EARNINGS PRESS RELEASE

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21 February 2019

Millennium bcp earnings release as at 31 December 2018

Profitability

Improved profitability in all geographies, highlighting the activity in Portugal

- **Net profit of Euro 301.1 million** in 2018, representing a **strong increase of 61.5%** from Euro 186.4 million registered in 2017.
- **Earnings from the activity in Portugal tripled**, with a contribution of Euro 115.5 million in 2018, compared to Euro 39.0 million in 2017.
- **Earnings from the international activity increased 27.8%** from Euro 146.2 million in 2017, to Euro 186.9 million in 2018.

Dividend distribution

- The Executive Committee proposed the Board of Directors to approve a **proposal for a dividend distribution** corresponding to a 10% pay-out, to be submitted to the Annual General Meeting.

Capital

Capital ratio reinforced

- **Capital ratio reinforced** to 14.5%*, boosted by AT1 issue in January 2019, and comfortably above the requirements defined in the scope of the SREP.

Asset quality

Improved credit quality; significant NPE reduction, with reinforcement of credit coverage

- **NPE down** to Euro 5.5 billion as of 31 December 2018, **a Euro 2.1 billion reduction from the end of 2017** (of which Euro 2.0 billion in Portugal).
- **Reinforcement of NPE coverage: coverage by impairments of 52%** (43% as at 31 December 2017) and **overall coverage** of 109%** (104% as at 31 December 2017).

Business performance

Strong business dynamics, with resources from customers and loans portfolio growth; capture of digital Customers

- **Increasing business volumes**, with performing loans up by Euro 2.2 billion and total customer funds up Euro 3.7 billion, from end-2017.
- **Added 351,000 active Customers** from 31 December 2017, partially benefiting from digital development in Portugal.

* Capital ratio on a fully-implemented basis, including Additional Tier 1 (AT1) issued in 31 January 2019, in the amount of Euro 400 million.
** By loan-loss reserves, expected loss gap and collaterals.

BANCO COMERCIAL PORTUGUÊS, S.A.,
a public company (sociedade aberta)
having its registered office at Praça D. João I, 28, Oporto,
registered at the Commercial Registry of Oporto,
with the single commercial and tax identification number
501 525 882
and the share capital of EUR 4,725,000,000.00
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FINANCIAL HIGHLIGHTS (1)

Euro million

	31 Dec. 18	31 Dec. 17	Change 18/17
BALANCE SHEET			
Total assets	75,923	71,939	5.5%
Loans to customers (net)	48,123	47,633	1.0%
Total customer funds (2)	74,023	70,344	5.2%
Balance sheet customer funds	56,585	52,688	7.4%
Deposits and other resources from customers	55,248	51,188	7.9%
Loans to customers (net) / Deposits and other resources from customers (3)	87%	93%	
Loans to customers (net) / Balance sheet customer funds	85%	90%	
RESULTS			
Net interest income	1,423.6	1,391.3	2.3%
Net operating revenues	2,186.5	2,197.5	-0.5%
Operating costs	1,027.2	954.2	7.7%
Operating costs excluding specific items (4)	997.8	968.4	3.0%
Loan impairment charges (net of recoveries)	465.9	623.7	-25.3%
Other impairment and provisions	135.2	301.1	-55.1%
Income taxes	138.0	30.2	
Net income	301.1	186.4	61.5%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (3)	3.0%	3.0%	
Return on average assets (ROA)	0.6%	0.4%	
Income before tax and non-controlling interests / Average net assets (3)	0.8%	0.4%	
Return on average equity (ROE)	5.2%	3.3%	
Income before tax and non-controlling interests / Average equity (3)	8.1%	4.8%	
Net interest margin	2.2%	2.2%	
Cost to income (3) (4)	45.6%	44.1%	
Cost to income (Portugal activity) (3) (4)	46.6%	44.5%	
Staff costs / Net operating revenues (3) (4)	25.9%	24.6%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	92	122	
Non-Performing Exposures / Loans to customers	10.9%	15.0%	
Total impairment (balance sheet) / NPE	52.4%	43.4%	
Restructured loans / Loans to customers	6.9%	8.2%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	218%	158%	
Net Stable Funding Ratio (NSFR)	133%	124%	
CAPITAL (5)			
Common equity tier I phased-in ratio	12.1%	13.2%	
Common equity tier I fully implemented ratio	12.0%	11.9%	
BRANCHES			
Portugal activity	546	578	-5.5%
Foreign activity	555	542	2.4%
EMPLOYEES			
Portugal activity	7,095	7,189	-1.3%
Foreign activity	8,834	8,538	3.5%

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at "Alternative Performance Measures" chapter, being reconciled with the accounting values published in the consolidated financial statements.

(2) As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive II (MiFID II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to 31 December 2017 is presented according to the new criteria.

(3) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.

(4) Excludes specific items: unfavourable impact of Euro 29.4 million in 2018, mainly related to restructuring costs recognized as staff costs in the activity in Portugal and favourable impact of Euro 14.2 million in 2017 related to restructuring costs and the revision of Collective Lab. Agt. also accounted as staff costs in the activity in Portugal.

(5) As of 31 December 2018 and 31 December 2017, ratios include the accumulated net income of each period. Ratios as of 31 December 2018 are estimated and not audited.

RESULTS AND ACTIVITY IN 2018

On 1 January 2018, IFRS 9 - Financial Instruments entered into force, replacing IAS 39 - Financial Instruments: recognition and measurement, and establishing new rules for the recognition of financial instruments, introducing relevant changes, particularly as regards the methodology for impairment calculation. The adoption of this accounting standard had an impact on the structure of the Millennium bcp financial statements compared to 31 December 2017, largely influenced by the adjustments associated with the transition, and did not materially affect the profit and loss account of 2018.

In this context, some indicators were defined according to management criteria aiming to help the comparability with financial information presented in prior periods. Following the guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA), the relevant indicators that allow a full understanding of the evolution of the Group's economic and financial position are detailed at the end of this document, being reconciled with the accounting values published in the consolidated financial statements.

RESULTS

The **net income** of Millennium bcp showed a favourable performance, with a 61.5% growth from Euro 186.4 million obtained in 2017, reaching Euro 301.1 million in 2018. This change mainly benefited from the strong recovery of the activity in Portugal, but also reflects the greater contribution of the international activity compared to the previous year.

In the activity in Portugal, net income increased significantly, compared to Euro 39.0 million registered in 2017, achieving Euro 115.5 million in 2018. It should be noted, in this performance, the significant reduction of impairments and provisions.

In the international activity, net income in 2018 increased 27.8% from the Euro 146.2 million obtained in the previous year, reaching Euro 186.9 million, due to the favourable performance of all the subsidiaries, highlighting the increase in the contribution of the subsidiaries in Poland and Mozambique and of Banco Millennium Atlântico in Angola.

Net interest income presented a 2.3% growth compared to Euro 1,391.3 million registered in 2017, amounting to Euro 1,423.6 million in 2018.

In the activity in Portugal, net interest income was almost in line with the figures accounted in the previous year (slightly lower by 0.6%) standing at Euro 803.3 million in 2018, reflecting the reduction in the cost of funding, namely the decrease in the cost of issued debt and the decreasing trend in the costs of term deposits, which was offset by the reduction in the interest generated by loans and debt securities portfolios.

In the international activity, net interest income increased by 6.3%, from Euro 583.4 million registered in 2017, to Euro 620.3 million in 2018, mainly driven by the performance of the Polish subsidiary, but also, to a lesser extent, by the performance of net interest income in the subsidiary in Mozambique.

Net interest margin in 2018 stood at 2.21%, in line with 2017 (2.22%, excluding the impact from the cost of CoCos).

AVERAGE BALANCES

Euro million

	31 Dec. 18		31 Dec. 17	
	Amount	Yield %	Amount	Yield %
Deposits in banks	2,702	0.97	3,070	0.93
Financial assets	13,250	2.17	11,163	2.27
Loans and advances to customers	47,620	3.19	47,861	3.29
INTEREST EARNING ASSETS	63,572	2.88	62,094	2.99
Non-interest earning assets	9,847		10,575	
	73,419		72,669	
Amounts owed to credit institutions	7,397	0.13	9,140	0.05
Deposits and other resources from customers	53,258	0.58	50,560	0.65
Debt issued	2,787	1.61	3,162	2.70
Subordinated debt	1,116	5.55	929	6.90
INTEREST BEARING LIABILITIES	64,558	0.66	63,791	0.76
Non-interest bearing liabilities	1,944		2,116	
Shareholders' equity and non-controlling interests	6,917		6,762	
	73,419		72,669	
Net interest margin		2.21		2.21
Net interest margin (excl. cost of CoCos)				2.22

Note: Interest related to hedge derivatives was allocated, in December 2018 and 2017, to the respective balance sheet item.

Net commissions increased 2.6%, from the amount recorded in 2017, reaching Euro 684.0 million in 2018, benefiting from the favourable performance of the activity in Portugal, where net commissions rose 4.3%. This change was supported by banking commissions in the activity in Portugal, which showed a growth of 4.8%.

Net trading income stood at Euro 78.5 million in 2018, compared to Euro 148.4 million accounted in the previous year, mainly reflecting the performance of the activity in Portugal, in particular the unfavourable effect from loan sales, which recognized losses in the amount of Euro 49.4 million.

Other net operating income, which, among others, includes the costs associated with mandatory contributions as well as with the Resolution Fund and the Deposit Guarantee Fund in both Portugal and international activity, evolved favourably compared to the negative Euro 102.3 million accounted in 2017, totalling Euro 89.5 million also negative in 2018, supported by the favourable performance of the activity in Portugal.

In the activity in Portugal, other net operating income registered a significant improvement from the negative Euro 50.0 million recognized in 2017, totalling an also negative Euro 32.3 million in 2018. This evolution mainly reflects the income associated with non-current assets held for sale, that increased Euro 24.3 million from 2017, which were offset by the increase in costs associated with regulatory contributions in the total amount of Euros 66.5 million in 2018 compared to Euro 57.9 million registered in the previous year.

In the international activity, other net operating income was negative by Euro 57.2 million in 2018, which compares with the also negative Euro 52.2 million registered in 2017, conditioned by the increase of mandatory contributions, which stood at Euro 71.5 million in 2018 compared to Euro 67.8 million in the previous year. The mandatory contributions in the international activity were almost entirely supported by the Polish subsidiary, whose other net operating income performance was also influenced by the recognized gains in 2017 related to real estate disposal and indemnity received. The unfavourable evolution of other net operating income in the Polish operation was partially offset by the positive contribution of the operation in Mozambique in 2018, compared to the previous year.

Dividends from equity instruments, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, together with **equity accounted earnings**, totalled Euro 89.8 million in 2018, decreasing 3.8% from the amount achieved in 2017.

OTHER NET INCOME

Euro million

	2018	2017	Change 18/17
NET COMMISSIONS	684.0	666.7	2.6%
Banking commissions	564.7	546.6	3.3%
Market related commissions	119.3	120.1	-0.7%
NET TRADING INCOME	78.5	148.4	-47.1%
OTHER NET OPERATING INCOME	(89.5)	(102.3)	12.5%
DIVIDENDS FROM EQUITY INSTRUMENTS	0.6	1.8	-63.7%
EQUITY ACCOUNTED EARNINGS	89.2	91.6	-2.7%
TOTAL OTHER NET INCOME	762.9	806.2	-5.4%
Other net income / Net operating revenues	34.9%	36.7%	

Operating costs, excluding the effect of specific items*, stood at Euro 997.8 million in 2018, compared to Euro 968.4 million accounted in the previous year, reflecting the increase registered in both the activity in Portugal and the international activity.

In the activity in Portugal, operating costs, excluding the impact of specific items, reached Euro 611.8 million in 2018, which compares to Euro 601.8 million accounted in 2017, influenced by the salary readjustment from July 2017.

In the international activity, operating costs increased 5.3% from the amount obtained in the previous year, totalling Euro 386.0 million in 2018, mainly due to the performance of the Polish subsidiary, but also, of the subsidiary in Mozambique.

* Unfavourable impact of Euro 29.4 million in 2018, mainly related to restructuring costs recognized as staff costs in the activity in Portugal and favourable impact of Euro 14.2 million in 2017, related to restructuring costs and the revision of Collective Lab. Agt, also accounted as staff costs in the activity in Portugal.

Staff costs, not considering the impact of the abovementioned specific items, totalled Euro 566.1 million in 2018 increasing 4.7% from the amount registered in the previous year, justified by the higher level of costs in both the activity in Portugal and the international activity.

In the activity in Portugal, staff costs excluding the impact of specific items increased 3.7% from 2017, reaching Euro 359.3 million in 2018, mainly influenced by the decision of the Board of Directors of the Bank to end, in advance, with effect from 30 June 2017, the temporary salary adjustment that had been in force since July 2014, following the full reimbursement of CoCos. This increase was partially offset by the reduction in the number of employees, from 7,189 as at 31 December 2017 to 7,095 employees at the end of December 2018.

In the international activity, staff costs increased 6.4% from the previous year, amounting to Euro 206.8 million in 2018, mainly due to the performance of the Polish subsidiary.

Other administrative costs, excluding Euro 2.7 million registered in 2018, associated with the ongoing digital transformation project and considered, for comparison purposes, as specific items, stood at Euro 374.0 million, in line with the amount accounted in the previous year, as the savings obtained in the activity in Portugal were offset by the higher costs in the international activity.

The performance of other administrative costs in Portugal in 2018, compared to the amounts registered in 2017 (2.7% lower, excluding the impact of the specific items already mentioned), shows the positive impact of the ongoing rationalization and cost containment measures, namely those related to the resizing of the distribution network (546 branches as at 31 December 2018, compared to 578 branches at the end of 2017).

The evolution of other administrative costs in the international activity in 2018, compared to the previous year, was mainly influenced by the cost increase observed in the subsidiaries in Poland and in Mozambique.

Depreciation costs totalled Euro 57.7 million in 2018, which compares to Euro 53.6 million registered in the previous year, mainly driven by the increase in the activity in Portugal, in particularly in costs related to IT equipment and software, and also, to a lesser extent, by an increase in depreciation costs in the international activity, mainly due to the performance of the subsidiary in Mozambique.

OPERATING COSTS

Euro million

	2018	2017	Change 18/17
Staff costs	566.1	540.8	4.7%
Other administrative costs	374.0	374.0	0.0%
Depreciation	57.7	53.6	7.8%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	997.8	968.4	3.0%
OPERATING COSTS	1,027.2	954.2	7.7%
Of which:			
Portugal activity (1)	611.8	601.8	1.7%
Foreign activity	386.0	366.6	5.3%

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) presented a 25.3% reduction from Euro 623.7 million recognized in 2017, standing at Euro 465.9 million in 2018, which represents an improvement of the cost of risk (net) that, in consolidated terms, stood at 92 basis points in 2018 (122 basis points in 2017).

The evolution of impairment for loan losses mainly reflects the performance of the activity in Portugal, despite the favourable contribution of the international activity, namely the subsidiary in Poland.

Other impairment and provisions showed a significant decrease from the Euro 301.1 million accounted in 2017 (55.1% lower), to Euro 135.2 million at the end of 2018, mostly benefiting from the lower level of provisions for the real estate and financial assets portfolios and for goodwill, despite the strengthening of provisions to guarantees and other commitments.

Income tax (current and deferred) amounted to Euro 138.0 million in 2018, compared to Euro 30.2 million obtained in 2017.

The recognized taxes include, in 2018, current tax of Euro 105.6 million (Euro 102.1 million in 2017) and deferred tax of Euro 32.5 million (income of Euro 72.0 million in 2017). The deferred tax income for 2017 resulted from the increase of the State Surcharge tax rate in Portugal applicable to taxable income exceeding Euro 35 million, from 7% to 9%, for taxation periods beginning on or after 1 January 2018.

BALANCE SHEET

Total assets rose to Euro 75,923 million as at 31 December 2018, compared to Euro 71,939 million registered at the end of the previous year, mainly boosted by the growth of the securities portfolio, but also by the increase of the loans to customers portfolio and deposits at Central Banks and other credit institutions. This evolution was mainly offset by the reduction of non-current assets held for sale, namely foreclosed assets, as well as of other assets.

Loans to customers (gross) was in line with the amounts registered as at 31 December 2017 (slightly higher by 0.2%), and stood at Euro 51,032 million as at 31 December 2018.

In the activity in Portugal, loans to customers (gross) stood at Euro 37,187 million as at 31 December 2018, comparing to Euro 37,996 million accounted at the end of the previous year. In this change, it is worth noting, on the one hand, the reduction of Euro 1,957 million from NPE, compared to 31 December 2017, standing at Euro 4,797 million at the end of 2018 and on the other, the evolution of performing loans, which increased Euro 1,149 million, benefiting from the strong performance of loans to companies, in particular as regards the new leasing and factoring loans.

In the international activity, loans to customers (gross) increased 6.8% from Euro 12,960 million as at 31 December 2017, standing at Euro 13,845 million as at 31 December 2018, essentially due to the performance of the Polish operation.

The structure of the loans to customers' portfolio showed identical and balanced levels of diversification between the end of December 2017 and 2018, with loans to companies representing 46% of total loans to customers as at 31 December 2018.

LOANS TO CUSTOMERS (GROSS)

Euro million

	31 Dec. 18	31 Dec. 17	Change 18/17
INDIVIDUALS	27,798	27,203	2.2%
Mortgage	23,781	23,408	1.6%
Consumer and others	4,017	3,795	5.9%
COMPANIES	23,234	23,753	-2.2%
Services	8,762	9,244	-5.2%
Commerce	3,504	3,472	0.9%
Construction	1,961	2,405	-18.5%
Others	9,008	8,632	4.4%
TOTAL	51,032	50,955	0.2%
Of which:			
Portugal activity	37,187	37,996	-2.1%
Foreign activity	13,845	12,960	6.8%

Credit quality registered a favourable change compared to the end of 2017, supported by the improvement in the respective indicators, namely the generalized decrease of the ratios of overdue loans by more than 90 days, NPLs more than 90 days overdue and NPE as a percentage of total loans to customers as at 31 December 2018, mainly due to the performance of the activity in Portugal. At the same time, there was an increase of coverage for impairment, common to all indicators, with the reinforcement of the coverage of NPE by impairments, which grew from 43.4% as at 31 December 2017 to 52.4% as at 31 December 2018. In the activity in Portugal, the coverage of NPE for impairment stood at 49.7% as at 31 December 2018 compared to 42.4% at the end of the previous year.

CREDIT QUALITY INDICATORS

	Stock of loans (Euro million)		As percentage of loans to customers		Coverage by impairments	
	31 Dec. 18	31 Dec. 17	31 Dec. 18	31 Dec. 17	31 Dec. 18	31 Dec. 17
OVERDUE LOANS > 90 DAYS						
Group	1,964	2,933	3.8%	5.8%	148.1%	113.2%
Activity in Portugal	1,681	2,641	4.5%	7.0%	141.8%	108.4%
NON-PERFORMING LOANS (NPL) > 90 DAYS						
Group	3,105	4,527	6.1%	8.9%	93.7%	73.4%
Activity in Portugal	2,651	4,058	7.1%	10.7%	89.9%	70.6%
NON-PERFORMING EXPOSURES (NPE)						
Group	5,547	7,658	10.9%	15.0%	52.4%	43.4%
Activity in Portugal	4,797	6,754	12.9%	17.8%	49.7%	42.4%

Total customer funds(*) increased 5.2% from Euro 70,344 million registered as at 31 December 2017, reaching Euro 74,023 million at the end of December 2018. This evolution was due to the good performance of both the activity in Portugal and the international activity, namely the performance of balance sheet customer funds, where growth was determined by the favourable performance of deposits and other resources from customers which, on a consolidated basis, increased 7.9% from 31 December 2017.

In the activity in Portugal, total customer funds increased 4.6% comparing to Euro 50,907 million at the end of December 2017, standing at Euro 53,261 million as at 31 December 2018, reflecting the growth of Euro 2,391 million of deposits and other resources from customers compared to the end of previous year.

In the international activity, total customer funds increased 6.8% from Euro 19,437 million registered as at 31 December 2017, reaching Euro 20,763 million at the end of December 2018, based on the performance of deposits and other resources from customers, whose 10.5% growth was determined by the performance of the Polish subsidiary.

As at 31 December 2018, balance sheet customer funds represented 76% of total customer funds, with deposits and other resources from customers representing 75% of total customer funds.

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, improved from 93% as at 31 December 2017 to 87% at the end of December 2018. The same ratio, considering on-balance sheet customers' funds, stood at 85% as at 31 December 2018 (90% as at 31 December 2017).

TOTAL CUSTOMER FUNDS

Euro million

	31 Dec. 18	31 Dec. 17	Change 18/17
BALANCE SHEET CUSTOMER FUNDS	56,585	52,688	7.4%
Deposits and other resources from customers	55,248	51,188	7.9%
Debt securities	1,337	1,501	-10.9%
OFF-BALANCE SHEET CUSTOMER FUNDS	17,438	17,656	-1.2%
Assets under management	5,018	5,130	-2.2%
Assets placed with customers	3,793	4,151	-8.6%
Insurance products (savings and investment)	8,627	8,374	3.0%
TOTAL	74,023	70,344	5.2%
Of which:			
Portugal Activity	53,261	50,907	4.6%
Foreign activity	20,763	19,437	6.8%

The **securities portfolio** rose to Euro 17,025 million as at 31 December 2018, representing 22.4% of total assets on the same date. As at 31 December 2017, the securities portfolio represented 18.0% of total assets, standing at Euro 12,924 million. The evolution of the securities portfolio compared to the end of the previous year, was mainly determined by the performance of the activity in Portugal, namely by the increase in the public debt portfolio. Also of note is the increase of the securities portfolio in the international activity recorded in the balance sheet of the operations in Poland and Mozambique.

(*) As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive II (MiFID II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to the end of December 2017 is presented according to the new criteria.

LIQUIDITY MANAGEMENT

The Liquidity Coverage Ratio (LCR) stood at 218% at the end of December 2018, on a consolidated basis, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity, having evolved favourably compared to the same date last year (158%).

At the same time, the Group has a strong and stable financing base, characterized by the large share of customer deposits in the funding structure, collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (NSFR; Net Stable Funding Ratio) as at 31 December 2018 to stand at 133% (124% as at 31 December 2017).

In 2018, on a consolidated basis, there was an increase of Euro 313 million in wholesale financing requirements, mainly attributable to the opposite impacts of the increase in sovereign debt portfolios in Portugal and Poland, on the one hand, and a new reduction of the commercial gap in Portugal and cash flows released by the activity, on the other.

In terms of the financing structure, the increase in liquidity needs was almost entirely supplied to the money market, with a net increase of Euro 357 million (to a balance of Euro 1.2 billion), as a result of the increase in the interbank market of Euro 754 million (from a long position in 2017 to a short position of Euro 738 million in 2018), and a reduction of Euro 398 million in the REPOS resource (to a balance of Euro 430 million at the end of the year).

The value of collateralised instruments with the ECB remained at Euro 4.0 billion, corresponding to the balance of the longer-term refinancing operations called TLTRO, which will reach maturity in 2020. Net indebtedness to the ECB, which corresponds to resources from Central Banks deducted from deposits with the Bank of Portugal and from other liquidity denominated in Euro in excess over the minimum cash reserves, continued its progressive reduction path in 2018, declining by Euro 397 million euros, to a balance of Euro 2.7 billion.

The growth of the ECB's discount-eligible debt portfolios allowed a significant strengthening of the liquidity buffer with the Eurosystem, which at the end of 2018 reached Euro 14.3 billion (vs. Euro 9.7 billion in December 2017).

CAPITAL

The estimated CET1 ratio as at 31 December 2018 stood at 12.1% phased-in and 12.0% fully-implemented, -119 basis points and +11 basis points, respectively, comparing to the 13.2% and 11.9% ratios recorded in the same date of 2017 and above the minimum ratios defined in the scope of SREP(*) for the year 2018 (CET1 8.81%, T1 10.31% and Total 12.31%).

The CET1 fully-implemented ratio's favourable evolution was mainly determined by net income, partially offset by the IFRS9 adoption impact, by the deduction of irrevocable payment commitments for the Single Resolution Fund and the Deposits Guarantee Fund, and by the increase in Risk Weighted Assets. The fully-implemented total capital ratio additionally benefited from Poland and Portugal's subordinated bonds' placement.

SOLVENCY RATIOS

Euro million

	31 Dec. 18	31 Dec. 17
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,024	4,738
Tier 1	5,103	4,809
Total Capital	5,663	5,457
Risk weighted assets	41,814	39,799
Solvency ratios		
CET1	12.0%	11.9%
Tier 1	12.2%	12.1%
Total capital	13.5%	13.7%
PHASED-IN		
CET1	12.1%	13.2%

Note: The capital ratios as at 31 December 2018 are estimated including the positive accumulated net income, not audited.
The capital ratios as at 31 December 2017 include the positive accumulated net income.

(*) Supervisory Review and Evaluation Process.

SIGNIFICANT EVENTS IN 2018

Millennium bcp began to implement its Strategic Plan 2018-2021. Highlights during this period include:

- The conclusion, on May 30, 2018, with 63.04% of the share capital represented, of the Annual General Meeting of Shareholders, being noteworthy, within the resolutions, the approval of the individual and consolidated annual report, balance sheet and financial statements of 2017 and the approval of the proposal for the appropriation of profits from 2017; the election of the Board of Directors for the term-of-office beginning in 2018, including the Audit Committee; and the election of the Remuneration and Welfare Board for the term-of-office beginning in 2018;

- The Board of Directors elected by the Annual General Meeting of Shareholders held on 30 May 2018 started its term of office on 23 July 2018;

- Announcement of the main guidelines of the Strategic Plan 2018-2021;

- Conclusion on 5 November 2018, with 62.1% of the share capital represented, of the Annual General Meeting of Shareholders, with the following resolutions: i) Approval of the alterations of the Articles of Association through the change of number 2 of article 54 of the Bank's Articles of Association; ii) Approval of reformulation of the items of own capital with the special purpose of unequivocally reinforcing the future conditions for the existence of funds able to be classified by the regulators as distributable by means of the reduction of the amount of the share capital in Euro 875,738,053.72, without changing the existing number of shares (without nominal value) and without changing the net equity, with the consequent change of number 1 of article 4 of the Articles of Association;

- New share capital of Euro 4,725,000,000 registered at the Commercial Registry Office;

- Announcement of an agreement reached by Bank Millennium for the acquisition of a 99.79% stake in Euro Bank S.A. from Société Générale Financial Services Holding, a subsidiary of Société Générale S.A., for an estimated total consideration of 1,833 million zlotys (Euro 428 million*), implying a 1.20x P/BV (final purchase price subject to customary NAV adjustment at closing), to be paid in cash and fully financed from internal sources of Bank Millennium;

- Disclosure of the results of the 2018 EU-wide stress test by European Banking Authority (EBA). The EBA-led stress test was conducted in articulation with the European Central Bank (ECB). BCP's CET1 phased-in ratio stood at 9.14% under the adverse scenario, a 384 basis points aggravation from end-2017, comparing favourably to an average 410 basis points aggravation for the 48 banks tested by EBA (300 basis points aggravation, comparing to 395 basis points, respectively, on a fully-implemented basis);

- Signature of the Acquiring Contract between Millennium bcp and Alipay, resulting from the Memorandum of Understanding agreed in March 2018, covering cooperation in the Portuguese market, with Millennium bcp becoming the first bank to facilitate transactions between Chinese travellers and merchants in Portugal;

- Signing of a Clearing and Settlement of Renminbi Business agreement with the Bank of China Macau, reinforcing its presence in the Chinese market;

- Signature of a Memorandum of Understanding between Millennium bcp and the Industrial and Commercial Bank of China (ICBC), renewing the cooperation agreement signed in 2010;

- Agreement between UnionPay International and Millennium bcp for the launch of issuance of UnionPay cards to Millennium bcp customers and the rollout of the UnionPay QuickPass and online payment service;

- A long-term strategic partnership agreement signed between Millennium bim and Insurer Fidelidade aimed at the sustained growth of the insurance sector in Mozambique;

- Bank Millennium applied to the Polish Financial Supervision Authority for permission to create a mortgage bank under the name of "Millennium Bank Hipoteczny", based in Warsaw;

- Return of BCP to the Stoxx Europe 600 Index, the European Stock Market Index benchmark;

- Return in 2018 to the “The Sustainability Yearbook”, a benchmark publication in the sustainability area;

- Upgrade of BCP’s long-term issuer credit rating to BB from BB- by S&P Global Ratings;

- Upgrade by one notch of BCP’s long-term deposit and senior unsecured debt ratings to Ba3 from B1, by Moody’s;

- Upgrade of BCP’s long-term issuer credit rating to BB from BB- by Fitch Ratings.

*€/Zloty: 4.2807.

AWARDS IN 2018

Millennium bcp: Best Consumer Digital Bank in Portugal; Best Online Deposit, Credit and Investment Product Offerings in Western Europe; Best Information Security and Fraud Management in Western Europe for both individuals and companies banking sites

Millennium bim: Best Digital Bank in Mozambique

Millennium bim: Best Trade Finance Provider in Mozambique

Millennium bim: Best bank in Mozambique

Bank Millennium: #1 in Mobile Banking, #2 in Bank for Mr. Kowalski (traditional banking) and #3 in Internet Banking and in Mortgage Banking (Newsweek's Friendly Bank 2018)

Millennium bcp: Marketeer award, "Banking" category

Millennium bcp: the new Millennium Teller Machine (MTM) was considered one of the Best ATM/Self-Service Experiences in the world. The only European bank distinguished

ActivoBank: Best Commercial Bank in Portugal

ActivoBank: brand with best reputation, "online banking" category (*Marktest Reputation Index*)

ActivoBank: Consumer Choice 2019, "Digital Banks" category

Millennium bcp: Best Private Bank in Portugal

ActivoBank: Best financial services site/app

Millennium bcp: Most satisfied Customers with digital channels (CSI Banca, 2nd wave); highest satisfaction overall, most satisfied with account manager, most satisfied with digital channels (Basef Banca, December 2018)

Millennium bcp: Most digital bank, best overall image, highest loyal Customers percentage, most attractive to non-Customers

Millennium bcp
Consumer Choice 2019, "Large Banks" category

Millennium bcp
Best Bank for Companies; Most Appropriate Products; Most Innovating; Most Efficient; Closest to Customers

Millennium bcp
Best investment bank in Portugal

MACROECONOMIC ENVIRONMENT

According to the International Monetary Fund (IMF), in 2018 the World economy is expected to have expanded 3.7%, representing a slight slowdown relative to the 3.8% observed in 2017, which is explained by the deceleration of the activity in most developed countries and China. The fall in the rate of change of the world GDP was not even more pronounced thanks to the acceleration of the US economy, whose vigour is expected to fade in 2019, thereby contributing to the downward trajectory of global activity growth.

The acceleration of economic activity and wages in the US led the Federal Reserve to deepen the liquidity extraction from the financial system and also to intensify the rise of interest rates. This stance has had as collateral effect a strong pressure on the emerging currencies and the concomitant need for the respective central banks to restrict their monetary policies. In the Euro Area, the continuation of the economic recovery and dwindling deflationary risks allowed the ECB to end its public and private debt purchase program and to hint at the beginning of the normalisation of the key interest rates in due course.

The most salient trace of the financial markets evolution in 2018 was the rise of volatility associated with the re-emergence of uncertainty regarding the resiliency of the expansionary cycle of the global economy, in a climate marked by generalised tightening of monetary conditions and by the worsening of international geopolitical tensions. As a result, most of the main financial assets classes ended last year with negative performances. The slowdown in China and the adverse impact that such circumstance imparted on the commodity and capital goods exporting economies contributed to the fall of equity indices in the emerging markets and also in Europe. In the US, the strong pace of economic growth, bolstered by the current substantial fiscal stimulus, helped to elevate American equity prices to new historic highs in the third quarter, a trajectory that quickly faded at year-end with the fears that the deterioration of the world economy and the rise in interest rates would lead to a loss of economic vigour. In the foreign exchange market the highlight was the generalised appreciation of the US dollar. In the commodity complex, the relative stability of the value of gold contrasted with the ample variations recorded by the price of crude oil.

In the first nine months of 2018, the pace of expansion of the Portuguese economy stood slightly above 2.0%, in line with the European Commission (EC) forecast for GDP growth for the whole year (2.1%). This evolution reflects some deceleration relative to the 2.8% recorded in 2017, essentially due to the worsening of the negative contribution of external demand, since imports have been higher than exports as a result of the dynamism of domestic demand, namely regarding investment. In 2019, the EC foresees that the GDP growth rate will slow to levels below 2.0%, as the lower strength of employment should lead to a greater moderation of private consumption. As for public finances, the fiscal deficit in 2018 is likely to have stayed below 1.0% of GDP thereby contributing to an improved perception of the investors and the European institutions regarding the sustainability of the public debt, and thus, to the maintenance of the yields on the government bonds at relatively low levels.

The Polish Economy expanded 5.1% in 2018, the highest GDP growth rate since 2007. The main engine of economic activity has been private consumption, benefiting from employment growth, together with the rise of investment, supported by the European Union's structural funds. The contribution of external demand to GDP growth should have been marginally positive, with the increase in imports offset by the dynamism of exports. In 2019, the EC predicts that economic activity will remain robust, but slower (around 3.5%), reflecting the slowdown in consumption, while investment should remain strong. In terms of foreign exchange, during 2018 the Zloty inverted the appreciation trajectory observed in the previous year, penalised by the environment of greater instability in the international financial markets.

The central bank of Mozambique intensified the downward cycle of interest rates initiated in 2017, with the key rate MIMO declining from 19.5% to 14.25% over 2018, in an environment of falling inflation and moderate economic growth. The Metical evolved erratically, without a defined direction. In Angola, the government and the IMF agreed a financial program destined to support the structural reforms needed to correct the macroeconomic imbalances. Among the measures implemented in 2018 it is worth mentioning the transition to a floating exchange rate regime, a change that determined a 60% depreciation of the Kwanza against the Euro in 2018.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Dec. 18	Dec. 17	Change 18/17	Dec. 18	Dec. 17	Change 18/17	Dec. 18	Dec. 17	Change 18/17
INCOME STATEMENT									
Net interest income	1,423.6	1,391.3	2.3%	803.3	807.8	-0.6%	620.3	583.4	6.3%
Dividends from equity instruments	0.6	1.8	-63.7%	–	1.1	-100.1%	0.6	0.6	0.4%
Net fees and commission income	684.0	666.7	2.6%	475.2	455.5	4.3%	208.8	211.2	-1.1%
Net trading income	78.5	148.4	-47.1%	12.3	85.4	-85.6%	66.3	63.0	5.2%
Other net operating income	(89.5)	(102.3)	12.5%	(32.3)	(50.0)	35.5%	(57.2)	(52.2)	-9.6%
Equity accounted earnings	89.2	91.6	-2.7%	55.1	51.8	6.4%	34.1	39.8	-14.5%
Net operating revenues	**2,186.5**	**2,197.5**	**-0.5%**	**1,313.6**	**1,351.6**	**-2.8%**	**872.9**	**845.9**	**3.2%**
Staff costs	592.8	526.6	12.6%	386.0	332.3	16.2%	206.8	194.3	6.4%
Other administrative costs	376.7	374.0	0.7%	218.8	222.1	-1.5%	157.9	151.9	3.9%
Depreciation	57.7	53.6	7.8%	36.4	33.2	9.7%	21.4	20.4	4.7%
Operating costs	**1,027.2**	**954.2**	**7.7%**	**641.2**	**587.6**	**9.1%**	**386.0**	**366.6**	**5.3%**
Operating costs excluding specific items	997.8	968.4	3.0%	611.8	601.8	1.7%	386.0	366.6	5.3%
Profit before impairment and provisions	**1,159.3**	**1,243.3**	**-6.8%**	**672.4**	**764.0**	**-12.0%**	**486.9**	**479.3**	**1.6%**
Loans impairment (net of recoveries)	465.9	623.7	-25.3%	390.5	533.1	-26.7%	75.4	90.6	-16.8%
Other impairment and provisions	135.2	301.1	-55.1%	120.6	253.8	-52.5%	14.6	47.3	-69.2%
Profit before income tax	**558.2**	**318.5**	**75.3%**	**161.3**	**(22.9)**	**>200%**	**396.9**	**341.4**	**16.3%**
Income tax	138.0	30.2	>200%	50.3	(55.9)	190.0%	87.7	86.1	1.8%
Current	105.6	102.1	3.4%	8.5	6.8	24.2%	97.1	95.3	1.9%
Deferred	32.5	(72.0)	145.1%	41.9	(62.8)	166.7%	(9.4)	(9.2)	-2.3%
Income after income tax from continuing operations	**420.2**	**288.3**	**45.7%**	**111.0**	**33.0**	**>200%**	**309.2**	**255.3**	**21.1%**
Income arising from discontinued operations	(1.3)	1.2	<200%	–	–	-	–	–	-
Non-controlling interests	117.8	103.2	14.2%	(4.6)	(6.0)	23.8%	122.4	109.1	12.1%
Net income	**301.1**	**186.4**	**61.5%**	**115.5**	**39.0**	**196.1%**	**186.9**	**146.2**	**27.8%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	75,923	71,939	5.5%	53,929	51,877	4.0%	21,994	20,063	9.6%
Total customer funds (1)	**74,023**	**70,344**	**5.2%**	**53,261**	**50,907**	**4.6%**	**20,763**	**19,437**	**6.8%**
Balance sheet customer funds	**56,585**	**52,688**	**7.4%**	**38,900**	**36,681**	**6.0%**	**17,685**	**16,007**	**10.5%**
Deposits and other resources from customers	55,248	51,188	7.9%	37,681	35,290	6.8%	17,567	15,897	10.5%
Debt securities	1,337	1,501	-10.9%	1,219	1,391	-12.4%	118	110	7.9%
Off-balance sheet customer funds	**17,438**	**17,656**	**-1.2%**	**14,361**	**14,226**	**0.9%**	**3,077**	**3,430**	**-10.3%**
Assets under management	5,018	5,130	-2.2%	2,901	2,697	7.6%	2,117	2,433	-13.0%
Assets placed with customers	3,793	4,151	-8.6%	3,317	3,685	-10.0%	476	467	1.9%
Insurance products (savings and investment)	8,627	8,374	3.0%	8,142	7,844	3.8%	485	530	-8.7%
Loans to customers (gross)	**51,032**	**50,955**	**0.2%**	**37,187**	**37,996**	**-2.1%**	**13,845**	**12,960**	**6.8%**
Individuals	**27,798**	**27,203**	**2.2%**	**19,171**	**19,133**	**0.2%**	**8,627**	**8,070**	**6.9%**
Mortgage	23,781	23,408	1.6%	17,179	17,145	0.2%	6,602	6,263	5.4%
Consumer and others	4,017	3,795	5.9%	1,992	1,988	0.2%	2,026	1,807	12.1%
Companies	**23,234**	**23,753**	**-2.2%**	**18,017**	**18,863**	**-4.5%**	**5,217**	**4,890**	**6.7%**
CREDIT QUALITY									
Total overdue loans	2,084	3,022	-31.0%	1,733	2,689	-35.6%	352	333	5.7%
Overdue loans by more than 90 days	1,964	2,933	-33.0%	1,681	2,641	-36.4%	283	292	-2.9%
Overdue loans by more than 90 days / Loans to customers	3.8%	5.8%		4.5%	7.0%		2.0%	2.3%	
Total impairment (balance sheet)	2,909	3,322	-12.4%	2,383	2,864	-16.8%	525	458	14.8%
Total impairment (balance sheet) / Loans to customers	5.7%	6.5%		6.4%	7.5%		3.8%	3.5%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	148.1%	113.2%		141.8%	108.4%		185.4%	156.8%	
Non-Performing Exposures	5,547	7,658	-27.6%	4,797	6,754	-29.0%	750	904	-17.0%
Non-Performing Exposures / Loans to customers	10.9%	15.0%		12.9%	17.8%		5.4%	7.0%	
Restructured loans	3,507	4,184	-16.2%	2,970	3,643	-18.5%	537	541	-0.9%
Restructured loans / Loans to customers	6.9%	8.2%		8.0%	9.6%		3.9%	4.2%	
Cost of risk (net of recoveries, in b.p.)	92	122		105	140		56	70	
Total impairment (balance sheet) / NPE	52.4%	43.4%		49.7%	42.4%		70.0%	50.6%	

(1) As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive II (MiFID II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to 31 December 2017 is presented according to the new criteria.

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	2018	2017 (*)
Interest and similar income	1,889,739	1,914,210
Interest expense and similar charges	(466,108)	(522,935)
NET INTEREST INCOME	1,423,631	1,391,275
Dividends from equity instruments	636	1,754
Net fees and commissions income	684,019	666,697
Net gains / (losses) from financial operations at fair value through profit or loss	638	13,964
Net gains / (losses) from foreign exchange	75,355	72,460
Net gains / (losses) from hedge accounting operations	2,552	(32,753)
Net gains / (losses) from derecognition of assets and financial liabilities measured at amortised cost	(49,432)	(8,325)
Net gains / (losses) from derecognition of financial assets measured at fair value through other comprehensive income	49,435	n.a.
Net gains / (losses) from financial assets available for sale	n.a.	103,030
Net gains from insurance activity	8,477	4,212
Other operating income / (loss)	(135,878)	(110,606)
TOTAL OPERATING INCOME	2,059,433	2,101,708
Staff costs	592,792	526,577
Other administrative costs	376,676	374,022
Amortizations and depreciations	57,745	53,582
TOTAL OPERATING EXPENSES	1,027,213	954,181
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,032,220	1,147,527
Impairment for financial assets measured at amortized cost	(464,477)	(623,708)
Impairment for financial assets measured at fair value through other comprehensive income	101	n.a.
Impairment for financial assets available for sale	n.a.	(63,421)
Impairment for other assets	(79,037)	(220,973)
Other provisions	(57,689)	(16,710)
NET OPERATING INCOME / (LOSS)	431,118	222,715
Share of profit of associates under the equity method	89,175	91,637
Gains / (losses) arising from sales of subsidiaries and other assets	37,916	4,139
NET INCOME / (LOSS) BEFORE INCOME TAXES	558,209	318,491
Income taxes		
Current	(105,559)	(102,113)
Deferred	(32,458)	71,954
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	420,192	288,332
Income arising from discontinued or discontinuing operations	(1,318)	1,225
NET INCOME AFTER INCOME TAXES	418,874	289,557
Net income for the year attributable to:		
Bank's Shareholders	301,065	186,391
Non-controlling interests	117,809	103,166
NET INCOME FOR THE YEAR	418,874	289,557
Earnings per share (in Euros)		
Basic	0.020	0.014
Diluted	0.020	0.014

(*) The 2017 balances correspond to the statutory accounts at that date. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9.

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	2018	2017 (*)
ASSETS		
Cash and deposits at Central Banks	2,753,839	2,167,934
Demand deposits at credit institutions	326,707	295,532
Financial assets measured at amortised cost		
Loans and advances to credit institutions	890,033	1,065,568
Loans and advances to customers	45,560,926	45,625,972
Debt instruments	3,375,014	2,007,520
Financial assets measured at fair value through profit or loss		
Financial assets held for trading	870,454	897,734
Financial assets not held for trading mandatorily at fair value through profit or loss	1,404,684	n.a.
Financial assets designated at fair value through profit or loss	33,034	142,336
Financial assets measured at fair value through other comprehensive income	13,845,625	n.a.
Financial assets available for sale	n.a.	11,471,847
Financial assets held to maturity	n.a.	411,799
Assets with repurchase agreement	58,252	-
Hedging derivatives	123,054	234,345
Investments in associated companies	405,082	571,362
Non-current assets held for sale	1,868,458	2,164,567
Investment property	11,058	12,400
Other tangible assets	461,276	490,423
Goodwill and intangible assets	174,395	164,406
Current tax assets	32,712	25,914
Deferred tax assets	2,916,630	3,137,767
Other assets	811,816	1,052,024
TOTAL ASSETS	75,923,049	71,939,450
LIABILITIES		
Financial liabilities measured at amortized cost		
Resources from credit institutions	7,752,796	7,487,357
Resources from customers	52,664,687	48,285,425
Non subordinated debt securities issued	1,686,087	2,066,538
Subordinated debt	1,072,105	1,169,062
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	327,008	399,101
Financial liabilities measured at fair value through profit or loss	3,603,647	3,843,645
Hedging derivatives	177,900	177,337
Provisions	350,832	324,158
Current tax liabilities	18,547	12,568
Deferred tax liabilities	5,460	6,030
Other liabilities	1,300,074	988,493
TOTAL LIABILITIES	68,959,143	64,759,714
EQUITY		
Share capital	4,725,000	5,600,738
Share premium	16,471	16,471
Preference shares	-	59,910
Other equity instruments	2,922	2,922
Legal and statutory reserves	264,608	252,806
Treasury shares	(74)	(293)
Reserves and retained earnings	470,481	(38,130)
Net income for the year attributable to Bank's Shareholders	301,065	186,391
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,780,473	6,080,815
Non-controlling interests	1,183,433	1,098,921
TOTAL EQUITY	6,963,906	7,179,736
TOTAL LIABILITIES AND EQUITY	75,923,049	71,939,450

(*) The 2017 balances correspond to the statutory accounts at that date. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9.

ALTERNATIVE PERFORMANCE MEASURES

The BCP Group prepares financial information in accordance with International Financial Reporting Standards (IFRS) endorsed by European Union. As a complement to that information, the BCP Group uses a set of alternative performance measures that allow monitoring the evolution of its activity over the time. Following the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on October 2015 (ESMA/2015/1415), the BCP Group presents some indicators related to the assessment of profitability and efficiency and the quality of the credit portfolio, among others, which are intended to facilitate comprehension of the evolution of the economic and financial position of the Group. The information presented in this context has not been audited and does not, under any circumstance, replace the financial information prepared in accordance with IFRS. It should also be noted that the definitions and concepts used by the BCP Group for the calculation of these indicators may differ from those used by other entities in the determination of other similar measures and may therefore not be directly comparable. In accordance with the above-mentioned guidelines, alternative performance measures, which are detailed below, are presented together with additional information that reconciles the accounting figures presented in the consolidated financial statements prepared in accordance with IFRS and financial information reflecting the management criteria adopted by the BCP Group. These indicators and their components are also described in more detail in the glossary.

1) Loans to customer (net) / Balance sheet customer funds

Relevance of the indicator: the loans-to-deposits ratio is an indicator of liquidity that allows the evaluation of the Group's retail funding structure.

Euro million

		31 Dec. 18	31 Dec. 17
Loans to customers (net) (1)		48,123	47,633
Balance sheet customer funds (2)		56,585	52,688
	(1) / (2)	85%	90%

2) Return on average assets (ROA)

Relevance of the indicator: allows measurement of the capacity of the Group to generate results with the volume of available assets.

Euro million

		2018	2017
Net income (1)		301	186
Non-controlling interests (2)		118	103
Average total assets (3)		73,419	72,669
	[(1) + (2), annualised] / (3)	0.6%	0.4%

3) Return on average equity (ROE)

Relevance of the indicator: allows assessment of the capacity of the Group to remunerate its shareholders, assessing the level of profitability generated by the funds invested by the shareholders in the Group.

Euro million

		2018	2017
Net income (1)		301	186
Average equity (2)		5,753	5,708
	[(1), annualised] / (2)	5.2%	3.3%

4) **Cost to income**

Relevance of the indicator: it allows for the monitoring of the level of efficiency of the Group, evaluating the volume of operating costs (excluding specific items) to generate net operating revenues.

Euro million

		2018	2017
Operating costs (1)		1,027	954
Specific items (2)		29	-14
Net operating revenues (3)		2,187	2,197
	[(1) - (2)] / (3)	45.6%	44.1%

5) **Cost of risk, net of recoveries (expressed in basis points, annualised)**

Relevance of the indicator: allows assessment of the quality of the loan portfolio by evaluating the ratio between impairment charges (net of reversals and recoveries of credit and interest) recognized in the period and the stock of loans to customers at the end of that period.

Euro million

		2018	2017
Loans to customers at amortised cost, before impairment (1)		50,724	50,955
Loan impairment charges (net of recoveries) (2)		465	624
	[(2), annualised] / (1)	92	122

6) **Non-performing exposures (NPE) / Loans to customers (gross)**

Relevance of the indicator: allows the assessment of the level of credit risk to which the Group is exposed based on the proportion of the NPE loan portfolio in the loans-to-customers portfolio (gross).

Euro million

		31 Dec. 18	31 Dec. 17
Non-Performing Exposures (1)		5,547	7,658
Loans to customers (gross) (2)		51,032	50,955
	(1) / (2)	10.9%	15.0%

7) **Coverage of non-performing exposures (NPE) by balance sheet impairment**

Relevance of the indicator: it allows the assessment of the level of coverage of the NPE portfolio by balance sheet impairment.

Euro million

		31 Dec. 18	31 Dec. 17
Non-Performing Exposures (1)		5,547	7,658
Loans impairments (balance sheet) (2)		2,909	3,322
	(2) / (1)	52.4%	43.4%

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

1) Loans to customers

Euro million

	31 Dec. 18
Loans to customers at amortised cost (disclosed Balance Sheet)	45,561
Debt instruments at amortised cost associated to credit operations	2,271
Balance sheet amount of loans to customers at fair value through profit or loss	291
Loan to customers (net) considering management criteria	**48,123**
Balance sheet impairment related to loans to customers at amortised cost	2,852
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	40
Fair value adjustments related to loans to customers at fair value through profit or loss	17
Loan to customers (gross) considering management criteria	**51,032**

2) Loans impairment (P&L)

Euro million

	2018
Impairment of financial assets at amortised cost (disclosed P&L) (1)	464
Impairment of financial assets at amortised cost not associated with credit operations (2)	-1
Loans impairment considering management criteria* (1)-(2)	**466**

* Includes impairment for loans and advances to credit institutions (Euro 1.3 million), which is excluded for purposes of cost of risk calculation.

3) Balance sheet customer funds

Euro million

	31 Dec. 18
Financial liabilities at fair value through profit or loss (disclosed Balance sheet)	3,604
Debt securities at fair value through profit or loss and certificates	-1,020
Customer deposits at fair value through profit or loss considering management criteria	**2,584**
Resources from customers at amortised cost (disclosed Balance sheet)	52,665
Deposits and other resources from customers considering management criteria (1)	**55,248**
Non subordinated debt securities issued at amortised cost (disclosed Balance sheet)	1,686
Debt securities at fair value through profit or loss and certificates	1,020
Non subordinated debt securities placed with institucional customers	-1,369
Debt securities placed with customers considering management criteria (2)	**1,337**
Balance sheet customer funds considering management criteria (1)+(2)	**56,585**

4) Securities portfolio

Euro million

	31 Dec. 18
Debt instruments at amortised cost (disclosed Balance sheet)	3,375
Debt instruments at amortised cost associated to credit operations net of impairment	-2,271
Debt instruments at amortised cost considering management criteria (1)	**1,104**
Financial assets not held for trading mandatorily at fair value through profit or loss (disclosed Balance sheet)	1,405
Balance sheet amount of loans to customers at fair value through profit or loss	-291
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (2)	**1,114**
Financial assets held for trading (disclosed Balance sheet) (3)	870
Financial assets designated at fair value through profit or loss (disclosed Balance sheet) (4)	33
Financial assets at fair value through other comprehensive income (disclosed Balance sheet) (5)	13,846
Assets with repurchase agreement (disclosed Balance sheet) (6)	58
Securities portfolio considering management criteria (1)+(2)+(3)+(4)+(5)+(6)	**17,025**

GLOSSARY

Assets placed with customers – amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions.

Balance sheet customer funds – deposits and other resources from customers and debt securities placed with customers.

Commercial gap – loans to customers (gross) minus on-balance sheet customer funds.

Core income - net interest income plus net fees and commissions income.

Core net income - net interest income plus net fees and commissions income deducted from operating costs.

Cost of risk, net (expressed in basis points) - ratio of loan impairment charges for loans to customers at amortised cost and debt instruments at amortised cost related to credit operations (net of recoveries) accounted in the period to loans to customers at amortised cost and debt instruments at amortised cost related to credit operations before impairment.

Cost to core income - operating costs divided by core income.

Cost to income – operating costs divided by net operating revenues.

Coverage of non-performing exposures by impairments – loans impairments (balance sheet) divided by the stock of NPE.

Coverage of non-performing loans by impairments – loans impairments (balance sheet) divided by the stock of NPL.

Coverage of overdue loans by impairments - loans impairments (balance sheet) divided by overdue loans.

Coverage of overdue loans by more than 90 days by impairments - loans impairments (balance sheet) divided by overdue loans by more than 90 days.

Debt instruments – non-subordinated debt instruments at amortised cost and financial liabilities measured at fair value through profit or loss (debt securities and certificates).

Debt securities placed with customers - debt securities issued by the Bank and placed with customers.

Deposits and other resources from customers – resources from customers at amortised cost and customer deposits at fair value through profit or loss.

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading and, until 2017, financial assets available for sale.

Equity accounted earnings - results appropriated by the Group related to the consolidation of entities where, despite having a significant influence, the Group does not control the financial and operational policies.

Insurance products – includes unit linked saving products and retirement saving plans (“PPR”, “PPE” and “PPR/E”).

Loans impairment (balance sheet) – balance sheet impairment related to loans to customers at amortised cost, balance sheet impairment associated with debt instruments at amortised cost related to credit operations and fair value adjustments related to loans to customers at fair value through profit or loss.

Loans impairment (P&L) – impairment of financial assets at amortised cost for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations.

Loans to customers (gross) – loans to customers at amortised cost before impairment, debt instruments at amortised cost associated to credit operations before impairment and loans to customers at fair value through profit or loss before fair value adjustments.

Loans to customers (net) - loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

Loan to Deposits ratio (LTD) – loans to customers (net) divided by deposits and other resources from customers.

Loan to value ratio (LTV) – mortgage amount divided by the appraised value of property.

Net commissions - net fees and commissions income.

Net interest margin (NIM) - net interest income for the period as a percentage of average interest earning assets.

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive income and results from financial assets available for sale (till 2017).

Non-performing exposures (NPE) – non-performing loans and advances to customers (loans to customers at amortised cost and loans to customers at fair value through profit or loss) more than 90 days past-due or unlikely to be paid without collateral realisation, if they recognised as defaulted or impaired.

Non-performing loans (NPL) – overdue loans (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss) more than 90 days past due including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Off-balance sheet customer funds – assets from customers under management, assets placed with customers and insurance products (savings and investment) subscribed by customers.

Operating costs - staff costs, other administrative costs and depreciation.

Other impairment and provisions – impairment of financial assets (at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in this case till 2017), other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, investments in associated companies and goodwill of subsidiaries and other provisions.

Other net income – dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Other net operating income – net gains from insurance activity, other operating income/(loss) and gains/(losses) arising from sales of subsidiaries and other assets.

Overdue loans – total outstanding amount of past due loans to customers (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Overdue loans by more than 90 days – total outstanding amount of past due loans to customers by more than 90 days (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Resources from credit institutions – resources and other financing from Central Banks and resources from other credit institutions.

Return on average assets (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on average assets (ROA) – net income (before minority interests) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on equity (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average attributable equity + non-controlling interests (weighted average of the average of monthly equity in the period).

Return on equity (ROE) – net income (after minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments (weighted average of the average of monthly equity in the period).

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income (net of impairment), assets with repurchase agreement, financial assets available for sale and financial assets held to maturity (in the latter two cases until 2017).

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

Total customer funds - balance sheet customer funds and off-balance sheet customer fund.

Disclaimer

The financial information in this presentation has been prepared under the scope of the International Financial Reporting Standards ("IFRS") of the BCP Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002.

The interim condensed consolidated financial statements, for 2018, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

The figures presented do not constitute any form of commitment by BCP in regard to future earnings.

December 2018 figures were not audited.