronext Lisbon). These shares represent 100% of the share capital, confer identical rights and are fungible between them.

According to the information provided by Interbolsa, as at 31 December 2017, the number of shareholders of Banco Comercial Português totalled 166,960.

The Bank's shareholder structure continues to be much dispersed after the share capital increase completed in February 2017, with four shareholders owning stakes above 2% of the share capital. Of these, only two have a stake above 5%. As a whole, the shareholders with qualifying stakes represented 43.4% of the share capital.

Shareholders with over 5 million shares represented more than 72% of the share capital after the share capital increase concluded in February 2017. In terms of geographic distribution, special note should be made of the weight of the shareholders in Portugal, which accounted for 37% of the total number of shareholders.

Pursuant to its articles of association, the Bank has the ability to issue shares with special rights, namely voting or non-voting preferential shares either redeemable with or without premium or not redeemable. Banco Comercial Português has never issued these types of shares.

2. Restrictions on the transfer of shares, such as clauses on consent for disposal, or limits on the ownership of shares (Article 245-A/1/b).

The shares representing the Bank's share capital are freely transferable.

3. Number of own shares, the percentage of share capital that it represents and corresponding percentage of voting rights that corresponded to own shares (Article 245-A/1/a).

The treasury stock (BCP shares) held by entities included in the consolidation perimeter is within the limits established by the Law and Regulations.

As at 31 December 2017, Banco Comercial Português, S.A. held no treasury stock in its own portfolio, and there were no purchases or sales of own shares throughout the year. However, on that date the item "Treasury Stock" recorded 323,738 shares (31 December 2016: 2,689,098 shares) held by customers. Considering that for some of these customers, whose shares serve as collateral for loans granted by the Bank or by the Group, there is evidence of impairment, the Bank's shares held by these customers were considered as treasury stock and, in accordance with the accounting policies, written off from equity.

Regarding treasury stock held by associate companies of the BCP Group, pursuant to the Note to the consolidated financial statements number 50, as at 31 December 2017, Millenniumbcp Ageas - Grupo Segurador, SGPS, S.A. held 142,601,002 BCP shares, amounting to Euros 38,531,000 and on 31 December 2016, it held 8,694,500 shares, amounting to Euros 9,312,000.

The shares held by the Bank due to credit recovery process are not considered treasury stock in portfolio, as the respective sale is made in the market and in the short term.

4. Important agreements to which the company is a party and that come into effect, amend or terminated in cases such as a change in the control of the company after a takeover bid, and the respective effects, except where due to their nature, the disclosure thereof would be seriously detrimental to the company; this exception does not apply where the company is specifically required to disclose said information pursuant to other legal requirements (Article 245-A/1/j).

Banco Comercial Português is not a party to significant agreements, namely agreements that are enforced, altered or terminated in the event of change of control, following a public takeover bid, or change of composition of the governing bodies.

Under its activity, the Bank has negotiated seven bilateral contracts with the European Investment Bank (EIB) and the European Investment Fund (EIF), of the overall amount of close to one thousand and three hundred million Euros, which include clauses that confer the counterparty, under certain verifiable circumstances and in line with what is usual in the type of operations in question, the right to trigger the early repayment of these values, in the event of a change to the Bank's shareholder control.

5. A system that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

Article 26 of the Bank's Articles of Association establishes that votes cast by a single shareholder and its related entities, under the terms of number 1 of article 20 of the Securities Code, representing more than 30% of the votes of the total share capital, shall not be counted.

This 30% limit to voting rights, enshrined in article 26 of the Bank's Articles of Association, does not presently apply to any shareholder and requires the approval of more than 2/3 of the votes cast at a General Meeting of Shareholders to be altered.

The Bank's Articles of Association do not foresee the periodic review of the statutory rule that establishes the limitation of votes.

The rule for the limitation to voting rights, commonly referred to as "statutory ceiling on voting rights", follows the best international and national corporate governance practices in terms of statutory restrictions for significant institutions with the size, internal organisation, scope and complexity of activities such as the ones pursued by the Company.

6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights (Article 245-A/1/g).

The Bank is not aware of the existence of any shareholders' agreement relative to the exercise of corporate rights or transferability of the Bank's shares.

On 18 November 2016, BCP and Fosun Industrial Holdings Limited signed a Memorandum of Understanding and Subscription Agreement relating to the investment of this company in the share capital of BCP, according to which the company Chiado (Luxembourg) S.à r.l. («Chiado»), an entity part of Group Fosun, agreed to invest in BCP through the private placement of 157.437.395 new shares and committed to keep the ownership of these shares for, at least, 3 years.

II. Shares and Bonds Held

7. Details of the natural or legal persons who, directly or indirectly, are holders of qualifying holdings (Article 245-A/1/c & d and Article 16) with details of the percentage of capital and votes attributed and the source and causes of the attribution.

Under the terms of the Securities Code, the qualifying stakes in the Company's share capital as at 31 December 2017, indicating the percentage of the share capital and imputable votes, and the source and reasons of imputation, are reflected in the following table:

Shareholder	Nr. of Shares	% of share capital	% voting rights
Chiado (Luxembourg) S.à r.l., a company held by Fosun International Holdings Ltd (Fosun Group)	4,089,789,779	27.06%	27.06%
TOTAL FOR FOSUN GROUP	**4,089,789,779**	**27.06%**	**27.06%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, E.P., directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
Fundo de Pensões EDP*	319,113,690	2.11%	2.11%
TOTAL FOR EDP GROUP	**319,113,690**	**2.11%**	**2.11%**
BlackRock, Inc.**	**427,218,720**	2.83%	2.83%
TOTAL FOR BLACKROCK GROUP	**427,218,720**	**2.83%**	**2.83%**
TOTAL OF QUALIFYING STAKES	**7,782,476,103**	**51.50%**	**51.50%**

* Allocation according to article 20 (1.f) of the Securities Code.
According to the communication of 29 December 2017.

8. Indication of the number of shares and bonds held by members of the governing bodies, directors and persons closely related to these categories

On this issue, see the information provided in the Annual Report 2017, in Note 50 to the Consolidated Financial Statements.

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase (Article 245-A/1/i) with an indication as to the allocation date, time period within which said powers may be carried out, the upper ceiling for the capital increase, the amount already issued pursuant to the allocation of powers and mode of implementing the powers assigned.

Under the terms of the Bank's Articles of Association, the Board of Directors has powers to, when deemed convenient and after having obtained the favourable opinion of the Audit Committee, increase the share capital, once or more times, until the limit of the value of the existing share capital when the authorisation was granted or upon renewal of this authorisation.

The last renewal of this authorization was approved at the General Meeting of Shareholders held on 21 April 2016, when the Bank's share capital amounted to 4,094,235,361.88 Euros, and the General Meeting resolved that 20% of that increase could be made through the placement, without shareholders preference rights, with qualified or institutional investors.

The Bank's share capital was increased twice under this authorization.

The first time on 18 November 2016, amounting to 174,582,327.32 Euros, an increase reserved to Chiado (Luxembourg) S.à r.l. (Group Fosun), and the second time on 7 February 2017, amounting to 1,331,920,364.52 Euros, an increase with preference right for shareholders.

Following this last increase, on 9 February 2017, the Bank proceeded with the full and early repayment of the funds granted under the Bank's recapitalisation process.

10. Significant business relations between holders of qualifying stakes and the company

Business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, after a prior opinion has been obtained from the Audit Committee, through proposal submitted by the Executive Committee, supported by a proposal made by the Credit Commission and an analysis and opinion issued by the Internal Audit Division, in what regarded the legal and regulatory compliance of the proposal.

During 2017, the Audit Committee issued six opinions related to operations for granting and renewing credit lines and limits, and six opinions on other credit operations. All of these operations were conducted under normal market conditions.

During the year covered by this Report, regardless of the aforesaid operations, no other business or operations were conducted, namely the acquisition of supplies and services, between Banco Comercial Português and qualifying shareholders and entities related to them, which were economically significant and cumulatively carried outside market conditions, applicable to similar operations, or outside the scope of the current activity of the company, always in compliance with the provisions of article 397, (5) of the Companies Code. Also in this case, the Internal Audit Division, the Executive Committee, Audit Committee and the Board of Directors verified compliance with the conditions mentioned above.

B. GOVERNING BODIES AND COMMITTEES

I. GENERAL MEETING

a) Composition of the Board of the General Meeting

11. Identification and position of the members of the board of the general meeting and respective term of office (beginning and end)

Under the terms of article 20, number 1 of the Bank's Articles of Association, the Board of the General Meeting is composed of a Chairperson, a Vice-Chairperson and the Company Secretary.

The General Meeting of Shareholders held on 10 May 2017 elected a new Chairman and Vice-Chairman of the Board of the General Meeting, who are both on their first term of office.

The Company Secretary was appointed by the Board of Directors on 11 May 2015, performing duties for the three-year period 2015/2017.

At their first meeting after being elected, the Board of Directors to be elected by the 2018 Annual General Meeting shall appoint a new Company Secretary.

The Board of the General Meeting is composed of:

Chairman:	Pedro Miguel Duarte Rebelo de Sousa (Independent)
Vice-Chairman	Octávio Manuel de Castro Castelo Paulo (Independent)

Inherent to the position, the Board of the General Meeting is supported by secretarial services administered by the Company Secretary, Ana Isabel dos Santos de Pina Cabral.

b) Exercise of Voting Rights

12. Any restrictions on the right to vote, such as restrictions on voting rights subject to holding a number or percentage of shares, deadlines for exercising voting rights, or systems whereby the financial rights attaching to securities are separated from the holding of securities (Article 245-A/1/f)

Under the terms of the Bank’s Articles of Association, each share corresponds to one vote. Natural or legal persons that own shares which confer to them at least one vote at zero hours of the fifth trading day prior to the date of the General Meeting may participate therein, directly or through a representative.

On these issues, see items 5 and 14.

Voting in writing, by mail or internet is permitted, provided that the vote is received by the penultimate day prior to the date of the General Meeting.

Shareholders who participate in the General Meeting directly or through representation may only exercise their voting rights at the General Meeting.

13. Details of the maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship as set out in Article 20/1.

On this issue, see item 5.

14. Details of shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority, in addition to those legally provided, and details of said majority

The Bank's Articles of Association require the presence or representation of over one third of the share capital for the General Meeting to be held at first call. The Articles of Association also require a qualified majority of three quarters of the votes cast for approval of decisions on merger, demerger, transformation and a qualified majority of three quarters of the fully paid up share capital for resolutions on the dissolution of the company. The amendment of articles which establish limitations to voting rights or determine majorities different from those stipulated in the law requires a qualified majority of two thirds of the votes cast.

The demand for a reinforced quorum is intended to defend minority shareholders and assure that no relevant matter is resolved on without the effective participation of a representative number of shareholders.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the endorsed governance model

Banco Comercial Português, S.A. has endorsed, since 28 February 2012, a one-tier corporate structure with a Board of Directors which includes an Executive Committee and an Audit Committee. It also has a Remuneration and Welfare Board and an International Strategic Board elected by the General Meeting.

16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable. (Article 245-A/1/h)).

The members of the Board of Directors are elected at the General Meeting. Should the Board of Directors co-opt any Director to fill a vacant position, such co-optation must be ratified at the first General Meeting of Shareholders taking place after the co-optation. The co-opted member shall exercise functions until the end of the term of office underway.

Elections are plural and conducted by lists, with indication by the proposing shareholders, and votes are cast based on these lists.

Under the terms of the law, and under penalty of destitution, each Annual General Meeting of Shareholders votes on a renewal of the vote of confidence in each of the members of the management and supervisory bodies and likewise in the body as a whole.

17. Composition of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable, with details of the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date when first appointed and end of the term of office of each member.

Under the terms of the Bank's Articles of Association, the Board of Directors is composed of a minimum of seventeen and a maximum of twenty-five members, elected for terms of office of three years, who may be re-elected one or more times.

On 13 November 2017, the Board of Directors, pursuant to a proposal presented by the Committee for Nominations and Remunerations approved the Succession Plan for the Bank's Board of Directors. This Succession Plan identifies the skills, training and expertise required of the different members of the Board of Directors, so as to ensure professional qualifications and sufficient and adequate knowledge for exercising the specific functions, namely in terms of managing material risks.

At the 2018 Annual General Meeting, over 20% of the members of the Board of Directors to be elected will be women, in accordance with the legislation in force, a regime for the well balanced representation of women and men.

Complying with the legislation in effect, namely Law nr. 62/2017 of 1 August, on the date this report is being made, the Human Resources Division is drawing up a plan for gender equality to reinforce, recognize and set in motion a specific, material and effective equality of treatment, opportunities, recognition, respect and valuation of the differences between women and men, pursuing the elimination of gender discrimination and supporting the conciliation and harmonization of personal, family and professional life.

The current Board of Directors of Banco Comercial Português was elected at the General Meeting held on 11 May 2015, to perform duties for the three-year period 2015/2017, and 15.78% of its members are women, elected or co-opted, in accordance with and in abidance by criteria and requirements for the effective equality of treatment in comparison with the men who are members of the Board of Directors.

The Annual General Meeting held on 10 May 2017 ratified the co-optation of two directors, Mr. Lingjiang Xu and Mr. João Nuno de Oliveira Jorge Palma, approved by the Board of Directors on 9 January 2017, to perform the functions of members of the Board of Directors, the first as non-executive Director and the second as Vice-Chairman of the Executive Committee, until the end of the term of office in effect (2015/2017).

The term of office of the members of the Board of Directors ended on 31 December 2017, without prejudice to the Directors remaining in office until the election of a new Board of Directors, which will be done at the 2018 Annual General Meeting.

The composition of the Board of Directors at the end of the financial year this Report refers to, as well as the date of the first appointment of each member and the date of end of term of office is identified in the following table:

BOARD OF DIRECTORS: COMPOSITION, MANDATE (START AND END), POSITIONS AND CAPACITY OF THE NON-EXECUTIVE MEMBERS

Composition of the Board of Directors (Non-Executive Members)	Term of Office - Start	Term-of-office	Term of Office - End (a)	Justification	Body and Position	Qualification
António Vítor Martins Monteiro	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors - Chairman	Not Independent (b)
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Supervisory Board - Chairman	
	30/03/2009	2009/2010	31/12/2010		Supervisory Board - Member	
Carlos José da Silva	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors - Vice-Chairman	Independent
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Supervisory Board - Member	
Álvaro Roque de Pinho de Bissaia Barreto	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors - Member	Independent
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Supervisory Board - Member	
André Magalhães Luíz Gomes	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors - Member	Independent
	28/02/2012	2012/2014	31/12/2014			
André Palma Mira David Nunes	02/12/2016	The Ministry's decision exonerating him from the positions to which he had been appointed was published on 23/03/2017, effective as of 9/02/2017 because the Bank reimbursed the last part of the state aid granted to it on that date.				
António Henriques de Pinho Cardão	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors - Member	Independent
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Supervisory Board - Member	
António Luís Guerra Nunes Mexia	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors - Member	Not Independent (c)
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012			
	30/03/2009	2009/2010	31/12/2010		Supervisory Board - Member	
	15/01/2008	2006/2008	31/12/2008			
Cidália Maria Mota Lopes	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors - Member	Independent
Jaime de Macedo Santos Bastos	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors - Member	Independent
	28/02/2012	2012/2014	31/12/2014			
João Bernardo Bastos Mendes Resende	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors - Member	Resigned as of 10.02.2017
	28/02/2012	2012/2014	31/12/2014			
João Manuel de Matos Loureiro	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors - Member	Not Independent (d)
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Supervisory Board - Member	
	30/03/2009	2009/2010	31/12/2010			
José Rodrigues de Jesus	04/12/2012	The Ministry's decision exonerating him from the positions to which he had been appointed was published on 23/03/2017, effective as of 9/02/2017 because the Bank reimbursed the last part of the state aid granted to it on that date.				

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Composition of the Board of Directors (Non-Executive Members)	Term of Office - Start	Term-of-office	Term of Office - End (a)	Justification	Body and Position	Qualification
Lingjiang Xu	09/01/2017	2015/2017	31/12/2017	Co-optation	Board of Directors - Member	Not Independent (e)
Raquel Rute da Costa David Vunge	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors - Member	Not Independent (e)
	16/12/2014	2012/2014	31/12/2014	Co-optation		

Composition of the Board of Directors (Executive Members)	Term of Office - Start	Term-of-office	Term of Office - End (a)	Justification	Body and Position	Qualification
Nuno Manuel da Silva Amado	11/05/2015	2015/2017	31/12/2017	Election	Executive Committee - Chairman	Executive
	28/02/2012	2012/2014	31/12/2014			
Miguel Maya Dias Pinheiro	11/05/2015	2015/2017	31/12/2017	Election	Executive Committee - Vice-Chairman	Executive
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Executive Board of Directors - Member	
	11/11/2009	2008/2010	31/12/2010	In replacement		
Miguel de Campos Pereira de Bragança	11/05/2015	2015/2017	31/12/2017	Election	Executive Committee - Vice-Chairman	Executive
	28/02/2012	2012/2014	31/12/2014			
João Nuno de Oliveira Jorge Palma	09/01/2017	2015/2017	31/12/2017	Co-optation	Executive Committee - Member	Executive
José Jacinto Iglésias Soares	11/05/2015	2015/2017	31/12/2017	Election	Executive Committee - Member	Executive
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Executive Board of Directors - Member	
José Miguel Bensliman Schorcht da Silva Pessanha	11/05/2015	2015/2017	31/12/2017	Election		Executive
Maria da Conceição Mota Soares de Oliveira Callé Lucas	11/05/2015	2015/2017	31/12/2017	Election	Executive Committee - Member	Executive
	28/02/2012	2012/2014	31/12/2014			
Rui Manuel da Silva Teixeira	11/05/2015	2015/2017	31/12/2017	Election	Executive Committee - Member	Executive
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Executive Board of Directors - Member	

(a) Although the end of the mandate coincides with the last day of the calendar year, to which it refers, the member shall remain in office until the election of the new composition.
(b) The Director in question is in his fourth mandate, only because the mandate 2011/2013 was interrupted on 28 February 2012, consequently he did not complete three full mandates.
(c) The director in question is connected to a shareholder with a qualifying stake and is in his fifth term-of-office.
(d) The Director in question is in his fourth mandate, only because the mandate 2011/2013 was interrupted on 28 February 2012, consequently he did not complete three full mandates.
(e) The director in question is connected to a shareholder with a qualifying stake.

18. Distinction of the executive and non-executive members of the Board of Directors and, relating to the non-executive members, identification of the members who may be considered independent or, if applicable, identification of the independent members of the Supervisory Board

On 11 May 2015 and in accordance with articles 407 (3) and (4) of the Companies Code and article 35 of the Bank's articles of association, the Board of Directors appointed, from amongst its members, an Executive Committee composed of seven of its members.

On 9 January 2017, the Board of Directors co-opted João Nuno de Oliveira Jorge Palma to become Vice-Chairman of the Executive Committee. This co-optation was ratified at the General Meeting held on 10 May 2017. After the co-optation, the Executive Committee consisted of eight members.

The Executive Committee performs all of the Bank's day-to-day management duties that have not been reserved by the Board of Directors. On 31 December 2017, the Board of Directors was composed of nineteen members. According to CMVM Regulation 4/2013, Annex 1, nr. 18.1, a member of the Board of Directors who is not associated with any specific interest group within the company, or under any circumstances capable of affecting their impartiality of analysing or decision making is considered to be independent.

All the non-executive directors have been, for that purpose, evaluated by the Committee for Nominations and Remunerations which, for that specific purpose, took under consideration, apart from the profile of each one of the directors, the following facts:

a. Being an employee of the company over the last three years or a company which is in a controlling or group relationship;

b. Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person;

c. Receiving remuneration paid by the company or by a company that is in a controlling or group relationship in addition to the remuneration derived from carrying out the tasks as a Board Member;

d. Living with a partner or a spouse, next of kin up to and including third degree, of board members or individuals directly or indirectly holding qualifying holdings;

e. Being a qualifying shareholder or representative of a qualifying shareholder;

f. Having been re-elected for more than two, consecutive or not, terms-of-office.

Excluding the executive directors, six members of the Board of Directors, out of eleven members, are independent. In other words, 54.54% of the non-executive directors are independent, and BCP considers that the proportion of independent directors, versus the total number of directors, is adequate, taking into account the endorsed governance model and the size of the company.

Having pondered on the contents of Recommendation II.I.7. and the criteria of independence of mind mentioned in the Guide to fit and proper assessments of the members of management bodies of the ECB, as well as the Guidance from the European Securities and Markets Authority, namely EBA/GL/2017/12, of 26 September 2017 and applicable as of 30 June 2018, as well as the provisos of article 31 of the LFCIFC, the Committee for Nominations and Remunerations considered that the number of independent non-executive directors ensures their effective capacity to follow-up, supervise and evaluate in a critical, correct, impartial and appropriately objective manner the activity developed by the executive directors.

On this matter, see the table presented in item 26.

19. Professional qualifications and other relevant curricular details of each member of the, as applicable, of the Board of Directors, The Supervisory Board and of the Executive Board of Directors

The professional qualifications and other curricular details of each member of the Board of Directors are presented in Annex I to this Corporate Governance Report.

20. Customary and meaningful family, professional or business relationships of members of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, with shareholders that are assigned qualifying holdings that are greater than 2% of the voting rights.

There are no habitual and significant family or business relations between the members of the Board of Directors and of the Executive Committee with shareholders imputed with qualifying stakes above 2% of the voting rights. As shown in the table presented in item 7 of this Report, the shareholders owning stakes above 2% are legal persons. Under these terms, and by nature, there are no family relations between the members of the Board of Directors and shareholders with a stake above 2%. Furthermore, there are also no family relations between the members of the Bank's Board of Directors and Executive Committee and the members of the Boards of Directors of the shareholders with a stake above 2%.

The members of the Board of Directors who have professional/business relations with shareholders to whom, on 31 December 2017, a qualifying stake above 2% of the voting rights is imputable are listed in the following table:

PROFESSIONAL OR BUSINESS RELATIONSHIP OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BCP WITH SHAREHOLDERS OWNING MORE THAN 2% OF VOTING RIGHTS

Member of the Board of Directors of BCP	Professional or Business Relationship	Shareholder owning more than 2% of Voting Rights
António Luís Guerra Nunes Mexia	Chairman of the Executive Board of Directors of EDP - Energias de Portugal	EDP - Energias de Portugal, S.A. (EDP Group)
Lingjiang Xu	Manager of Fosun Management (Portugal), Lda	Chiado (Luxembourg) S.à r.l., a company held by Fosun International Holdings Ltd (Fosun Group)
Raquel Rute da Costa David Vunge	Senior Manager at Sonangol, E.P.	Sonangol - Sociedade Nacional de Combustíveis de Angola, E.P. (Sonangol Group)

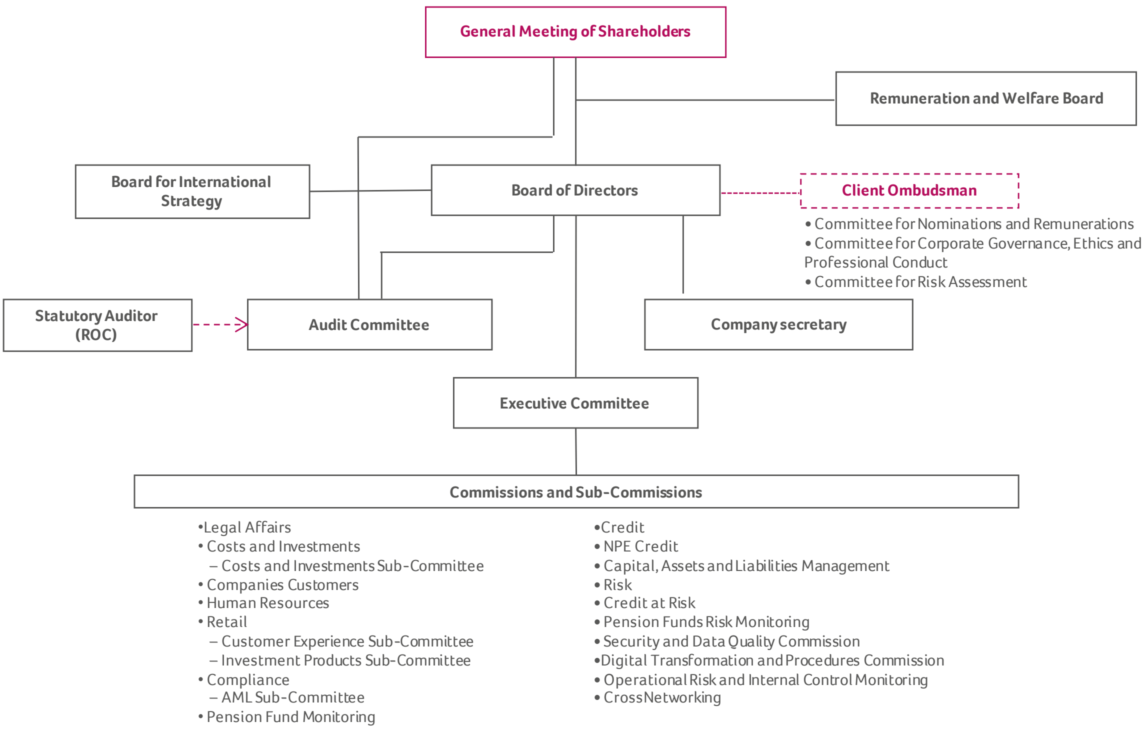
21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate boards, committees and/or departments within the company, including information on delegating powers, particularly as regards the delegation of the company's daily management

Pursuant to the corporate governance model adopted by the Bank - the one-tier model - the structure includes a Board of Directors, under which there is an Audit Committee, composed solely of non-executive members and an Executive Committee to which the Board of Directors has delegated the Bank's current management, pursuant to article 35 of the Articles of Association and article 6 of its Regulations.

The Board of Directors has appointed three other specialised committees, whose essential purpose is the permanent monitoring of certain specific or highly complex matters. The Company also has a Remuneration and Welfare Board and an International Strategic Board.

To advise on daily management, the Executive Committee has also appointed different commissions and sub-commissions that, besides two or more Executive Directors, are permanently composed of various first line Directors who report to them.

The diagram below represents the Bank's Corporate Governance Model structure during 2017:



Board of Directors

The Board of Directors is the governing body of the Bank vested with the most ample powers of management and representation of the company.

During the performance of their duties, the directors use their competences, qualifications and professional experience to assure, in a permanent and responsible way, a sound, effective, rigorous and prudent management of the Bank, respecting the characteristics of the institution, its size and the complexity of its business activities.

The members of the Board of Directors observe duties of zeal, care and loyalty, reflecting high standards of diligence inherent to a careful and orderly manager, critically analysing the decisions taken as well as the policies and procedures adopted in the best interests of the company. The directors are bound to secrecy in respect of any matters dealt with at the board meetings or that they become aware of due to the performance of their duties, except when the Board of Directors sees the need to internally or publicly disclose its resolutions, or when such disclosure is imposed by legal provisions or decision of an administrative or judicial authority.

The Board of Directors is the corporate body with competence to define the company’s general policies and strategy, being vested with full management and representation powers for both the Bank and the Group, without prejudice to the possibility of claiming back any matter delegated to the Bank's Executive Committee, namely the managerial powers, the Board of Directors has reserved the following competences for itself:

- Choose its Chairperson and Vice-Chairpersons when these are not appointed by the General Meeting;
- Appoint directors to fill in eventual vacancies;
- Ask the Chairperson of the Board of the General Meeting to call the General Meeting;
- Resolve on the change of head office and share capital increases, under the terms of the law and of the articles of association;
- Approve mergers, demergers and other changes to the company;
- Approve the Annual Reports and Financial Statements and the proposals that the management body is responsible for submitting to the General Meeting, namely the proposal for the appropriation of profits;
- Approve the Bank's annual and longer term budgets;
- Define the general policies and strategic goals for the Bank and for the group;
- Provide bonds and personal or real guarantees on behalf of the company, with the exception of those included in the Bank's current activity;
- Purchase, sell and encumber immovable properties provided that the operation implies a negative impact above 0.5% on the regulatory consolidated own funds;
- Define and resolve on the eventual introduction of changes to the group's corporate structure, namely the opening and closing of establishments when it represents a 10% positive or negative variation in the number of establishments in Portugal at the end of the year prior to the making of the decision;
- Significant increases or reductions in the company's organization whenever these produce an impact above 5% in consolidated assets;
- Resolve, under the terms of the law and of the articles of association, on the issue of shares and other securities that imply or may imply a share capital increase by the Bank, establishing the conditions and carrying out, with them, all the operations permitted by law, abiding by any limits set by the General Meeting;
- Appoint, after getting the prior favourable opinion from the Committee for Nominations and Remunerations, the Company Secretary and respective alternate, who must have the adequate expertise and profile to undertake such functions and to whom the Board of Directors must ensure technical autonomy and all the necessary means to carry out their functions;
- Appoint, after getting the prior favourable opinion from the Committee for Nominations and Remunerations, a Client Ombudsman, who must necessarily be an individual with a recognized ability, honesty and experience in banking, without employment ties to the Bank and to whom it must ensure all the necessary means to carry out his/her functions freely and independently;
- Appoint, pursuant to a proposal made by the Executive Committee and after getting the favourable opinions of the Audit Committee, and in the first case, also the Committee for Risk Assessment, the risk officer, the compliance officer, the head of audit division and the group treasurer, to whom it must ensure technical autonomy and all the necessary means to carry out their functions;

- Approve and periodically review the remuneration policy concerning employees which report directly to the Administration, the ones responsible for the assumption of risks and for the control functions and the employees whose total remuneration places them in the same bracket of the three categories mentioned above provided that their respective professional activities have a material impact on the Bank's risk profile.
- Approve the respective internal regulations, as well as the regulations of the Audit Committee, of the Executive Committee and of the other committees it decides to create;
- Approve, after obtaining a prior opinion from the Audit Committee, credit operations, regardless of their form, to: (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, and to (iii) natural or legal persons related to either of them;
- Approve, after obtaining a prior opinion from the Audit Committee, the agreements established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or members of the management and supervision body, directly or through third parties, provided that any one of the following conditions applies: (i) the object of the agreement is not encompassed in the Bank's business; (ii) o the material engagement limit exceeds the total amount of €100,000/year per group of suppliers part of the same economic group or client group, for the same type of assets and services; (iii) no special advantage is given to the party to the agreement in question;
- Ratify any acts undertaken on its behalf by the Chairperson or by his/her alternate in case of emergency;

The delegation of powers by the Board of Directors does not exclude the competence of this corporate body to resolve on the same issues, nor does it waive, under legal and regulatory terms, namely the Delegated Regulation (EU) nr. 604/2014, the responsibility of other directors for possible losses caused by acts or omissions occurred during the exercise of duties received by delegation to the extent that the members of the management body are ultimately responsible for the institution, its strategy and activities.

The Regulations of the Board of Directors are available on the Bank's website at:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

Audit Committee

The Audit Committee is composed of a minimum of three and a maximum of five non-executive members, elected at the General Meeting of Shareholders, and the lists proposed to elect the Board of Directors must detail which individual members are to be part of the Audit Committee and indicate the respective Chairperson.

The members of the Audit Committee, as is the case of all members of the governing bodies, are appointed for terms of office of three years, and may be re-elected.

The Audit Committee was elected at the General Meeting held on 11 May 2015 for the three-year period 2015-2017. It has the competences foreseen in article 423-F of the Companies Code and in its own Regulations.

The Regulations of the Audit Committee are available at the Bank's website at:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

The Audit Committee informs the Board of Directors on a quarterly basis, in writing, of the work it has developed and of conclusions drawn. As the Bank's supervisory body, it is responsible for ensuring compliance with the law and articles of association, and it is entrusted with the following duties:

- Supervising the Bank's management;
- Calling the General Meeting of Shareholders, whenever the Chairperson of the Board of the General Meeting fails to do so when he/she should;
- Verifying if the accounting processes and valuation criteria adopted by the Bank lead to a correct valuation of assets and results.
- Accessing call notices and minutes of the meetings of the Executive Committee and taking part in the meetings of the Executive Committee wherein the Bank's annual accounts are appraised;
- Monitoring the entire procedure for preparing and disclosing financial information and presenting recommendations or proposals to ensure that such procedure is reliable;

- Overseeing the audit to the individual and consolidated financial statements of the financial year, especially its execution, taking into account eventual analyses or guidelines issued by the supervision authorities and to verify that the financial statements are compliant with the applicable legal framework;
- Verifying the regularity of the books, accounting records and documents supporting them;
- Monitoring the preparation and disclosure of financial information;
- Supervising the audit of the Bank's annual report and financial statements;
- Drawing up an annual report on its supervisory functions and issuing an opinion on the annual report and accounts and on the proposals presented by the directors, clearly stating its concurrence with the contents of the legal certification of accounts, if that is the case;
- Supervising the efficiency of the risk management system, of the internal quality control system and of the internal audit system and issue a prior opinion on the entity appointed by the Bank to assess the adequacy and efficiency of the internal control system;
- Issuing an opinion on the work plans and resources allocated to the internal audit and compliance services, being the recipient of the reports made by these services, at least when the issues in question relate to the presentation of financial statements, the identification and resolution of conflicts of interests and the detection of potential illegalities;
- On an annual basis, evaluating and monitoring the independence of the external auditor and of the statutory auditor and propose their election by the General Meeting; being responsible, under the powers delegated by the Board of Directors, pursuant to subparagraph b), number 2.2. of article 7 of the Board of Director's Regulations, for proposing to the General Meeting the contracting and replacement of the statutory auditor and external auditor or proposing his discharge or termination of the contract for provision of his services whenever there are fair grounds for such;
- Issuing an opinion on the remuneration of the external auditor and of the statutory auditor, supervising compliance with the rules concerning the provision of additional services, ensuring that the external auditor has all the conditions for the exercise of its functions and evaluating its performance on an annual basis;
- Issuing an opinion on the internal service order that regulates the internal reporting of irregularities;
- Receiving, handling and recording the communications of serious irregularities related with the management, accounting organization and internal supervision and of serious signs of infractions of duties foreseen in the Legal Framework for Credit Institutions and Financial Companies, and remaining Portuguese and European legislation in force, presented by shareholders, Bank employees or other;
- Suspending directors and appointing substitute directors under the terms of the law and of the articles of association;
- Issuing an opinion on the technical and professional profile of the candidates for the position of Head of Internal Audit of the Bank and Head of the Compliance Office of the Bank;
- Issuing an opinion on the share capital increases resolved by the Board of Directors.
- Issuing a prior opinion on the agreements for the provision of supplies and services established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or members of the management body, directly or through third parties, provided that (i) the material engagement limit exceeds the amount of €100,000/year, per group of suppliers, (ii) the costs have not been previously budgeted and (iii) the remaining conditions set forth in article 5 (3) of the Regulations of the Board of Directors are not met;
- Issuing a prior opinion on the credit operations, regardless of their form, or engagement of services to (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, as well as to (iii) individuals or legal persons related to them.

The Audit Committee always holds mandatory regular meetings with the external auditors and statutory auditor at the time of appraisal of the interim and full year financial statements of the Bank. The Audit Committee receives the Reports of the Internal Audit Division, Statutory Auditor and External Auditors. The Audit Committee holds regular meetings with the Directors in charge of the Financial, Credit and Risk Areas, Compliance Officer and Head of Internal Audit, the Coordinating Managers of the Studies and Planning and Asset and Liability Management Division and of the Accounting Division. It has the power to summon or request clarifications from any Coordinating Manager or Employee of the Bank whom it wishes to hear.

Without prejudice to the hierarchical relationship maintained with the Executive Committee, the head of the Internal Audit Division and Compliance Office report functionally to the Audit Committee on the following matters: activity plans; activity reports; organisation and operation documents of the internal audit and compliance areas; situations detected that involve high risk; supervisory actions and relevant lawsuits; and constraints to the effective execution of the defined legal and regulatory functions, namely with respect to the allocated resources. In turn, the Audit Committee, independently of the direct reporting of the Audit Division and Compliance Office, informs the Chairperson of the Board of Directors of all and any situation detected that it deems might qualify as being of high risk.

The Audit Committee is composed as follows:

Chairman:	João Manuel de Matos Loureiro (Not Independent, due to having performed duties in the last 3 terms of office, one of which incomplete)
Members:	Jaime de Macedo Santos Bastos (Independent)
	Cidália Maria Mota Lopes (Independent)

All of the members of this Committee were subject to a performance assessment by the Committee for Nominations and Remunerations.

All the members of the Audit Committee have levels of responsibility and understanding of the activities conducted by the company that match the functions assigned to them, allowing them to make an unbiased evaluation of the decisions made by the management body, and to efficiently supervise its activities. All the members of this Committee have appropriate knowledge, competences and experience to clearly understand and monitor the risk strategy, within a coherent governance framework, compatible with the risk management systems.

The professional qualifications and other curricular details of each member of the Audit Committee are presented in Annex I of this Corporate Governance Report.

This Committee received logistic and technical support from the Board of Directors' Support Office, with the secretarial services being administered by the Office Head.

During 2017, the Audit Committee held twenty meetings.

Attendance of the Audit Committee meetings by each of its members is shown in the following table:

NUMBER OF MEETINGS ATTENDED AND EFFECTIVE PARTICIPATION INDEX PER MEMBER

Members of the Audit Committee	Number of Meetings Attended	
João Manuel de Matos Loureiro	20	100%
Cidália Maria Mota Lopes	20	100%
Jaime de Macedo Santos Bastos	20	100%
José Rodrigues de Jesus (1)	6	100%

(1) The Ministry's decision exonerating him from the positions to which he had been appointed was published on 23/03/2017, effective as of 9/02/2017 because the Bank reimbursed the last part of the state aid granted to it on that date.

Executive Committee

On 11 May 2015, and under the terms of article 407 of the Companies Code and article 35 of the Bank's Articles of Association, the Board of Directors appointed an Executive Committee, composed of seven of its members. The BofD established its *modus operandi* and delegated to this committee the powers to conduct the Bank's current management.

On 9 January 2017, the Board of Directors co-opted João Nuno de Oliveira Jorge Palma to become Vice-Chairman of the Executive Committee. This co-optation was ratified at the General Meeting held on 10 May 2017.

In its internal organisation, the Executive Committee has distributed areas of special responsibility to each of its members.

As at 31 December 2017, the distribution of these areas of special responsibility was as follows:

BOARD OF DIRECTORS

António Monteiro	
Board of Directors' Support Office	(NA)
Company Secretary's Office	(NA)
Fundação Millennium bcp	(NA)

EXECUTIVE COMMITTEE

Nuno Amado (NA)	
Office of the Chairman of the Executive Committee	(MM)
Communication Division	(MM)
Human Resources Division	(IS)
Audit Division	(IS)
General Secretariat and Relations with External Entities	(MM)
Digital Transformation Office	(MM)

Miguel Maya (MM)	
Credit Division	(MB)
Specialised Recovery Division	(MB)
Specialised Monitoring Division	(MB)
Real-Estate Business Division	(MB)

Miguel Bragança (MB)	
Investor Relations Division	(MM)
Accounting and Consolidation Division	(MM)
Research, Planning and ALM Division	(MM)
Management Information Division	(MM)
Tax Advisory Division	(MM)

João Nuno Palma (JNP)	
Retail Recovery Division	(MM)
Recovery of Small Amounts Division	(MM)
International, Treasury & Markets Division	(MB)
Private Banking Division	(RMT)
Wealth Management Division	(RMT)

Conceição Lucas (CL)	
Large Corporate Division	(RMT)
Investment Banking Division	(RMT)
Companies and Corporate Division - North	(RMT)
Companies and Corporate Division - South	(RMT)
Companies Operational Marketing Division	(RMT)
Companies Business Development and Strategic Marketing Division	(JNP)

Rui Manuel Teixeira (RMT)	
Retail Banking Division - North	(CL)
Retail Banking Division - Centre	(CL)
Retail Banking Division - South and Islands	(CL)
Retail Marketing Division	(CL)
Segments Management Division	(CL)
Quality and Network Support Division	(CL)
Direct Banking Division	(CL)

Iglésias Soares (IS)	
Operations Division	(JMP)
IT Division	(JMP)
Procurement and Logistics Division	(JMP)
Legal and Litigation Advisory Division	(JMP)
Compliance Office	(JMP)

(cont.)

(cont.)

José Miguel Pesanha (JMP)	
Risk Office	(IS)
Rating Division	(IS)
Office for Regulatory and Supervision Monitoring	(IS)
Office for the Validation and Monitoring of Models	(IS)

Subsidiary companies		
Bank Millennium (Poland)	MB	(MM)
Millennium BIM (Mozambique)	MM	(CL)
Banque Privée BCP (Suisse)	JNP	(RMT)
Millennium bcp Bank & Trust	JNP	(RMT)
ActivoBank	RMT	(CL)
Interfundos	MM	(RMT)
BCP Capital	MM	(CL)
Millennium bcp Ageas	JMP	(RMT)

( ) - Alternate Director

The Company Secretary sends to the Chairperson of the Board of Directors and to the Audit Committee the agendas and minutes of the meetings of the Executive Committee.

The Chairperson of the Executive Committee represents this Committee and convenes and conducts the respective meetings, has the casting vote, in addition to direct accountability for the respective areas of responsibility, and has the following duties:

- Coordinates the activities of the Executive Committee, distributing special areas of responsibility among its members, and entrusting one or more with the preparation or follow-up of the issues appraised or decided on by the Executive Committee;
- Monitoring the correct execution of the resolutions adopted by the Executive Committee, with the help of the Executive Director responsible for the area concerned;
- Ensures that all the relevant information is provided to the other members of the Board of Directors relative to the activity and deliberations of the Executive Committee;
- Assures compliance with the limits of delegation of competences, the approved strategy for the Bank and Group, and the duties of collaboration with the Board of Directors and, in particular, with its Chairperson.

The Regulations of the Executive Committee are available on the Bank's website at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

b) Functioning

22. Existence and location where the operating regulations, as applicable, of the Board of Directors, of the Executive Committee of the Audit Committee and of the Executive Board of Directors can be consulted

The regulations of the Board of Directors, the Executive Committee and the other Committees of the Board of Directors are provided to each member of these governing bodies upon election or appointment, and are available on the internal portal and at the Bank's website at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

23. The number of meetings held and the attendance report for each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable.

During 2017, the Board of Directors held twelve meetings and its secretarial services were administered by the Company Secretary, with minutes having been drawn up of all the meetings.

The attendance level, through presence or representation, of each one of the members of the Board of Directors at meetings is shown in the following table:

Non-Executive Members of the Board of Directors (BofD)	Attendance in Person	Attendance by Representation	Total Attendance
António Vítor Martins Monteiro	100.00%	0.00%	100.00%
Carlos José da Silva	83.30%	0.00%	83.30%
Álvaro Roque de Pinho de Bissaia Barreto	100.00%	0.00%	100.00%
António Henriques de Pinho Cardão	100.00%	0.00%	100.00%
António Luís Guerra Nunes Mexia	75.00%	8.30%	83.30%
André Magalhães Luíz Gomes	66.67%	33.33%	100.00%
Cidália Maria Mota Lopes	100.00%	0.00%	100.00%
Jaime de Macedo Santos Bastos	100.00%	0.00%	100.00%
João Manuel de Matos Loureiro	100.00%	0.00%	100.00%
Lingjiang Xu (1)	100.00%	0.00%	100.00%
Raquel Rute da Costa David Vunge	83.30%	0.00%	83.30%
José Rodrigues de Jesus (2)	100.00%	0.00%	100.00%
André David Nunes (2)	100.00%	0.00%	100.00%
João Bernardo Bastos Mendes Resende (3)	0.00%	0.00%	0.00%

(1) Co-opted by the Board of Directors on 9 January 2017 and took office on 9 May 2017.
(2) The Ministry's decision exonerating him from the positions to which he had been appointed was published on 23/03/2017, effective as of 9/02/2017 because the Bank reimbursed the last part of the state aid granted to it on that date.
(3) Resignation letter received on 10 February 2017 and accepted by the Chairman of the BofD, effective immediately.

During 2017, the Executive Committee held fifty meetings and its secretarial services were administered by the Company Secretary, with minutes having been drawn up of all the meetings.

The attendance level of each member of the Executive Committee at meetings held is shown in the following table:

Executive Members of the Board of Directors [Executive Committee (EC)]	Effective Participation Index
Nuno Manuel da Silva Amado	100.00%
Miguel Maya Dias Pinheiro	100.00%
Miguel de Campos Pereira de Bragança	92.00% (1)
João Nuno de Oliveira Jorge Palma	96.77% (1)(2)
José Jacinto Iglésias Soares	98.00% (1)
José Miguel Bensliman Schorcht da Silva Pessanha	96.00% (1)
Maria da Conceição Mota Soares de Oliveira Callé Lucas	94.00% (1)
Rui Manuel da Silva Teixeira	96.00% (1)

(1) Justifications: vacation and/or at the Bank's service.
(2) Co-opted by the Board of Directors on 9 January 2017 and took office on 9 May 2017.

24. Details of competent corporate boards undertaking the performance appraisal of executive directors

The Board of Directors, using the competence vested by article 37 (1) of the Bank's Articles of Association and by article 6 (2) and 7 (2.3 to 2.5) of its own Regulations, has constituted specialised committees, given the duty to monitor certain specific matters on a permanent basis. To this end, the Committee for Nominations and Remunerations was instituted, endowed with competences to assess if all members of the management and supervision bodies have and ensure the competences and the adequacy requirements necessary for the functions exercised or to be exercised.

The Committee for Nominations and Remunerations, within the scope of its competences, acts in accordance with article 30-A (1) and article 115-B (2.d) of the Legal Framework for Credit Institutions and Financial Companies, Instruction of Banco de Portugal nr. 12/2015 dated 17 August 2015 and the European legislation in effect, and also with item 4 of the Draft of the Guide to fit and proper assessments of the members of management bodies of the European Central Bank of May 2017, as well as the guidance from the European Securities and Markets Authority in both the consultation paper EBA/CP/2016/17 of 28 October 2016 and the Guidelines EBA/GL/2017/12, of 26 September 2017 and applicable as of 30 June 2018.

The Committee for Nominations and Remunerations is composed of four non-executive members.

The Committee for Nominations and Remunerations, under the competence of assessment of the individual and collective performance of the members of the Board of Directors, including the executive directors, has the duty to:

- Issue, at least once a year, informed and independent opinions on the remuneration policy and practices, with the respective criteria for setting the fixed and variable portion of the remuneration, and on the incentives that can be awarded to the employees responsible for risk taking and control functions, for risk, capital and liquidity management purposes, remitting to the Remuneration and Welfare Board the reports made thereon in the portion concerning the administration and supervision bodies, and to the Board of Directors when concerning other corporate bodies;
- Prepare the decisions regarding the remuneration of managers who report directly to the administration and of the employees responsible for the assumption of risks and for control functions, and regarding incentives designed, pondering the decisions with impact on the Bank's risks, capital and liquidity to be made by the Board of Directors.
- Monitor the independence of employees responsible for risk taking and control functions from the areas they control, including the powers given to them and the remuneration based on the accomplishment of the objectives associated to the respective function;
- Verify the implementation and compliance with the remuneration policies and procedures adopted by the competent corporate body, including the supervision of the remuneration of employees that perform risk management and control functions.
- Make and transmit to the Board of Directors recommendations on candidates for members of the administration and supervision bodies, evaluating the respective profile in terms of good repute, professional qualification, independence and availability for exercising the office;
- Resolve on the appointment of all employees who are managers reporting directly to the Board of Directors or to any of its Committees, including the Executive Committee;
- Resolve on the appointment of members to the corporate bodies of group companies or subsidiary companies;
- Appraise and send, every year, to the Remuneration and Welfare Board, a model for the evaluation of the performance of the executive and non-executive members of the Board of Directors and of the employees responsible for risk taking and control functions;
- Establish a goal for gender representation in the administration body and promote a policy aimed at complying with the defined objective;
- Make an evaluation or a re-evaluation report on individuals for elective position with the purpose of placing it at the disposal of the general meeting within the scope of the respective preparatory information;
- Evaluate, at least once a year, the knowledge, competences and experience of each one of the members of the administration and supervision bodies and of those bodies as a whole and report the respective results to those bodies
- Appraise and review, at least once a year, the policy defined by the executive administration body in all matters related with the selection and appointment of the directors that directly report to the Administration and formulate the recommendations it deems convenient;
- Evaluate, at least once a year, the knowledge, competences and performance of employees who report directly to the administration and of employees responsible for risk taking and control functions and to report the results to Board of Directors;
- Monitor, every year, the human resources and staff management policy;

In general, the Committee for Nominations and Remunerations performs the duties attributed to Nomination and Remuneration Committees in the Legal Framework for Credit Institutions and Financial Companies and other national and European legislation in force, namely with respect to the assessment of executive and non-executive members of the Board of Directors.

25. Predefined criteria for assessing executive directors' performance

The Committee for Nominations and Remunerations assesses, at least once a year, the good repute, knowledge, competences, practical and theoretical experience, professional qualification, independence, incompatibilities, availability and the minimum and specific requirements for holding the position of each member of the management and supervisory body, including the executive directors, thus validating the adequacy of the management body as a whole.

Pursuant to article 3 of its Regulations and being the body responsible for the Bank's nomination policy, the Committee for Nominations and Remunerations actively contributes to compliance with the institutional obligations with respect to the endorsement of suitable policies on individual and collective assessment of the members of the management and supervisory bodies. With a view to optimising the appropriate performance of its duties, the Committee for Nominations and Remunerations uses external consultants specialised in consulting services in talent areas (Mercer) to assist in the transparent, strict and rigorous process of assessment of aptitude and performance of the members of the executive committee in accordance with, namely, the following specific and predefined criteria:

- Reputation;
- Qualification, theoretical training and practical experience;
- Practical and theoretical professional experience, capacity to apply the competences acquired in previous positions;
- Availability, diligence in the performance of the respective duties with the necessary commitment of time and attention;
- Making focused decisions;
- Independence to hold the position;
- Conflicts of interest and independence of mind
- Risk perception and decision-making capacity;
- Drive towards institutional growth;
- Acting with loyalty and weighing up of the interests of the company and of all its stakeholders;
- Strategic vision, independence, transparency and good repute;
- Assessment of aptitude and performance on a continuous basis.

In addition, the qualifications of the members of the management bodies have been improved through training actions by own initiative of the members or provided by external trainers with a recognized technical expertise. The company makes available on the Bank's internal website supporting the Board of Directors, a summary on the domestic and EU legislation which is most relevant within the scope of banking regulation and supervision.

Based on the criteria referred to above, the Committee for Nominations and Remunerations prepares two questionnaires and requires their completion by each member of the Board of Directors: one for self-assessment and collective appraisal of the management body, and another considering adequacy aimed at appraising compliance with the necessary legal requirements for performance of duties. Based on the collected information and supplemented by a matrix of collective appraisal, pursuant to Annex II of Banco de Portugal Instruction 12/2015, the Committee for Nominations and Remunerations prepares an annual assessment report for each member of the management and supervisory body, and of these bodies as a whole.

26. The availability of each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year.

According to the assessments that have been made, it was found that each executive and non-executive member of the Board of Directors showed willingness and dedicated to the performance of his/her duties the necessary time, proportional to the importance of the matters to be addressed, assessed in the light of the interest that the different issues pose to the company, as well as of the specific tasks entrusted to each member.

The positions held by each executive and non-executive member of the Board of Directors, indicating positions held in other companies, within and outside the Group and other activities developed, are described in the following tables.

A - Non-Executive Members of the Board of Directors and of the Audit Committee

NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE AUDIT COMMITTEE

Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
António Vítor Martins Monteiro	Chairman of the Board of Directors	Chairman of the Board of Curators of Fundação Millennium bcp	Non-Executive Member of the Board of Directors of SOCO International, plc	Chairman of the Advisory Board of the Gulbenkian Programme Partnerships for Development – Fundação Calouste Gulbenkian	Not Independent (a)	Compliant
	Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct	Chairman of the International Board of Fundação Millennium bcp				
Carlos José da Silva	Vice-Chairman of the Board of Directors	Member of the Board of Curators of Fundação Millennium bcp	Non-Executive Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.		Independent	Compliant (b)
	Chairman of the Committee for Nominations and Remunerations		Non-Executive Chairman of the Board of Directors of Banco Privado Atlântico Europa, S.A.			
			Non-Executive Chairman of the Board of Directors of Atlântico Europa, SGPS, S.A.			
			Chairman of the Board of Directors of the Angola Management School			
Álvaro Roque de Pinho de Bissaia Barreto	Member of the Board of Directors		Non-Executive Chairman of the Board of Directors of Tejo Energia Prod. Dist. Energia Elect. S.A.	Member of the Senior Board of Fundação Bissaya Barreto	Independent	Compliant
	Chairman of the Committee for Risk Assessment		Non-Executive Member of the Board of Directors of Nutrinveste - Soc. Gestora de Part. Sociais, S.A.			
	Member of the Committee for Nominations and Remunerations					

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Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
André Magalhães Luíz Gomes	Member of the Board of Directors		Lawyer at Sociedade de Advogados Luíz Gomes & Associados	Chairman of the Board of the General Meeting of FGA Capital Instituição Financeira de Crédito, S.A.;	Independent	Compliant
			Non-Executive Member of the BoD of Fundação de Arte Moderna e Contemporânea - Colecção Berardo	Chairman of the Board of the General Meeting of FGA Distribuidora Portugal, S.A.		
	Member of the Committee for Risk Assessment		Non-Executive Member of the BodD of Bacalhôa - Vinhos de Portugal, S.A.	Chairman of the Board of the General Meeting of Fiat Group Automobiles Portugal, S.A.		
	Member of the Committee for Corporate Governance, Ethics and Professional Conduct			Chairman of the Board of the General Meeting of Rentipar Financeira, SGPS, S.A.		
				Chairman of the Board of the General Meeting of Quinta do Carmo - Sociedade Agrícola S.A.		
				Chairman of the Board of the General Meeting of Explorer Investments, Sociedade Capital de Risco S.A.		
				Chairman of the Board of the General Meeting of Explorer Investments, SGPS, S.A.		
				Chairman of the Board of the General Meeting of Atena Equity Partners - Sociedade de Capital de Risco, S.A.		
				Chairman of the Board of the General Meeting of Optime Investments - Soc. Capital de Risco, S.A.		
				Ferrado Nacomporta, S.A.		
André Palma Mira David Nunes	The Ministry's decision exonerating him from the positions to which he had been appointed was published on 23/03/2017, effective as of 9/02/2017 because the Bank reimbursed the last part of the state aid granted to it on that date.					

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Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
António Henriques de Pinho Cardão	Member of the Board of Directors Member of the Committee for Risk Assessment Member of the Committee for Nominations and Remunerations		Non-executive member of the Board of Directors of Cimpor - Cimentos de Portugal, S.A. Member of the Audit Committee of Cimpor - Cimentos de Portugal, S.A. Chairman of the Board of Auditors of the company Vila Galé, Soc. Empreendimentos Turísticos, S.A.	Vice-Chairman of the Executive Management of Associação Missão Crescimento Chairman of the Audit Board of Associação Por Uma Democracia de Qualidade Member of the Economists Association Member of the Chartered Accountants Association Partner at SEDES – Associação para o Desenvolvimento Económico e Social	Independent	Compliant
António Luís Guerra Nunes Mexia	Member of the Board of Directors Member of the Committee for Corporate Governance, Ethics and Professional Conduct		Chairman of the Executive Board of Directors of EDP - Energias de Portugal, S.A. Non-Executive Chairman of the Board of Directors of EDP Renováveis, S.A. (Spain) Non-Executive Chairman of the Board of Directors of EDP – Energias do Brasil, S.A.	Chairman of the Board of Directors of Fundação EDP	Not Independent (c)	Compliant
Cidália Maria Mota Lopes	Member of the Board of Directors Member of the Audit Committee		Professor at Instituto Superior de Contabilidade e Administração de Coimbra (ISCAC)	Member of the Scientific Board of the Portuguese Fiscal Association (AFP) Member of the International Fiscal Association (IFA)	Independent	Compliant
Jaime de Macedo Santos Bastos	Member of the Board of Directors Member of the Audit Committee		Statutory Auditor in several companies		Independent	Compliant

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Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
João Bernardo Bastos Mendes Resende	He presented his resignation on 10 February 2017.					
João Manuel de Matos Loureiro	Member of the Board of Directors		Professor at the School of Economics of the University of Porto (FEP)	Member of the Board of Representatives at the School of Economics of the University of Porto	Not Independent (a)	Compliant
	Chairman of the Audit Committee		Professor at the Porto Business School	Director of the Post Graduate Degree in Company Management of Porto Business School		
José Rodrigues de Jesus	The Ministry's decision exonerating him from the positions to which he had been appointed was published on 23/03/2017, effective as of 9/02/2017 because the Bank reimbursed the last part of the state aid granted to it on that date.					
Lingjiang Xu	Member of the Board of Directors		Manager of Fosun Management (Portugal), Lda		Not Independent (d)	Compliant
	Member of the Committee for Nominations and Remunerations		Non-executive member of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.			
Raquel Rute da Costa David Vunge	Member of the Board of Directors		Non-Executive Member of the Board of Directors of Galp Energia, SGPS, S.A.		Not Independent (d)	Compliant
	Member of the Committee for Corporate Governance, Ethics and Professional Conduct		Member of the Board of Directors of Caixa Angola			

(a) The director is in his fourth term-of-office, though one was incomplete.
(b) The European Central Bank authorised the cumulation of another non-executive position by letter dated 29.12.2015.
(c) The director in question is in his fifth term-of-office and is connected to a shareholder with a qualifying stake.
(d) The director in question is connected to a shareholder with a qualifying stake.

B - Executive Members of the Board of Directors

EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Nuno Manuel da Silva Amado	Vice-Chairman of the BoD Chairman of the Executive Committee	Member of the Board of Curators of Fundação Millennium bcp Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland)	Vice-Chairman of the Management Board of APB - Associação Portuguesa de Bancos, representing Banco Comercial Português, S.A. Member of the Supervisory Board of EDP – Energias de Portugal, S.A.	Member of the Institut International D'Etudes Bancaires Member of the Board of Auditors of Fundação Bial Chairman of the Advisory Board of Centro Hospitalar do Oeste Member of the General Board of Universidade de Lisboa Effective member of the Plenary of the Interdisciplinary Specialised Committee for Birth-rate (CEPIN) - Conselho Económico e Social (CES) Effective member of the Plenary of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the CES - Conselho Económico e Social Member of the Advisory Board of do BCSD Portugal - Conselho Empresarial para o Desenvolvimento Sustentável, as representative of Banco Comercial Português S.A. Chairman of the Senior Board of the Alumni Clube ISCTE	Executive	Compliant

(cont.)

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Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Miguel Maya Dias Pinheiro	Member of the Board of Directors Vice-Chairman of the Executive Committee	Chairman of the Board of Directors of Interfundos – Gestão de Fundos de Investimento Imobiliário, S.A. Manager of BCP África, SGPS, Lda. Chairman of the Board of Directors of BCP Capital - Sociedade de Capital de Risco, S.A. Vice-Chairman of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A. Vice-Chairman of the Remunerations Commission of BIM - Banco Internacional de Moçambique, S.A. Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.	Member of the Senior Board - Alumni Clube ISCTE	Executive	Compliant
Miguel de Campos Pereira de Bragança	Member of the Board of Directors Vice-Chairman of the Executive Committee	Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A. Manager of Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda. Manager of BCP África, SGPS, Lda. Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Manager of Quinta das Almoínhas Velhas - Imobiliária, Lda.	Member of the Board of Fundação Casa de Bragança	Executive	Compliant

(cont.)

(cont.)

Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
João Nuno de Oliveira Jorge Palma	Member of the Board of Directors Vice-Chairman of the Executive Committee	Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A. Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.			Executive	Compliant
José Jacinto Iglésias Soares	Member of the Board of Directors Member of the Executive Committee	Chairman of the Board of Directors of Millennium bcp - Prestação de Serviços, ACE	Non-Executive Member of the Board of Directors of SIBS, SGPS, S.A. Non-Executive Member of the Board of Directors of SIBS Forward Payment Solutions, S.A. Non-executive Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A. (waiting for the assessment of the adequacy for the exercise of functions by Banco de Portugal) Member of the Remunerations Committee of UNICRE – Instituição Financeira de Crédito, S.A.	Member of the General Board of AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado, representing BCP S.A. Member of the General Board of IPCG - Instituto Português de Corporate Governance, representing BCP S.A.	Executive	Compliant

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Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Board of Directors Member of the Executive Committee	Vice- Chairman of the Board of Directors of Millennium bcp Ageas Grupo Segurador, SGPS, S.A. Chairman of the Board of Directors of Millennium bcp Ageas Grupo Segurador, SGPS, S.A. Vice-Chairman of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. Chairman of the Audit Committee of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. Vice-Chairman of the Board of Directors of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A. Chairman of the Audit Committee of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A.			Executive	Compliant
Maria da Conceição Mota Soares de Oliveira Callé Lucas	Member of the Board of Directors Member of the Executive Committee	Manager of BCP África, SGPS, Lda. Member of the Board of Directors of BCP Capital - Soc. de Capital de Risco, S.A. Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A. Member of the Remunerations Commission of BIM - Banco Internacional de Moçambique, S.A. Member of the Board of Directors of Banque Privée BCP (Suisse), S.A.	Member of the Board of Directors of Banco Millennium Atlântico, S.A.		Executive	Compliant

(cont.)

(cont.)

Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Rui Manuel da SilvaTeixeira	Member of the Board of Directors Member of the Executive Committee	Chairman of the Board of Directors of Banco Activobank, S.A. Member of the Board of Directors of Millenniumbcp Ageas Grupo Segurador, SGPS, S.A. Member of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros Vida, S.A. Member of the Board of Directors of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A. Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Member of the Remunerations Committee of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A. Member of the Remunerations Commission of SIBS, SGPS, S.A. Member of the Remunerations Commission of SIBS Forward Payment Solutions, SGPS, S.A.	Chairman of the Board of the General Meeting of Porto Business School (PBS)	Executive	Compliant

c) Committees within the Board of Directors

27. Details of the committees created within the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and the place where the rules on the functioning thereof is available.

In addition to the Audit Committee and the Executive Committee, the Bank's Board of Directors, in order to ensure and contribute to the good and appropriate performance of the duties that are legally and statutorily entrusted to it, appointed three other specialised committees, responsible for monitoring specific matters, which are identified as follows:

a) Committee for Risk Assessment - Composed of three to five non-executive members of the Board of Directors, appointed by this body.

All the members of this committee have appropriate knowledge, competences and experience to be able to understand, analyse and monitor the specific categories of risk faced by the company, risk appetite and the defined risk strategy, as confirmed by the respective curricula attached to the present Report.

Among the competences of the Committee for Risk Assessment, the following are highlighted:

- Advise the Board of Directors on the appetite for risk and the risk strategy and also on the policies concerning the assumption, management, control, hedging of risk and on the Bank's generic risk reduction factors, current and future;
- Assess the risks' specific categories, namely credit, based on the internal ratings and those related with the compliance control function, monitoring and assessing the risk of non-compliance with the legal requirements the Bank is subject to;
- Assist the administration body in the supervision of the execution by the top management of the Bank's risk strategy;
- Assess if the conditions of the products and services offered to customers take into consideration the Bank's business model and risk strategy and, if necessary, present to the Board of Directors the respective correction plans;
- Examine if the incentives established in the remunerations policy take into consideration the risk, capital, liquidity and expectations concerning income;
- Assess if the resources are allocated to risk management in accordance with the General Framework for Credit Institutions and Financial Companies and with the remaining domestic and European legal requirements in effect;
- Actively participate in the evaluation of assets and in the use of external risk ratings and of models related with those risks;
- Monitor and ensure that the Bank's risk management systems are appropriate for the Bank's profile and strategy;
- Giving an opinion on the technical and professional profile of the candidate to Risk Officer.

For the exercise of its functions, the Committee for Risk Assessment has access to information on the Bank's risk situation and is entitled to determine the nature, quantity, format and frequency of the information concerning risks that it should receive. This Committee also implements internal procedures for communication with the Board of Directors and Executive Committee.

The Committee will inform the Board of Directors of its activities by means of a detailed quarterly report, without prejudice to the duty of reporting to the Chairperson of the Board of Directors any and all situations the Committee finds and deems to be of high risk.

During 2017, the Committee held seven meetings, received the logistic and technical support from the Board of Directors' Support Office, with the secretarial services being administered by the head of this office.

During 2018, the Committee for Risk Assessment was composed as follows:

Chairman:	Álvaro Roque de Pinho de Bissaia Barreto (Independent)
Members:	António Henriques de Pinho Cardão (Independent)
	André Magalhães Luíz Gomes (Independent)

João Bernardo Bastos Mendes Resende (Non Independent) (presented his resignation on 10 February 2017)

The Regulations of the Committee for Risk Assessment are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

b) The Committee for Corporate Governance, Ethics and Professional Conduct is composed of three to five non-executive members, appointed by the Board of Directors.

All the members of the Committee for Corporate Governance, Ethics and Professional Conduct have professional qualifications acquired through academic qualification, professional experience or specialised training appropriate to the performance of their duties, as confirmed by the respective curricula attached to the present report.

The competences of the Committee for Corporate Governance, Ethics and Professional Conduct include the following, in particular:

- Recommend the adoption by the Board of Directors of policies, compliant with ethical and professional conduct principles, rules and procedures necessary to comply with the provisos of these Regulations and with the applicable legal, regulatory and statutory requirements, as well as with recommendations, standards and best domestic and international practices in corporate governance;
- Supporting the Board of Directors in the evaluation of the systems that identify and solve conflicts of interests;
- Evaluate the Compliance function, appraising the procedures in effect and the non-compliant situations;
- Issue opinions addressed to the Board of Directors on the Code of Conduct and on other documents defining business ethical principles;
- Make, on an annual basis, a report to submit to the Board of Directors on the evaluation and monitoring of the structure, ethical and professional conduct principles and corporate governance practices of the Bank and on the company's compliance with the legal, regulatory and supervisory requirements on these issues;
- Cooperate in the making of the Corporate Governance Annual Report concerning issues for which it is responsible;
- Define and propose the guidelines for the Company's policies, based on a culture identified with the ethical and professional conduct principles targeted at contributing for the pursuit of social responsibility and sustainability goals. For that purpose, it specifically pertains to the Committee to propose the guidelines for the social responsibility and sustainability policies of the Company, including, among other, the values and principles for safeguarding the interests of the shareholders, investors and of those interested in the institution and also principles of social charity and environmental protection;
- In the specific area of matters related to the governance model endorsed by the Bank, the Committee verifies its efficacy and, when necessary, proposes measures aimed at its improvement to the Board of Directors, annually assessing this model and issuing opinions on the Corporate Governance Report. This Committee also promotes training actions for the Directors.

During 2017, the Committee held three meetings, received the logistic and technical support from the Company Secretary, with the secretarial services being administered by the Company Secretary.

During 2017, the Committee for Corporate Governance, Ethics and Professional Conduct was composed as follows:

Chairman:	António Vítor Martins Monteiro (Not Independent)
Members:	António Luís Guerra Nunes Mexia (Not Independent)
	André Magalhães Luís Gomes (Independent)
	Raquel Rute da Costa David Vunge (Not Independent)

The Regulations of the Committee for Corporate Governance, Ethics and Professional Conduct are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

c) The Committee for Nominations and Remunerations is composed of three to five members of the administration body who do not perform executive functions and are not members of the Audit Committee, appointed by the Board of Directors.

All the members of this Committee have appropriate knowledge, competences and experience for the good performance of their duties and one member has specific professional qualification and appropriate professional experience to hold this position.

Among the competences of the Committee for Nominations and Remunerations, the following are especially important:

- Issue, at least once a year, informed and independent opinions on the remuneration policy and practices, with the respective criteria for setting the fixed and variable portion of the remuneration, and on the incentives that can be awarded to the employees responsible for risk taking and control functions, for risk, capital and liquidity management purposes, remitting to the Remuneration and Welfare Board the reports made thereon in the portion concerning the administration and supervision bodies, and to the Board of Directors when concerning other corporate bodies;
- Prepare the decisions regarding the remuneration of managers who report directly to the administration and of the employees responsible for the assumption of risks and for control functions, and regarding incentives designed, pondering the decisions with impact on the Bank's risks, capital and liquidity to be made by the Board of Directors.
- Monitor the independence of employees responsible for risk taking and control functions from the areas they control, including the powers given to them and the remuneration based on the accomplishment of the objectives associated to the respective function;
- Verify the implementation and compliance with the remuneration policies and procedures adopted by the competent corporate body, including the supervision of the remuneration of employees that perform risk management and control functions.
- Make and transmit to the Board of Directors recommendations on candidates for members of the administration and supervision bodies, evaluating the respective profile in terms of good repute, professional qualification, independence and availability for exercising the office;
- Make and revise the Succession Plan for the members of Bank's corporate bodies and ensure compliance with the minimum requirements set forth in the legal regime regarding the balanced representation between men and women in the administration and supervision of listed companies;
- Resolve on the appointment of all employees who are managers reporting directly to the Board of Directors or to any of its Committees, including the Executive Committee;
- Resolve on the appointment of members to the corporate bodies of group companies or subsidiary companies;
- Appraise and send, every year, to the Remuneration and Welfare Board, a model for the evaluation of the performance of the executive and non-executive members of the Board of Directors and of the employees responsible for risk taking and control functions;
- Make an evaluation or a re-evaluation report on individuals for elective position with the purpose of placing it at the disposal of the general meeting within the scope of the respective preparatory information;
- Evaluate, at least once a year, the knowledge, competences and experience of each one of the members of the administration and supervision bodies and of those bodies as a whole and report the respective results to those bodies
- Appraise and review, at least once a year, the policy defined by the executive administration body in all matters related with the selection and appointment of the directors that directly report to the Administration and formulate the recommendations it deems convenient;
- Evaluate, at least once a year, the knowledge, competences and performance of employees who report directly to the administration and of employees responsible for risk taking and control functions and to report the results to Board of Directors;
- Monitor, every year, the human resources and staff management policy;
- In general, exercise all the competences attributed to the Committees for Nominations and Remunerations under the provisions of the General Framework for Credit Institutions and Financial Companies and remaining domestic and European legislation in force.

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- Under its activity, the Committee for Nominations and Remunerations observes the long term interests of the shareholders, investors and other stakeholders in the institution, as well as the public interest and assures that the decisions taken by the management body are not dominated by any person or small group of persons in detriment of the Bank's general interests.
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During 2017, the Committee held five meetings, received the logistic and technical support from the Company Secretary, with the secretarial services being administered by the Company Secretary.

During 2017, the Committee for Nominations and Remunerations was composed as follows:

Chairman:	Carlos José da Silva (Independent)
Members:	Álvaro Roque de Pinho de Bissaia Barreto (Independent)
	António Henriques de Pinho Cardão (Independent)
	Lingjiang Xu (Non Independent)

The Regulations of the Committee for Nominations and Remunerations available on the Bank's website, on the page with the following address: http://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx

https://ind.millenniumbcp.pt/en/Institucional/governacao/Documents/Regimento_CNR_EN.pdf

28. Composition of the executive Board and/or details of the board delegate/s, where applicable.

The composition of the Bank's Executive Committee is as follows:

Chairman:	Nuno Manuel da Silva Amado
Vice-Chairmen:	Miguel Maya Dias Pinheiro Miguel de Campos Pereira de Bragança João Nuno de Oliveira Jorge Palma
Members:	José Jacinto Iglésias Soares
	José Miguel Bensliman Schorcht da Silva Pessanha
	Maria da Conceição Mota Soares de Oliveira Callé Lucas Rui Manuel da Silva Teixeira

29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising said powers

The competences of each of the specialised committees created within the Board of Directors are as follows:

Audit Committee - On this matter, see the information presented in item 21. – Audit Committee.

Executive Committee - On this matter, see the information presented in item 21. – Executive Committee

Committee for Risk Assessment - On this matter, see the information presented in item 27. a.

Committee for Corporate Governance, Ethics and Professional Conduct - On this matter, see the information presented in item 27. b.

Committee for Nominations and Remunerations - On this matter, see the information presented in items 24, 25 and 27 c.

III. SUPERVISION

a) Composition

30. to 32. Identification, composition and qualification concerning the independence requirement of the body and supervision - the Audit Committee

See the information presented in items 10, 17, 18, 21. – Audit Committee and 26.

33. Professional qualifications of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and other important curricular information, and reference to the section of the report where said information already appears

On this matter, see the academic curricula, specialised training and professional experience presented in Annex I of this Report.

b) Functioning

34. Availability and place where the rules on the functioning of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, may be viewed, and reference to the section of the report where said information already appears

On this matter, see the information presented in item 21 - Audit Committee.

35. The number of meetings held and the attendance report for each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and reference to the section of the report where said information already appears

On this matter, see the information presented in item 21 - Audit Committee.

36. The availability of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, indicating the positions held simultaneously in other companies inside and outside the group, and other relevant activities undertaken by members of these Boards throughout the financial year, and reference to the section of the report where such information already appears

On this matter, see the information presented in item 26.

c) Competence and duties

37. A description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor.

The Bank follows best practices in terms of assured independence in the contracting of services rendered by the external auditors, namely, in international terms, Commission Recommendation 2005/162/EC of 15 February 2005, Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, amending Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 (8th EU Company Law Directive), on statutory audits of annual accounts and consolidated accounts, Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Finally, at national level, the commercial legislation, the recommendations and regulations of the Comissão do Mercado de Valores Mobiliários (CMVM), Law nr. 248/2015 of 9 September, which approved the Legal Framework for the Supervision of Audit, and the stipulations, as specifically applicable, in the Statute of the OROC (Portuguese Chartered Accountants Association) approved by Law 140/2015 of 7 September, which partially transposes to the internal legal system the aforesaid Directive 2014/56/EU and assures the implementation of Regulation (EU) 537/2014. The Bank's Articles of Association explicitly list, among the competences of the Audit Committee, that of supervising the independence of the Statutory Auditor and External Auditor, in particular with respect to the provision of additional services.

The Audit Committee, as the Group's supervisory body, has promoted the adoption of rules that assure the independence of the external auditors, and compliance with such rules is assessed and examined on an annual basis, in relation to the Group's various bodies and, at the same time, aimed at avoiding the possible creation of situations of conflicts of interest within the entity providing the Group's legal review of accounts or audit services, creating preventive mechanisms for the approval of additional services and fees.

The Audit Committee also has powers to supervise the engagement of external auditors to provide, to the Bank or to any of the companies that are part of Group Banco Comercial Português, any of the services envisaged in the internal regulations Group Regulations – GR0022 – Policy for the Approval of Services provided by External Auditors.

Through said Regulations that embody the principles presented in the national and international regulations, the Group endorses and systematises a series of rules regarding:

- (i) Classification of services provided by external auditors, namely Legal Review of Accounts and Audit Services, Other Reliability Assurance Services, Tax Advisory Services and Services Other than Legal Review of Accounts or Audit;
- (ii) Definition of the set of services that are not Legal Review of Accounts or Audit Services, which the external auditor is forbidden from providing to any entity of the Group;
- (iii) Definition of the set of services that are not related to Legal Review of Accounts or Audit, which may be provided to the Group under specific stipulated circumstances;
- (iv) Approval by the Audit Committee of all services engaged to be provided by the external auditor, creating different rules for the authorizations according to the type of services in question; and
- (v) Provision to the Audit Committee of internal control information on the established principles and guidelines.

38. Other duties of the supervisory body and, where appropriate, the Financial Matters Committee

On this matter, see the information presented in item 21 – Audit Committee and preceding item 37.

IV. STATUTORY AUDITOR

39. Identification of the statutory auditor and its representative partner statutory auditor

The current Statutory Auditor and External Auditor of Banco Comercial Português is Deloitte & Associados – SROC, S.A., represented by its partner Paulo Alexandre de Sá Fernandes, ROC nr. 1456 and alternatively by Carlos Luís Oliveira de Melo Loureiro, ROC nr. 572, elected at the General Meeting of Shareholders held on 21 April 2016, for the triennial 2016/2018.

40. State the number of years that the statutory auditor consecutively carries out duties with the company and/or group.

The Statutory Auditor and the External Auditor were elected at the General Meeting held on 21 April 2016 for the term-of-office 2016/2018 by a majority of 99.1233% and 94.9982% of the votes cast, respectively, and are in their first term-of-office.

41. Description of other services rendered by the statutory auditor to the company

On this matter, see the information presented in item 46.

V. EXTERNAL AUDITOR

42. Identification of the external auditor appointed for the purposes of article 8 and its corresponding representative partner statutory in the performance of duties, together with the CMVM's registry number

The Bank's external auditor and the statutory auditor is Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., registered in OROC under nr. 43 and registered in CMVM under nr. 20161389, represented permanently by its partner registered in OROC under nr. 1456 and in CMVM under nr. 20161066 and alternately by Carlos Luís Oliveira de Melo Loureiro, registered in OROC under nr. 572 and in CMVM under nr.20160231.

43. Number of years that the external auditor and respective partner that represents same in carrying out these duties consecutively carries out duties with the company and/or group

The External Auditor and the Statutory Auditor were elected at the General Meeting held on 21 April 2016 for the term-of-office 2016/2018 and are currently in their first term-of-office.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties

The Bank complies with the rotation rule foreseen in Law 140/2015, of 7 September, and, therefore, the External Auditor and Statutory Auditor shall not perform duties for more than three terms of office.

The Bank's External Auditor and Statutory Auditor, Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., currently in functions, as well as the partner representing it, Paulo Alexandre de Sá Fernandes and the alternate Statutory Auditor, Carlos Luís Oliveira de Melo Loureiro, were elected on 21 April 2016, for the term-of-office 2016/2018.

45. Details of the Board responsible for assessing the external auditor and the regular intervals when said assessment is carried out

The Audit Committee is, under the terms of the Bank's Articles of Association, the body responsible for assessing the quality of the services rendered by the external auditor and respective partner Statutory Auditor, under the terms referred to in item 21 - Audit Committee and item 37. This assessment highlights the professionalism of the auditors, transparency, ethics, quality control and good performance. The Audit Committee permanently monitors the activity of the external auditor and respective partner statutory auditor, in particular appraising the conclusions of the audit of the financial statements, on an individual and consolidated basis, analysing the conclusions of the Desktop Review of the financial statements of the 1st and 3rd quarters and the Limited Review of the half-year interim financial statements, and holds meetings with them whenever necessary. The Audit Committee annually assesses the quality of the services provided by external auditors, as well as their independence, objectivity and critical requirements demonstrated in the performance of their duties. The Bank officials who maintain relevant contact with the Auditors take part in this evaluation.

The Audit Committee supervises the independence of the Statutory Auditor and External Auditor and continuously assesses their performance throughout the financial year.

46. Details of services, other than auditing, carried out by the external auditor for the company and/or companies in a control relationship and an indication of the internal procedures for approving the recruitment of such services and a statement on the reasons for said recruitment

Apart from the Audit work, which includes legal review of accounts services and other reliability assurance services, the fees charged by the External Auditor include also the payment of the following services:

- Tax Advisory Services – tax advisory services to the Group in Portugal and abroad, in which the external auditor intervenes pursuant to a legal requirement;
- Services other than legal review of accounts, namely: (i) Reliability assurance services, (ii) Tax advisory services and (iii) Services other than legal review - provided within the scope of services other than legal review, which are permitted in accordance with the defined rules of independence and subject to monitoring by the Audit Committee.
- With regard to the approval of the engagement of these services and indication of the reasons for their engagement, Millennium bcp maintains a very strict policy of independence in order to prevent any conflicts of interest in the use of the services of its external auditors. As auditor of the BCP Group Deloitte & Associados, SROC, S.A. (hereinafter referred to as "External Auditors") complies with the rules on independence defined by the Group, including those established by Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014, by Law 148/2015 of 9 September and by Law 140/2015, of 7 September (Statute of the OROC).

In order to safeguard the independence of the External Auditors, and the national and international good practices and standards, the Bank's Audit Committee approved a series of regulatory principles, as described below:

- The External Auditor and the companies or legal persons belonging to it ("Network") cannot render to the Bank or to the Group the services considered forbidden under the terms of the Statute of the OROC. Although it is generally considered that the independence of External Auditor could be affected by the provision to the Group of services unrelated to legal review or audit, the Audit Committee identified a set of services that may be undertaken by the External Auditor without jeopardising its independence. These services are authorised by the Group's Compliance Office and subject to ratification, or approval depending on the amount of the fees, of the Audit Committee;

The provision of any other services by External Auditor, which are not described in the aforementioned set of services that can be executed and are not prohibited, is subject to specific approval by the Audit Committee prior to the execution of the respective contract.

47. Details of the annual remuneration paid by the company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services (For the purposes of this information, the network concept results from the European Commission Recommendation No. C (2002) 1873 of 16 May):

The amount of the annual remuneration paid in 2017 by the Company and/or legal persons in controlling or group relations, to the external auditor (Deloitte) and other natural or legal persons belonging to the same network, detailed with their respective percentages, is reflected in the following table:

REMUNERATION PAID TO DELOITTE BETWEEN 1 JANUARY AND 31 DECEMBER 2017

1) Remuneration paid to Deloitte for services rendered - 1 January to 31 December 2017	Euros					%			
Companies in Portugal	**Audit**	**Reliability Assurance Services**	**Tax Advisory**	**Other Services**	**Total**	**Audit**	**Reliability Assurance Services**	**Tax Advisory**	**Other Services**
Banco Comercial Português, S.A.	1,580,500	1,158,500	6,489	978,375	3,723,864	42.4%	31.1%	0.2%	26.3%
Banco de Investimento Imobiliário, S.A.	27,000	32,500			59,500	45.4%	54.6%		
Banco ActivoBank, S.A.	21,000	23,000			44,000	47.7%	52.3%		
Interfundos - Gest. Func. Inv. Imob. S.A.	13,000	13,000	8,323		34,323	37.9%	37.9%	24.2%	
Millennium BCP - Prestação Serviços, ACE	22,500				22,500	100.0%			
Millennium bcp Imobiliária, S.A.	39,000				39,000	100.0%			
Servitrust - Trust and Management Services, S.A.	5,000				5,000	100.0%			
Millennium BCP Participações Financeiras, SGPS, Soc. Unipessoal, Lda.	5,000				5,000	100.0%			
Imabida - Imobiliária da Arrábida, S.A.	5,000				5,000	100.0%			
BCP África, SGPS, Lda.	10,000				10,000	100.0%			
Fundação Millenium bcp	1,000				1,000	100.0%			
Millennium bcp - Serviços de Comércio Electrónico, S.A.	2,000				2,000	100.0%			
Irgossai – Urbanização e Construção, S.A.	3,000				3,000	100.0%			
BCP Capital Soc. Capital Risco	7,500	7,000			14,500	51.7%	48.3%		
Millennium Fundo de Capitalização, FCR	11,000				11,000	100.0%			
Fundo M Inovação, FCR	2,500				2,500	100.0%			
Magellan 2 (Portugal)	17,400				17,400	100.0%			
Magellan 3 (Portugal)	18,000				18,000	100.0%			
Total	**1,790,400**	**1,234,000**	**14,812**	**978,375**	**4,017,587**	**44.6%**	**30.7%**	**0.4%**	**24.4%**

2) Remuneration paid to Deloitte for services rendered - 1 January to 31 December 2017 Companies Abroad	Euros					%			
	Audit	Reliability Assurance Services	Tax Advisory	Other Services	Total	Audit	Reliability Assurance Services	Tax Advisory	Other Services
Bank Millennium, S.A. (Poland)		68,000		176,200	244,200		27.8%		72.2%
MB Finance (Suécia)	6,649				6,649	100.0%			
Millennium BIM, S.A. (Mozambique)		138,000			138,000		100.0%		
Banque Privée BCP (Suisse), S.A.		16,000			16,000		100.0%		
Millennium BCP Bank & Trust (Cayman Islands)	26,000	4,500			30,500	85.2%	14.8%		
BCP Finance Bank, Ltd. (Cayman Islands)	14,500	2,000			16,500	87.9%	12.1%		
BCP Finance Company (Cayman Islands)	7,000	2,000			9,000	77.8%	22.2%		
BCP Investment, B.V. (Netherlands)	37,500				37,500	100.0%			
BCP International B.V. (Netherlands)	15,000				15,000	100.0%			
Magellan 2 (Ireland)	18,500		3,750		22,250	83.1%			
Magellan 3 (Ireland)	18,500		3,750		22,250	83.1%			
Total	**143,649**	**230,500**	**7,500**	**176,200**	**557,849**	**25.8%**	**41.3%**	**1.3%**	**31.6%**

SUMMARY OF THE REMUNERATION PAID TO DELOITTE IN PORTUGAL AND ABROAD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

	Portugal	%	Abroad	%	Total	%
Legal review of accounts	1,790,400		143,649		1,934,049	
Reliability assurance services	1,234,000		230,500		1,464,500	
1. Total for Audit Services	3,024,400	75.3%	374,149	67.1%	3,398,549	74.3%
Tax Advisory Services	14,812		7,500		22,312	
Services Other than Legal Review of Accounts	978,375		176,200		1,154,575	
2. Total for Other Services	993,187	24.7%	183,700	32.9%	1,176,887	25.7%
	4,017,587	**100.0%**	**557,849**	**100.0%**	**4,575,436**	**100.0%**

C. INTERNAL ORGANISATION

I. Articles of Association

48. The rules governing amendment to the company's articles of association

Article 24 of the Bank's Articles of Association establishes the requirement of a constitutive quorum of over one third of the share capital for the General Meeting of Shareholders to be able to validly meet and resolve on first call.

Regarding the resolution quorum, the Articles of Association only diverge from the law with respect to resolutions on the merger, demerger and transformation of the Company, which require approval by three quarters of the votes cast, and dissolution of the Company where a majority corresponding to three quarters of the paid-up share capital is required.

The Bank and the shareholders that approved the articles of association in force consider that, since Banco Comercial Português is one of the companies with the largest free float in the Portuguese Stock Exchange, it is important to ensure that, in any circumstance and not only in the case specifically mentioned in the law, the shareholders, regardless of their respective representativeness, receive the guarantee that, on first call, the items submitted to the appraisal of the General Meeting can only be resolved on if the capital is minimally represented.

II. Communication of Irregularities

49. Reporting means and policy on the reporting of irregularities in the company

The Bank upholds a culture of responsibility and compliance, preventing conflicts of interest and recognising the importance of an appropriate framework and processing of the communication of irregularities, as an instrument of good corporate practice. For this purpose, suitable means have been implemented for receiving, treating and filing communications of irregularities allegedly committed by members of governing bodies and employees of the Bank and companies included in the BCP Group.

Irregularities are actions and omissions, with malicious intent or negligence, related to the management, accounting organisation and internal supervision of the Bank, which may seriously:

- Violate the legal, regulatory and internal provisions;
- Jeopardize the safeguarding of the financial system and the clients' interests;
- Cause reputational damage to the Group.

The policy of communication of irregularities is regulated in an internal service order and is available at the Bank's website, on the page with the following address:

http://ind.millenniumbcp.pt/en/Institucional/governacao/Documents/Comunicacao-Irregularidades_EN.pdf

In compliance with this policy, irregularities may be reported by employees, agents, commissionaires or any other person that renders services, either permanently or occasionally, to the Bank or to any entity of the Group, shareholders and by any other person.

The employees are bound by the duty to inform the Audit Committee of any irregularity that has occurred and that they are aware of. This is particularly the case for employees in managerial positions or who perform duties in internal audit, risk management or compliance areas.

The irregularities can be reported by any means of written communication, addressed to: Comissão de Auditoria – Av.ª Prof. Dr. Cavaco Silva (TagusPark), Edifício 1, 2744-002 Porto Salvo, or to the e-mail address: comunicar.irregularidade@millenniumbcp.pt.

The Audit Committee is responsible for managing the communication of irregularities system and for assuring the confidentiality of the communications, being supported by the Board of Director's Support Office.

Once a communication is received, the Audit Committee will promote the measures that it deems necessary to assess the existence of sufficient grounds to begin an investigation and it may establish a prior contact with the author of the communication, if known. If there are sufficient grounds, the Audit Committee will develop all necessary investigations to become totally aware of all facts and it may request the support of the Audit Division, Risk Office, the Compliance Office or any other divisions or areas of the Bank.

Once the investigation is over, the Audit Committee shall make a report for the internal transmission of its conclusions so that the appropriate diligences may be adopted to correct the irregularity and sanction it, if need be. It must also report it to external entities whenever justified by the specific situation.

The communications received, as well as the reports derived thereof are mandatorily kept for a minimum period of five years in a durable format enabling their full and unaltered reproduction, pursuant to the provisions in article 120 of the Legal Framework for Credit Institutions and Financial Companies (RGICSF).

The confidentiality of the communications will be ensured and they cannot be used as grounds for any disciplinary, civil or criminal proceedings, or the adoption of discriminating practices forbidden by law.

In 2017 the Audit Committee received two communications but none could be included within the scope of a participation of irregularity. Even so, these two communications were investigated and handled by the areas of the Bank with powers to do so in what regarded each communication.

III. Internal control and risk management

50. Individuals, boards or committees responsible for the internal audit and/or implementation of the internal control systems.

The internal control system of the BCP Group is based on an appropriate control environment, a Risk Framework System that identifies, assesses, monitors and controls the risks to which the Group is exposed, based on an efficient information and communication system, and on an effective monitoring process that permits assuring the adequacy and effectiveness of the internal control system. In this context, pursuant to the objectives defined in Banco de Portugal Notice 5/2008, Banco Comercial Português has established the risk management, compliance and internal audit functions, performed by the Risk Office, Compliance Office and Audit Division, respectively, endowing them with the technical and human resources that enable them to establish effective and efficient processes to identify, manage, control, monitor and communicate risks and mechanisms that are appropriate to the internal control, both in the Bank and in the Group.

Indeed, the heads of these Divisions are those responsible, at Group level, for the conformity of the functions of the internal control system, through which the objectives outlined in Banco de Portugal Notice 5/2008 are achieved, namely:

- Respect for all the applicable legal or regulatory provisions;
- Efficient performance of the activity; and
- The existence of complete, pertinent, reliable and timely financial and management information.

A) Risk Office

The main function of the Risk Office is to support the Board of Directors in the development and implementation of risk management and internal control processes, as described in greater detail in the chapter on Risk Management of the Annual Report 2017.

In the performance of its duties, the Risk Officer reports hierarchically to the Board of Directors and to the Executive Committee, also engaging, on a functional reporting basis, with the Committee for Risk Assessment, the Audit Committee and the Chairperson of the Board of Directors.

Risk Officer: Luís Miguel Manso Correia dos Santos

B) Compliance Office

The main mission of the Compliance Office is to strive for the adoption, by all the Group's Institutions, of the internal and external rules governing their respective activity, in order to contribute to mitigate the risk of incurrence of penalties by these institutions.

While performing the duties entrusted to it by the law or other legal source or that have been attributed to it by the Bank's statutory bodies, the Compliance Office makes decisions that are binding on its receivers, aiming to ensure that the different business areas comply with the applicable regulations.

When preparing opinions and related studies at the request of the Bank's different areas and divisions, the Compliance Office identifies and assesses the various types of risks, including those in institutional processes or associated to products and services, prepares proposals for the correction of processes and risk mitigation, ensures the ongoing analysis of the general supervisory environment and, in general, provides specialised support on matters of control and compliance. The Compliance Office is also responsible for preparing and submitting a report to the management body, at least on an annual basis, identifying all cases of non-compliance observed and the recommendations issued to correct them.

The Compliance Office intervenes and actively participates in the Employee training policy, namely through compliance training actions administered to the entire Group, the maintenance of strong knowledge on compliance issues, in particular preventing money laundering or terrorist financing (AML/CFT), preventing market abuse and the development of a culture of internal control within the Group.

The Group Head of Compliance performs his duties in an independent, continuous and effective manner, being responsible for, namely:

- Defining the appropriate compliance tools for the communication and information process, the regulatory monitoring process, the principles of definition of policies and guidelines, in proactive and preventive action and in risk assessment, namely in the control and monitoring of the materialisation of compliance risks, prevention of money laundering and combat of the financing of terrorism, and reputation risk in all the Group's entities, aimed at the alignment of concepts, practices and objectives in these matters;
- Assuring the adoption of the policies, principles and procedures of the Compliance Office, by all the Group's international operations, with a local Compliance Officer being appointed for each operation;
- Establishing the profile of the Employees of the compliance areas of the parent company, its branches and subsidiaries;
- Coordinating, as a form of assuring legal compliance relative to money laundering and financing of terrorism, and the monitoring of the Group's branches and subsidiaries, duties which have been entrusted to two working parties: the AML Commission and the Compliance Commission.

The compliance teams allocated to the branches and subsidiaries are composed in the same way as that of the parent company and the team leader, the local Compliance Officer, is appointed by the Board of Directors, after opinion issued by the Group’s Head of Compliance, to whom this Officer reports functionally.

The Group Head of Compliance reports, under the terms of the law, to the Executive Committee of the Board of Directors, through the Director responsible for this area and, functionally to the Audit Committee, according to the matters defined by the Audit Committee at any given time, forwarding reports of its activity, on a quarterly basis, which enable the follow-up of compliance with the action plans that are presented annually. The Group Head of Compliance may also, and whenever necessary, issue occasional reports on relevant issues in the context of the control and monitoring of risks concerning compliance, money laundering and financing of terrorism and reputation, of each entity or of the Group.

In the performance of his duties, the Compliance Officer engages with the Board of Directors, on which it depends, as well as with the Executive Committee, Audit Committee and Committee for Risk Assessment.

Under its functional reporting, the Compliance Office sends the Chairperson of the Board of Directors a quarterly Report on the main compliance risks at the Bank and Group level, disclosing, within the maximum period of two business days, any situation of detected high compliance risk and submitting, every semester, to the Board of Directors, a report with the activity undertaken.

Group Head of Compliance: Mário António Pinho Gaspar Neves

C) Audit Division

The Audit Division is responsible for the Internal Audit function of Banco Comercial Português. This Division carries out its mission by adopting principles of internal auditing which are internationally recognised and accepted, issuing recommendations based on the outcome of the assessments made, aimed at adding value to the organisation and improving the control and quality of the Bank's operations, contributing to the achievement of its strategic interests and ensuring that:

- The risks are duly identified and managed, and the implemented controls are correct and proportional to the risks;
- The system of assessment of the Bank’s capital is adequate in relation to its level of exposure to risk;
- The operations are recorded correctly and the operational, financial and managerial information is rigorous, reliable and provided in due time;
- The safeguarding and security of the interests and assets of the Bank and Group or which were entrusted to them are duly ensured;
- The Employees perform their duties in conformity with the internal policies, rules and procedures and with the legislation and other applicable regulations;
- The resources are economically acquired, efficiently used and adequately protected;

- Legal and regulatory matters of significant impact on the organisation are recognised, clearly understood and integrated in operative processes;
- The programmes, plans and objectives defined by the management are followed;
- The different governing bodies interact in an adequate and efficient manner;

The activity of the Audit Division contributes to the pursuit of the objectives defined in Banco de Portugal Notice 5/2008 for the internal control system of institutions covered by the Legal Framework for Credit Institutions and Financial Companies, ensuring the existence of:

- An adequate control environment;
- A solid risk management system;
- An efficient information and communication system; and
- An effective monitoring process.

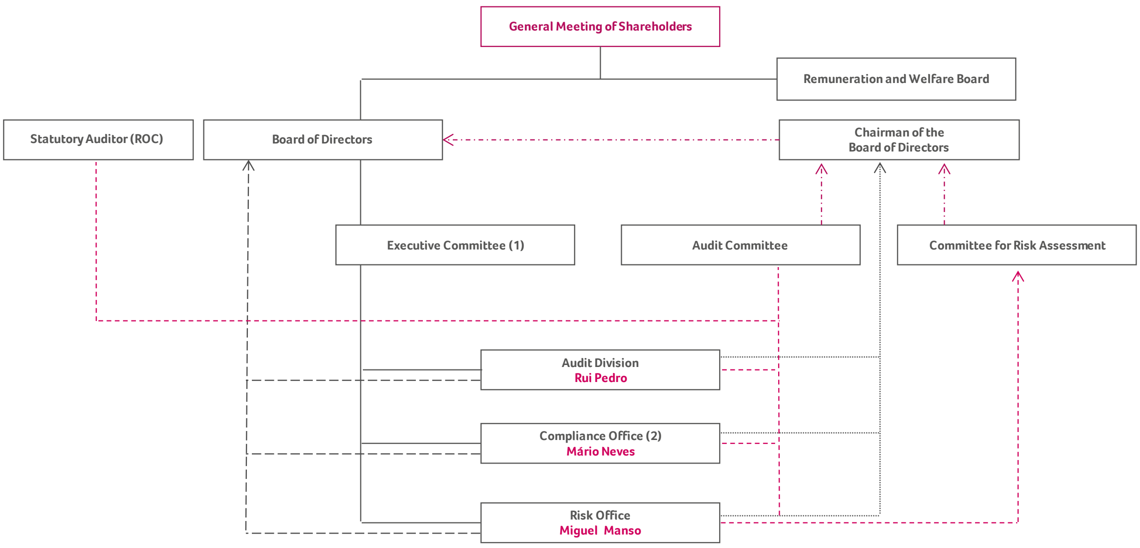
The head of the Audit Division is appointed by the Board of Directors, reporting hierarchically to the Chairperson of the Executive Committee and functionally to the Audit Committee and to the Board of Directors, through its Chairperson, who is sent a quarterly report on the conclusions and recommendations of the reports issued during the period concerning situations of medium and high risk and a summary situation report on monitoring/assessment of the recommendations pending implementation. The Chairperson of the Board of Directors is also informed, within the maximum period of two business days, of any failure reputed to be of high risk.

The Audit Division submits, to the Board of Directors, a half-year report on its activity, informing on the main reports that have been produced.

Head: Rui Manuel Pereira Pedro.

51. Details, even including organisational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the company

Currently the hierarchical and/or functional dependence of the Audit Division, Compliance Office and Risk Office in relation to other corporate bodies or committees is presented in the table below:



(1) Director responsible - Nuno Amado: Audit Div.; Iglésias Soares: Compliance Office; and Miguel Pessanha: Risk Office
(2) All matters regarding professional conduct and ethical matters are reported by the Compliance Office to the Commission for Corporate Governance, Ethics and Professional Conduct.

52. Other functional areas responsible for risk control.

Alongside the control areas which constitute the risks management system - the Risk Office and the Compliance Office (as defined in Chapter III of Notice 5/2008 of Banco de Portugal) - and the area with duties of assessment of the adequacy and efficacy of the internal control system - the Audit Division (as per article 22 of Chapter V of that same Notice), there is an information and communication system which supports decision-making and control processes, both at an internal and external level, for which the Accounting and Consolidation Division and the Research, Planning and Assets and Liabilities Management Division are responsible, which ensures the existence of substantive, current, timely and reliable information, enabling an overall and encompassing view of the financial situation, development of activity, compliance with the defined strategy and objectives, identification of the institution's risk profile, and performance and prospects of evolution of the markets.

The financial information and management process is assisted by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institution and its subsidiaries, in accordance with the determinations and policies issued by the Executive Committee.

Hence, the Risk Office, Compliance Office, Accounting and Consolidation Division, Research, Planning and Assets and Liabilities Management Division ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at a Group level, both of accounting nature and relative to support to the management and risk monitoring and control, which should cover, namely:

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

Regarding credit risk, the Credit Division also performs risk assessment and control duties pursuant to its main competences:

- Appraise and issue opinions or decisions on credit proposals submitted by the Bank’s business areas, as well as credit restructuring proposals submitted by the Bank's recovery areas, pursuant to the competences defined in internal regulations;
- Monitor and follow-up of the loan portfolio of Customers managed in the commercial areas, anticipating possible situations of default and promoting restructuring solutions whenever necessary and applicable;
- Start up and/or participate in Bank-wide projects aimed at the improvement of credit and operating risk in the underlying internal processes/procedures, including opinions on products or services with credit risk;
- Follow-up and support to the implementation of probability models (default, cure and scoring) for retail and automatic processes of Customer classification, risk-taking, portfolio monitoring, collection and recovery, as well as retention of Customers in Portugal and, when requested, in the operations abroad.

The Rating Division participates in the control of risks associated to loans, where its primary responsibility is the attribution of risk levels to Companies which are Bank Customers, assuring that they are assessed on an ongoing basis in an adequate manner. In order to assure the sound pursuit of this responsibility, specialised competences in the assessment of particular segments were developed within the Rating Division, namely for the Large Corporate, Real Estate Development, Project Finance, State Business Sector and Funds segments. At the same time, the Rating Division systematically analyses the evolution of risk levels in order to assess the adequacy of the rating models used and identify matters for their fine-tuning.

53. Details and description of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity.

On this issue, see the information provided in the 2017 Annual Report, in the chapter on Main Risks and Uncertainties.

54. Description of the procedure for identification, assessment, monitoring, control and risk management

On this issue, see the information provided in the Annual Report 2017, in the chapter on Risk Management.

55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information

In the context of the Internal Control System and, more specifically, of the Risk Management System, the Board of Directors acquires adequate knowledge of the types of risks to which the institution is exposed and of the processes used to identify, assess, monitor and control these risks, as well as the legal obligations and duties to which the institution is subject, being responsible for ensuring that the Bank has effective internal control systems and promotes the development and maintenance of an appropriate and effective risk management system.

Hence, the management body of Banco Comercial Português, namely through its Executive Committee (and respective specialised commissions), Audit Committee and Committee for Risk Assessment:

- Defines and reviews the overall and specific objectives with respect to risk profile or level of tolerance to risk and relative to the decision levels of the functional areas where these decisions are applicable;
- Approves policies and procedures which are specific, effective and adequate for the identification, assessment, monitoring and control of the risks to which the institution is exposed, ensuring their implementation and compliance;
- Verifies the compliance with the risk tolerance levels and risk management policies and procedures, assessing their efficacy and continuous adequacy to the institution's activity, so as to enable the detection and correction of any failures;
- Ensures that the risk management activities have sufficient independence, status and visibility and are subject to periodic reviews;
- Issues opinions on the reports prepared by the Risk Management and Compliance areas, namely, on the recommendations for the adoption of corrective measures;
- Ensures the effective implementation of its guidelines and recommendations so as to introduce corrections and/or improvements in the Risk Management System.

The management body is also responsible for ensuring the implementation and maintenance of information and reporting processes which are suitable to the institution's activity and risks, for defining the accounting policies to be adopted, for establishing the guidelines and for defining the decisions which, in the context of such policies, must be taken, in order to ensure the reliability of the financial reporting. Therefore, and at a more operational level, it is responsible for approving the reporting or external disclosure outputs produced for this effect.

Regarding the Internal Control Report stipulated in Banco de Portugal's Notice 5/2008, in CMVM's Regulation 3/2008, and in article 245-A (1) (m) of the Securities Code, the responsibilities of the Audit Committee and of the Statutory Auditor are:

- On an individual basis: issue of a detailed opinion substantiated by an autonomous report of an external auditor different from the financial auditor, contracted for the purpose on an annual basis, on the efficacy/ adequacy of the Internal Control System, and issue of an opinion by the statutory auditor on the process of preparation and disclosure of individual financial information (Financial Reporting);
- On a consolidated basis: issue of an opinion by the Group's parent company, substantiated by an autonomous report of an external auditor different from the financial auditor, contracted for the purpose on an annual basis, on the efficacy/adequacy of the Control System, which should include a reflection on the coherence of the internal control systems of the branches/subsidiaries, including those abroad and off-shore establishments, where this opinion may be based on the respective opinions prepared for the effect by the supervisory bodies of each branch/subsidiary, and issue of an opinion by the statutory auditor on the process of preparation and disclosure of consolidated financial information (Financial Reporting).

IV. Investor Support

56. Department responsible for investor assistance, composition, functions, the information made available by said department and contact details.

Through the Investor Relations Division, the Bank establishes permanent dialogue with the financial world – Shareholders, Investors, Analysts and Rating Agencies, as well as with the financial markets in general and respective regulatory entities.

a) Composition of the Investor Relations Division

The Investor Relations Division is composed of a head and a staff of four employees who share the Division's tasks in order to ensure the best service in market relations.

b) Duties of the Investor Relations Division

The main duties of the Investor Relations Division are:

- Promoting comprehensive, rigorous, transparent, efficient and available relations with investors and analysts, as well as with the financial markets in general and respective regulatory entities, namely with respect to the disclosure of privileged information and mandatory information, including the coordination and preparation of the Bank's report and accounts;
- Monitoring the update of the evolution of the shareholder structure;
- Representation of the Bank in conferences and other types of events targeting investors of debt or shares;
- Collaboration with the commercial areas in the provision of institutional information and disclosure of the Group's activity;
- Management of the relations established with Rating Agencies, including the preparation and sending of relevant information on a regular basis or related to important events.

c) Type of information provided by the Investor Relations Division

During 2017, as in previous years, the Bank pursued broad activity related to communication with the market, adopting the recommendations of the CMVM (Portuguese stock market regulator) and the best international practices in terms of financial and institutional communication.

For purposes of compliance with the legal and regulatory obligations in terms of reporting, the Bank discloses quarterly information on the Bank's results and activity, holding press conferences and conference calls with Analysts and Investors involving the participation of members of the Board of Directors.

It also provides the Annual Report, Interim Half-year and Quarterly Reports, and publishes all the relevant and mandatory information through CMVM's information disclosure system.

In 2017, the Bank issued over 630 press releases, of which 62 were related to privileged information.

The Bank participated in various events in 2017, having attended 6 conferences and 11 road shows in Europe and in the USA, where it gave institutional presentations and held one-on-one meetings with investors.

Over the course of 2017, more than 260 meetings with investors were held, which continues to show the interest of investors in the Bank.

In order to deepen its relations with its shareholder base, the Bank maintained a telephone line to support shareholders, free of charge and available from 09:00 to 19:00 on business days.

The relations with Rating Agencies consisted of the annual meetings (S&P on 24 March, Moody's on 17 April, DBRS on 12 June and Fitch on 20 November), 16 earning calls with the 4 rating agencies, in response to requests for quarterly information and the review of the Credit Opinions, Press Releases and Comments issued by the Rating Agencies.

All the information of relevant institutional nature disclosed to the public is available on the Bank's website, in Portuguese and English, on the page with the following address: www.millenniumbcp.pt

d) Investor Relations Division contact information

Phone: + 351 21 113 10 84

Fax: + 351 21 113 69 82

Address: Av. Prof. Doutor Cavaco Silva, Edifício 1 Piso 0B, 2740-256 Porto Salvo, Portugal

E-mail: investors@millenniumbcp.pt

The company's website: www.millenniumbcp.pt/en

57. Market Liaison Officer

The Bank's representative for market relations is Rui Pedro da Conceição Coimbra Fernandes, who is also Head of the Investor Relations Division.

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years

During 2017, the Bank received, essentially via e-mail and telephone, a variety of requests for information from shareholders and investors. These requests were all handled and replied to, mostly within two business days. By the end of 2017, there were no outstanding requests for information relative to previous years.

V. Website

59. Address(es)

The Bank's website address is as follows: www.millenniumbcp.pt

60. Place where information on the firm, public company status, headquarters and other details referred to in Article 171 of the Commercial Companies Code is available.

The above information is available on the Bank's website, on the page with the following address:

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

61. Place where the articles of association and regulations on the functioning of the boards and/or committees are available

The Bank's Articles of Association and the regulations of the governing bodies and specialised committees of the Board of Directors are available on the Bank's website at the following address:

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

62. Place where information is available on the names of the corporate boards' members, the Market Liaison Officer, the Investor Assistance Office or comparable structure, respective functions and contact details.

The information on the identity of the members of the governing bodies is available on the Bank's website, on the page with the following address:

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

The information on the identity of the representative for market relations, the Investor Relations Division, respective duties and contact details are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/Inv.aspx

63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar on company events that is published at the beginning of every six months, including, inter alia, general meetings, disclosure of annual, half-yearly and where applicable, quarterly financial statements.

The information on the financial statements relative to each financial year, semester and quarter of the last ten years (pursuant to article 245.1 of the Securities Code) is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/Inv.aspx

The calendar of corporate events is published at the end of every year, relative to the following year, and covers the planned dates of the General Meeting and presentation of quarterly results (to the press, analysts and investors). The publication is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/Inv.aspx

64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed.

In addition to a specific page created every year on the portal (www.millenniumbcp.pt), another temporary page is created to support the General Meeting containing all the corresponding preparatory and subsequent information, including the call notice, which is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results relating to the preceding three years are available

The historical records, including the call notice, the share capital represented, the proposals submitted and results of the voting, relative to the last ten years are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

D. REMUNERATIONS

I. Competence for determination

66. Details of the powers for establishing the remuneration of corporate boards, members of the executive committee or chief executive and directors of the company

The Remuneration and Welfare Board (CRP), pursuant to subparagraphs a) and b) of article 14 of the Bank's Articles of Association and under the competence delegated, for the three-year period of 2015/2017, by the General Meeting, is the competent body to determine the remuneration of the governing bodies, including the members of the Executive Committee and the terms of the supplementary pensions due to retirement, old age or invalidity of executive directors.

The Remuneration and Welfare Board, together with the Committee for Nominations and Remunerations is also competent to submit, to the Bank's General Meeting, a statement on the remuneration policy for the Bank's governing bodies.

The Board of Directors, pursuant to article 7 (2.1.r) of its Regulations and as established in article 115-C (5) of the RGICSF, has exclusive competence to approve and review the Bank's remuneration policies and practices. In this duty, it is assisted by the Committee for Nominations and Remunerations which formulates and issues informed and independent judgements on the remuneration policy and practices and on the incentives created for purposes of risk, capital and liquidity management.

Addressed to the Remuneration and Welfare Board (RWB) and the Committee for Nominations and Remunerations (CNR), KPMG conducted an independent and specific audit, carried out in abidance by the International Standard on Related Services and by Art. 8 (4) of the Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012, on the remunerations that, during 2017, were paid to members of the different governing bodies and Coordinating Managers that report directly to the Board of Directors and to the Executive Committee.

In the Factual Conclusions Report issued pursuant to the validation of the remunerations established and received in 2017 by the holders of Bank's corporate offices and Coordinating Managers, KPMG concluded that the data reported to the RWB, CNR and Audit Committee was accurate and compliant and suited to the resolutions of the corporate bodies with powers to do so.

II. Remuneration Committee/Remuneration and Welfare Board

67. Composition of the remuneration committee, including details of individuals or legal persons recruited to provide services to said committee and a statement on the independence of each member and advisor.

The Remuneration and Welfare Board is composed of three to five members, appointed at the General Meeting.

The Remuneration and Welfare Board was elected at the General Meeting held on 11 May 2015 to perform duties during the three-year period of 2015/2017, and has the following composition:

Chairman:	José Gonçalo Ferreira Maury
Members:	José Guilherme Xavier de Basto
	José Luciano Vaz Marcos
	Manuel Soares Pinto Barbosa

All the members of the Remuneration and Welfare Board are independent from the executive and non-executive members of the management board and are likewise independent in relation to the company as confirmed by the respective curricula attached to the present report.

The Remuneration and Welfare Board, to develop its competences in line with best international practices on remuneration matters, the Remuneration and Welfare Board engaged Mercer Portugal Lda.(Marsh Mclennan), an independent company leading worldwide in the human resources area, for the provision of specialised technical advisory services, which identified a series of guideline principles for the definition of the remuneration policy for members of the governing bodies and material risk takers, in conformity with the guidelines disclosed by the national and international regulators, in particular the EBA-European Banking Authority.

At the time of the engagement of Mercer Portugal, Lda. promoted by the Remuneration and Welfare Board, it was resolved, together with the Committee for Nominations and Remunerations, to ask this company to draw up a proposal to respond to a number of current needs arising from the early repayment of the State aid for the strengthening of own funds, namely:

- Remuneration benchmark for the executive and non-executive members of the Board of Directors;
- Revision of the Regulations for the Application of the remuneration policy of members of management and supervision bodies;
- Update of the remuneration policy of the members of management and supervision bodies, senior staff or managers reporting directly to the Board of Directors;
- Revision of the Regulations for the Application of the Remuneration Policy and Welfare Regime of members of company's management and supervision bodies;
- Estimation of the variable component of the remuneration within the scope of the Remuneration Policy of the executive members of the Board of Directors;
- Support to the evaluation process of the members of the management and supervision bodies.

As neither this consultant nor any of its senior staff have privileged relations with the Board of Directors or any of its members, it is deemed that its engagement for the provision of the service, with the broad scope referred to in the preceding paragraph, can in no manner affect the independence of this consultant in relation to the Bank or its Board of Directors.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee

The Chairman of the Remuneration and Welfare Board, José Gonçalo Ferreira Maury and the member Manuel Soares Pinto Barbosa, currently perform and have for various years performed duties in remuneration committees or equivalent bodies in other companies, which endows them with professional experience and suitable profiles concerning matters of remuneration policy, as confirmed in detail in their curricula, presented in Annex II.

III. Structure of remunerations

69. Description of the remuneration policy of the Board of Directors and Supervisory Boards

Pursuant to the Bank's recapitalisation plan resorting to state aid - fully reimbursed on 9 February 2017 -, the remuneration of the members of the Board of Directors was conditioned until that date. The remuneration effectively paid in 2017 is detailed in item 77.

The Remuneration and Welfare Board, after hearing the Committee for Nominations and Remunerations, submitted to the General Meeting of 10 May 2017, with a binding character, the Remuneration Model of the Board of Directors, including the Executive Committee, which was approved by 99.85% of the votes cast, being the meeting attended by shareholders or their representatives holding 54.16% of the share capital. The most relevant aspects are transcribed below:

1. "Composition of the Remuneration

1.1 Non-Executive Members of the Board of Directors

Taking into account the provisos of article 9 of Notice 10/2011 of Banco de Portugal and article 15 (1) of BCP's Articles of Association, the non-executive members of the Board of Directors of BCP earn a fixed remuneration paid 12 times per year.

1.2. Executive Directors

In accordance with article 15 of the Articles of Association of BCP, the amount of the remuneration of the directors shall be set for each director individually, taking into account, notably, the medium and long-term interests of the Bank and the aim of not encouraging excessive risk-taking.

The remuneration of the members of the Executive Committee consists of a fixed and of a variable component, in accordance with article 115-E of the Legal Framework for Credit Institutions and Financial Companies, article nr. 8 of the Notice 10/2011 of Banco de Portugal and with article 15 (1) of BCP's Articles of Association, considering the limitations set forth by the domestic and EU legislation:

A. Annual Fixed Remuneration

The fixed remuneration intends to adequately remunerate the function performed considering factors such as its nature and complexity, the required competences and the sustainability of the group's performance.

The fixed component of the remuneration of the executive members of the Board of Directors is:

Paid 14 times a year

b. Variable Remuneration

The variable remuneration is attributed based on different degrees of accomplishments of previously approved quantitative and qualitative goals which are associated to objective, simple, transparent and measurable indicators. For that purpose, shall be taken into consideration, indicators related with the creation of value for the shareholder, solvency and profitability, capital requirements, efficiency and liquidity.

The definition of these goals should bear in mind the achievement of a balance between the Group's objectives and the individual ones.

The evaluation must be carried out according to an annual and pluri-annual framework ensuring that the evaluation process is based on the short and long-term performance and, whenever possible, while the term of office of the Executive Directors is underway.

The attribution of the variable remuneration is associated with the performance. Therefore, its value may vary from zero, if the degree of accomplishment of the goals is under the defined threshold, and a maximum that cannot exceed twice the fixed component of the remuneration. For that purpose, a maximum level of achievement is defined, from which the variable remuneration will not increase (cap).

The variable remuneration should be composed by a portion in cash and a portion in BCP shares or other securities of BCP, permitted by law.

At least half of the amount of the variable remuneration should be composed of the above mentioned securities. Notwithstanding, the Executive Director may choose to receive more than that or even the full amount of the variable remuneration in securities.

The payment of the variable remuneration will also observe the deferment rules and the reduction (malus) or reversion (claw-back) mechanisms provided by law (115- E.9 LFCIFC).

The variable remuneration, regardless of having already been paid and whether acquired rights have already been established, or not, is subject to reduction or reversion mechanisms whenever it is proven that the Executive Director participated in or was responsible for an action that resulted into significant losses for the Bank or ceased to comply with the adequacy and good repute criteria.

No guaranteed variable remuneration shall be granted, except when hiring a new Executive Director and only in the first year of activity and it will only be granted if the institution has a solid and strong capital base.

The variable remuneration, regardless of having already been paid and whether acquired rights have already been established, or not, is subject to reduction or reversion mechanisms whenever it is proven that the Executive Director participated in or was responsible for an action that resulted into significant losses for the Bank or ceased to comply with the adequacy and good repute criteria.

No guaranteed variable remuneration shall be granted, except when hiring a new Executive Director and only in the first year of activity and it will only be granted if the institution has a solid and strong capital base.

The variable component is subdivided into two components, one annual (Annual Variable Remuneration - AVR) and a long-term one (Long-Term Variable Remuneration - LTVR).

i. Annual Variable Remuneration (AVR)

The annual variable remuneration of each Executive Director may be paid in cash after the approval of the annual report to which it relates and/or in BCP shares or other BCP securities as permitted by law, all complying with the minimum thresholds and conditions set forth by law.

The payment of that remuneration is also conditioned to a set of conditions related with the Bank's sustained performance.

ii. Long-Term Variable Remuneration (LTVR)

The long term variable remuneration of each Executive Director depends on the fulfilment of the Bank's long-term economic and financial objectives.

The LTVR applies to the period of the term-of-office, beginning on 1 January 2018 and ending on 31 December 2020. The payment is made in BCP shares or other BCP securities, as permitted by law which are granted to the beneficiaries depending on the compliance with the above mentioned conditions and indicators.

2. Other Aspects

The existing benefits in terms of health insurance, credit card and mobile phones remain in effect, as applicable to all other employees of the Bank, being the Executive Committee responsible for authorizing them.

The limits to the value of company vehicles, an issue that does not fall under the competence of the Remuneration and Welfare Board, shall be determined by the Executive Committee, taking into account the practice followed by other credit institutions of an equivalent size.

3. Final Provisions

The members of the Executive Committee do not receive additional compensation for their respective functions.

The directors must subscribe to a director bond in abidance by article 396 of the Companies Code. In addition, the Bank subscribes to a Directors & Officers insurance policy following market practices.

The members of the Executive Committee are not allowed to use risk hedging mechanisms or similar mechanisms, as provided in article 115-E (15) of the Legal Framework for Credit Institutions and Financial Companies.

Considering that the remuneration of the Members of the Executive Committee is intended to directly compensate the activities they carry out directly at the Bank or in related companies (namely companies in a control or group relation with BCP) or in corporate bodies to which they have been appointed by indication or in representation of the Bank, the net value of the remunerations received annually for such duties by each Member of the Executive Committee will be deducted from their respective Annual Fixed Remuneration. It is the obligation and responsibility of each Executive Member of the Board of Directors to inform the Bank of any additional compensation they may have received, for the purposes of complying with the procedure established above."

Since the Bank's Recapitalisation Plan is over, the Board of Directors will submit to the 2018 Annual General Meeting a proposal of "Regulations for the Application of the Remuneration Policy of Members of Management and Supervision Bodies".

70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the board of directors with the company's long-term interests and how it is based on the performance assessment and how it discourages excessive risk taking

As noted in the first paragraph of item 69, items 70 to 75 are not applicable to Banco Comercial Português in the period of time covered by this Report.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis.

The arrangement for retirement due to old age or invalidity of members of the Executive Committee is defined in article 17 of the Articles of Association, transcribed below, and in the document approved at the General Meeting held on 21 April 2016.

"1. The directors shall benefit from the social security regime applicable in each case.

2. The directors are also entitled to a supplement to the retirement or disability pensions and the Bank may enter into insurance contracts in favour of such directors.

3. At the beginning of each term of office and by agreement with each director, the insurance policy may be replaced by contributions to a pension fund of defined contributions.

4. The amount of the contributions of the Bank, within the scope of the two previous paragraphs, shall be established on a yearly basis by the Remuneration and Welfare Board.

5. The Bank shall not bear any additional expenses with the retirement and disability pensions after the termination of each director's functions.

6. The right to the supplement shall only become effective if the beneficiary retires due to old age or disability, under the terms of the applicable social security regime.

7. At the time of the retirement, the beneficiary may choose to redeem the capital.

8. In case of death before retirement, the right to receive the accrued capital shall remain effective pursuant to the applicable provisions established by the contract or by law."

No additional benefit is foreseen for directors in the event of early retirement.

IV. Disclosure of remunerations

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same

In the financial year covered by this report no variable remuneration was paid and the annual value of the remuneration earned, in an aggregated and individual form, by the members of the Company's management bodies is presented in the following table:

Members of the Board of Directors (BofD)	Position	A Paid Directly by BCP (€)	B Paid Through Other Companies (€)	A + B Remuneration of Non-Executive Directors (€)	Income tax withheld (€)	Obs.
António Vítor Martins Monteiro	Chairman of the Board of Directors	172,500.00	0.00	172,500.00	73,601.00	
Carlos José da Silva	Vice-Chairman of the Board of Directors	72,000.00	0.00	72,000.00	17,997.00	At his request, he stopped being remunerated for the functions in the corporate bodies of Banco Comercial Português, S.A., as of 1 September 2017.
Álvaro Roque de Pinho de Bissaia Barreto	Member of the Board of Directors	57,083.33	0.00	57,083.33	20,145.00	
André Magalhães Luíz Gomes	Member of the Board of Directors	47,916.70	0.00	47,916.70	14,855.00	
André Palma Mira David Nunes	Member of the Board of Directors	19,687.50	0.00	19,687.50	7,126.00	Exonerated as of 9/02/2017 from the positions to which he had been appointed because the Bank reimbursed the last part of the state aid granted to it on that date. In 2017, he was remunerated between 16 December 2016 and 31 March 2017.
António Henriques de Pinho Cardão	Member of the Board of Directors	47,916.70	0.00	47,916.70	18,931.00	Earned a retirement pension as retired employee of BCP
António Luís Guerra Nunes Mexia	Member of the Board of Directors	0.00	0.00	0.00	0.00	Does not earn any remuneration in Group BCP
João Bernardo Bastos Mendes Resende	Member of the Board of Directors	3,250.00	0.00	3,250.00	812.00	On 10 February 2017, he resigned from the position of non-executive member of the Board of Directors
Lingjiang Xu	Member of the Board of Directors	36,608.34	0.00	36,608.34	7,610.00	On 09 January 2017, he resigned from the position of non-executive member of the Board of Directors.
Raquel Rute da Costa David Vunge	Member of the Board of Directors	47,916.70	0.00	47,916.70	12,021.00	
		504,879.27	**0.00**	**504,879.27**	**173,098.00**	

Members of the Audit Committee	Position	A Paid Directly by BCP (€)	B Paid Through Other Companies (€)	A + B Remuneration of the Members of the Audit Committee (€)	Income tax withheld (€)	Obs.
João Manuel de Matos Loureiro	Chairman of the Audit Committee	130,416.67	0.00	130,416.67	55,166.00	
Cidália Maria da Mota Lopes	Member of the Audit Committee	67,083.30	0.00	67,083.30	23,633.00	
Jaime de Macedo Santos Bastos	Member of the Audit Committee	67,083.30	0.00	67,083.30	24,075.00	
José Rodrigues de Jesus	Member of the Audit Committee	16,875.00	0.00	16,875.00	6,045.00	Exonerated as of 9 February 2017 from the positions to which he had been appointed because the Bank reimbursed the last part of the state aid granted to it on that date. Received remuneration until 31 March 2017.
		281,458.27	**0.00**	**281,458.27**	**108,919.00**	

Members of the Executive Committee (EC)	Position	A Paid Directly by BCP (€)	B Paid Through Other Companies (€)	A + B + C Remuneration of the Executive Directors set by the RWB (€)	Income tax withheld (€)	Obs.
Nuno Manuel da Silva Amado	Vice-Chairman of the BofD and Chairman of the EC	606,434.70	24,648.09	631,082.79	282,218.00	
Miguel Maya Dias Pinheiro	Vice-Chairman of the Executive Committee	480,771.09	24,095.19	504,866.28	223,320.00	
Miguel de Campos Pereira de Bragança	Vice-Chairman of the Executive Committee	471,962.46	32,903.82	504,866.28	203,964.00	
João Nuno de Oliveira Jorge Palma	Vice-Chairman of the Executive Committee	371,303.08	0.00	371,303.08	176,536.00	On 09 January 2017, he was co-opted to the position of executive member of the BofD and Vice-Chairman of the EC. By resolution of the RWB he earned a remuneration as of 12 April 2017.
José Jacinto Iglésias Soares	Member of the Executive Committee	441,757.97	0.00	441,757.97	201,172.00	
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	441,757.97	0.00	441,757.97	205,923.00	
Maria Conceição Mota Soares de Oliveira Callé Lucas	Member of the Executive Committee	441,757.97	0.00	441,757.97	204,997.00	
Rui Manuel da Silva Teixeira	Member of the Executive Committee	419,866.53	21,891.44	441,757.97	195,587.00	
		3,675,611.77	**103,538.54**	**3,779,150.31**	**1,693,717.00**	

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control.

In view of the provisions in the remuneration policy for members of the Board of Directors transcribed above in item 69, which establish that the net value of the remunerations earned annually by each Executive Director, on account of duties performed in companies or governing bodies to which they have been appointed through indication or in representation of the Bank, shall be deducted from the values of the respective annual fixed remuneration, see the table above of item 77 which quantifies these deductions.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded.

During the financial year to which this Report refers, no remuneration in the form of profit-sharing and/or bonuses was paid.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year.

During the financial year to which this Report refers, no indemnity was paid or owed to former directors relative to their termination of office during the year.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28/2009 of 19 June

See the table of item 77.

82. Details of the remuneration in said year of the Chairman of the Presiding Board to the General Meeting

In defining the remuneration of the elected members of the Board of the General Meeting, the Remuneration and Welfare Board took into consideration, for the term of office that began in May 2017, the amounts paid for this position by the major listed companies based in Portugal and similar in size to BCP, having established the annual remuneration of the Chairperson of the Board of the General Meeting at 42,000 Euros.

V. Agreements with remunerative implications

83. The envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations' variable component.

This issue is ruled by the provisos of article 403 (5) of the Companies Code. herein transcribed: "If a dismissal is not grounded on a fair cause, the director will be entitled to a compensation for damages, in accordance with the agreement established with him/her or as generally permitted by law. That compensation cannot exceed the amount of remunerations he/she would presumably receive until the end of the period of time for which he/she was elected. "

Apart from those herein mentioned, no contractual conditions or limitations have been established for compensation payable for dismissal without fair cause.

84. Reference to the existence and description, with details of the sums involved, of agreements between the company and members of the board of directors and managers, pursuant to Article 248-B/3 of the Securities Code that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a takeover bid. (Article 245-A/1/l)) (article 245-A/1/l))

There are no agreements between the Company and members of the management board, directors, pursuant to number 3 of article 248-B of the Securities Code, or any other employee who reports directly to the management which establish indemnities in the event of resignation, dismissal without fair cause or termination of employment relations following a change in the control of the company, exception made those determined by the general applicable law.

VI. Plans for the attribution of shares or stock options

85. Details of the plan and the number of persons included therein

Regarding the issues addressed in items 85 to 88, currently there are no plans with these features; hence, this chapter VI is not applicable to the Bank.

E. TRANSACTIONS WITH RELATED PARTIES

I. Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties

The internal rules on granting credit foresees specific procedures for the progression of their proposal to the competent entities, in particular, their approval by the Board of Directors and the issue of a prior opinion of the Audit Committee pursuant to an opinion issued by the Audit Division relative to the compliance of the proposed transactions with the internal rules, legal and regulatory provisions, and all other applicable conditions.

Proposals relative to this particular group are submitted to the Audit Committee by the Executive Committee, which, in turn, receives the proposals from the Credit Commission.

This Commission's functions are to assess and decide on credit granting to Customers of Banco Comercial Português, in accordance with the competences established by an internal regulation (Service Order on Credit Granting, Monitoring and Recovery). Moreover, this commission also issues advisory opinions on credit proposals from Group subsidiary companies abroad.

The Credit Commission is composed of the totality of the members of the Executive Committee and may function with a minimum of three directors. Apart from these, the Risk Officer, the Compliance Officer, the Company’s Secretary, the Heads of the proponent areas, the ‘Level 3’ managers, the subsidiary entities’ Credit Commission members (whenever there are proposals originated in those entities) and the Heads of commercial areas are also part of the Credit Commission. The Heads of the following Divisions are also members of this Commission: Credit, Specialised Monitoring, Legal Advisory and Litigation, Investment Banking, Real Estate Business, Rating, Specialised Recovery and Retail Recovery.

90. Details of transactions that were subject to control in the referred year.

In 2017, the Audit Division and Audit Committee of the Board of Directors controlled proposed operations of credit and contracting of products or services relative to members of the management and supervisory bodies and shareholders with stakes greater than 2% of the Banks' share capital and entities related to them, of a total value of approximately 5,388 million Euros. The indicated amount includes extensions and reviews of limits.

91. A description of the procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the holders of qualifying holdings or entity-relationships with the former, as envisaged in Article 20 of the Securities Code.

Any business to be conducted between the Company and owners of qualifying holdings or entities which are in any relationship with them, are the object of appraisal and exclusive deliberation by the Board of Directors, supported by analyses and technical opinions issued by the Audit Committee, which in turn take into account approvals given by the Credit Division, in the case of credit operations, or by the Procurement Division and/or other areas involved in the contract, in the case of contracts for the supply of products and services. All the operations, regardless of their respective amount, and according to item 10 above, require a prior opinion issued by the Audit Division in relation to the legal and regulatory compliance of the proposed operations.

II. Elements relative to business

92. Details of the place where the financial statements including information on business dealings with related parties are available, in accordance with IAS 24, or alternatively a copy of said data

On this issue, see the information provided in the Annual Report for 2017, in appraisal 50 of the Notes to the Consolidated Financial Statements.

Part II - Assessment of Corporate Governance

1. Details of the Corporate Governance Code implemented

Pursuant to article 2 of CMVM Regulation 4/2013 and article 245-A, number 1, subparagraphs o) and p) of the Securities Code, the Bank confirms that, for the financial year to which this Report refers, it complied with the CMVM Corporate Governance Code, CMVM Regulation 4/2013, available on the CMVM's website, on the page with the following address:

http://www.cmvm.pt/

2. Analysis of compliance with the Corporate Governance Code implemented

The declaration of compliance with the recommendations of the Corporate Governance Code, which the Bank voluntarily resolved to observe, is presented in the Introduction to the present Report.

ANNEX

ANNEX I

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Regarding the positions held simultaneously in other companies, in and outside the Group, and other relevant activities performed, see table 26 of this Report)

Non-Executive Members of the Board of Directors

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

António Vítor Martins Monteiro

Personal Data

- Date of Birth: 22 January 1944
- Nationality: Portuguese

Positions held at the Bank

- Chairman of the Board of Directors
- Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct

Direct Responsibilities

- Board of Directors' Support Office
- Company Secretary's Office
- Fundação Millennium bcp
- Client Ombudsman's Office

Positions inside the Group

- Chairman of the Board of Curators of Fundação Millennium bcp
- Chairman of the International Board of Fundação Millennium bcp

Positions outside the Group

- Non-Executive Member of the Board of Directors of SOCO International, plc
- Chairman of the Advisory Board of the Gulbenkian Programme Partnerships for Development – Fundação Calouste Gulbenkian

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Law School of the University of Lisbon
- Passed the admission contest for embassy attaché positions, opened on 11 September 1967

Professional experience in the last 10 years relevant to the position

- From 2002 to 2009 - Member of the Ambassadors Forum - Agência Portuguesa para o Investimento
- From 2006 to 2009 - Ambassador of Portugal in France and Portugal's Representative to the European Space Agency (ESA)
- From 30 March 2009 to 18 April 2011 - Member of the Supervisory Board of Banco Comercial Português, S.A.
- From 2010 to 2011 – Member of the panel of the UN Secretary-General for the Referenda in Sudan
- 2011 – Member of the work team created by the Portuguese Prime-Minister for the internationalization and development of the Portuguese Economy

- From 18 April 2011 to 28 February 2012 – Chairman of the Supervisory Board and Member of the Remuneration and Welfare Board of Banco Comercial Português S.A.
- From 2012 to October 2012 - Chairman of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 - Chairman of the Board of Directors and Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct of Banco Comercial Português, S.A.
- On 11 May 2015 elected Chairman of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2015/2017
- Until 28 April 2016 - Non-executive member of the Board of Directors of Banco Privado do Atlântico (Angola)
- Until 20 January 2017 - Non-Executive Member of the Board of Directors of Banco Sabadell, as representative of Banco Comercial Português, S.A.

Carlos José da Silva

Personal Data

- Date of Birth: 06 January 1966
- Nationality: Angolan

Positions held at the Bank

- Vice-Chairman of the Board of Directors
- Chairman of the Committee for Nominations and Remunerations

Positions inside the Group

- Member of the Board of Curators of Fundação Millennium bcp

Positions outside the Group

- Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.
- Chairman of the Board of Directors of Banco Privado Atlântico Europa, S.A.
- Chairman of the Board of Directors of Atlântico Europa, SGPS, S.A.
- Chairman of the Board of Directors of the Angola Management School

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Lisbon Law School

Professional experience in the last 10 years relevant to the position

- From October 2008 to May 2012 - Vice-Chairman of the Board of Directors of Atlântico Europa, SGPS, S.A.
- Since 2009 - Founder and CEO of Banco Privado Atlântico Europa, S.A.
- From 18 April 2011 to 28 February 2012 - Member of the Supervisory Board of Banco Comercial Português, S.A.
- February 2012 to October 2012 - Vice-Chairman of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Vice-Chairman of the Board of Directors and Chairman of the Committee for Nominations and Remunerations of Banco Comercial Português, S.A.
- Until April 2015 - Non-Executive Vice-Chairman of the Board of Directors of Sociedade Baía de Luanda
- Until April 2015 - Chairman of the Board of Directors of Interoceânico Capital, SGPS, S.A.
- Until April 2015 - Chairman of the Board of Directors of Atlântico Europa, SGPS, S.A.
- On 11 May 2015 elected Vice-Chairman of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2015/2017

Álvaro Roque de Pinho de Bissaia Barreto

Personal Data

- Date of Birth: 01 January 1936
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Chairman of the Committee for Risk Assessment
- Member of the Committee for Nominations and Remunerations

Positions outside the Group

- Non-Executive Chairman of the Board of Directors of Tejo Energia Prod. Dist. Energia Elect., S.A.
- Non-executive member of the Board of Directors of Nutrinveste - Soc. Gestora de Participações Sociais, S.A.

Academic and Specialised Qualifications

- Licentiate degree in Civil Engineering from Instituto Superior Técnico
- Management Course (American Management Association) (1961)
- Program on Management Development (Harvard Business School) (1969)

Professional experience in the last 10 years relevant to the position

- From 1990 to 2014 – Non-executive director of MELLOL – Sociedade Gestora de Participações Sociais, S.A.
- From 2006 to 2012 - Non-executive director of SAIP - Sociedade Alentejana de Investimento e Participações, SGPS, S.A.
- From 2006 to 2013 - Chairman of the Board of the General Meeting of Paço de Maiorca, Promoção e Gestão de Equipamentos Hoteleiros, S.A.
- From 2006 to 2014 - Non-executive director of Beralt Tin & Wolfram (Portugal), S.A.
- From 16 April 2009 to 28 February 2012 – Member of the Audit Committee of Banco Comercial Português, S.A.
- From 18 April 2011 to 28 February 2012 - Member of the Supervisory Board, Chairman of the Committee for Ethics and Professional Conduct and Member of the Committee for Risk Assessment of Banco Comercial Português, S.A.
- 28 February 2012 to 11 May 2015 - Member of the Board of Directors, Member of the Committee for Nominations and Remunerations and Member of the Committee for Ethics and Professional Conduct of Banco Comercial Português, S.A.
- On 11 May 2015 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term of office 2015/2017
- Since 1995 - Member of the Senior Board of Fundação Bissaya Barreto
-

André Magalhães Luíz Gomes

Personal Data

- Date of Birth: 20 February 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct
- Member of the Committee for Risk Assessment

Positions outside the Group

- Lawyer at Sociedade de Advogados Luíz Gomes & Associados
- Member of the Board of Directors of the Modern and Contemporary Art Foundation – Berardo Collection
- Member of the Board of Directors of Bacalhôa - Vinhos de Portugal, S.A.
- Chairman of the Board of the General Meeting of FGA Capital Instituição Financeira de Crédito, S.A.;
- Chairman of the Board of the General Meeting of FGA Distribuidora Portugal, S.A.
- Chairman of the Board of the General Meeting of Fiat Group Automobiles Portugal, S.A.
- Chairman of the Board of the General Meeting of Rentipar Financeira, SGPS, S.A.
- Chairman of the Board of the General Meeting of Quinta do Carmo - Sociedade Agrícola S.A.
- Chairman of the Board of the General Meeting of Explorer Investments, Sociedade Capital de Risco S.A.
- Chairman of the Board of the General Meeting of Explorer Investments, SGPS, S.A.
- Chairman of the Board of the General Meeting of Equity Partners – Sociedade Capital de Risco
- Chairman of the Board of the General Meeting of Ferrado Nacomporta, S.A.
- Chairman of the Board of the General Meeting of Optime Investments, Sociedade Capital de Risco, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Lisbon Law School

Professional Experience in the Last Ten Years Relevant to the Position

- From May 2005 to 29 January 2016 -Partner at Cuatrecasas, Gonçalves Pereira & Associados, Sociedade de Advogados, R.L.
- From 2009 to 28 February 2012 - Expert of the Remuneration and Welfare Board of Banco Comercial Português, S.A.
- Until 30 December 2011 - Member of the Board of Directors of Metalgest - Sociedade de Gestão, SGPS S.A.
- Until 30 December 2011 - Member of the Board of Directors - Moagens Associadas, S.A.
- Until 2011 - Manager of Bernardino Carmo & Filhos, SGPS, S.A.
- From 28 February 2012 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 - Member of the Board of Directors and Member of the Commission for Corporate Governance
- Until 28 February 2013 – Director of Discovery Portugal Real Estate Fund
- Until 9 September 2013 - Sole Director of Imobiliária de São Joaquim S.A.
- Until 6 October 2014 - Member of the Board of Directors of Atram - Sociedade Imobiliária S.A.
- Until 5 January 2015 - Manager of Brightmelody Unipessoal, Lda.
- Until 5 January 2015 – Manager of New Property - Sociedade Imobiliária, Lda.
- Until 5 January 2015 – Member of the Board of Directors of Matiz Sociedade Imobiliária, S.A.
- Until 5 January 2015 – Director of Gauluna, S.A.
- Until 5 January 2015 – Director of Dichiarato, S.A.
- Until 5 January 2015 – Director of Digiátomo - Sociedade Imobiliária, S.A.
- On 11 May 2015 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term of office 2015/2017

António Henriques de Pinho Cardão

Personal Data

- Date of Birth: 31 May 1943
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Committee for Risk Assessment
- Member of the Committee for Nominations and Remunerations

Positions outside the Group

- Non-executive member of the Board of Directors and Member of the Audit Committee of Cimpor – Cimentos de Portugal, SGPS, S.A.
- Chairman of the Supervisory Board of Vila Galé Sociedade Empreendimentos Turísticos, S.A.-
- Vice-Chairman of the Executive Management of Associação Missão Crescimento
- Chairman of the Audit Board of Associação Por Uma Democracia de Qualidade

Academic and Specialised Qualifications

- Licentiate Degree in Finance by Instituto Superior de Ciências Económicas e Financeiras

Professional experience in the last 10 years relevant to the position

- From 2005 to 2012 - Economist, as a self-employed individual: consulting, making of economic and financial studies, evaluation of companies
- From 2006 to 2012 - Chairman of the Board of Auditors of the company Vila Galé, S.A.
- From 2009 to 2012 - Member of the Board of Auditors of companies of Group Monte & Monte and of the holding, Monte & Monte, SGPS, S.A.
- From 18 April 2011 to 28 February 2012 - Member of the Supervisory Board of Banco Comercial Português, S.A.
- From February 2012 to October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 - Member of the Board of Directors, Member of the Committee for Risk Assessment, Member of the Committee for Ethics and Professional Conduct, and Member of the Committee for Nominations and Remunerations of Banco Comercial Português, S.A.
- Member of the Economists Association
- Member of the Chartered Accountants Association
- Partner at SEDES – Associação para o Desenvolvimento Económico e Social
- On 11 May 2015 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term of office 2015/2017

António Luís Guerra Nunes Mexia

Personal Data

- Date of Birth: 12 July 1957
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct

Positions outside the Group

- Chairman of the Executive Board of Directors of EDP-Energias de Portugal, S.A.

- Chairman of the Board of Directors of EDP Renováveis, S.A. (Spain)
- Member of the Board of Directors of EDP – Energias do Brasil, S.A.
- Chairman of the Board of Directors of Fundação EDP

Academic and Specialised Qualifications

- Licentiate degree in Economics from the University of Geneva (Switzerland)
- 1982/1995 – Lecturer of the postgraduate course of European Studies at Universidade Católica and Regent at Universidade Nova and Universidade Católica

Professional experience in the last 10 years relevant to the position

- From 15 January 2008 to 30 March 2009 - Member of the Supervisory Board of Banco Comercial Português, S.A., having previously been a member of the Senior Board of the Bank
- From 30 March 2009 to 18 April 2011 - Member of the Supervisory Board of Banco Comercial Português, S.A.
- From 18 April 2011 to 28 February 2012 - Member of the Supervisory Board of Banco Comercial Português, S.A.
- From 28 February 2012 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and member of the Committee for Corporate Governance of Banco Comercial Português, S.A.
- From June 2013 to May 2015 – Vice-Chairman of the Board of Directors of Eurelectric
- July 2013 – Honoris Causa Doctorate from ISEG
- On 11 May 2015 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term of office 2015/2017

João Bernardo Bastos Mendes Resende

- (Presented his resignation on 10 February 2017)

Lingjiang Xu

Personal Data

- Date of Birth: 13 July 1971
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors

Positions outside the Group

- Manager of the company Fosun Management (Portugal), Lda
- Non-executive member of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.

Academic and Specialised Qualifications

- Bachelor's Degree in German from the Foreign Studies University of Beijing
- Master’s Degree in World Economics from the Nan Kai University, Tianjin
- Master’s Degree in Finance from the London Business School

Professional experience in the last 10 years relevant to the position

- From February 2006 to January 2010 - First Secretary of the Commercial Office of the Embassy of the People s Republic of China in London
- From September 2011 to March 2012 - Director of Vermilion Partner LLP (London)

- From March 2012 to December 2013 - Partner to RH Regent Investment Management Co Ltd (Shanghai)
- From February 2015 to February 2017 - Non-Executive Director of Luz Saúde, S.A.
- From September 2015 to February 2017 - Non-executive Director of the Board of Directors of Fidelidade Assistência – Companhia de Seguros S.A.
- From September 2015 to February 2017 - Non-executive Director of Multicare – Seguros de Saúde, S.A.
- From October 2016 to March 2017 - Non-Executive Director of Chiado (Luxembourg), S.à.r.l.
- On 9 January 2017 he was co-opted by the Board of Directors of the Bank to exercise the functions of non-executive Director, until the end of the current triennial (2015/2017)

Raquel Rute da Costa David Vunge

Personal Data

- Date of Birth: 30 June 1967
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct

Positions outside the Group

- Member of the Board of Directors of Galp Energia, SGPS, S.A.
- Member of the Board of Directors of Caixa Angola

Academic and Specialised Qualifications

- Licentiate Degree in Management from ISG - Instituto Superior de Gestão in Lisbon

Professional Experience in the Last Few Years Relevant to the Position

- From 2001 to 2010 – Head of the Central Treasury Department of Sonangol, E.P.
- From 2010 to 2012 – Director of Finance of Sonangol, E.P.
- From 2012 to 2013 – Executive Director and CFO of Sonangol, E.P.
- From 15 October 2014 to 11 May 2015 - Member of the Board of Directors of Banco Comercial Português, S.A.
- On 11 May 2015 elected Member of the Board of Directors for the term of office 2015/2017
-

Members of the Board of Directors (Members of the Audit Committee)

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

João Manuel de Matos Loureiro

Personal Data

- Date of Birth: 04 October 1959
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Chairman of the Audit Committee

Positions outside the Group

- Professor at the School of Economics of the University of Porto (FEP)

- Professor at the Porto Business School
- Since 2008 - Head of the Post Graduate Degree in Company Management of Porto Business School
- Member of the Board of Representatives at the School of Economics of the University of Porto

Academic and Specialised Qualifications

- Licentiate Degree in Economics, from the Faculty of Economics of the University of Porto
- PhD in Economics (majoring in International Macroeconomics and Finance) from the University of Gothenburg, Sweden

Professional Experience in the Last Ten Years Relevant to the Position

- From 2000 to 2008 - Head of the MBA in Finances of the School of Economics of Porto
- From 2002 to 2008 - Chairman of the Paedagogic Council of the School of Economics of Universidade do Porto
- From 2007 to 2008 – Coordinator of the Budgeting per Programmes Committee, Ministry of Finance.
- In 2008 – Economic consultant for the assessment of the foreign exchange regime in Cape Verde
- From 2008 to 2011 - member of the General Board of Porto Business School
- From 30 March 2009 to 18 April 2011 - Member of the Supervisory Board of Banco Comercial Português, S.A.
- From 16 April 2009 to 28 February 2012 - Member of the Board of Directors and Chairman of the Audit Committee of Banco Comercial Português, S.A.
- From 29 May 2009 to 28 February 2012 - Chairman of the Supervisory Board of Banco ActivoBank, S.A.
- From 22 March 2010 to 28 February 2012 - Chairman of the Audit Board of Banco BII – Banco de Investimento Imobiliário, S.A.
- From 18 April 2011 to 28 February 2012 - Member of the Board of Directors and Chairman of the Audit Committee of Banco Comercial Português, S.A.
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Chairman of the Audit Committee of Banco Comercial Português, S.A.
- From 28 February 2012 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- On 11 May 2015 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term of office 2015/2017

Cidália Maria Mota Lopes

Personal Data

- Date of Birth: 24 October 1971
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Audit Committee

Positions outside the Group

- Professor at Instituto Superior de Contabilidade e Administração de Coimbra (ISCAC), on fiscal issues
- Member of the Scientific Board of the Portuguese Fiscal Association (AFP)

Academic and Specialised Qualifications

- PHD in Business Management from the School of Economics of the University of Coimbra.
- Master’s Degree in Economics, from the School of Economics of the University of Coimbra
- Licentiate Degree in Economics from the School of Economics of the University of Coimbra.

- Post-graduate degree in Banking, Stock Exchange and Insurance Law from the Faculty of Law of the University of Coimbra.
- Participation in the Advanced Programme for non-executive Directors promoted by Instituto Português de Corporate Governance

Professional experience in the last 10 years relevant to the position

- From 1994 to 2015 - Lecturer at Instituto Superior de Contabilidade e Administração de Coimbra (ISCAC), and Guest lecturer at the Faculty of Economics and Faculty of Law of the University of Coimbra
- From 1999 to 2015 – Published books and articles on fiscal issues
- From 2000 to 2015 - Lecturer of tax issues at the Chartered Accountants Association (OTOC)
- From 2005 to 2006 – Member of the Working Party for the Simplification of the Portuguese Fiscal System of the XVII Constitutional Government
- From 2008 to 2014 – Participated in the Tax Evasion, Tax Fraud and Tax Compliance Project: Individual, Economic and Social Factors of the SOCIUS – ISEG
- 2009 – Distinguished with the Professor Doutor António de Sousa Franco Award, by the Portuguese Association of Chartered Accountants (OTOC), for the work: *"Quanto custa pagar impostos em Portugal? – Os custos de cumprimento da tributação do rendimento" (How much does it cost to pay taxes in Portugal?)*
- From 2009 to 2010 – Member of the working party for Fiscal Policy, Competitiveness and Efficiency of the Fiscal System in Portugal of the XVIII Constitutional Government
- The costs of compliance with income tax) 2010/2014 - Director of Coimbra Business School
- On 11 May 2015 elected Member of the Board of Directors and Member of the Audit Committee of Banco Comercial Português, S.A. for the term of office 2015/2017

Jaime de Macedo Santos Bastos

Personal Data

- Date of Birth: 26 November 1956
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Audit Committee

Positions outside the Group

- Statutory Auditor in several companies

Academic and Specialised Qualifications

- Licentiate Degree in Business Administration & Management from Universidade Católica Portuguesa
- From 1986 to 1990 - Assistant lecturer at Universidade Católica Portuguesa
- Several post-graduate degrees

Professional experience in the last 10 years relevant to the position

- From 2007 to 2012 - Member of the Board of Auditors of Cimpor – Cimentos de Portugal, SGPS, S.A.
- From 28 February 2012 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 - Member of the Board of Directors and Member of the Audit Committee of Banco Comercial Português, S.A.
- On 11 May 2015 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term of office 2015/2017
-

Executive Members of the Board of Directors

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

Nuno Manuel da Silva Amado

Personal Data

- Date of Birth: 14 August 1957
- Nationality: Portuguese

Positions held at the Bank

- Vice-Chairman of the Board of Directors
- Chairman of the Executive Committee

Direct Responsibilities

- Office of the Chairman of the Executive Committee
- Communication Division
- Human Resources Division
- Audit Division
- General Secretariat and Relations with External Entities
- Digital Transformation Office

Positions inside the Group

- Member of the Board of Curators of Fundação Millennium bcp
- Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions outside the Group

- Vice-Chairman of the Management Board of APB - Associação Portuguesa de Bancos, representing Banco Comercial Português, S.A.
- Member of the Supervisory Board of EDP – Energias de Portugal, S.A.
- Member of the Institut International D'Etudes Bancaires
- Member of the Board of Auditors of Fundação Bial
- Chairman of the Advisory Board of Centro Hospitalar do Oeste
- Member of the General Board of Universidade de Lisboa
- Effective member of the Plenary of the Interdisciplinary Specialised Committee for Birth-rate (CEPIN) - Conselho Económico e Social (CES)
- Effective member of the Plenary of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the CES - Conselho Económico e Social
- Chairman of the Senior Board of the Alumni Clube ISCTE
- Member of the Advisory Board of do BCSD Portugal - Conselho Empresarial para o Desenvolvimento Sustentável, as representative of Banco Comercial Português S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Advanced Management Programme from INSEAD, Fontainebleau

Professional Experience in the Last Ten Years Relevant to the Position

- From 1997 to 2006 – Member of the Executive Committee and of the Board of Directors of Banco Santander de Negócios Portugal, S.A.
- From 2005 to 2006 - Vice-Chairman of the Executive Committee and Member of the Board of Directors of Banco Santander Totta, S.A.

- From 2005 to 2006 – Vice-Chairman of the Executive Committee and Member of the Board of Directors of Banco Santander Totta, SGPS, S.A.
- From August 2006 to January 2012 – Vice-Chairman of the Board of Directors of Portal Universia Portugal
- From August 2006 to January 2012 – General-Manager and Member of the Management Committee of Banco Santander Central Hispano
- From August 2006 to January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta, S.A.
- From August 2006 to January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta, SGPS, S.A.
- From 28 February 2012 to 11 May 2015 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From 28 February 2012 to 19 October 2012 - Vice-Chairman of the Board of Directors of Fundação Millennium bcp
- On 11 May 2015 elected Vice-Chairman of the Board of Directors and appointed Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2015/2017.
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Miguel Maya Dias Pinheiro

Personal Data

- Date of Birth: 16 June 1964
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- Credit Division
- Retail Recovery Division
- Specialised Recovery Division
- Specialised Monitoring Division
- Real-Estate Business Division
- Millennium BIM (Mozambique)
- BCP Capital

Positions inside the Group

- Chairman of the Board of Directors of Interfundos – Gestão de Fundos de Investimento Imobiliário, SA
- Manager of BCP África, SGPS, Lda.
- Chairman of the Board of Directors of BCP Capital – Sociedade de Capital de Risco S.A.
- Vice-Chairman of the Board of Directors and of the Remunerations Commission of BIM - Banco Internacional de Moçambique, S.A.;
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions outside the Group

- Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.
- Member of the Senior Board - Alumni Clube ISCTE

Academic and Specialised Qualifications

- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Corporate Senior Management Programme (PADE) - AESE
- Advanced Management Programme - INSEAD

Professional experience in the last 10 years relevant to the position

- From August 2007 to November 2009 – Head of the Office of the Chairman of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 11 November 2009 to 18 April 2011 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From December 2009 to May 2011 - Chairman of the Board of Directors of Banco ActivoBank, S.A.
- From 18 April 2011 to 28 February 2012 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From March to June 2012- Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- From 23 April 2012 to 15 June 2015 - Member of the Board of Directors of Banco Millennium Angola, S.A.
- From 15 June 2012 to 16 June 2015 - Member of the Supervisory Board of Portugal Capital Ventures - Sociedade de Capital de Risco S.A., in representation of Banco Comercial Português, S.A.
- On 11 May 2015 elected member of the Board of Directors and appointed Vice-Chairman of the Executive Committee for the 2015/2017 term of office

Miguel de Campos Pereira de Bragança

Personal Data

- Date of Birth: 25 June 1966
- Place of Birth: Lisbon
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- Investor Relations Division
- Accounting and Consolidation Division
- Research, Planning and ALM Division
- Management Information Division
- Tax Advisory Division
- Bank Millennium (Poland)

Positions inside the Group

- Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- Manager of Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda.
- Manager of BCP África, SGPS, Lda.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions outside the Group

- Manager of Quinta das Almoínhas Velhas – Imobiliária, Lda.
- Member of the Board of Fundação Casa de Bragança

Academic and Specialised Qualifications

- Licentiate Degree in Companies Administration & Management from Universidade Católica Portuguesa
- INSEAD, Fontainebleau, MBA Programme. Award Henry Ford II attributed to the students with the highest final grade point average

Professional experience in the last 10 years relevant to the position

- From 2000 to 2006 – Director, responsible for the Finance, Accountancy and Management Control, Marketing and Product areas at Banco Santander Totta and Santander Totta SGPS, S.A.
- January 2005/November 2006 and April 2009/March 2012 - Non-executive director of SIBS, SGPS, S.A. and SIBS Forward Payment Solutions, S.A.
- From 2007 to 2008 - Executive Director - responsible for Products and Marketing, being also responsible, since June, for the Phone Channel, Internet and Business Banking - of Abbey National PLC (nowadays Santander UK)
- From 2008 to February 2012 – Director responsible for the Finance, Accounting and Management Control, Marketing and Products areas at Banco Santander Totta, S.A., Santander Totta SGPS, S.A.
- From 3 September 2010 to 11 February 2012 - Non-executive director of UNICRE – Instituição Financeira de Crédito, S.A.
- From 28 February 2012 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- On 11 May 2015 elected member of the Board of Directors and appointed Vice-Chairman of the Executive Committee for the 2015/2017 term of office

João Nuno de Oliveira Jorge Palma

Personal Data

- Date of Birth: 16 February 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- Retail Recovery Division
- Recovery of Small Amounts Division
- International, Treasury & Markets Division
- Private Banking Division
- Wealth Management Division
- Banque Privée BCP (Suisse)
- Millennium bcp Bank & Trust

Positions inside the Group

- Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.
- Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Economics from the School of Economics of Universidade Nova de Lisboa (FEUNL).
- Postgraduate studies in Business - PDE-VII Programa de Direcção de Empresas (Companies Management Programme) from AESE - Associação de Estudos Superiores de Empresa in collaboration with IESE - Instituto de Estudos Superiores de Empresa of the University of Navarra.

Professional experience in the last 10 years relevant to the position

- From December 2007 to February 2008- Advisor to the Board of Directors of CGD
- From February 2008 to March 2010 – Member of the Board of Directors (Chief Financial Officer), of Group Caixa Geral de Depósitos - (Banco Caixa Geral, Spain)
- From March 2010 to December 2011 - Member of the Executive Director - (Chief Financial Officer), of Ren – Redes Energéticas Nacionais, SGPS, S.A.
- From January 2012 to July 2013 - Non-executive Chairman of the Board of Directors of Sogrupo IV – Gestão de Imóveis, ACE
- From January 2012 to July 2013- (non- executive) Chairman of the Board of Directors of Caixa Imobiliário, S.A.
- From January 2012 to July 2013 - non- executive Chairman of the Board of Directors of Imocaixa, S.A.
- From January 2012 to August 2016 - Member of the Executive Board of Directors (Chief Financial Officer) of CGD – Caixa Geral de Depósitos, S.A.
- From April 2012 to November 2013 - Non-executive Director of PT - Portugal Telecom, S.A.
- From April 2013 to August 2016 - Non-executive Director of BCI – Banco Comercial de Moçambique, S.A.
- From August 2013 to August 2016 - Non-executive Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.
- From September 2013 to August 2016 - Non-executive Chairman of the Board of Directors of Banco Caixa Geral, S.A. (Spain)
- From January 2014 to August 2016 - Non-Executive Chairman of the Board of Directors of Sogrupo Compras e Serviços Partilhados, SGPS, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Cares-Companhia de Seguros, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of Multicare – Seguros de Saúde, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.
- From May 2014 to August 2016 - Non-executive Chairman of the Board of Directors of Caixa Gestão de Activos, SGPS, S.A.
- From June 2014 to August 2016 - Non-Executive Director of Parcaixa, S.A.
- From November 2014 to August 2016 - 1st Non-Executive Vice-Chairman of the Board of Directors of Banco Caixa Geral Totta Angola, S.A. (later renamed Banco Caixa Geral Angola, S.A.)
- From December 2014 to August 2016 - Non-Executive Director of Partang, S.A.
- From December 2014 to August 2016 - Vice-Chairman of the Board of Directors of Banco Caixa Geral Brasil, S.A.
- On 9 January 2017 he was co-opted by the Board of Directors to exercise the functions of Member of the Board of Directors and Vice-Chairman of the Executive Committee until the end of the term-of office (2015/2017).

José Jacinto Iglésias Soares

Personal Data

- Date of Birth: 25 June 1960
- Nationality: Portuguese and Angolan

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Operations Division
- IT Division
- Procurement and Logistics Division
- Legal and Litigation Advisory Division
- Compliance Office

Positions inside the Group

- Chairman of the Board of Directors of Millennium bcp - Prestação de Serviços, ACE

Positions outside the Group

- Non-Executive Member of the Board of Directors of SIBS, SGPS, S.A.
- Non-Executive Member of the Board of Directors of SIBS Forward Payment Solutions, S.A.
- Non-executive Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- Member of the Remunerations Committee of UNICRE – Instituição Financeira de Crédito, S.A.
- Member of the General Board of AEM - Associação de Empresas Emitentes de Valores Mobiliários Cotados, representing Banco Comercial Português, S.A.
- Member of the General Board of IPCG - Instituto Português de Corporate Governance, representing Banco Comercial Português, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Lisbon Law School
- Monitor in the Law Faculty of Lisbon
- Post-graduation in Commercial Law and Commercial Companies from Universidade Católica de Lisboa
- Corporate Senior Management Programme (PADE) from Associação de Estudos Superiores de Empresa (AESE)
- Post Graduate Degree in Accounting and Finance from Universidade Católica de Lisboa

Professional experience in the last 10 years relevant to the position

- From 2008 to 2009 – Managing Director of the External Relations Division of Banco Privado Atlântico (Angola)
- From 2009 to 2011 Executive Director of Banco Privado Atlântico – Europa, S.A. in charge of the Compliance, Legal Advising and Internal Audit
- From 18 April 2011 to 28 February 2012 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 18 April 2011 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- On 11 May 2015 elected member of the Board of Directors and appointed Member of the Executive Committee for the 2015/2017 term of office

José Miguel Bensliman Schorcht da Silva Pessanha

Personal Data

- Date of Birth: 30 July 1960
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Risk Office
- Rating Division
- Office for Regulatory and Supervision Monitoring
- Office for the Validation and Monitoring of Models

Positions inside the Group

- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Millennium bcp Ageas Grupo Segurador, SGPS, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental - Companhia Portuguesa de Seguros, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.

Academic and Specialised Qualifications

- 1982 – Licentiate Degree in Economics, Universidade Católica Portuguesa
- 1984 – Master's Degree in Operational Investigation (academic portion) from Instituto Superior Técnico (Lisbon)
- 1986 – Master's Degree in Economics from Université Catholique de Louvain (Belgium)
- PADE (Corporate Senior Management Programme) at Associação de Estudos Superiores de Empresa (AESE)
- Eureko Program in INSEAD
- Invotan scholarship (NATO)
- Received a scholarship linked to the Award Joseph Bech, attributed by the Government of Luxembourg for commitment with the European Union

Professional experience in the last 10 years relevant to the position

- From 2003 to 2015 - Group Risk Officer of Millennium BCP
- 2014 – Lecturer of the chair "Banking in a Global Context" at Universidade Católica Portuguesa
- On 11 May 2015 elected member of the Board of Directors and appointed Member of the Executive Committee for the 2015/2017 term of office
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Maria da Conceição Mota Soares de Oliveira Callé Lucas

Personal Data

- Date of Birth: 24 January 1956
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Companies and Corporate Division - North
- Companies and Corporate Division - South
- Large Corporate Division
- Companies Operational Marketing Division
- Investment Banking Division
- Companies Business Development and Strategic Marketing Division

Positions inside the Group

- Manager of BCP África, SGPS, Lda.
- Member of the Board of Directors of BCP Capital- Sociedade de Capital de Risco, S.A.
- Member of the Board of Directors and of the Remunerations Commission of BIM - Banco Internacional de Moçambique, S.A.
- Member of the Board of Directors of Banque Privée BCP (Suisse), S.A.

Positions outside the Group

- Member of the Board of Directors of Banco Millennium Atlântico, S.A.

Academic and Specialised Qualifications

- 1978 - Licentiate degree in Business Administration from Universidade Católica Portuguesa
- 1979 - Post-graduation in Higher European Studies specialising in Economic Issues from Collège d'Europe (Bruges)
- 1980 - MSc from the London School of Economics, London University;
- 1980 – Lecturer in the Management and Economics courses at the Faculty of Human Sciences, Universidade Católica Portuguesa

Professional experience in the last 10 years relevant to the position

- From 2002 to 2008 - Representative - Société Générale, Portugal
- From 2008 to 2009 - Ifogest – Consultoria e Investimentos, S.A.
- From 8 October 2008 to 28 February 2012 – Director of Atlântico-Europa, SGPS, S.A.
- From 8 October 2008 to 28 February 2012 – Director of Atlântico-Europa Capital, SGPS, S.A.
- From 2009 to February 2012 - Director of Banco Privado Atlântico-Europa, S.A.
- From 28 February 2012 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- From 26 March 2012 to 30 June 2014 - Vice-Chairman of the Board of Directors and Chairman of the Audit Board of Médis – Companhia Portuguesa de Seguros de Saúde, S.A.
- From 26 March 2012 to 30 June 2014 - Vice-Chairman of the Board of Directors and Chairman of the Audit Board of Ocidental - Companhia Portuguesa de Seguros, S.A.
- From 26 March 2012 to 27 May 2015 - Vice-Chairman of the Board of Directors and Chairman of the Audit Board of Millennium bcp Ageas Grupo Segurador, SGPS, S.A.
- From 26 March 2012 to 27 May 2015 - Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental – Companhia Portuguesa de Seguros, S.A.
- From 26 March 2012 to 27 May 2015 - Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Pensões Gere - Sociedade Gestora de Fundos de Pensões, S.A.
- From 29 March 2012 to 19 December 2012 - Chairman of the Board of Directors of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.
- From 22 April to 21 May 2015 - Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

- From 23 April 2012 to 28 April 2016 - Member of the Board of Directors of Banco Millennium Angola, S.A.
- From 28 June 2012 to 25 March 2013 - Member of the General Board of AEM - Associação de Empresas Emitentes de Valores Mobiliários Cotados, representing Banco Comercial Português, S.A.
- On 11 May 2015 elected member of the Board of Directors and appointed Member of the Executive Committee for the 2015/2017 term of office

Rui Manuel da Silva Teixeira

Personal Data

- Date of Birth: 04 September 1960
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Retail Banking Division - North
- Retail Banking Division - Centre
- Retail Banking Division - South and Islands
- Retail Marketing Division
- Quality and Network Support Division
- Direct Banking Division
- Segments Management Division

Positions inside the Group

- Chairman of the Board of Directors of Banco Activobank, S.A.
- Member of the Board of Directors of Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.
- Member of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros Vida, S.A.
- Member of the Board of Directors of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A. (formerly Pensões Gere – Sociedade Gestora de Fundos de Pensões, S.A.)
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions outside the Group

- Member of the Remunerations Committee of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- Member of the Remunerations Commission of SIBS, SGPS, S.A.
- Member of the Remunerations Commission of SIBS Forward Payment Solutions, S.A.
- Chairman of the Board of the General Meeting of Porto Business School (PBS)

Academic and Specialised Qualifications

- Licentiate Degree in Electronic Engineering from the Faculty of Engineering of University of Oporto
- Specialisation Course in Industrial Management from INEGI – Instituto de Engenharia Mecânica e Gestão Industrial

Professional experience in the last 10 years relevant to the position

- From 2006 to 2009 – Head of the IT Global Division (Group) and member of the Coordination Committee of Banking Services

- From 2009 to 2010 – Vice-Chairman of the Executive Board of Directors of Bank Millennium S.A. (Poland), member of the European Banking Coordination Committee and member of the Supervisory Boards of Millennium Dom Maklerski SA, Millennium Leasing Sp Zoo and Millennium Lease Sp Zoo
- From May 2010 to April 2011 – Head of the Marketing Division, Member of the Retail and Companies Coordinating Committees and responsible, in addition, for the M Project.
- From 18 April 2011 to 28 February 2012 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 19 April 2011 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 January 2012 to 19 October 2017 - Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- From 19 December 2012 to 18 May 2015 - Chairman of the Board of Directors of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.
- From 25 January 2013 to 20 July 2017 - Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.
- On 11 May 2015 elected member of the Board of Directors and appointed Member of the Executive Committee for the 2015/2017 term of office

ANNEX II

CURRICULA VITAE OF THE MEMBERS OF THE REMUNERATION AND WELFARE BOARD OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

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José Gonçalo Ferreira Maury

Positions held at the Bank

- Chairman of the Remuneration and Welfare Board

Academic and Specialised Qualifications

- Licentiate Degree in Finance from the former ISCTE/ISE, Instituto Superior de Economia in Lisbon
- MBA from INSEAD, Fontainebleau

Professional experience in the last 10 years relevant to the position

- From 1990 to 2014 – Worked at Egon Zehnder International, Consultores, Lda., having co-initiated and co-led its process of creation and development in the national market. Partner of the international structure of Egon Zehnder and Managing Partner of the office in Portugal. In the international structure of Egon Zehnder, held positions related to different thematic areas, namely: Financial Services Practice Group; Consumer Practice Group; Family Advisory Business Practice Group; and Board Consulting Group.
- Since 2006 – Chairman of the Remuneration Committee of Semapa - Sociedade de Investimento e Gestão SGPS, S.A. and Secil – Companhia Geral da Cal e Cimentos, S.A.
- Since 2007 - Chairman of the Remuneration Committee of Portucel, S.A.
- Since 2014 - Member of the Remuneration Committee of CTT- Correios de Portugal, S.A.
- Since 2015 - Non-executive director and Member of the Remuneration and Nomination Committee of Gestmin SGPS, S.A., and Non-executive director of Gestmin Serviços, Lda.

José Guilherme Xavier de Basto

Positions held at the Bank

- Member of the Remuneration and Welfare Board

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Law School of the University of Coimbra
- Additional Course of Political-Economic Sciences
- From 1961 to 1974 – Lecturer of Political Economics and Tax Law at the Faculty of Law of the University of Coimbra
- From 1974 to 2004 (retirement) - Lectured on Taxation and Tax Harmonisation at the School of Economics of the University of Coimbra
- Published books and articles on taxation and fiscal law, especially concerning VAT and personal income tax

Professional experience in the last 10 years relevant to the position

- Since 2007 - Non-executive director of Portugal Telecom, SGPS, S.A., being a Member of its Audit Committee
- Chairman of the Audit Board of the Portuguese Tax Association
- Chairman of the General Meeting of the Portuguese Tax Advisers Association
- Member of the Research Office of the Chartered Accountants Association
- From 1988 to 2007 - Member of the Privatisation Monitoring Commission

- From 30 March 2009 to 28 February 2012 – member of the Supervisory Board of Banco Comercial Português, S.A.
- From 16 April 2009 to 28 February 2012 – Member of the Audit Committee of Banco Comercial Português, S.A.
- From 28 February 2012 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 2012 to May 2015 - Member of the Board of Directors and Audit Committee of Banco Comercial Português, S.A.
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José Luciano Vaz Marcos

Positions held at the Bank

- Member of the Remuneration and Welfare Board

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Faculty of Human Sciences of Universidade Católica Portuguesa
- Lecturer in post-graduate courses in different Portuguese Universities and at conferences on urban issues, spatial planning and public contracting

Professional experience in the last 10 years relevant to the position

- Partner of law firm FALM-Ferreira de Almeida, Luciano Marcos & Associados – Sociedade de Advogados, RL
- Works mainly as legal counsel in the areas of Urban and Real Estate Law, Public Contracting, Civil Law, Commercial and Tax Law
- Since 1996 - advisory services to companies in the areas of real estate, tourism, entertainment, industrial parks and urban restructuring operations, and to companies in the public contracting area
- Since 1996, has intervened frequently in tender processes for concessions, under the regime for Public Private Partnerships

Manuel Soares Pinto Barbosa

Positions held at the Bank

- Member of the Remuneration and Welfare Board

Academic and Specialised Qualifications

- Licentiate Degree in Finance from the Economic and Financial Sciences Institute (ISCEF) of Universidade Técnica de Lisboa
- Master's from Yale University
- Doctorate from Yale University and Aggregation from Universidade Nova de Lisboa
- Former Professor at the Faculty of Economics of Universidade Nova de Lisboa

Professional experience in the last 10 years relevant to the position

- From 1994 to 2006 - Member of the Governing Board of the Luso-American Foundation
- From 2002 to 2006 - Non-executive director of Portugal Telecom - PTII
- From 2004 to 2006 – Chairman of the Board of Directors of TAP
- Since 2005 - Chairman of the Supervisory Board of TAP Portugal
- Since 2007 - Chairman of the Remuneration Committee of Cimpor
- Currently Chairman of the Board of Directors of Nova Fórum

ANNEX III

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF THE GENERAL MEETING OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available at the Bank's website, on the page with the following address: **https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx**

Pedro Miguel Duarte Rebelo de Sousa

Position Held at the Bank

- Chairman of the Board of the General Meeting (term of office: 2017/2019)

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Faculty of Law of Universidade de Lisboa
- Post-graduate degree in Companies and Corporate Law - Universidade Pontifícia Católica, Brazil
- Master's degree in Companies Management, from Fundação Getúlio Vargas – Business Administration School, São Paulo, Brazil

Management and Supervision positions held in other companies

- Non-executive member of the Board of Directors of Cimpor - Cimentos de Portugal, SGPS, S.A..

Other Relevant Positions

- Founder and Senior Partner of the law firm Rebelo de Sousa & Advogados (SRS)
- Member of the Sub-Committee for Latin America of the Atlantic Council, Washington DC
- Chairman of the Board of the General Meeting of Grémio Literário
- Chairman of the Board of the General Meeting of A. Santo, SGPS (Group Santo)
- Chairman of Círculo Eça de Queiroz – an institution serving the public interest
- Chairman of the Portuguese Institute of Corporate Governance
- Member of the Remunerations Commission of Novabase, S.A.
- Director of the Portugal-Netherlands Chamber of Commerce
- Chairman of the Board of the General Meeting of Sumolis Group Refrigor
- Chairman of the Board of the General Meeting of PWN – Professional Women`s Network Lisbon
- Chairman of the Board of the General Meeting of AMA – Agência para a Modernização Administrativa, I.P.
- Chairman of the Board of the General Meeting of Swipe News, S.A.
- Chairman of the Board of the General Meeting of CADIN – Centro de Apoio ao desenvolvimento Infantil (IPSS)
- Chairman of the Board of the General Meeting of Tecnovia Sociedade de Empreitadas, S.A.
- Chairman of the Board of the General Meeting of Tecnovia SGPS, S.A.
- Chairman of the Board of the General Meeting of Tecnovia Madeira
- Chairman of the Board of the General Meeting of Tecnovia Açores
- Chairman of the Board of the General Meeting of Associação Portugal India Business HUB
- Chairman of the Board of the General Meeting of Associação Turma do Bem (Portugal)
- Chairman of the Board of the General Meeting of Atitude/SSE – Associação pelo Desenvolvimento do Investimento Social
- Chairman of the Board of the General Meeting of Associação Mares Navegados
- Chairman of the Board of the General Meeting of AICD – Associação de Inserção por Centros Digitais de Informação

- Chairman of the Board of the General Meeting of Grande Enseada – Capital Partners, Sociedade de Capital de Risco, S.A.
- Member of the Academia Lusíada de Letras, Ciências e Arte
- Curator of Fundação Luso Brasileira para o Desenvolvimento do Mundo de Língua Portuguesa
- Chairman of the General Board of the Portugal-Mozambique Chamber of Commerce
- Member of the General Board of the Portuguese Chamber of Commerce of S. Paulo

Professional experience in the last 10 years relevant to the position

- From 1985 to 2017 – Curator of the Portuguese Chamber of Commerce, São Paulo, Brazil
- From 2006 to 2010 - Non-executive director of Intesa SanPaolo IMI International, Portugal
- From 1999 to 2009 – Partner of the law firm Simmons & Simmons, exercising the functions of Director of the firm from 2004 to 2009
- From 2004 to 2006 - Chairman of the Board of the General Meeting of PT Internacional
- From 2005 to 2006 - Chairman of the Board of the General Meeting of Galp, S.A.
- From 2005 to 2011 - Member of the Supervision Board of Banif Investimento, S.A.
- From 2007 to 2012 – Director of the Portuguese Chamber of Commerce & Industry
- From 2009 to 2013 – Chairman of the Supervision Board of Banco Caixa Geral Brasil. S.A.
- From 2011 to 2013 – Non-executive Director, Chairman of the Evaluation and Strategy Committee and member of the Board of Auditors of Caixa Geral de Depósitos, S.A.

Octávio Manuel de Castro Castelo Paulo

Position Held at the Bank

- Vice-Chairman of the Board of the General Meeting (term of office: 2017/2019)

Academic and Specialised Qualifications

- Licentiate Degree in Law - Universidade Lusíada de Lisboa

Management and Supervision positions held in other companies

- Independent non-executive Director of Standard Bank de Angola, currently exercising the position of Chairman of the Audit and Risk Commissions

Other Relevant Positions

- Partner of the law firm Rebelo de Sousa & Advogados (SRS), responsible for the M&A , Corporate and Commercial Department, a department including the practice of TMT (Telecommunications, Media and Technology)
- Chairman of the Board of the General Meeting of several companies

Professional experience in the last 10 years relevant to the position

- Member of the Lawyers Association of Portugal since 1988 and of the Lawyers Association of Angola since 2010
- From 2003 to 2009 – partner of the international law firm Simmons & Simmons, headquartered in London
- From 2009 to 2011 - Director of the Portuguese Institute of Corporate Governance
- Coordinated operations for the privatization of state-owned companies, to be listed in the Stock Exchanges of Lisbon, London and New York
- Advisory services to companies for capital markets and mergers and acquisitions
- Advisory services to companies, open to public investment, or not, in Corporate Governance issues
- Chairman of the Audit Board of several companies
- Author and co-author of several works in the areas of Corporate Law and of Telecommunications Law.

2017 Annual Report

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Banco Comercial Português, S.A.,
Company open to public investment

Registered Office:
Praça D. João I, 28
4000-295 Porto

Share Capital:
5,600,738,053.72 Euros

Registered at
Commercial Registry Office of Oporto
under the Single Registration and
Tax Identification Number 501 525 882
LEI : JU1U6S0DG9YLT7N8ZV32

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May 2018

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