Report & Accounts

1Q '19

Millennium bcp

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Pursuant to article 10 of the Regulation 7/2018 of the CMVM, please find herein the transcription of the

Q1 2019 Report & Accounts

BANCO COMERCIAL PORTUGUÊS, S.A.

Company open to public investment
Registered Office: Praça D. João I, 28, 4000-295 Porto - Share Capital Euros 4,725,000,000.00
Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

The 2018 Annual Report is a translation of the "Relatório e Contas de 2018" 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 2018" 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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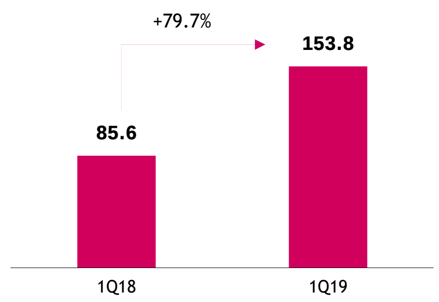
Information on the BCP Group

BCP in Q1 2019

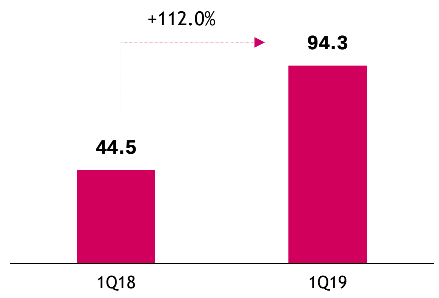
Improved profitability

(Consolidated net earnings, million euros)



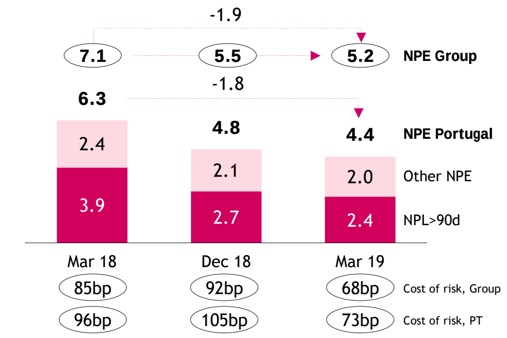
Net earnings in Portugal more than double

(Net earnings in Portugal, million euros)



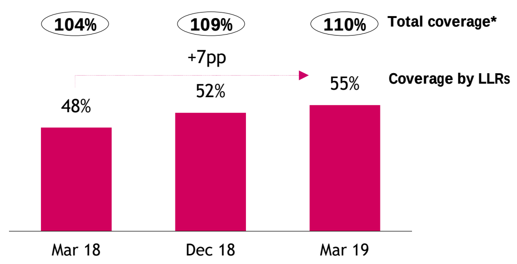
Improved asset quality

(Non-performing exposures, billion euros)



Increased NPE coverage

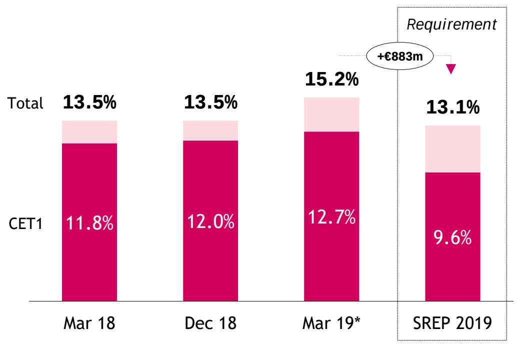
(As a % of non-performing exposures)



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

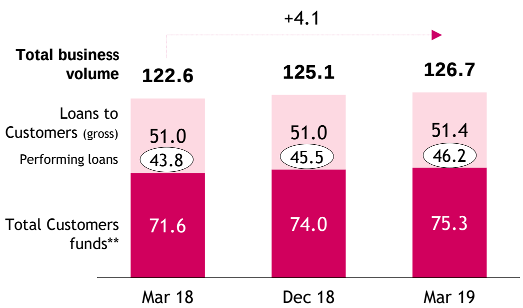
Strengthened capital

(Fully implemented capital ratio)



Increasing business volumes

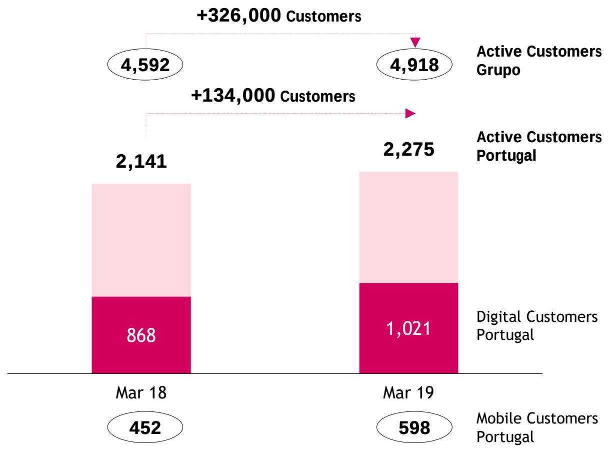
(Consolidated, billion euros)



*Including unaudited earnings for the 1st quarter of 2019. Includes impact of IFRS16.
**Deposits, debt securities, assets under management, assets placed with Customers and insurance products (savings and investments).

Growing active Customer base*

('000 Customers)



*Customer counting criteria used in the 2021 Strategic Plan.
**Top ranked among the top 5 banks in all 3 categories (current accounts, personal loans and mortgage loans) of Customer complaints.

- **+326,000 active Customers from March 31, 2018, of which 134,000 in Portugal**
- **Best ranked bank (among the top 5 banks) in Bank of Portugal's 2018 Behavioural Supervision Report****
- **Customer acquisition supported by innovating digital solutions, among which a new Millennium app and a new Mtrader app in Portugal**

New digital solutions support transformation process

- **Faster, simpler and more intuitive**
- **Created based on Customers' ideas and experience: an app that's focused on Customers and their needs**
- **Always visible menu bar, bureaucracy-free online personal and car loans, real time alerts, privacy mode (app can be used in public without revealing account information), easier and quicker savings**
- **Launched on April 26th on (App Store and Google Play)**

- **Simple and intuitive layout, including both information and trading under a single app**
- **Real-time streaming of main world markets and access to order book**
- **Quick trading to accelerate the placement of market orders, with trading performed directly through the app**
- **News and research , dividend map and events calendar**

Main highlights(1)

Euro million

	31 Mar. 19	31 Mar. 18	Change 19/18
BALANCE SHEET			
Total assets	77,118	72,674	6.1%
Loans to customers (net)	48,561	47,512	2.2%
Total customer funds (2)	75,286	71,606	5.1%
Balance sheet customer funds	57,235	53,792	6.4%
Deposits and other resources from customers	55,758	52,390	6.4%
Loans to customers (net) / Deposits and other resources from customers (3)	87.1%	90.7%	
Loans to customers (net) / Balance sheet customer funds	84.8%	88.3%	
RESULTS			
Net interest income	362.7	344.8	5.2%
Net operating revenues	597.7	537.8	11.1%
Operating costs	259.5	246.0	5.5%
Operating costs excluding specific items (4)	253.5	242.6	4.5%
Loan impairment charges (net of recoveries)	86.5	106.0	-18.4%
Other impairment and provisions	17.4	23.9	-27.1%
Income taxes	65.4	49.3	
Net income	153.8	85.6	79.7%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (3)	3.2%	3.0%	
Return on average assets (ROA)	1.0%	0.6%	
Income before tax and non-controlling interests / Average net assets (3)	1.3%	0.9%	
Return on average equity (ROE)	10.6%	6.1%	
Income before tax and non-controlling interests / Average equity (3)	14.2%	9.7%	
Net interest margin	2.2%	2.2%	
Cost to income (3) (4)	42.4%	45.1%	
Cost to income (Portugal activity) (3) (4)	40.2%	45.0%	
Staff costs / Net operating revenues (3) (4)	24.5%	25.8%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	68	85	
Non-Performing Exposures / Loans to customers	10.1%	14.0%	
Total impairment (balance sheet) / NPE	54.6%	48.4%	
Restructured loans / Loans to customers	6.9%	8.1%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	253%	180%	
Net Stable Funding Ratio (NSFR)	134%	126%	
CAPITAL (5)			
Common equity tier I phased-in ratio	12.7%	12.0%	
Common equity tier I fully-implemented ratio	12.7%	11.8%	
BRANCHES			
Portugal activity	539	578	-6.7%
Foreign activity	562	547	2.7%
EMPLOYEES			
Portugal activity	7,262	7,155	1.5%
Foreign activity (6)	9,023	8,672	4.0%

(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 March 2018 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: negative impact of Euro 6.0 million in the first quarter of 2019 and also negative impact of Euro 3.5 million in the first quarter of 2018, both related to restructuring costs recognized as staff costs, in the activity in Portugal.

(5) As of 31 March 2019 and 31 March 2018, ratios include the positive cumulative net income of each period, not audited. Ratios as of 31 March 2019 are estimated.

(6) Of which, in Poland: 6,319 employees as at 31 March 2019 (corresponding to 6,183 FTE - Full-time equivalent) and 5,965 employees as at 31 March 2018 (corresponding to 5,848 FTE - Full-time equivalent).

BCP Group

Brief description

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

Bank History

BCP was incorporated on 17 June 1985 as a limited liability company ("sociedade anónima") organised under the laws of Portugal, following the deregulation of the Portuguese banking industry. BCP was founded by a group of over 200 shareholders and a team of experienced banking professionals who sought to capitalise on the opportunity to form an independent financial institution that would serve the then underdeveloped Portuguese financial market more effectively than state-owned banks.

While the Bank's development was initially characterised by organic growth, a series of strategic acquisitions helped solidify its position in the Portuguese market and increase its offering of financial products and services. In March 1995, BCP acquired control of Banco Português do Atlântico, S.A. ("Atlântico"), which was then the largest private sector bank in Portugal. This was followed by a joint takeover bid for the whole share capital of Atlântico. In June 2000, Atlântico was merged into BCP. In 2000, BCP also acquired Império, along with Banco Mello and Banco Pinto & Sotto Mayor.

In 2004, with a view to strengthening its focus on the core business of distribution of financial products and optimising capital consumption, BCP sold insurers Império Bonança, Seguro Directo, Impergesto and Servicomercial to the Caixa Geral de Depósitos group. BCP also entered into agreements with Fortis (now named Ageas) for the sale of a controlling stake and management control of insurers Ocidental - Companhia Portuguesa de Seguros, S.A., Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Médis - Companhia Portuguesa de Seguros de Saúde, S.A., as well as the pension fund manager PensõesGere - Sociedade Gestora de Fundos de Pensões, S.A.

After the consolidation of its position in the Portuguese banking market, the Bank focused on the development of its retail business in new regions, with the goal of attaining significant positions in emerging markets in Europe and in Africa. The Bank concentrated on businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large communities of Portuguese origin (such as Angola, Mozambique, the United States, Canada, France, Luxembourg and Macao), as well as in markets where the Bank's successful Portuguese business model could be effectively exported to and tailored to suit such local markets (such as Poland, Greece and Romania).

The Bank has pursued a consistent strategy of market segmentation. Until 2003, these segments were served through autonomous distribution networks operating under a variety of brand names. In October 2003, BCP began the process of replacing these brands in Portugal with a single brand name: Millennium bcp. The rebranding in other markets was completed in 2006. All operations of the Bank are now carried out under the "Millennium" brand. In Portugal, the Bank also operates under the "ActivoBank" brand.

In 2004, the Bank sold its non-life insurance businesses and divested a portion of its life insurance business by entering into a joint venture with Ageas (formerly Fortis), named Millenniumbcp Ageas, of which 51% is held by Ageas and 49% by the Bank.

In recent years, the Bank has refocused on operations that it considers core to its business. As part of this refocus, the Bank divested several of its international operations (in France, Luxembourg, United States, Canada, Greece, Turkey and Romania), while retaining commercial protocols to facilitate remittances from Portuguese emigrants in some markets. In 2010, the Bank transformed its Macao off-shore branch into an on-shore branch.

In February 2012, the Bank adopted a management restructuring through the introduction of a one-tier management and supervisory model, in which the Board of Directors includes an Executive Committee and an Audit Committee (the latter comprising non-executive members, in accordance with the applicable law).

In December 2012, the Bank prepared and presented to the Portuguese government a Restructuring Plan, required by national law and by the applicable European rules on matters of State aid. The Restructuring Plan was formally submitted by the Portuguese government to the EC and, In July 2013, the Bank agreed with the EC a Restructuring Plan, entailing an improvement of the profitability of the Bank in Portugal through continued cost reduction, among other drivers. On September 2013, the DG Comp announced its formal decision in connection with its agreement with the Portuguese authorities concerning the Bank's Restructuring Plan. Pursuant to the decision, the Bank's Restructuring Plan was found in compliance with the European Union's rules relating to State aid, demonstrating the Bank's viability without continued State support. The implemented Restructuring Plan aimed at strengthening the Bank's strategy by focusing on its core activities.

In May 2014, as part of a process aiming to refocus on core activities defined as a priority in its Strategic Plan, the Bank announced that it agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental – Companhia Portuguesa de Seguros, S.A. and Médis – Companhia Portuguesa de Seguros de Saúde, S.A.

In April 2016, the Bank announced the conclusion of the merger between Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., resulting in the second-largest private sector bank in Angola in terms of loans to the economy, with a market share of approximately 10% in business volume.

BCP has announced in January 2017 a Euros 1.3bn rights issue with transferable pre-emptive subscription rights. The aim of this transaction was to bring forward the full repayment of remaining Government Subscribed Securities and the removal of key State-aid related restrictions, including dividend ban, risk of potential sale of core businesses and tail risk of conversion. This transaction was designed to strengthening the balance sheet through the improvement of CET1 FL ratio and Texas ratio, bringing them in line with new industry benchmarks and above current regulatory requirements.

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite the adverse setting of the banking sector in the core Portuguese market. This position reflects our relentless path and the compounding of multiple achievements, such as a more than 40% cost reduction in Portugal since 2011, and a reduction of circa 60% in Group’s NPEs since 2013 (from Euros 13.7 billion to Euros 5.2 billion in March 2019). Three distinctive competences were at the core of this turnaround: a customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Governance

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

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

The members of the governing bodies were elected at the General Meeting of Shareholders held on 30 May 2018 to perform duties for the four-year period 2018/2021. Nuno Amado (former CEO) was appointed Chairman of the Board of Directors and Miguel Maya was appointed CEO.

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

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

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

Under the terms of the articles of association, the Board of Directors is composed of a minimum of 15 and a maximum of 19 members with and without executive duties, elected by the General Meeting for a period of four years, who may be re-elected.

The Board of Directors took office on July 23, 2018.

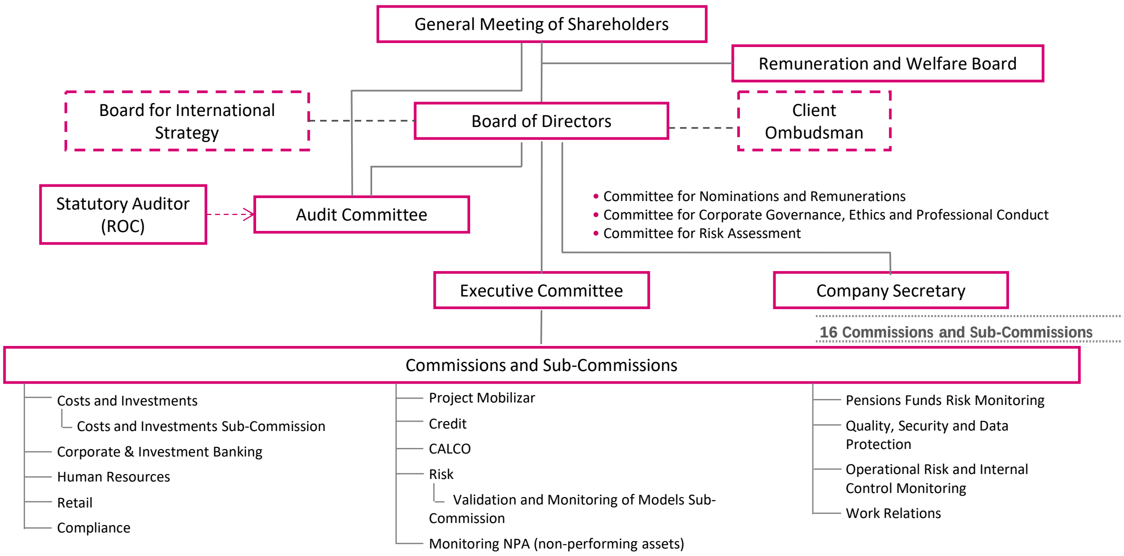
The Board of Directors appointed an Executive Committee (EC) composed of 6 of its members, to which it delegates the day-to-day management of the Bank. The Executive Committee is assisted in its management functions by several commissions and sub-commissions which oversaw the monitoring of certain relevant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

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

The Remuneration and Welfare Board is elected by the General Meeting.

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

Coporate Governance Model



Identification and composition of the Corporate Bodies and Committees from the Board of Directors

	Board of Directors	Executive Committee	Audit Committee	Remuneration and Welfare Board	Board for International Strategy *	Committee for Corporate Governance, Ethics and Professional Conduct	Committee for Nominations and Remunerations	Committee for Risk Assessment
Nuno Manuel da Silva Amado (Presidente do CA)	•				•			
Jorge Manuel Baptista Magalhães Correia (Vice-Presidente do CA e Presidente do CRP)	•			•				
Valter Rui Dias de Barros (Vice-Presidente do CA)	•		•			•		
Miguel Maya Dias Pinheiro (Vice-Presidente do CA e CEO)	•	•			•			
Ana Paula Alcobia Gray	•			•				•
Cidália Maria Mota Lopes	•		•					
João Nuno de Oliveira Jorge Palma	•	•						
José Manuel Alves Elias da Costa (Presidente da CNR)	•					•	•	•
José Miguel Bensliman Schorcht da Silva Pessanha	•	•						
Lingjiang Xu (Presidente do CGSED)	•					•	•	
Maria José Henriques Barreto de Matos de Campos	•	•						
Miguel de Campos Pereira de Bragança	•	•						
Rui Manuel da Silva Teixeira	•	•						
Teófilo César Ferreira da Fonseca (Presidente da CAR)	•						•	•
Wan Sin Long	•		•					•
Xiao Xu Gu (Julia Gu)	•							
António Vítor Martins Monteiro					•			

* Members due to the functions they exercise

Main events in Q1 2019

JANUARY

- Issue of perpetual subordinated notes intended to qualify as Additional Tier 1, in the amount of Euro 400 million and with no defined tenor, with a call option from the end of the fifth year and an interest rate of 9.25% per year during the first 5 years.
- Bank Millennium has received the consent of Poland's Office for Competition and Consumer Protection to take over control of Euro Bank.
- Millennium bcp has asked Chinese and European supervisors for approval to open a representative office in Shanghai to capitalize on the knowledge of its Chinese shareholder, Fosun, and to stimulate export business to China.
- Millennium bcp and the Development Finance Institution have established an agreement for a Euro 60 million lending line to finance medium-sized companies.

MARCH

- Upgrade by one notch of the long-term deposits ratings by DBRS, reflecting the introduction in Portugal of full depositor preference in bank insolvency and resolution proceedings with the implementation of Law No. 23/2019 from 14 March 2019.
- Millennium bcp and the European Investment Fund (EIF) have signed two agreements under the European Commission's COSME and InnovFin programs, providing a Euro 500 million financing line, destined for more than 1,150 Small and Medium-sized Enterprises (SMEs) in Portugal. An extension of the InnovFin agreement, providing an additional Euro 400 million to more than 750 innovative SMEs and mid-caps in Portugal was also signed.
- Millennium bcp and Credit Insurer COSEC signed an agreement to distribute credit insurance in Millennium bcp's branches.

APRIL

- Already in April, Moody's upgraded the ratings assigned to BCP, reflecting BCP's improved credit profile, through a significant reduction of the stock of problematic assets and enhanced domestic profitability metrics from weak levels, as well as Moody's expectation that the bank's financial fundamentals will continue to improve gradually in 2019.

BCP SHARES

The first quarter was marked by gains in the main international stock markets, with the S&P 500 index posting the best quarter since 2009 and in Europe, the Stoxx 600 index posted the highest quarterly gain since 2015.

Despite worries about the global economic slowdown, which is visible in the evolution of activity indicators and GDP in various regions of the world, the central bank's message of support for the economy has helped to maintain optimism. The Fed said interest rate increases should only occur in 2020 and the ECB signalled a postponement of interest rate hikes until at least the end of 2019 and announced a new TLTRO program.

In Germany 10-year sovereign debt yields reached negative values for the first time since 2016.

In the UK, uncertainty remains about Brexit, with several plans proposed by the government of Theresa May being not-approved.

BCP SHARES INDICATORS

	Units	1Q 2019	1Q 2018
ADJUSTED PRICES			
Maximum price	(€)	0.2470	0.3339
Average price	(€)	0.2354	0.2968
Minimum price	(€)	0.2207	0.2687
Closing price	(€)	0.2303	0.2720
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group	(M€)	6,415	5,769
Shareholder's Equity attributable to ordinary shares (1)	(M€)	6,415	5,709
VALUE PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	0.042	0.023
Book value (4)	(€)	0.398	0.378
MARKET INDICATORS			
Closing price to book value	(PBV)	0.54	0.72
Market capitalisation (closing price)	(M€)	3,481	4,111
LIQUIDITY			
Turnover	(M€)	576	1,262
Average daily turnover	(M€)	9.2	20.0
Volume (3)	(M)	2,453	4,215
Average daily volume (3)	(M)	38.9	66.9
Capital rotation (5)	(%)	16.2%	27.9%

(1) Shareholder's Equity attributable to the group minus Preferred shares
(2) Considering the average number of shares outstanding
(3) Ajusted by the share capital increase completed in February 2017
(4) Considering the average number of shares minus the number of treasury shares in portfolio
(5) Total number of shares traded divided by the average number of shares issued in the period

The BCP share price appreciated 0.4% in March 2019, compared with a 4.5% increase for the European bank index. This performance was affected by several factors:

At the geopolitical level:

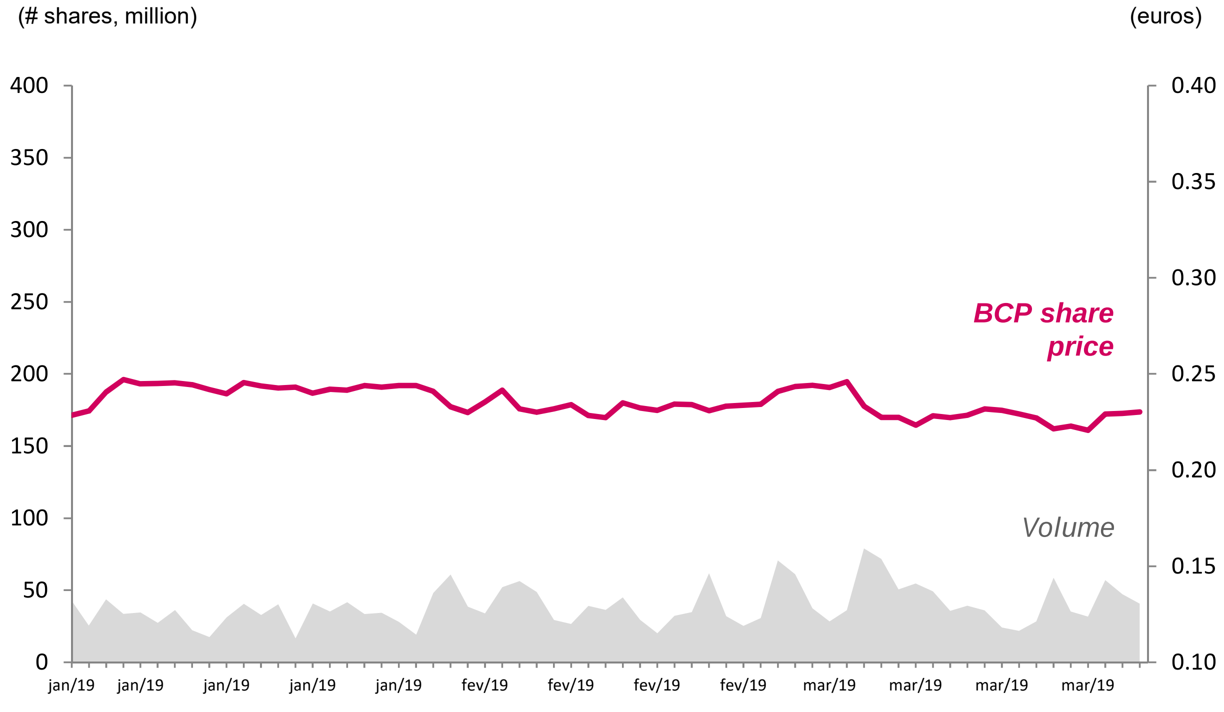
Continued uncertainty about the outcome of the US / China trade war and Brexit.

At the macroeconomic level:

1. new and more demanding ECB guidelines on NPL coverage; .
2. the cut in ECB projections for the economic growth in the Euro Zone and Portugal, which has led to a postponement of the expectations for increase interest rates;
3. more than expected US GDP slowdown in the last quarter of 2018;
4. statements by the President of the ECB which announced at the end of March possible measures to mitigate the effect of monetary policy on negative interest rates;
5. upgrade of the Portuguese Republic rating by S&P.

At the specific level of BCP:

1. issuance of 400 million AT1 in January 2019;
2. downward revision of Price Targets by 2 analysts: Caixabank from € 0.34 to € 0.28 on Feb 13 and JP Morgan on Feb 22 from € 0.35 to € 0.32 and again on March 11, from € 0.32 to € 0.30. However, Deutsche Bank has raised the Price Target from € 0.30 to € 0.31 om February 22 and rose it again on March 11 from € 0.31 to € 0.32. The average Price Target at the end of March stood at € 0.31 compared to € 0.32 at the end of 2018.



Source: Euronext, Thomson Reuters

Qualified Holdings

On 31 December 2018, the following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A.:

			31 December 2018
Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	4,118,502,618	27.25%	27.25%
TOTAL FOR FOSUN GROUP	4,118,502,618	27.25%	27.25%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	2,946,353,914	19.49%	19.49%
BlackRock*	512,328,512	3.39%	3.39%
TOTAL FOR BLACKROCK***	512,328,512	3.39%	3.39%
EDP Group Pensions Fund **	315,336,362	2.09%	2.09%
TOTAL FOR EDP GROUP	315,336,362	2.09%	2.09%
TOTAL OF QUALIFIED SHAREHOLDERS	7,892,521,406	52.22%	52.22%

* In accordance with the announcement on March 5, 2018 (last information available).

** Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

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

Business Model

Economic environment

The International Monetary Fund (IMF) revised downward its projection for growth of world GDP, from 3.6% to 3.3%, in a context of an extending decelerating trajectory in the US, China and Europe. Consistent with the lower level of optimism, the IMF considers that the risks to its forecasts are mainly tilted to the downside and relate to the uncertainty surrounding trade tensions, Brexit and the evolution of global monetary policy.

In 2018, the GDP of the Euro Area grew 1.8%, which represents a material slowdown vis-a-vis the 2.5% recorded in the preceding year. This deterioration in performance was, above all, due to a recession in the industrial sector caused by the fall in the emerging markets' demand for European exports, as well as by the auto industry regulatory changes in Germany. The loss of vitality of activity and the decline in core inflation to levels around 1% led the ECB to postpone their plans of normalising the key interest rates.

In the US, the implementation of a package of strong fiscal stimulus triggered an acceleration of activity led by the vigour of private consumption and investment. As a result, the pace of expansion of the American economy went from 2.2% in 2017 to 2.9% in 2018. The greater robustness of activity pushed the unemployment rate to values not seen since the 1960s and generated an acceleration of wages. In face of the nominal overheating of the US economy, the Federal Reserve (Fed) continued the process of raising the interest rates throughout 2018, having lifted its key rate to 2.50%, a value that is likely not much off the levels considered neutral.

After an end to 2018 characterised by significant corrections in the most risky assets of the international financial markets, the start to 2019 showed a trajectory of quick recovery that cut across all asset classes, including the most defensive. The improvement of market sentiment in the beginning of the year mainly reflected the sudden inflection on the Fed's strategy of steadily hiking its key rates, which led to a global fall in market interest rates. This circumstance together with the continuation of the slowing trend of the Eurozone's economy contributed to push the German long government bond yields into negative territory. In the same vein, the first quarter of the year saw a tightening of the risk premia attached to the sovereign debt of the Euro Area's peripheral countries. In the foreign exchange market it is worth highlighting the slight depreciation of the Euro against the main currencies.

In the last quarter of 2018, the annual rate of change of the Portuguese GDP stood at 1.7%, which means a new deceleration and corresponds to the lowest growth pace since the second quarter of 2016. The lesser economic dynamism was the result of the very negative contribution of the net external demand as all the components of domestic demand - private consumption, government spending and investment - were more vigorous. The extension of the recovery of the Portuguese economy together with a good fiscal performance contributed to the improvement of the credit rating for Portugal's sovereign debt by Standard & Poor's, and also brought yields on the 10-year Portuguese government bond to a historical low (1.25%).

In the wake of the strong growth recorded by the Polish Economy in the last couple of years, the European Commission (EC) forecasts that the pace of expansion of GDP will remain above the European average in 2019 amid a considerable dynamism of the domestic demand stemming from the improvement in the labour market, an increase in public investment, supported by European funds, together with a set of fiscal stimulus measures that the government is bound to present ahead of parliamentary elections scheduled for this coming Fall. Notwithstanding the robustness of activity, the inflation rate has remained under control, allowing the central bank to maintain interest rates unaltered. In this context, the Euro/Zloty Exchange rate has stayed relatively stable around 4.30.

In Mozambique, despite the expected adverse effects of hurricane Idai on activity, the IMF forecasts that the economy will accelerate in 2019 to 4.0%, after growing 3.3% in 2018. Regarding prices, the inflation rate has been low, reflecting the restrictive monetary policy and the exchange rate stability. In Angola, the economic activity is expected to return to positive growth rates in 2019, after three years of recession. Against this backdrop, the central bank of Angola decided to reduce the key interest rates in January with the aim of stimulating the economy.

Business Model

Nature of the operations and main activities

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

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

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

Distintice factors of the business model

Largest private sector banking institution

Millennium bcp is Portugal's largest private sector banking institution on business volumes, with a position of leadership and particular strength in various financial products, services and market segments based on a modern branch network with nationwide coverage. The Bank also offers remote banking channels (banking service by telephone, mobile banking and online), which operate as distribution points for its financial products and services.

The priorities, in accordance with the 2021 Strategic Plan, consist in redesigning the digital experience to an approach centred on mobile devices, transforming the top customer journeys, forming an appropriate and productive omnichannel model and transforming the operations through the implementation of NextGen technologies (such as robotics and natural language processing). At the same time, the Bank will adopt an IT strategy focused on the update of technology, information safety and promotion of new work forms.

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

International presence as a platform for growth

At the end of March 2019, Millennium bcp was the largest Portuguese privately-owned bank on business volumes with a relevant position in the countries where it operates.

On 31 March 2019, operations in Portugal accounted for 71% of total assets, 73% of total loans to Customers (gross) and 72% of total customer funds. The Bank had over 2.3 million active Customers in Portugal and market shares of 17.5% and 17.5% of loans to Customers and customer deposits, respectively in February 2019.

At the end of March 2019, Millennium bcp is also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 4.9 million Customers.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has over 1.3 million Customers and is the leading bank in this country, with 21.8% of loans and advances to Customers and 25.6% of deposits, on 31 March 2019. 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 multichannel infrastructure, on a reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and on a sound risk management and control. On 31 December 2018, Bank Millennium had a market share of 4.6% in loans to Customers and of 5.3% in deposits.

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

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

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

Growth based on digital/mobile banking

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

Internet & Mobile

In Q1 2019, the Bank continued to increase its Active Digital Customers base. It should be highlighted that digital penetration continues to increase, i.e. 56% of Digital Customers in Q1 2019.

Innovation continued to mark the Q1 2019, with new digital solutions supporting the transformation process. It has to be highlighted the new millennium app, faster, simpler and more intuitive. It was created based on Customers' ideas and experience, an app that's focused on Customers and their needs. It is always visible menu bar, bureaucracy-free online personal and car loans, real time alerts, privacy mode (app can be used in public without revealing account information), easier and quicker savings. It was launched on April 26th on App Store and Google Play.

Also to be highlighted, the MTrader with a simple and intuitive layout, including both information and trading under a single app. It has real-time streaming of main world markets and access to order book and quick trading to accelerate the placement of market orders, with trading performed directly through the app. Provides news and research, dividend map and events calendar.

Sustainability of the business model

The resilience of the business model is primarily based on the Bank's concentration on retail banking, more stable and less volatile by nature. Millennium bcp implemented successfully an operational recovery in its core market, reinforcing its financial and capital position, despite of the challenging environment in the banking sector in the Portuguese market. The Bank implemented a restructuring program based on a reduction of operating costs by more than 40% in Portugal since 2011 and a circa of 60% reduction in the Group's NPE since 2013 (from Euros 13.7 billion to Euros 5.2 billion in March 2019).

Three distinctive competences acted as the main pillars of this recovery: a Customer oriented relationship model, market leadership in terms of efficiency and competitive international operations.

The purpose of the Bank is to ensure sustainable profitability in the medium and long term, seeking to become the best in class in terms of operational efficiency, improving operating profit in a sustainable manner and maintaining a high level of control on credit risk, thus preserving its strategic position in the Portuguese retail banking services market. One of the Bank's top priorities continues to be to improve the quality of its credit portfolio, reduce the stock of NPE to circa of Euros 3 billion by 2021 and, simultaneously, decrease the cost of risk.

Main awards received

- Millennium bim was named "Best Bank in Mozambique for Trade Finance" by Global Finance.
- Millennium bcp was named "Consumer's Choice" 2019 in the Large Banks category, standing out in features such as "Security", "Customer Service", "Transparency of Information" and "Quick service", amongst others.
- ActivoBank was named "Consumer's Choice" 2019 in the Digital Bank category and it is part of the Top25 ranking of companies chosen by consumers.
- Millennium bcp was distinguished at the Euronext Viabolsa Awards 2019 with the "Most Active Trading House in Warrants and

Certificates" award.

- Bank Millennium was acclaimed as the Customer Experience leader in the financial sector on the list of TOP 100 Brands published in the latest KPMG Poland report. The Bank is one of the top ten of the brands in the top 100 of Poland.

Financial Information

Results and Balance Sheet

RESULTS AND ACTIVITY IN THE FIRST THREE MONTHS OF 2019

In the context of the entry into force, on 1 January 2018, of IFRS 9 Financial Instruments and the consequent impact on the structure of the Millennium bcp financial statements compared to prior periods, some indicators were defined according to management criteria aiming to help the comparability with financial information then presented. 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, and are reconciled with the accounting values published in the consolidated financial statements.

RESULTS

The consolidated **net income** of Millennium bcp rose to Euro 153.8 million in the first three months of 2019, a significant 79.7% increase from Euro 85.6 million booked in the same period of the previous year, mainly driven by the performance of the activity in Portugal, together with the favourable performance of the international activity.

In the activity in Portugal, net income* showed a favourable evolution, rising 112.0%, more than doubling the Euro 44.5 million recorded in the first three months of 2018, to reach Euro 94.3 million in the first three months of 2019, driven by the positive performance of most of items, with particular emphasis on the reduction of impairments and provisions and the increase in net trading income and other net operating income.

In the international activity, net income in the first three months of 2019 increased 12.1% from the Euro 41.1 million in the same period of the previous year, reaching Euro 46.1 million, on the back especially of increased contributions from the subsidiary in Mozambique and from Banco Millennium Atlântico in Angola.

Net interest income increased 5.2% from Euro 344.8 million posted in the first three months of 2018, reaching Euro 362.7 million in the same period of 2019, due to the good performance of both the activity in Portugal and the international activity.

In the activity in Portugal, net interest income stood at Euro 201.5 million in the first three months of 2019, increasing 4.9% from the amounts accounted in the same period of the previous year, mainly due to the reduction in the cost of funding, particularly the decrease in the cost of issued debt and subordinated debt.

In the international activity, net interest income increased by 5.5% compared to Euro 152.8 million recorded in the first three months of 2018, standing at Euro 161.2 million in the first quarter of 2019, determined by the performance of the Polish subsidiary.

Net interest margin in the first three months of 2019 stood at 2.2%, in line with the amount reported in the same period of the previous year.

* Not considering income arising from operations accounted as discontinued operations, amounting to Euro 13.5 million, in the first quarter of 2019.

AVERAGE BALANCES

Euro million

	31 Mar. 19		31 Mar. 18	
	Amount	Yield %	Amount	Yield %
Deposits in banks	3,201	1.2	2,549	0.8
Financial assets	15,946	1.8	12,134	2.4
Loans and advances to customers	48,206	3.2	47,712	3.2
INTEREST EARNING ASSETS	67,353	2.7	62,395	2.9
Non-interest earning assets	9,459		10,239	
	76,812		72,634	
Amounts owed to credit institutions	7,754	0.2	7,395	0.0
Deposits and other resources from customers	55,421	0.5	52,216	0.6
Debt issued	2,989	1.1	2,990	2.2
Subordinated debt	1,221	4.4	1,157	6.5
INTEREST BEARING LIABILITIES	67,384	0.6	63,758	0.7
Non-interest bearing liabilities	2,009		2,038	
Shareholders' equity and non-controlling interests	7,418		6,838	
	76,812		72,634	
Net interest margin		2.2		2.2

Note: Interest related to hedge derivatives was allocated, in March 2019 and 2018, to the respective balance sheet item.

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 18.7 million in the first three months of 2019, slightly below the Euro 19.9 million recorded in the same period of 2018.

Net commissions stood at Euro 166.6 million in the first three months of 2019, compared to Euro 167.8 million recorded in the same period of previous year, affected by the reduction in the international activity, particularly in the Polish subsidiary, despite the performance of the activity in Portugal, where commissions increased by 1.7% in the same period, driven by higher banking commissions.

Net trading income totalled Euro 60.3 million in the first three months of 2019, increasing significantly (75.1%) from Euro 34.4 million posted in the first three months of 2018. This evolution mostly reflects the performance of the activity in Portugal, due to the higher level of securities income and lower costs with loan sales.

Other net operating income, which, among others, includes the costs associated with mandatory contributions as well as with the resolution and the deposit guarantee funds, evolved favourably from the negative amount of Euro 29.1 million accounted for in the first three months of 2018, to an also negative amount of Euro 10.6 million in the first three months of 2019, based on the good performance of the activity in Portugal.

The significant improvement in the activity in Portugal in other net operating income, which swung from a negative Euro 3.0 million recorded in the first quarter of the previous year, to a positive Euro 15.6 million in the first three months of 2019, is essentially due to the income associated with non-current assets held for sale, which increased Euro 16.9 million in the same period.

In the international activity, other net operating income decreased slightly (0.5%) from the amount reported in the first quarter of 2018, standing at a negative Euro 26.3 million in the first three months of 2019, as the reduction in the subsidiary in Poland, mainly due to the increase of mandatory contributions, absorbed the increase recorded in the subsidiary in Mozambique, related to the insurance activity and the disposal of other assets.

OTHER NET INCOME

Euro million

	3M19	3M18	Change 19/18
DIVIDENDS FROM EQUITY INSTRUMENTS	0.0	0.1	-33.2%
NET COMMISSIONS	166.6	167.8	-0.7%
Banking commissions	142.6	139.1	2.5%
Cards and transfers	40.1	40.0	0.4%
Credit and guarantees	41.5	38.0	9.1%
Bancassurance	28.5	27.8	2.6%
Current account related	27.5	26.2	5.1%
Other commissions	5.0	7.2	-30.7%
Market related commissions	24.0	28.7	-16.3%
Securities	14.3	17.3	-17.1%
Asset management	9.7	11.4	-15.1%
NET TRADING INCOME	60.3	34.4	75.1%
OTHER NET OPERATING INCOME	(10.6)	(29.1)	63.5%
EQUITY ACCOUNTED EARNINGS	18.6	19.8	-5.9%
TOTAL OTHER NET INCOME	235.0	193.0	21.7%
Other net income / Net operating revenues	39.3%	35.9%	

Note: In 2018, some of the amounts recorded by the subsidiary in Poland under the items "Credit and guarantees", "Bancassurance", "Other commissions" and "Asset management" were reclassified in order to improve the integration of the information reported on a consolidated basis. The total amount of net commissions as at 31 March 2018 did not change.

Operating costs, excluding the effect of specific items*, stood at Euro 253.5 million in the first three months of the year, compared to Euro 242.6 million in the same period of the previous year, mainly influenced by the increase recorded in the international activity, but also in the activity in Portugal, although to a lesser extent.

In the activity in Portugal, operating costs, excluding the impact of specific items, amounted to Euro 154.0 million in the first three months of 2019, 2.7% above Euro 150.0 million recorded in the same period of the previous year.

In the international activity, operating costs totalled Euro 99.5 million in the first three months of 2019, increasing 7.5% from the amount obtained in the first three months of the previous year, mainly due to the performance of the Polish subsidiary, but also, to a lesser extent, of the subsidiary in Mozambique.

Staff costs, excluding the impact of specific items, stood at Euro 146.2 million in the first three months of 2019, rising 5.3% from the amount recorded in the first three months of the previous year, reflecting 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, stood at Euro 91.1 million in the first three months of 2019, a 3.9% increase compared to the amount accounted in the first three months of 2018, partially due to the impact of the growth in the number of employees, which increased from 7,155, as at 31 March 2018, to 7,262 employees, at the end of March 2019, with the reinforcement of digital transformation skills.
In the international activity, staff costs totalled Euro 55.1 million in the first three months of 2019, increasing 7.7% from the same period the previous year, mainly due to the performance of the Polish subsidiary, which has shown an increase in the number of employees by 354 in the same period, a number that includes the employees from the Skok Piast Credit Union, acquired by Bank Millennium in November 2018. The increase in staff costs of the subsidiary in Mozambique also contributed to the performance of staff costs in the international activity, albeit to a lesser extent.

Other administrative costs stood at Euro 80.5 million, in the first three months of 2019, showing a reduction of 10.1% from the amount accounted for in the same period of the previous year. This performance essentially reflects the impact of the entry into force, on 1 January 2019, of IFRS 16 – Leases.
In the first three months of 2019, other administrative costs in the activity in Portugal totalled Euro 46.3 million, decreasing 13.1% from the amount recorded in the first three months of the previous year, reflecting the impact of the entry into force of IFRS 16 – Leases. At the same time, this evolution benefited from the positive effect of the ongoing rationalization and cost containment measures, namely those related to the resizing of the distribution network (539 branches as at 31 March 2019, compared to 578 branches on the same date of 2018).
Other administrative costs in the international activity achieved Euro 34.2 million in the first three months of 2019, compared to Euro 36.2 million posted in the same period of the previous year, favourably influenced by the entry into force of IFRS 16.

Depreciation costs totalled Euro 26.8 million in the first three months of 2019, an increase of Euro 12.6 million compared to the same period of the previous year, due almost entirely to the impact of the entry into force of IFRS 16. Excluding this impact, depreciation costs in the activity in Portugal were fundamentally influenced by the increase in the investment related to IT equipment and software.

* Negative impact of Euro 6.0 million in the first quarter of 2019 and also negative impact of Euro 3.5 million in the first quarter of 2018, related to restructuring costs recognized as staff costs in the activity in Portugal.

OPERATING COSTS

Euro million

	3M19	3M18	Change 19/18
Staff costs	146.2	138.8	5.3%
Other administrative costs	80.5	89.5	-10.1%
Depreciation	26.8	14.2	88.9%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	253.5	242.6	4.5%
OPERATING COSTS	259.5	246.0	5.5%
Of which:			
Portugal activity (1)	154.0	150.0	2.7%
Foreign activity	99.5	92.6	7.5%

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) improved, decreasing 18.4% from Euro 106.0 million recognized in the first three months of 2018, standing at Euro 86.5 million in the same period of 2019. This reduction was determined by the performance of the activity in Portugal, which contributed to the improvement of the cost of risk (net) of the Group, from 85 basis points in the first three months of 2018 to 68 basis points in the first three months of 2019.

Other impairment and provisions showed a significant decrease (27.1%) from the Euro 23.9 million recorded in the first three months of 2018, standing at Euro 17.4 million in the first three months of 2019, mostly benefiting from the performance of provisions for other risks and commitments as well as, although to a lesser extent, provisions for guarantees and other commitments, despite the strengthening of provisions for real estate and financial assets portfolios.

Income tax (current and deferred) amounted to Euro 65.4 million as at 31 March 2019, compared to Euro 49.3 million obtained in the same date of 2018.

The recognized taxes include, in the first three months of 2019, current tax of Euro 31.2 million (Euro 23.1million in the first three months of 2018) and deferred tax of Euro 34.3 million (Euro 26.2 million in the first three months of 2018).

BALANCE SHEET

Total assets stood at Euro 77,118 million as at 31 March 2019, a Euro 4,444 million increase compared to Euro 72,674 million recorded on the same date in the previous year, mainly due to the growth of the securities portfolio, but also to the increase of the loans to customers portfolio, notwithstanding the reduction of non-current assets held for sale, namely foreclosed assets.

Loans to customers (gross) rose to Euro 51,387 million as at 31 March 2019, 0.8% above the amount accounted for on the same date the previous year, due to the performance of the international activity.

In the activity in Portugal, loans to customers (gross) totalled Euro 37,317 million as at 31 March 2019, showing a 1.8% reduction compared to Euro 37,984 million at the end of March of the previous year. It is worth noting that this change results, on the one hand, from the strong reduction of NPE (Euro 1,849 million) and on the other, from the evolution of performing loans, which increased Euro 1,182 million, benefiting from the strong performance of loans to companies, in particular in leasing and factoring.

In the international activity, loans to customers (gross) increased 8.4% from Euro 12,976 million as at 31 March 2018, reaching Euro 14,070 million as at 31 March 2019, 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 March 2018 and 2019, with loans to companies representing 46% of total loans to customers as at 31 March 2019.

LOANS TO CUSTOMERS (GROSS)

Euro million

	31 Mar. 19	31Mar. 18	Change 19/18
INDIVIDUALS	27,949	27,210	2.7%
Mortgage	23,861	23,365	2.1%
Personnal Loans	4,087	3,845	6.3%
COMPANIES	23,439	23,750	-1.3%
Services	8,858	9,129	-3.0%
Commerce	3,577	3,552	0.7%
Construction	1,912	2,301	-16.9%
Others	9,093	8,767	3.7%
TOTAL	51,387	50,959	0.8%
Of which:			
Portugal activity	37,317	37,984	-1.8%
Foreign activity	14,070	12,976	8.4%

Credit quality evidenced a favourable change compared to the end of March 2018, essentially supported by the performance of the domestic portfolio. This evolution caused a significant improvement in the respective indicators, namely the general 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 March 2019. Coverage by impairments also showed an improvement across all indicators, namely the reinforcement of the coverage of NPE by impairments, which stood at 54.6% as at 31 March 2019, compared to 48.4% at the same date of the previous year. In the activity in Portugal, the coverage of NPE by impairment increased from 46.4% as at 31 March 2018 to 52.1% as at 31 March 2019.

CREDIT QUALITY INDICATORS

	Stock of loans (Euro million)		As percentage of loans to customers		Coverage by impairments	
	31 Mar. 19	31 Mar. 18	31 Mar. 19	31 Mar. 18	31 Mar. 19	31 Mar. 18
OVERDUE LOANS > 90 DAYS						
Group	1,816	2,807	3.5%	5.5%	155.6%	122.8%
Activity in Portugal	1,534	2,527	4.1%	6.7%	150.6%	115.4%
NON-PERFORMING LOANS (NPL) > 90 DAYS						
Group	2,820	4,323	5.5%	8.5%	100.2%	79.7%
Activity in Portugal	2,381	3,872	6.4%	10.2%	97.0%	75.3%
NON-PERFORMING EXPOSURES (NPE)						
Group	5,178	7,122	10.1%	14.0%	54.6%	48.4%
Activity in Portugal	4,437	6,286	11.9%	16.5%	52.1%	46.4%

Total customer funds* increased 5.1% from Euro 71,606 million recorded as at 31 March 2018, standing at Euro 75,286 million as at 31 March 2019.

This evolution was determined by the growth of balance sheet customer funds, namely of deposits and other resources from customers, that, on a consolidated basis, increased Euro 3,369 million (6.4%) from the end of March of the previous year, amounting Euro 55,758 million as at 31 March 2019 due to the performance of both the activity in Portugal and the international activity.

Off-balance sheet customer funds also showed a favourable performance, growing 1.3% compared to the same period of the last year, standing at Euro 18,051 million at the end of the first three months of 2019, driven by the activity in Portugal, despite the decrease in the international activity, in particular in the Polish subsidiary, that favoured the expansion of deposits and other resources from customers, as indicated below.

In the activity in Portugal, total customer funds increased 5.0% compared to Euro 51,757 million recorded as at 31 March 2018, achieving Euro 54,323 million at the end of March 2019, benefiting mainly from the growth of deposits and other resources from customers, which rose Euro 2,008 million in the same period. Off-balance sheet customer funds increased 3.6% from 31 March 2018, standing at Euro 14.876 million as at 31 March 2019, driven by the performance of insurance products (savings and investment) which grew 10.3% compared to the same date of the previous year, partially offset by the reduction in assets placed with customers.

In the international activity, total customer funds stood at Euro 20,963 million at the end of the first quarter of 2019, a growth of 5.6% compared to Euro 19,849 million on the same date of the previous year, supported by the performance of the Polish subsidiary, in particular as regards the evolution of deposits and other resources from customers.

As at 31 March 2019, balance sheet customer funds represented 76% of total customer funds, with deposits and other resources from customers representing 74% of total customer funds.

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, improved from 91% as at 31 March 2018 to 87% at the end of March 2019. The same ratio, considering on-balance sheet customers' funds, stood at 85% as at 31 March 2019 (88% as at 31 March 2018).

* 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 March 2018 is presented according to the new criteria.

TOTAL CUSTOMER FUNDS

Euro million

	31 Mar. 19	31 Mar. 18	Change 19/18
BALANCE SHEET CUSTOMER FUNDS	57,235	53,792	6.4%
Deposits and other resources from customers	55,758	52,390	6.4%
Debt securities	1,477	1,402	5.3%
OFF-BALANCE SHEET CUSTOMER FUNDS	18,051	17,814	1.3%
Assets under management	5,259	5,339	-1.5%
Assets placed with customers	3,794	4,241	-10.5%
Insurance products (savings and investment)	8,998	8,234	9.3%
TOTAL	75,286	71,606	5.1%
Of which:			
Portugal Activity	54,323	51,757	5.0%
Foreign activity	20,963	19,849	5.6%

The **securities portfolio**, as defined in the glossary, rose to Euro 17,397 million as at 31 March 2019, compared to Euro 13,524 million on the same date of the previous year, representing 22.6% of total assets (18.6% as at 31 March 2018). This increase of the securities portfolio mainly reflects the strengthening of sovereign debt portfolio in Portugal and in Poland.

Business areas

ACTIVITY PER SEGMENTS

Millennium bcp conducts a wide range of banking activities and financial services in Portugal and abroad, with special focus on Retail Banking, Companies Banking and Private Banking business.

BUSINESS SEGMENT	PERIMETER
Retail Banking	Retail Network of Millennium bcp (Portugal) Retail Recovery Division Banco ActivoBank
Companies, Corporate & Investment Banking	Companies and Corporate Network of Millennium bcp (Portugal) Specialised Recovery Division Specialized Credit and Real Estate Division Interfundos Large Corporate Network of Millennium bcp (Portugal) Specialised Monitoring Division Investment Banking Trade Finance Department (*)
Private Banking	Private Banking Network of Millennium bcp (Portugal) Millennium Banque Privée (Switzerland) (**) Millennium bcp Bank & Trust (Cayman Islands) (**)
Foreign Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Atlântico (***) Millennium Banque Privée (Switzerland) (**) Millennium bcp Bank & Trust (Cayman Islands) (**)
Other	Includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) From Treasury and Markets International Division.
(**) For the purposes of business segments, Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands) are included in the Private Banking segment. In terms of geographic segments, both operations are considered Foreign Business.
(***) Consolidated by the equity method.

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

Thus, as the process of capital allocation complies with the regulatory criteria of solvency in force, the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Each segment's income includes the non-controlling interests, when applicable. Therefore, the values of net income presented incorporate the individual net income of the business units, regardless of the percentage stake held by the Group, and the impacts of the transfers of funds described above.

Operating costs related to the business segments do not include restructuring costs recorded in the first quarter of March 2019 and March 2018, respectively.

The information presented below was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 31 December 2018.

RETAIL

Million euros

RETAIL BANKING	31 Mar. 19	31 Mar. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	112	105	7.0%
Other net income	97	91	7.2%
	209	196	7.1%
Operating costs	117	115	1.3%
Impairment	2	4	-33.7%
Income before tax	90	77	17.7%
Income taxes	28	24	16.5%
Income after tax	62	53	18.2%
SUMMARY OF INDICATORS			
Allocated capital	1,064	960	10.9%
Return on allocated capital	23.8%	22.3%	
Risk weighted assets	9,032	8,474	6.6%
Cost to income ratio	55.8%	59.0%	
Loans to Customers (net of impairment charges)	21,370	20,749	3.0%
Balance sheet Customer funds	28,631	26,178	9.4%

Notes:

Allocated capital, Loans to customers (net of recoveries) and Balance sheet Customer funds figures based on average balance.

Income

As at 31 March 2019, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 62 million, showing a 18.2% growth compared to Euros 53 million in the same period of 2018, which reflects the favourable performance of this business unit in the first quarter of 2019. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income went up to Euros 112 million as at 31 March 2019 and grew by 7.0% compared to the previous year (Euros 105 million), positively influenced by the higher return on the loan portfolio, in particular through the increase of the existing volumes and by the continuous decrease in costs associated to term deposits, whose aggregated effect was partially mitigated by the lower income arising from the internal placements of the excess of liquidity.
- Other net income rose up from Euros 91 million at the end of March 2018 to Euros 97 million at the end of the first quarter of 2019, showing a 7.2% increase.
- Operating costs went up 1.3% from March 2018, reflecting the increase in the number of employees at the staff costs level. The evolution of other administrative expenses includes, on the one hand, the effect of the reduction in the number of branches and, on the other hand, the impacts associated with the renewal of branches following the ongoing digitization project.
- Impairment charges amounted to Euros 2 million by the end of March 2019, comparing favourably to Euros 4 million recorded in 2018, continuing the trend towards the normalization of the cost of risk.
- In March 2019, loans to customers (net) totalled Euros 21,370 million, 3.0% up from the position at the end of March 2018 (Euros 20,749 million), while balance sheet customer funds increased by 9.4% in the same period, amounting to Euros 28,631 million by the end of March 2019 (Euros 26,178 million recorded at the end of the first quarter of the previous year), due to the relevant increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING	31 Mar. 19	31 Mar. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	69	65	5.0%
Other net income	33	33	-0.2%
	102	98	3.3%
Operating costs	32	31	6.1%
Impairment	70	98	-29.4%
Income before tax	-	(31)	
Income taxes	-	(10)	
Income after tax	-	(21)	
SUMMARY OF INDICATORS			
Allocated capital	1,137	1,048	8.5%
Return on allocated capital	0.0%	-8.1%	
Risk weighted assets	9,692	10,061	-3.7%
Cost to income ratio	31.9%	31.1%	
Loans to Customers (net of impairment charges)	12,603	13,798	-8.7%
Balance sheet Customer funds	7,736	8,070	-4.1%

Notes:

Allocated capital, Loans to customers (net of recoveries) and Balance sheet Customer funds figures based on average balance.

Income

Companies, Corporate and Investment Banking segment in Portugal income after tax was practically nil in March 2019 (losses amounting to 21 million Euros at the same period of 2018), continuing to reflect the requirements of the Bank's Non-Performing Exposures reduction plan with an impact on the reduction of the loan portfolio and on its high levels of impairment, although lower than in the same period of the previous year. The performance of this segment is globally explained by the following changes:

- Net interest income stood at Euros 69 million as at 31 March 2019 and increased by 5.0% compared to the same period of the previous year (Euros 65 million), resulting from the positive impact arising from the reduction of the cost of funding, given that interest income from the loan portfolio remains constrained by the low interest rates environment and the lower credit volumes.
- Other net income reached Euros 33 million in March 2019, in line with the amount accounted in March 2018.
- Operating costs totalled Euros 32 million by the end of March 2019, 6.1% up from 31 March 2018, mainly due to the investment associated with the digital transformation project.
- Impairment charges stood at Euros 70 million in March 2019, 29.4% down from Euros 98 million recorded at the same period of 2018, which reflects the deleveraging effect of Non-Performing Exposures, although at a slower pace than in the first quarter of the previous year
- As at March 2019, loans to customers (net) totalled Euros 12,603 million, 8.7% lower compared to the existing position in March 2018 (Euros 13,798 million), reflecting the effort made to reduce the Non-Performing Exposures. Balance sheet customer funds reached Euros 7,736 million, comparing to Euros 8,070 million recorded in March 2018, explained by the decrease in customer deposits.

PRIVATE BANKING

Million euros

PRIVATE BANKING	31 Mar. 19	31 Mar. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	2	4	-53.4%
Other net income	6	9	-27.5%
	8	13	-36.4%
Operating costs	4	4	15.5%
Impairment	-	(1)	
Income before tax	4	10	-62.6%
Income taxes	1	3	-62.6%
Income after tax	3	7	-62.6%
SUMMARY OF INDICATORS			
Allocated capital	63	58	8.5%
Return on allocated capital	16.2%	47.1%	
Risk weighted assets	554	579	-4.3%
Cost to income ratio	57.4%	31.6%	
Loans to Customers (net of impairment charges)	237	304	-21.9%
Balance sheet Customer funds	2,116	1,885	12.2%

Notes:

Allocated capital, Loans to customers (net of recoveries) and Balance sheet Customer funds figures based on average balance.

Income

From a geographic segmentation perspective, income after tax from Private Banking business in Portugal totalled Euros 3 million in March 2019, 62.6% down comparing to Euros 7 million recorded in the same period of 2018, mainly due to the unfavourable performance of banking income. Considering the main items of the income statement, the relevant situations are highlighted as follows:

- Banking income stood at Euros 8 million in the first quarter of 2019, 36.4% down from the same period of the previous year (Euros 13 million). This reduction is explained simultaneously by the unfavourable performance of net interest income and other net income. Net interest income totalled Euros 2 million in March 2019, comparing to Euros 4 million in the same period of 2018, penalized, namely by the lower income arising from the internal placements of the excess of liquidity and by the lower return on the loan portfolio, conditioned by the reduction of volumes. Other net income amounted to Euros 6 million in the first quarter of 2019, showing a decrease in comparison with Euros 9 million obtained s at 31 March 2018, benefiting in this period from higher commissions due to the seasonal effect related to the implementation of MiFID II.

- Operating costs amounted to Euros 4 million in the first three months of 2019, which do not materially differ from the operating costs presented in the first quarter of 2018.

- Impairment charges (net) were practically nil in the first quarter of 2019, comparing to impairment reversals of Euros 1 million recorded at the end of March 2018.

- Loans to customers (net) amounted to Euros 237 million by the end of March 2019, showing a decrease of 21.9% compared to figures accounted in the same period of the previous year (Euros 304 million), while balance sheet customer funds grew 12.2% during the same period, from Euros 1,885 million in March 2018 to Euros 2,116 million in March 2019, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Million euros

FOREIGN BUSINESS	31 Mar. 19	31 Mar. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	159	149	6.6%
Other net income (*)	53	52	3.8%
	212	201	5.9%
Operating costs	100	93	7.5%
Impairment	14	22	-33.8%
Income before tax	98	86	14.2%
Income taxes	25	21	21.4%
Income after income tax	73	65	11.9%
SUMMARY OF INDICATORS			
Allocated capital	1,603	1,468	9.2%
Return on allocated capital	18.3%	17.9%	
Risk weighted assets	12,775	11,448	11.6%
Cost to income ratio	46.9%	46.2%	
Loans to Customers (net of impairment charges)	13,554	12,444	8.9%
Balance sheet Customer funds	17,788	16,400	8.5%

(*) Includes equity accounted earnings related to the investment in Banco Millennium Atlântico.

Income

In terms of geographic segments, income after tax from Foreign Business stood at Euros 73 million in March 2019, reflecting a 11.9% growth compared to Euros 65 million achieved in 2018. This positive evolution is explained by the favourable performance of banking income and impairment, despite the higher operating costs.

Considering the different items of the income statement, the performance of Foreign Business can be analysed as follows:

- Net interest margin stood at Euros 159 million in March 2019 which compares to Euros 149 million achieved in the same period of 2018. Excluding the impact arising from the capital allocation process involving each subsidiary, the net interest income generated by the Foreign Business showed an increase of 5.5%. Additionally, if the foreign exchange effects were also excluded, the increase would have been 5.7%, reflecting the positive performance of the subsidiary in Poland, partly mitigated by the evolution observed in the subsidiary in Mozambique, as a consequence of the reduction of the loan portfolio exposure.
- Other net income increased 3.8%. Excluding foreign exchange effects, other net income increased 8.3%, benefiting from the positive performance presented by the Mozambican subsidiary, resulting from the sale of other assets and the insurance business and from the higher contribution of Banco Millennium Atlântico, attenuated by the performance presented by the subsidiary in Poland, whose negative evolution was mainly explained by the increase in mandatory contributions.
- Operating costs amounted to Euros 100 million as at 31 March 2019, 7.5% up from March 2018. Excluding foreign exchange effects, operating costs would have risen 8.1%, mainly influenced by the operations in Poland and Mozambique.
- Impairment charges in the first quarter of 2019 decreased 33.8%, compared to figures from the same period of 2018. Excluding the foreign exchange effects, it would have reduced 29.5%, caused by the favourable evolution achieved by the subsidiaries in Poland and in Mozambique and also by the positive impact arising from the application of IAS 29 on Banco Millennium Atlântico.
- Loans to customers (net) stood at Euros 13,554 million at the end of March 2019, overcoming the position attained as at 31 March 2018 (Euros 12.444 million). Excluding foreign exchange effects, the loan portfolio increased 10.5%, since the growth achieved by the Polish subsidiary was slightly mitigated by the contraction of credit volumes booked in Mozambican subsidiary.
- The Foreign business' balance sheet customer funds increased 8.5% from Euros 16,400 million Euros reported as at 31 March 2018 to Euros 17,788 million as at 31 March 2019. Excluding the foreign exchange effects, balance sheet customer funds increased 9,8%, mainly driven by the performance of the Polish subsidiary, namely by the increase of customer deposits.

Liquidity management

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 253% at the end of March 2019, 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 from the same date of the previous year (180%).

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 (Net Stable Funding Ratio or NSFR) as at 31 March 2019 to stand at 134% (126% as at 31 March 2018).

Between March 2018 and March 2019, on a consolidated basis, the Euro 130 million increase in wholesale funding mainly reflected the opposite effects on the liquidity needs of the growth of the sovereign debt portfolios and the reduction of the commercial gap in Portugal and Poland.

The wholesale financing structure showed a decrease in repo financing (of Euro 455 million, to Euro 677 million) and in ECB-funding (of Euro 282 million, to Euro 2.9 billion), compensated by an increase in the amount of debt instruments placed on the market. Thus, in January 2019, and taking advantage of the market conditions, BCP issued Additional Tier1 instruments, eligible for MREL, worth Euro 400 million. In the same month, and in order to strengthen its financing structure ahead of the acquisition of EuroBank, Bank Millennium issued subordinated bonds in the amount of PLN 830 million. Both issues are in line with the objectives defined in the Group's Liquidity Plan.

The strengthening of the liquidity position of the two main operations was reflected in the increase of available buffers for discount with the respective central banks. In the case of BCP, the buffer increased by Euro 3.0 billion to Euro 14.0 billion, while at Bank Millennium it grew Euro 1.0 billion, to Euro 5.4 billion.

Capital

The estimated Core Equity Tier 1 ratio as at 31 March 2019 stood at 12.7% phased-in and fully-implemented, a 80 and 87 basis points increase, respectively, comparing to the 12.0% and 11.8% ratios recorded in the same period of 2018 and above the minimum ratios defined for the current year on the scope of SREP (Supervisory Review and Evaluation Process) realized in 2018 (CET1: 9.6%, T1: 11.1% and Total: 13.1%).

The CET1 fully-implemented ratio's favourable evolution was mainly determined by net income. The fully-implemented tier 1 and total capital ratios additionally benefited from the Additional Tier 1 placement of Euro 400 million in Portugal, with the total ratio also showing an additional positive variation as a result of Poland's subordinated bonds' placement.

SOLVENCY RATIOS

Euro million

	31 Mar. 19	31 Mar. 18
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,377	4,843
Tier 1 (T1)	5,860	4,916
Total Capital	6,453	5,540
Risk weighted assets	42,441	41,043
Solvency ratios		
CET1	12.7%	11.8%
Tier 1	13.8%	12.0%
Total capital	15.2%	13.5%
PHASED-IN		
CET1	12.7%	12.0%

Note: The capital ratios of March 2019 are estimated including the non-audited positive accumulated net income.
The capital ratios of March 2018 include the non-audited positive accumulated net income.

Strategy

Strategic Plan 2018-2021

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite the adverse setting of the banking sector in the core Portuguese market. This position reflects its relentless path and of multiple achievements, such as a higher than 40% cost reduction in Portugal since 2011, and a circa of 60% reduction in Group NPE since 2013 (from Euros 13.7 to Euros 5.2 billion in March 2019). Three distinctive competences were at the core of this turnaround: a Customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Millennium is now ready to embark on a new cycle of growth with profitability, requiring complementary capabilities to cope with the evolving context and the need to secure a fully sustainable position. These include leading digital, mobile, and analytics capabilities (preparing the organization to be competitive in the new age) and integration in value chains and ecosystems (embedding into its Customers' needs and reach), complemented by a robust balance sheet and rigorous capital allocation and shaped by strong governance (continuing its effort to de-risk the portfolio and reinforcing focus on value-added business).

Against this backdrop, Millennium has defined five overarching priorities for the future:

Talent mobilization, which will entail energizing employees to drive the Bank's agenda as a team, promoting greater engagement and proactivity and empowering decision making in a collaborative model. The Bank's talent will also to be reinvigorated by developing a merit-based growth model and fostering the development of new capabilities. Finally, the Bank will review its compensation processes across teams to ensure alignment with the new agenda and performance.

Mobile-centric digitization, aspiring to double down on efforts to transform Customer experience and enable productivity gains across geographies, reemphasizing Millennium's innovation trademark. The main priorities consist of redesigning the digital experience from a mobile-centric approach, transforming top Customer journeys, setting up a convenient and productive omnichannel model, and transforming operations through the deployment of NextGen technologies (such as robotics and natural language processing). In parallel, an IT strategy focused on upgrading technology, data, security, and ways of working will enable these levers.

Growth and leadership in Portugal, aiming to maximize the potential of the unique position in which the Bank emerges out of the financial crisis (the largest private Portuguese bank) implying a renewed commitment to grow the Customer base and expand relationships. This will materialize into helping Portuguese businesses thrive (e.g., building a position as the preferred partner for sound small businesses), while serving its individual customers across their full range of needs. The Group further aspire to capture the full potential of ActivoBank's simple and value-based offer and assess potential internationalization options.

Growth in international footprint, with the objective of capitalizing on the opportunities offered by the high-growth intrinsics of markets where the Bank has a presence and competitive advantage. This implies growing in Poland by deepening retail relationships and enlarging the Customer business base; a step change in Switzerland by growing existing business and exploring new markets and digital advice; leveraging market leadership in Mozambique to focus on profitability and capturing the tailwinds of large commodity investments planned; building on its position in Angola as a trusted and sound business partner with unique local relationships; and exploring emerging China related opportunities (trade and investment flows, payments, private banking).

Business model sustainability, maintaining as a clear priority the improvement of its credit portfolio quality, by reducing the NPE stock (reduction to Euros 3 billion by 2021) and simultaneously lowering the cost of risk. Risk and compliance governance will also be strengthened to ensure a sustainable growth of credit volume with a sound risk profile.

The successful execution of these priorities should enable us to accomplish a set of strategic objectives for 2021: franchise growth (>6 million active Customers[1]), readiness for the future (from 45% to >60% digital customers by 2021), a sustainable business model (with NPEs reaching Euros 3 billion), and attractive returns for shareholders (≈40% cost-to-income and ≈10% ROE in 2021).

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

		1Q 2019	2021
Franchise growth	**Total active Customers***	4.9 million	>6 million
	Digital customers	56%	>60%
	Mobile customers	35%	>45%
Value creation	**Cost-to-income**	43% (42% without non-usual items)	≈40%
	ROE	10.6%	≈10%
	CET1	12.7%**	≈12%
	LTD	87%	<100%
	Dividend payout	10%	≈40%
Asset quality	**NPE stock**	€5.2 billion	€3.0 billion
	Cost-of-risk	68 pb	<50 pb

*Customer counting criteria used in the 2021 Strategic Plan.

**Including unaudited earnings for the 1st quarter of 2019.

Regulatory information

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal (1)			International activity		
	Mar. 19	Mar. 18	Change 19/18	Mar. 19	Mar. 18	Change 19/18	Mar. 19	Mar. 18	Change 19/18
INCOME STATEMENT									
Net interest income	362.7	344.8	5.2%	201.5	192.0	4.9%	161.2	152.8	5.5%
Dividends from equity instruments	–	0.1	-33.2%	–	–	-100.0%	–	–	29.7%
Net fees and commission income	166.6	167.8	-0.7%	114.9	113.0	1.7%	51.7	54.8	-5.6%
Net trading income	60.3	34.4	75.1%	40.0	19.0	110.8%	20.4	15.5	31.4%
Other net operating income	(10.6)	(29.1)	63.5%	15.6	(3.0)	>200%	(26.3)	(26.1)	-0.5%
Equity accounted earnings	18.6	19.8	-5.9%	10.8	12.3	-11.7%	7.8	7.5	3.5%
Net operating revenues	**597.7**	**537.8**	**11.1%**	**382.8**	**333.3**	**14.9%**	**214.9**	**204.5**	**5.1%**
Staff costs	152.2	142.3	7.0%	97.1	91.1	6.6%	55.1	51.2	7.7%
Other administrative costs	80.5	89.5	-10.1%	46.3	53.3	-13.1%	34.2	36.2	-5.7%
Depreciation	26.8	14.2	88.9%	16.5	9.0	84.0%	10.3	5.2	97.4%
Operating costs	**259.5**	**246.0**	**5.5%**	**160.0**	**153.4**	**4.3%**	**99.5**	**92.6**	**7.5%**
Operating costs excluding specific items	253.5	242.6	4.5%	154.0	150.0	2.7%	99.5	92.6	7.5%
Profit before impairment and provisions	**338.1**	**291.8**	**15.9%**	**222.8**	**179.8**	**23.9%**	**115.4**	**112.0**	**3.0%**
Loans impairment (net of recoveries)	86.5	106.0	-18.4%	68.0	89.0	-23.6%	18.5	17.1	8.5%
Other impairment and provisions	17.4	23.9	-27.1%	21.4	19.0	12.6%	(4.0)	4.9	-182.1%
Profit before income tax	**234.2**	**161.8**	**44.7%**	**133.4**	**71.8**	**85.7%**	**100.8**	**90.0**	**12.0%**
Income tax	65.4	49.3	32.7%	39.3	27.4	43.1%	26.2	21.9	19.7%
Current	31.2	23.1	34.7%	4.0	2.8	45.8%	27.1	20.4	33.2%
Deferred	34.3	26.2	30.9%	35.2	24.7	42.8%	(1.0)	1.5	-163.3%
Income after income tax from continuing operations	**168.7**	**112.5**	**50.0%**	**94.1**	**44.4**	**112.0%**	**74.6**	**68.1**	**9.6%**
Income arising from discontinued operations	13.5	–	-	–	–	-	–	–	-
Non-controlling interests	28.4	26.9	5.3%	(0.2)	(0.1)	-136.3%	28.5	27.0	5.7%
Net income	**153.8**	**85.6**	**79.7%**	**94.3**	**44.5**	**112.0%**	**46.1**	**41.1**	**12.1%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	77,118	72,674	6.1%	54,655	52,280	4.5%	22,464	20,394	10.1%
Total customer funds (2)	**75,286**	**71,606**	**5.1%**	**54,323**	**51,757**	**5.0%**	**20,963**	**19,849**	**5.6%**
Balance sheet customer funds	**57,235**	**53,792**	**6.4%**	**39,447**	**37,392**	**5.5%**	**17,788**	**16,400**	**8.5%**
Deposits and other resources from customers	55,758	52,390	6.4%	38,108	36,100	5.6%	17,651	16,290	8.4%
Debt securities	1,477	1,402	5.3%	1,339	1,293	3.6%	138	109	26.0%
Off-balance sheet customer funds	**18,051**	**17,814**	**1.3%**	**14,876**	**14,365**	**3.6%**	**3,175**	**3,450**	**-8.0%**
Assets under management	5,259	5,339	-1.5%	3,041	2,958	2.8%	2,218	2,381	-6.8%
Assets placed with customers	3,794	4,241	-10.5%	3,335	3,697	-9.8%	459	544	-15.7%
Insurance products (savings and investment)	8,998	8,234	9.3%	8,501	7,710	10.3%	497	525	-5.2%
Loans to customers (gross)	**51,387**	**50,959**	**0.8%**	**37,317**	**37,984**	**-1.8%**	**14,070**	**12,976**	**8.4%**
Individuals	**27,949**	**27,210**	**2.7%**	**19,183**	**19,093**	**0.5%**	**8,766**	**8,116**	**8.0%**
Mortgage	23,861	23,365	2.1%	17,174	17,087	0.5%	6,687	6,278	6.5%
Personnel Loans	4,087	3,845	6.3%	2,009	2,006	0.1%	2,079	1,839	13.1%
Companies	**23,439**	**23,750**	**-1.3%**	**18,135**	**18,891**	**-4.0%**	**5,304**	**4,859**	**9.1%**
CREDIT QUALITY									
Total overdue loans	1,919	2,927	-34.4%	1,566	2,578	-39.3%	353	349	1.1%
Overdue loans by more than 90 days	1,816	2,807	-35.3%	1,534	2,527	-39.3%	282	280	0.7%
Overdue loans by more than 90 days / Loans to customers	3.5%	5.5%		4.1%	6.7%		2.0%	2.2%	
Total impairment (balance sheet)	2,826	3,447	-18.0%	2,310	2,915	-20.8%	516	532	-3.0%
Total impairment (balance sheet) / Loans to customers	5.5%	6.8%		6.2%	7.7%		3.7%	4.1%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	155.6%	122.8%		150.6%	115.4%		182.9%	189.9%	
Non-Performing Exposures	5,178	7,122	-27.3%	4,437	6,286	-29.4%	741	836	-11.3%
Non-Performing Exposures / Loans to customers	10.1%	14.0%		11.9%	16.5%		5.3%	6.4%	
Restructured loans	3,536	4,110	-14.0%	3,023	3,540	-14.6%	513	570	-10.1%
Restructured loans / Loans to customers	6.9%	8.1%		8.1%	9.3%		3.6%	4.4%	
Cost of risk (net of recoveries, in b.p.)	68	85		73	96		54	53	
Total impairment (balance sheet) / NPE	54.6%	48.4%		52.1%	46.4%		69.6%	63.6%	

(1) Not considering income arising from operations accounted as discontinued operations, in the amount of Euro 13.5 million.

(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 March 2018 is presented according to the new criteria.

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2019 AND 2018

(Thousands of euros)

	31 March 2019	31 March 2018
Interest and similar income	471,995	473,098
Interest expense and similar charges	(109,286)	(128,293)
NET INTEREST INCOME	362,709	344,805
Dividends from equity instruments	46	69
Net fees and commissions income	166,610	167,816
Net gains / (losses) from financial operations at fair value through profit or loss	8,659	(8,661)
Net gains / (losses) from foreign exchange	17,386	17,969
Net gains / (losses) from hedge accounting operations	(7,122)	77
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(5,764)	(15,610)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	47,149	40,667
Net gains / (losses) from insurance activity	2,739	12
Other operating income / (losses)	(29,537)	(23,996)
TOTAL OPERATING INCOME	562,875	523,148
Staff costs	152,227	142,302
Other administrative costs	80,477	89,536
Amortisations and depreciations	26,829	14,200
TOTAL OPERATING EXPENSES	259,533	246,038
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	303,342	277,110
Impairment for financial assets at amortised cost	(86,908)	(104,888)
Impairment for financial assets at fair value through other comprehensive income	(486)	1,371
Impairment for other assets	(20,569)	(16,520)
Other provisions	4,024	(9,903)
NET OPERATING INCOME	199,403	147,170
Share of profit of associates under the equity method	18,628	19,798
Gains / (losses) arising from sales of subsidiaries and other assets	16,166	(5,143)
NET INCOME BEFORE INCOME TAXES	234,197	161,825
Income taxes		
Current	(31,160)	(23,127)
Deferred	(34,289)	(26,188)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	168,748	112,510
Income arising from discontinued or discontinuing operations	13,454	-
NET INCOME AFTER INCOME TAXES	182,202	112,510
Net income for the period attributable to:		
Bank's Shareholders	153,843	85,589
Non-controlling interests	28,359	26,921
NET INCOME FOR THE PERIOD	182,202	112,510
Earnings per share (in Euros)		
Basic	0.042	0.023
Diluted	0.042	0.023

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2019 AND 2018 AND 31 DECEMBER 2018

(Thousands of euros)

	31 March 2019	31 December 2018	31 March 2018
ASSETS			
Cash and deposits at Central Banks	2,292,067	2,753,839	2,265,834
Loans and advances to credit institutions repayable on demand	288,207	326,707	254,535
Financial assets at amortised cost			
Loans and advances to credit institutions	1,021,583	890,033	863,993
Loans and advances to customers	45,971,778	45,560,926	45,039,858
Debt securities	3,465,297	3,375,014	2,900,322
Financial assets at fair value through profit or loss			
Financial assets held for trading	907,437	870,454	1,234,631
Financial assets not held for trading mandatorily at fair value through profit or loss	1,393,182	1,404,684	1,608,527
Financial assets designated at fair value through profit or loss	33,005	33,034	142,358
Financial assets at fair value through other comprehensive income	14,663,562	13,845,625	10,814,387
Assets with repurchase agreement	185,246	58,252	33,469
Hedging derivatives	162,126	123,054	141,704
Investments in associated companies	444,379	405,082	498,805
Non-current assets held for sale	1,674,793	1,868,458	2,144,725
Investment property	63,814	11,058	12,485
Other tangible assets	621,891	461,276	481,590
Goodwill and intangible assets	170,866	174,395	179,775
Current tax assets	39,166	32,712	24,834
Deferred tax assets	2,844,563	2,916,630	2,956,937
Other assets	875,385	811,816	1,075,152
TOTAL ASSETS	77,118,347	75,923,049	72,673,921
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	7,397,468	7,752,796	7,427,084
Resources from customers	53,321,647	52,664,687	49,535,101
Non subordinated debt securities issued	1,639,824	1,686,087	1,982,658
Subordinated debt	1,270,383	1,072,105	1,179,353
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	331,628	327,008	408,651
Financial liabilities at fair value through profit or loss	3,636,292	3,603,647	3,775,013
Hedging derivatives	272,759	177,900	140,827
Provisions	360,062	350,832	340,371
Current tax liabilities	14,656	18,547	12,835
Deferred tax liabilities	6,702	5,460	5,528
Other liabilities	1,278,224	1,300,074	1,041,326
TOTAL LIABILITIES	69,529,645	68,959,143	65,848,747
EQUITY			
Share capital	4,725,000	4,725,000	5,600,738
Share premium	16,471	16,471	16,471
Preference shares	-	-	59,910
Other equity instruments	402,922	2,922	2,922
Legal and statutory reserves	264,608	264,608	252,806
Treasury shares	(75)	(74)	(296)
Reserves and retained earnings	852,477	470,481	(249,167)
Net income for the period attributable to Bank's Shareholders	153,843	301,065	85,589
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,415,246	5,780,473	5,768,973
Non-controlling interests	1,173,456	1,183,433	1,056,201
TOTAL EQUITY	7,588,702	6,963,906	6,825,174
TOTAL LIABILITIES AND EQUITY	77,118,347	75,923,049	72,673,921

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 Mar. 19	31 Mar. 18
Loans to customers (net) (1)		48,561	47,512
Balance sheet customer funds (2)		57,235	53,792
	(1) / (2)	84.8%	88.3%

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

		3M 19	3M 18
Net income (1)		154	86
Non-controlling interests (2)		28	27
Average total assets (3)		76,812	72,634
	[(1) + (2), annualised] / (3)	1.0%	0.6%

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

		3M 19	3M 18
Net income (1)		154	86
Average equity (2)		5,895	5,701
	[(1), annualised] / (2)	10.6%	6.1%

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

		3M 19	3M 18
Operating costs (1)		260	246
Specific items (2)		6	3
Net operating revenues (3)		598	538
	[(1) - (2)] / (3)	42.4%	45.1%

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) recognised in the period and the stock of loans to customers at the end of that period.

Euro million

		3M 19	3M 18
Loans to customers at amortised cost, before impairment (1)		51,083	50,095
Loan impairment charges (net of recoveries) (2)		87	106
	[(2), annualised] / (1)	68	85

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 Mar. 19	31 Mar. 18
Non-Performing Exposures (1)		5,178	7,122
Loans to customers (gross) (2)		51,387	50,959
	(1) / (2)	10.1%	14.0%

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 Mar. 19	31 Mar. 18
Non-Performing Exposures (1)		5,178	7,122
Loans impairments (balance sheet) (2)		2,826	3,447
	(2) / (1)	54.6%	48.4%

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

1) Loans to customers

Euro million

	31 Mar. 19	31 Mar. 18
Loans to customers at amortised cost (disclosed Balance Sheet)	45,972	45,040
Debt instruments at amortised cost associated to credit operations	2,301	1,910
Balance sheet amount of loans to customers at fair value through profit or loss	288	562
Loan to customers (net) considering management criteria	48,561	47,512
Balance sheet impairment related to loans to customers at amortised cost	2,783	3,102
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	27	43
Fair value adjustments related to loans to customers at fair value through profit or loss	16	302
Loan to customers (gross) considering management criteria	51,387	50,959

2) Loans impairment (P&L)

Euro million

	3M 19	3M 18
Impairment of financial assets at amortised cost (disclosed P&L) (1)	87	105
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	0	0
Impairment of financial assets at amortised cost not associated with credit operations (3)	0	-1
Loans impairment considering management criteria (1)-(2)-(3)	87	106

3) Balance sheet customer funds

Euro million

	31 Mar. 19	31 Mar. 18
Financial liabilities at fair value through profit or loss (disclosed Balance sheet)	3,636	3,775
Debt securities at fair value through profit or loss and certificates	-1,200	-920
Customer deposits at fair value through profit or loss considering management criteria	2,437	2,855
Resources from customers at amortised cost (disclosed Balance sheet)	53,322	49,535
Deposits and other resources from customers considering management criteria (1)	55,758	52,390
Non subordinated debt securities issued at amortised cost (disclosed Balance sheet)	1,640	1,983
Debt securities at fair value through profit or loss and certificates	1,200	920
Non subordinated debt securities placed with institucional customers	-1,363	-1,501
Debt securities placed with customers considering management criteria (2)	1,477	1,402
Balance sheet customer funds considering management criteria (1)+(2)	57,235	53,792

4) Securities portfolio

		Euro million
	31 Mar. 19	31 Mar. 18
Debt instruments at amortised cost (disclosed Balance sheet)	3,465	2,900
Debt instruments at amortised cost associated to credit operations net of impairment	-2,301	-1,910
Debt instruments at amortised cost considering management criteria (1)	1,164	990
Financial assets not held for trading mandatorily at fair value through profit or loss (disclosed Balance sheet)	1,393	1,609
Balance sheet amount of loans to customers at fair value through profit or loss	-288	-562
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (2)	1,105	1,046
Financial assets held for trading (disclosed Balance sheet) (3)	907	1,235
of which: trading derivatives (4)	662	737
Financial assets designated at fair value through profit or loss (disclosed Balance sheet) (5)	33	142
Financial assets at fair value through other comprehensive income (disclosed Balance sheet) (6)	14,664	10,814
Assets with repurchase agreement (disclosed Balance sheet) (7)	185	33
Securities portfolio considering management criteria (1)+(2)+(3)-(4)+(5)+(6)+(7)	17,397	13,524

Glossary and alternative performance measures

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

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

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

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

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

Cost of risk, net (expressed in basis points) - ratio of loans impairment (P&L) accounted in the period to loans to customers at amortised cost and debt instruments at amortised cost related to credit operations before impairment at the end of the period.

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.

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 (net of reversals and net of recoveries - principal and accrual) of financial assets at amortised cost for loans to customers 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 and results from derecognition of financial assets measured at fair value through other comprehensive.

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 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 (net of reversals) of financial assets at amortised cost for loans and advances of credit institutions, impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations), other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, investments in associated companies and goodwill of subsidiaries and other provisions.

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

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

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

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

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

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

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

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

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

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income and assets with repurchase agreement.

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.

Accounts and Notes to the Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2019 AND 2018

(Thousands of euros)

	Notes	31 March 2019	31 March 2018
Interest and similar income	2	471,995	473,098
Interest expense and similar charges	2	(109,286)	(128,293)
NET INTEREST INCOME		362,709	344,805
Dividends from equity instruments	3	46	69
Net fees and commissions income	4	166,610	167,816
Net gains / (losses) from financial operations at fair value through profit or loss	5	8,659	(8,661)
Net gains / (losses) from foreign exchange	5	17,386	17,969
Net gains / (losses) from hedge accounting operations	5	(7,122)	77
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(5,764)	(15,610)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	47,149	40,667
Net gains / (losses) from insurance activity		2,739	12
Other operating income / (losses)	6	(29,537)	(23,996)
TOTAL OPERATING INCOME		562,875	523,148
Staff costs	7	152,227	142,302
Other administrative costs	8	80,477	89,536
Amortisations and depreciations	9	26,829	14,200
TOTAL OPERATING EXPENSES		259,533	246,038
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		303,342	277,110
Impairment for financial assets at amortised cost	10	(86,908)	(104,888)
Impairment for financial assets at fair value through other comprehensive income	11	(486)	1,371
Impairment for other assets	12	(20,569)	(16,520)
Other provisions	13	4,024	(9,903)
NET OPERATING INCOME		199,403	147,170
Share of profit of associates under the equity method	14	18,628	19,798
Gains / (losses) arising from sales of subsidiaries and other assets	15	16,166	(5,143)
NET INCOME BEFORE INCOME TAXES		234,197	161,825
Income taxes			
Current	30	(31,160)	(23,127)
Deferred	30	(34,289)	(26,188)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		168,748	112,510
Income arising from discontinued or discontinuing operations	16	13,454	-
NET INCOME AFTER INCOME TAXES		182,202	112,510
Net income for the period attributable to:			
Bank's Shareholders		153,843	85,589
Non-controlling interests	44	28,359	26,921
NET INCOME FOR THE PERIOD		182,202	112,510
Earnings per share (in Euros)			
Basic	17	0.042	0.023
Diluted	17	0.042	0.023

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2019 AND 2018

(Thousands of euros)

	31 March 2019				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	168,748	13,454	182,202	153,843	28,359
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	99,283	-	99,283	105,863	(6,580)
Reclassification of (gains) / losses to profit or loss	(47,149)	-	(47,149)	(44,299)	(2,850)
Cash flows hedging					
Gains / (losses) for the period	63,330	-	63,330	58,146	5,184
Other comprehensive income from investments in associates and others	5,019	-	5,019	4,985	34
Exchange differences arising on consolidation	(8,586)	-	(8,586)	(5,211)	(3,375)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 43)	3,636	-	3,636	3,636	-
Fiscal impact	(38,000)	-	(38,000)	(38,807)	807
	77,533	-	77,533	84,313	(6,780)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period	384	-	384	46	338
Changes in credit risk of financial liabilities at fair value through profit or loss	(579)	-	(579)	(579)	-
Actuarial gains / (losses) for the period					
Pension Fund - other associated companies	(1,705)	-	(1,705)	(1,705)	-
Fiscal impact	(149)	-	(149)	(85)	(64)
	(2,049)	-	(2,049)	(2,323)	274
Other comprehensive income / (loss) for the period	75,484	-	75,484	81,990	(6,506)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	244,232	13,454	257,686	235,833	21,853

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	31 March 2018		
		Attributable to	
	Continuing operations	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	112,510	85,589	26,921
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT			
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the period	75,215	69,061	6,154
Reclassification of (gains) / losses to profit or loss	(40,667)	(40,288)	(379)
Cash flows hedging			
Gains / (losses) for the period	3,883	2,425	1,458
Other comprehensive income from investments in associates and others	2,748	2,754	(6)
Exchange differences arising on consolidation	(90,541)	(73,048)	(17,493)
IAS 29 application			
Effect on equity of Banco Millennium Atlântico, S.A (note 43)	8,001	8,001	-
Others	(559)	(559)	-
Fiscal impact	(11,059)	(9,750)	(1,309)
	(52,979)	(41,404)	(11,575)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the period	3,271	3,302	(31)
Changes in credit risk of financial liabilities at			
fair value through profit or loss	513	513	-
Fiscal impact	(3,667)	(3,673)	6
	117	142	(25)
Other comprehensive income / (loss) for the period	(52,862)	(41,262)	(11,600)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	59,648	44,327	15,321

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2019 AND 31 DECEMBER 2018

	Notes	31 March 2019	31 December 2018
ASSETS			
Cash and deposits at Central Banks	18	2,292,067	2,753,839
Loans and advances to credit institutions repayable on demand	19	288,207	326,707
Financial assets at amortised cost			
Loans and advances to credit institutions	20	1,021,583	890,033
Loans and advances to customers	21	45,971,778	45,560,926
Debt securities	22	3,465,297	3,375,014
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	907,437	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	23	1,393,182	1,404,684
Financial assets designated at fair value through profit or loss	23	33,005	33,034
Financial assets at fair value through other comprehensive income	23	14,663,562	13,845,625
Assets with repurchase agreement		185,246	58,252
Hedging derivatives	24	162,126	123,054
Investments in associated companies	25	444,379	405,082
Non-current assets held for sale	26	1,674,793	1,868,458
Investment property	27	63,814	11,058
Other tangible assets	28	621,891	461,276
Goodwill and intangible assets	29	170,866	174,395
Current tax assets		39,166	32,712
Deferred tax assets	30	2,844,563	2,916,630
Other assets	31	875,385	811,816
TOTAL ASSETS		77,118,347	75,923,049
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	7,397,468	7,752,796
Resources from customers	33	53,321,647	52,664,687
Non subordinated debt securities issued	34	1,639,824	1,686,087
Subordinated debt	35	1,270,383	1,072,105
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	331,628	327,008
Financial liabilities at fair value through profit or loss	37	3,636,292	3,603,647
Hedging derivatives	24	272,759	177,900
Provisions	38	360,062	350,832
Current tax liabilities		14,656	18,547
Deferred tax liabilities	30	6,702	5,460
Other liabilities	39	1,278,224	1,300,074
TOTAL LIABILITIES		69,529,645	68,959,143
EQUITY			
Share capital	40	4,725,000	4,725,000
Share premium	40	16,471	16,471
Other equity instruments	40	402,922	2,922
Legal and statutory reserves	41	264,608	264,608
Treasury shares	42	(75)	(74)
Reserves and retained earnings	43	852,477	470,481
Net income for the period attributable to Bank's Shareholders		153,843	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,415,246	5,780,473
Non-controlling interests	44	1,173,456	1,183,433
TOTAL EQUITY		7,588,702	6,963,906
TOTAL LIABILITIES AND EQUITY		77,118,347	75,923,049

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2019 AND 2018

(Thousands of euros)

	31 March 2019	31 March 2018
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	379,860	421,777
Commissions received	209,689	206,848
Fees received from services rendered	17,782	29,873
Interests paid	(97,344)	(111,321)
Commissions paid	(33,599)	(31,532)
Recoveries on loans previously written off	6,660	5,053
Net earned insurance premiums	5,265	3,100
Claims incurred of insurance activity	(1,378)	(2,398)
Payments (cash) to suppliers and employees	(302,919)	(294,503)
Income taxes (paid) / received	(27,915)	(11,926)
	156,101	214,971
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(132,715)	148,356
Deposits held with purpose of monetary control	-	50,061
Loans and advances to customers receivable / (granted)	(472,078)	(205,376)
Short term trading account securities	(117,818)	(382,407)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	53,416	(11,341)
Deposits from credit institutions with agreed maturity date	(402,176)	(41,032)
Loans and advances to customers repayable on demand	487,622	1,131,129
Deposits from customers with agreed maturity date	6,967	68,203
	(420,681)	972,564
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Dividends received	46	69
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	70,341	61,948
Sale of financial assets at fair value through other comprehensive income and at amortised cost	6,098,173	4,284,658
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(15,767,439)	(25,545,510)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	8,816,542	20,648,158
Acquisition of tangible and intangible assets	(10,428)	(12,428)
Sale of tangible and intangible assets	60,953	946
Decrease / (increase) in other sundry assets	(50,825)	(202,129)
	(782,637)	(764,288)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	192,817	1,454
Reimbursement of subordinated debt	(322)	-
Issuance of debt securities	154,571	54,915
Reimbursement of debt securities	(87,626)	(150,474)
Issuance of commercial paper and other securities	82,889	4,885
Reimbursement of commercial paper and other securities	(24,349)	(20,068)
Issue of Perpetual Subordinated Bonds (Additional Tier 1)	396,807	-
Dividends paid to non-controlling interests	(15,507)	(9,088)
Increase / (decrease) in other sundry liabilities and non-controlling interests	12,352	57,544
	711,632	(60,832)
Exchange differences effect on cash and equivalents	(8,586)	(90,541)
Net changes in cash and equivalents	(500,272)	56,903
Cash (note 18)	566,202	540,608
Deposits at Central Banks (note 18)	2,187,637	1,627,326
Loans and advances to credit institutions repayable on demand (note 19)	326,707	295,532
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3,080,546	2,463,466
Cash (note 18)	466,990	530,540
Deposits at Central Banks (note 18)	1,825,077	1,735,294
Loans and advances to credit institutions repayable on demand (note 19)	288,207	254,535
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	2,580,274	2,520,369

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2019 AND 2018

(Thousands of euros)

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non--controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2017	5,600,738	16,471	59,910	2,922	252,806	(293)	(38,130)	186,391	6,080,815	1,098,921	7,179,736
Transition adjustments IFRS 9											
Gross value	-	-	-	-	-	-	(218,184)	-	(218,184)	(36,999)	(255,183)
Taxes	-	-	-	-	-	-	(155,472)	-	(155,472)	6,888	(148,584)
	-	-	-	-	-	-	(373,656)	-	(373,656)	(30,111)	(403,767)
BALANCES AS AT 1 JANUARY 2018	5,600,738	16,471	59,910	2,922	252,806	(293)	(411,786)	186,391	5,707,159	1,068,810	6,775,969
Net income for the period	-	-	-	-	-	-	-	85,589	85,589	26,921	112,510
Other comprehensive income	-	-	-	-	-	-	(41,262)	-	(41,262)	(11,600)	(52,862)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(41,262)	85,589	44,327	15,321	59,648
Results application:											
Transfers for reserves and retained earnings	-	-	-	-	-	-	186,391	(186,391)	-	-	-
Costs related to the share capital increase	-	-	-	-	-	-	72	-	72	-	72
Acquisition of 51% of Planfipsa Group	-	-	-	-	-	-	-	-	-	(17,571)	(17,571)
Dividends (a)	-	-	-	-	-	-	-	-	-	(9,088)	(9,088)
Treasury shares	-	-	-	-	-	(3)	-	-	(3)	-	(3)
Other reserves	-	-	-	-	-	-	(83)	-	(83)	(59)	(142)
BALANCE AS AT 31 MARCH 2018	5,600,738	16,471	59,910	2,922	252,806	(296)	(266,668)	85,589	5,751,472	1,057,413	6,808,885
Net income for the period	-	-	-	-	-	-	-	215,476	215,476	90,888	306,364
Other comprehensive income	-	-	-	-	-	-	(127,999)	-	(127,999)	(3,909)	(131,908)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(127,999)	215,476	87,477	86,979	174,456
Results application:											
Legal reserve	-	-	-	-	11,802	-	-	(11,802)	-	-	-
Transfers for Reserves and retained earnings	-	-	-	-	-	-	(11,802)	11,802	-	-	-
Share capital decrease (note 40)	(875,738)	-	-	-	-	-	875,738	-	-	-	-
Reimbursement of preference shares (note 40)	-	-	(59,910)	-	-	-	373	-	(59,537)	-	(59,537)
Costs related to the share capital increase	-	-	-	-	-	-	(113)	-	(113)	-	(113)
Constitution and acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	38,930	38,930
Dividends from preference shares	-	-	-	-	-	-	(722)	-	(722)	-	(722)
Dividends from other equity instruments	-	-	-	-	-	-	(149)	-	(149)	-	(149)
Treasury shares	-	-	-	-	-	222	-	-	222	-	222
Gains arising on sale of 10% of Setelote	-	-	-	-	-	-	252	-	252	-	252
Other reserves	-	-	-	-	-	-	1,571	-	1,571	111	1,682
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	-	2,922	264,608	(74)	470,481	301,065	5,780,473	1,183,433	6,963,906
Net income for the period	-	-	-	-	-	-	-	153,843	153,843	28,359	182,202
Other comprehensive income	-	-	-	-	-	-	81,990	-	81,990	(6,506)	75,484
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	81,990	153,843	235,833	21,853	257,686
Results application:											
Transfers for reserves and retained earnings	-	-	-	-	-	-	301,065	(301,065)	-	-	-
Issue of perpetual subordinated bonds (Additional Tier 1) (note 40)	-	-	-	400,000	-	-	-	-	400,000	-	400,000
Taxes on interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	1,190	-	1,190	-	1,190
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	(3,193)	-	(3,193)	-	(3,193)
Taxes on costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	671	-	671	-	671
Sale of subsidiaries	-	-	-	-	-	-	-	-	-	(16,296)	(16,296)
Dividends (a)	-	-	-	-	-	-	-	-	-	(15,507)	(15,507)
Treasury shares (note 42)	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Other reserves (note 43)	-	-	-	-	-	-	273	-	273	(27)	246
BALANCE AS AT 31 MARCH 2019	4,725,000	16,471	-	402,922	264,608	(75)	852,477	153,843	6,415,246	1,173,456	7,588,702

(a) Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed 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 three months ended 31 March 2019 and 2018.

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. 5/2015 (which revoked Bank of Portugal Notice No. 1/2005), 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 30 April 2019 by the Bank's Executive Committee. 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 interim condensed consolidated financial statements for the three month period ended 31 March 2019 were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and therefore it does not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that they should be read with the consolidated financial statements with reference to 31 December 2018.

These interim condensed consolidated financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2019. The accounting policies 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, except for the changes resulting from the adoption of the following standard with reference to 1 January 2019: IFRS 16 - Leases. This standard replaces IAS 17 – Leases and establishes the new requirements regarding the scope, classification/recognition and measurement of leases.

On 1 January 2019, the Group carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Group will apply this standard retrospectively, with its transition impacts being recognised on 1 January 2019. This way, comparative information will not be restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group will recognise a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right-to-use by the lease liability amount.

The Group's financial statements are prepared under the going concern assumption and 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 at fair value through other comprehensive income. 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 Z.

B. Basis of consolidation

As from 1 January 2010, the Group began to apply 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.

B1. 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.

B2. Investments in associates

Investments in associated companies are registered 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.

B3. 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.

B4. 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.

B5. 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.

B6. 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.

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 considering 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 considering 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".

B7. 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. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

At the initial recognition, financial assets are classified into one of the following categories:

i) Financial assets at amortized cost;
ii) Financial assets at fair value through other comprehensive income; or
iii) Financial assets at fair value through profit or loss.

The classification is made taking into consideration the following aspects:

- the Group's business model for the management of the financial asset; and
- the characteristics of the contractual cash flows of the financial asset.

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 sales periodicity in previous periods, the reasons for those sales and the expectations about future sales. However, sales information should not be considered singly 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 option are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows (HTC) nor for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond to Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, "principal" 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 fulfil the SPPI condition. In the evaluation process, the Group considered that:

- contingent events that may change the periodicity and the amount of the cash flows;
- characteristics that result in leverage;
- terms of prepayment and extension of maturity;
- terms that may limit the right of the Group to claim cash flows in relation to specific assets (e.g. contracts with – terms which prevent access to assets in case of default - non-recourse asset); and
- characteristics that may change the time value of money.

In addition, an advanced payment is consistent with the SPPI criterion if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominalvalue;
- the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest, but not paid (may include reasonable compensation for prepayment); and
- the prepaid fair value is insignificant at initial recognition.

C1.1. 1. Financial assets at amortized cost

Classification

A financial asset is classified under the category "Financial assets at amortized cost" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortized cost" category includes Loans and advances to credit institutions, Loans and advances to customers and debt instruments managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, bonds issued by companies and commercial paper).

Initial recognition and subsequent measurement

Loans and advances to credit institutions and Loans and advances to customers are recognised at the date the funds are made available to the counterparty (settlement date). Debt instruments are recognised on the trade date, that is, on the date the Group accepts to acquire them.

Financial assets at amortised cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortized cost. In addition, they are subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5), which are recorded in "'Impairment of financial assets measured at amortised cost".

Interest on financial assets at amortized cost is recognised under "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

Gains or losses generated at the time of derecognition are recorded in the caption "Gains / (losses) with derecognition of financial assets and liabilities at amortised cost".

C1.1. 2. Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified under the category of "Financial assets at fair value through other comprehensive income" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and;
- the contractual cash flows occurs on specified dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, in the initial recognition of an equity instrument that is not held for trading, nor a contingent retribution is recognised by an acquirer in a business combination which applies IFRS 3, the Group may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case basis and is only available for financial instruments that comply with the definition of equity instruments provided for in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific income statement "Gains or losses on derecognition of financial assets at fair value through other comprehensive income."

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5.). Impairment losses are recognised in the income statement under "Impairment for financial assets at fair value through other comprehensive income", against Other comprehensive income, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts on financial assets at fair value through other comprehensive income are recognised in "Interest and similar income" based on the effective interest rate method and in accordance with the criteria described in note C3.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. The changes in the fair value of these financial assets are recorded against Other comprehensive income. Dividends are recognised in profit or losses when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses recorded in fair value changes are transferred to retained earnings at the time of their derecognition.

C1.1. 3. Financial assets at fair value through profit or loss

Classification

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the Bank for its management or the characteristics of its contractual cash flows does not meet the conditions described above to be measured at amortised cost or at fair value through other comprehensive income (FVOCI).

In addition, the Group may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces measurement or recognition inconsistency (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis.

The Group classified "Financial assets at fair value through profit and loss" in the following captions:

a) Financial assets held for trading

These financial assets are acquired with the purpose of short term selling; on the initial recognition are part of an identified financial instruments portfolio that are managed together and for which there is evidence of short-term profit-taking; or are a derivative (except for hedging derivative).

b) Financial assets not held for trading mandatorily at fair value through profit or loss

This item classifies debt instruments whose contractual cash flows do not correspond only to repayments of principal and interest on the principal amount outstanding (SPPI).

c) Financial assets designated at fair value through profit or loss

This item includes the financial assets that the Group has chosen to designate at fair value through profit or loss to eliminate accounting mismatch.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are in market conditions, financial assets at fair value through profit or loss are initially recognised at their fair value, with the costs or income associated with the transactions recognised in profit or loss at the initial moment, with subsequent changes in fair value recognised in profit or loss.

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. Dividends are recognised in profit or losses when the right to receive them is attributed.

Trading derivatives with a positive fair value are included under the heading "Financial assets held for trading", trading derivatives with negative fair value are included in "Financial liabilities held for trading".

C1.2. Reclassification between categories of financial assets

Financial assets should be reclassified to other categories only if the business model used in their management has changed. In this case, all financial assets affected must be reclassified.

The reclassification must be applied prospectively from the date of reclassification, and any gains, losses (including related to impairment) or interest previously recognised should not be restated.

Reclassifications of investments in equity instruments measured at fair value through other comprehensive income, or financial instruments designated at fair value through profit or loss, are not permitted.

C1.3. Modification and derecognition of financial assets

General principles

i) The Group shall derecognise a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset as set out in notes ii) and iii) bellow and the transfer qualifies for derecognition in accordance with note iv).

ii) The Group transfers a financial asset if, and only if, it either:

- transfers the contractual rights to receive the cash flows of the financial asset, or
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions in note iii).

iii) When the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), the Group shall treat the transaction as a transfer of a financial asset if all of the following three conditions are met:

- There is no obligation of the Group to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
- The Group is contractually prohibited from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
- The Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 Statement of Cash Flows) during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

iv) When the Group transfers a financial asset (see note ii) above), it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- if the Group transfers substantially all the risks and rewards of ownership of the financial asset, shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
- if the Group retains substantially all the risks and rewards of ownership of the financial asset, it shall continue to recognize the financial asset.

- if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset. In this case:

a) if the Group has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
b) if the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

v) The transfer of risks and rewards (see prior note) is evaluated by comparing the Group's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.

vi) The question of whether the Group has retained control (see note iv above) of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the entity has not retained control. In all other cases, the entity has retained control.

Derecognition criteria

In the context of the general principles listed in the prior section and considering that contract modification processes may lead in some circumstances to the derecognition of the original financial assets and recognition of new ones (subject to POCI identification) the purpose of this section is to set the criteria and circumstances that may lead to the derecognition of a financial asset.

The Group considers that a modification in the terms and conditions of a credit exposure will result in derecognition of the transaction and on recognition of a new transaction when the modification translates into at least one of the following conditions:

- Origination of a new exposure that results from a debt consolidation, without any of the derecognised instruments have a nominal amount higher than 90% of the nominal amount of the new instrument;
- Double extension of residual maturity, provided that the extension is not shorter than 3 years compared with the residual maturity at the moment of the modification;
- Increase of on-balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);
- Change in qualitative features, namely:

a) change of the currency unless the exchange rate between the old and new currencies is pegged or managed within narrow bounds by law or relevant monetary authorities;
b) deletion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be the exercised over its term;
c) Transfer of the credit risk of the instrument to another borrower, or a significant change in the structure of borrowers within the instrument.

Loans written-off

The Group write off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This registration occurs after all the recovery actions developed by the Group prove to be fruitless. Loans written off are recorded in off-balance sheet accounts.

C1.4. Purchase or originated credit impaired assets

Purchase or originated credit impaired (POCI) assets are credit-impaired assets on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

The two events that lead to the originations of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition (note C1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, that the existence of a significant discount reflects credit losses incurred at the time of its initial recognition.

On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime expected credit losses (ECL's) are incorporated into the calculation of the effective interest rate (EIR). Consequently, at initial recognition, the gross book value of POCI (initial balances) is equal to the net book value before being recognised as POCI (difference between the initial balance and the total discounted cash flows).

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

The Group recognises impairment losses for expected credit losses on financial instruments recorded in the following accounting items:

C1.5.1. 1. Financial assets at amortised cost

Impairment losses on financial assets at amortised cost reduce the balance sheet value of these financial assets against the balance "Impairment for financial assets at amortised cost" (in statement of income).

C1.5.1. 2. Debt instruments at fair value through other comprehensive income

Impairment losses for debt instruments at fair value through other comprehensive income are recognised in statement of income under "Impairment for financial assets at fair value through other comprehensive income", against other comprehensive income (do not reduce the balance sheet of these financial assets).

C1.5.1. 3. Credit commitments, documentary credits and financial guarantees

Impairment losses associated with credit commitments, documentary credits and financial guarantees are recognised in liabilities, under the balance "Provisions for guarantees and other commitments", against "Other provisions" (in statement of income).

C1.5.2. Classification of financial instruments by stages

	Changes in credit risk from the initial recognition		
	Stage 1	Stage 2	Stage 3
Classification criterion	Initial recognition	Significant increase in credit risk since initial recognition	Impaired
Impairment losses	12-month expected credit losses	Lifetime expected credit losses	

The Group determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified into one of the following three stages:

- Stage 1: are classified in this stage the operations in which there is no significant increase in credit risk since its initial recognition. Impairment losses associated with operations classified at this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses).

- Stage 2: are classified in this stage the operations in which there is a significant increase in credit risk since its initial recognition (note C1.5.3) but are not impaired (note C1.5.4). Impairment losses associated with operations classified at this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses).

- Stage 3: are classified in this stage the impaired operations. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

C1.5.3. Significant increase in credit risk (SICR)

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria. These criteria are mainly based on the risk grades of customers in accordance with the Bank's Rating Master Scale and its evolution in order to detect significant increases in Probability of Default (PD), complemented by other information regarding the customers behaviour towards the financial system.

C1.5.4. Definition of financial assets in default and impaired

Customers who meet at least one of the following criteria are considered to be in default:

a) Customers that are in default or with a limit exceeded for more than 90 days above the materiality applicable;
b) Customers subjected to individual analysis of impairment, for which the amount of impairment represents more than 20% of total exposure;
c) Customers submitted to the individual analysis of impairment and for which impairment value exceeds Euros 5 million;
d) Clients declared insolvent;
e) Customers that are subject to judicial recovery, excluding guarantors;
f) Customers with financial difficulties restructured operations for which it is registered at the time of restructuring a higher economic loss to Euros 5 million or 20% of total exposure;
g) Customers with restructured operations by financial difficulties, due for more than 45 days above the customer applicable materiality considering all its the credit operations;
h) Customers that have a recurrence of operations restructured due to financial difficulties within 24 months from the default resulting from the previous restructuring. If, from the previous restructuring, it did not result in default, the 24 months count from the previous restructuring;
i) Customers whose part or all of their exposure was sold with a loss greater than 20% or Euros 5 million (excluding sales that results from balance sheet management decision and not from disposal of problem loans);
j) Customers taking place a new sale with loss, regardless of the amount, during a period of 24 months as from the triggering of the previous sale;
k) Guarantors of operations overdue with more than 90 days above the defined materiality, since that the respective guarantee has been activated;
l) Cross default at the BCP Group level;
m) Customers with restructured operations at a lower interest rate than the refinancing rate of the European Central Bank (unproductive credit).

Customers are considered to have objective signs of impairment (i.e. Impaired):

i) Customers in default, i.e. marked as grade 15 on the Bank's Rating Master Scale;
ii) Customers who submitted to a questionnaire for analysis of financial difficulties indications are considered with objective signs of impairment;
iii) Customers whose contracts values are due for more than 90 days, represent more than 20% of its total exposure in the balance sheet;
iv) The Non-Retail customers with one or more contracts in default for more than 90 days and whose total overdue amount exceeds Euros 500;
v) The Retail customers contracts in default for more than 90 days and in which the overdue amount exceeds Euros 200;
vi) Contracts restructured due to financial difficulties in default for more than 30 days and in which the overdue amount exceeds Euros 200.

C1.5.5. Estimates of expected credit losses - Individual analysis

1. Clients who are in one of the following conditions are subject to individual analysis:

Customers in default	Customers in litigation or insolvency since the total exposure of the group members in these situations exceed Euros 1 million
	Customers integrated into groups with an exposure of more than Euros 5 million, since they have a risk grade15
Groups or Customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or Customers with exposure of more than Euros 5 million since a group member has a risk grade14
	Groups or customers with exposure of more than 5 million euros, since a member of the Group have a restructured loan and a risk grade 13
	Groups or customers with exposure of more than Euros 10 million, since at least one member of the group is in stage 2
	Groups or customers, not included in the preceding paragraphs, the exposure exceeds Euros 25 million.

2. Regardless of the criteria described in the previous point, the individual analysis is only performed for customers with a credit exposure in excess of Euros 500,000, not considering customers with exposure below this limit for the purpose of determining the exposure referred to in the previous point.

3. 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 Purpose Vehicle (SPV);

4. The individual analysis includes the following procedures:

- For customers not in default, the analysis of financial difficulties indicators to determine whether the customer has objective signs of impairment, or whether it should be classified in Stage 2 given the occurrence of a significant increase in credit risk, considering the effect a set of predetermined signs
- For customers in default or for which the previous analysis has allowed to conclude that the customer has objective signs of impairment, determination of the loss.

5. The individual analysis is the responsibility of the managing director of customers and the Credit Department, the latter with respect to the customers managed by the Commercial Networks.

Impairment losses on individually assessed loans were determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Group assessed, 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 were 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 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.

6. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.

7. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the Customer's liabilities.

8. The recovery estimate referred to in the previous point should be influenced by future prospects (forward looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty as to the expected recovery estimate are identified.

9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

-For Going Concern strategies (i.e. the estimation is based on the cash flows of the business), the possibility of applying the 2 additional macroeconomic scenarios (optimistic and pessimistic) should be analysed in a global way, to ascertain if there is the risk of a skewed view of the expected losses from the consideration of only one account.
-For "Gone Concern" strategies (i.e. the recovery estimate is based on the realization of the collateral), the impact of the macroeconomic scenario on collaterals should be analysed, for example, to what extent the projected real estate index allows anticipate significant changes to the current valuation values.

10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt

11. For the purposes of the preceding paragraphs, the Studies, Planning and ALM Department shall disclose the macroeconomic data that allow the estimates to be made.

12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.

13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

- Recovery of collateral in geographies in which the Bank has no relevant recovery experience;
- Recovery of debt related to geographies in which there is a strong political instability;
- Recovery of non-real estate collateral for which there is no evidence of market liquidity;
- Recovery of related collateral or government guarantees in a currency other than the country's own;
- Recovery of debt related to debtors for whom there is a strong negative public exposure.

14. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, which is the final decision on the Customer's impairment.

15. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12 months equivalent to the risk grade of the customer.

16. The individual impairment analysis must be carried out at least annually. In case of significant signs of deterioration or improvement in the customer's economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review anticipated impairment of this Customer.

C1.5.6. Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped considering their risk characteristics and subject to a collective impairment analysis. The Group's credit portfolio is divided by internal risk grades and according to the following segments:

a) Segments with a reduced history of defaults, designated "low default": Large corporate exposures, Project finance, Institutions (banks / financial institutions) and Sovereigns.

b) Segments not "low default": - Retail: Mortgages; Overdrafts; Credit cards; Small and medium enterprises - Retail ("SME Retail"); and others. - Corporate: Small and medium enterprises - Corporate ("Large SME"); and Real Estate.

The Group performs statistical tests in order to prove the homogeneity of the segments mentioned above, with a minimum period of one year:

Expected credit losses are estimates of credit losses that are 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 current value of the expected repayments less the amounts that the Group expects to recover.

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 are obtained through internal statistical models and other relevant historical data, considering the already existing regulatory models adapted to the requirements of IFRS 9.

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 grades are a highly relevant input for determining the PD's associated with each exposure.

Group collects performance and default indicators about their credit risk exposures with analysis by types 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.

The Group adopted as a residual term criterion for renewable operations, when in stage 2, a term of 5 years. This term was determined based on the behavioural models of this type of products applied by the Bank in the liquidity risk and interest rate (ALM) analysis. According to these models, the maximum period of repayment of these operations is the 5 years considered conservatively in the scope of the calculation of credit impairment.

The Group uses models to forecast the evolution of the most relevant parameters to the expected credit losses, namely probability of default, which incorporate forward-looking information. This incorporation of forward looking information is carried out in the relevant elements considered for the calculation of expected credit losses (ECL).

The PD point in time considered for the determination of the probability of performing exposures at the reference date becoming defaulted exposures considers the expected values (in each scenario considered in the ECL calculation) for a set of macroeconomic variables. These relationships were developed specifically based on the Bank's historical information on the behaviour of this parameter (PDpit) in different economic scenarios and are different by customer segment and risk grade.

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- Financial liabilities at amortised cost;
- Financial liabilities at fair value through profit or loss.

C2.1.1. Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under "Financial liabilities at fair value through profit or loss" include:

a) Financial liabilities held for trading

In this balance are classified the issued liabilities with the purpose of repurchasing it in the near term, the ones that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative (except for a derivative classified as hedging instrument).

b) Financial liabilities designated at fair value through profit or loss.

The Group may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- the financial liability is managed, evaluated and reported internally at its fair value;
- the designation eliminates or significantly reduces the accounting mismatch of transactions.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognized as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium / discount (when applicable) is recognised on "Interest expense and similar charges" based on the effective interest rate of each transaction.

C2.1.2. Financial guarantees

If they are not designated at fair value through profit or loss at the time of initial recognition, the financial guarantee contracts are subsequently measured at the highest of the following amounts:

- the provision for losses determined according to the criteria described in note C1.5;
- the amount initially recognised deducted, where appropriate, from the accumulated amount of income recognised according with IFRS 15 - Revenue recognition.

Financial guarantee contracts that are not designated at fair value through profit or loss are presented under "Provisions".

C2.1.3. Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial assets at amortised cost" includes Resources from credit institutions, Resources from customers and subordinated and non-subordinated debt securities.

Initial recognition and subsequent measurement

Financial liabilities at amortized cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortized cost. Interests on financial liabilities at amortized cost are recognised on "Interest expense and similar charges", based on the effective interest rate method.

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

The Group derecognises financial liabilities when they are cancelled or extinct.

C3. Interest Recognition

Interest income and expense for financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (Net interest income) through the effective interest rate method. The interest at the effective rate related to financial assets at fair value through other comprehensive income are also recognised in net interest income.

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.

Interests income recognised in income associated with contracts classified in stage 1 or 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortized cost, before deducting the respective impairment. For financial assets included in stage 3, interests are recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e. for financial assets entering stage 3 interests are recognised on the amortized cost (net of impairment) in subsequent periods.

For purchase or originated credit impaired assets (POCIs), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

C4. Hedge accounting

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements set forth in IAS 39.

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.

C4.1. 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.

C4.2. 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.

C4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IFRS 9, 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.

C4.4. 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.

C5. Embedded Derivatives

An embedded derivative is a component of a hybrid agreement, which also includes a non-derived host instrument.

If the main instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described in note C1.1.3.

Derivatives embedded in contracts that are not considered financial assets are treated separately where the economic risks and benefits of the derivative are not related to those of the main instrument, since the hybrid instrument is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent fair value changes recorded in profit or loss for the period and presented in the trading derivatives portfolio.

D. Securitization operations

D1. Traditional securitizations

The Group has four residential mortgage credit securitizations operations (Magellan Mortgages No.1, No.2, No.3 and 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 and 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 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.

D2. 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 Group 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 Group 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 Group, in accordance of the CDS.

E. Equity instruments

A financial instrument is an equity instrument only if i) 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 ii) 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.

F. Securities borrowing and repurchase agreement transactions

F1. 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).

F2. 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.

G. 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 accordance with IFRS 5. 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.

G1. 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, 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.

H. Lease transactions (IFRS 16)

As described in note 1 A. Basis of Presentation, the Group adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. The Group did not adopt any of the requirements of IFRS 16 in prior periods.

This standard establishes the new requirements regarding the scope, classification/recognition and measurement of leases:

- from the lessor's perspective, leases will continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with those leases as an expense.

The Group will choose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, this standard won't be applied to leases of intangible assets.

Lease definition

The new lease definition focusses on the control of the identified asset, establishing that a contract constitutes or contains a lease if it carries the right to control the use of an identified asset, i.e. the right to obtain substantially all of the economic benefits of using it, and the right to choose how to use the identified asset over a period in exchange of a payment.

Impacts from the lessee 's perspective

The Group recognise for all leases, except for those with a term under 12 months or for low value underlying asset leases:

- a right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be supported by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently, it will be measured according to the cost model (subject to depreciations/amortisations and impairment tests);

- a lease liability initially recorded at the present value of the remaining lease payments (NPV), which includes:
    - fixed payments deducted from any lease incentives receivable;
    - variable lease payments that depend on a rate or an index, initially measured considering the rate or index as at the commencement date;
    - amounts expected to be paid by the lessee under residual values guarantees;
    - the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
    - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease.

Lease payments shall be discounted at the interest rate implicit in the lease, if that rate is easily determinable. If not, the lessee's incremental borrowing rate shall be used. Subsequently, lease payments will be measured as follows:

- by increasing their carrying amount to reflect interest;
- by reducing their carrying amount to reflect lease payments;
- carrying amount shall be remeasured to reflect any leases' revaluations or changes, as well as to reflect the review of in-substance fixed payments.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17.

Transition

On 1 January 2019, the Group carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Group will apply this standard retrospectively, with its transition impacts being recognised on 1 January 2019. This way, comparative information will not be restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group will recognise a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right-to-use by the lease liability amount.

The following assumptions considered in the implementation of this standard were:

- lease term: this component was evaluated by categories of contracts, being each contract enforceable;
- discount rate: it was used the lessee 's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Group's risk spread;
  applied over the weighted average term of each lease contract;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Group identified that the main lease contracts covered by this standard are contracts on real estate (branches and central buildings) and on a residual number of vehicles. The adoption of IFRS 16 resulted in changes in the Amortisations and depreciations, Other administrative costs and Interest expense.

I. Lease transactions (IAS 17)

Until 31 December 2018, and in accordance with IAS 17, the lease transactions were classified as financial whenever their terms transferred substantially all the risks and rewards associated with the ownership of the property to the lessee. The remaining leases were classified as operational. The classification of the leases was done according to the substance and not the form of the contract.

I1. Finance lease transactions

At the lessee's perspective, finance lease transactions were recorded at the beginning as an asset and liability at fair value of the leased asset, which was 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 were recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals were a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflected 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, were measured in accordance with the accounting policy defined in note 1 G.

I2. Operational leases

At the lessee's perspective, the Group had various operating leases for properties and vehicles. The payments under these leases were recognised in Other administrative costs during the life of the contract, and neither the asset nor the liability associated with the contract was evidenced in its balance sheet.

J. 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.

K. Net gains / (losses) from financial operations at fair value through profit or loss, Net gains / (losses) from foreign exchange, Net gains / (losses) from hedge accounting, Net gains / (losses) from derecognition of assets and liabilities at amortised cost and Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income

These balances include gains and losses arising from financial assets and 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 financial assets at fair value through other comprehensive income and financial assets and financial liabilities at amortised cost. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this balance, as well as the net gains or losses from foreign exchange.

L. 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.

M. 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 under the principle of accrual-based accounting.

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 theuseful life.

The impairment losses of the fixed tangible assets are recognised in profit and loss for the period.

N. Investment property

Real estate properties owned by 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 / (losses)" (note 6).

The experts responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

O. Intangible assets

O1. 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.

O2. 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.

P. 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.

Q. 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.

R. 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 at fair value through other comprehensive income, for which the difference is recognised against equity.

S. Employee benefits

S1. 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, if certain conditions were verified in each year, of assigning complementary benefits 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 Projected Unit Credit 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 considering 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 that represented 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 cannot, 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 Autoridade de Supervisão de Seguros e Fundos de Pensões (“ASF”, the Portuguese Insurance and Pension Funds Supervision Authority), 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 Projected Unit Credit method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the 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.

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 descendants 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.

S2. 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 March 2019, 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.

S3. Share based compensation plan

As at 31 March 2019 there are no share based compensation plans in force.

S4. 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.

T. Income taxes

The Group is subject to income tax in several jurisdictions. The Bank is subject, in individual terms, to the regime established by the Corporate Income Tax Code ("CIRC"), the Special Regime applicable to Deferred Tax Assets approved by Law No. 61/2014 of 26 August, to which it adhered, and individual legislation. 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 at fair value through other comprehensive income 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 by authorities 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 released 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, the Banco Comercial Português, S.A. adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of IRC taxation, with BCP being the dominant entity. In the first quarter of 2019 and in 2018, the RETGS application was maintained.

U. 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;
- 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.

The balance 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.

V. Provisions, Contingent liabilities and Contingent assets

V1. 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 and iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions considers 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 not 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.

V2. Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

V3. 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.

W. 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.

X. Insurance contracts

X1. 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.

X2. 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.

X3. 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.

X4. 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.

X5. 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.

Y. 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 No. 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".

Z. 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 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.

Z1. 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.

Z2. 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.

Z3. Income taxes

Significant interpretations and estimates are required in determining the total amount for income taxes in each of the jurisdictions where the Group operates. 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 Bank recorded provisions or deferred tax liabilities in the amount deemed adequate to face corrections to tax or to tax losses carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the Portuguese tax authorities.

Regarding the activity in Portugal, the specific rules regarding the tax regime for impairment for loans and advances to customers and provisions for guarantees for the tax periods beginning on or after 1 January 2019 are not defined, since the reference to the Bank of Portugal Notice No. 3/95, provided for in Regulatory Decree No. 13/2018, of 28 December, is only applicable for the taxation period of 2018, and the regime applicable from 1 January 2019 has not yet been defined.

In the projections of future taxable income, namely for the purposes of the analysis of recoverability of deferred tax assets carried out with reference to 31 December 2018, the tax rules in force in 2018 were taken into consideration, identical to those in force in the periods of 2015, 2016 and 2017, and that by means of Decree-Laws published at the end of each of those years, established that the limits set forth in Bank of Portugal Notice No. 3/95 and other specific rules should be considered for the purposes of calculating the maximum amounts of losses for tax purposes.

In 2018, the Group adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the general rules application of the IRC Code.

Z4. Non-current assets held for sale (real estate) valuation

The valuation of these assets, and consequently the impairment losses, is supported by valuations carried out by independent experts, which incorporate several assumptions, namely on the evolution of the real estate market, better use of the real estate, and when applicable, expectations regarding the development of real estate projects, and also considers the Bank's intentions regarding the commercialization of these assets. The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

Z5. 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 rates, mortality tables, 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 yields 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.

Z6. Financial instruments – IFRS 9

Z6.1. Classification and measurement

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the test of the business model.

The Group determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, have to be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and the way these risks are managed; and how asset managers are rewarded.

The Group monitors the financial assets measured at amortized cost and at fair value through other comprehensive income that are derecognised prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for those assets. This monitoring is part of a process of continuous evaluation made by the Group of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and consequently a prospective change classification of these financial assets.

Z6.2. Impairment losses on financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses on financial instruments involves judgments and estimates regarding, among others, the following:

Significant increase in credit risk:

Impairment losses correspond to the expected losses on a 12-month for the assets in stage 1 and the expected losses considering the probability of a default event occurring at some point up to the maturity date of the instrument financial assets for assets in stages 2 and 3. An asset is classified in stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers qualitative and quantitative information, reasonable and sustainable.

Definition of groups of assets with common credit risk characteristics:

When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Group monitors the adequacy of credit risk characteristics on a regular basis to assess whether it maintains its similarity. This procedure is necessary to ensure that, in the event of a change in the credit risk characteristics, the asset segmentation is reviewed. This review may result in the creation of new portfolios or in transferring assets to existing portfolios that better reflect their credit risk characteristics.

Definition of the number and relative weight of prospective information for each type of product / market and determination of relevant prospective information:

In estimating expected credit losses, the Group uses reasonable and sustainable forecasting information that is based on assumptions about the future evolution of different economic drivers and how each of the drivers impacts the remaining drivers.

Probability of default:

The probability of default represents a determining factor in the measurement of expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given period, which is calculated based on historical data, assumptions and expectations about future conditions.

Loss given default:

It corresponds to a loss estimate in a default scenario. It is based on the difference between the contractual cash flows and those that the Bank expects to receive, through the cash flows generated by the customers' business or credit collaterals. The calculation of the estimate of loss given default based on, among other aspects, the different recovery scenarios, historical information, the costs involved in the recovery process and the estimation of the valuation of collaterals associated with credit operations.

Z6.3. Fair value of derivative financial instruments

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 considers the 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.

AA. Subsequent events

The Bank analyses events occurring after the balance sheet date, that is, favorable and / or unfavourable 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

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	619	276
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	9,049	5,081
Loans and advances to customers	338,759	348,628
Debt securities	39,418	42,011
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,489	1,394
Derivatives associated to financial instruments at fair value through profit or loss	2,206	10,474
Financial assets not held for trading mandatorily at fair value through profit or loss	6,102	1,793
Financial assets designated at fair value through profit or loss	288	857
Interest on financial assets at fair value through other comprehensive income	42,148	38,738
Interest on hedging derivatives	30,090	22,206
Interest on other assets	1,827	1,640
	471,995	473,098
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(5,219)	(1,329)
Resources from customers	(72,127)	(80,086)
Non subordinated debt securities issued	(3,868)	(9,773)
Subordinated debt	(13,636)	(18,867)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives associated to financial instruments at fair value through profit or loss	(687)	(855)
Financial liabilities at fair value through profit or loss		
Resources from customers	(2,105)	(8,085)
Non subordinated debt securities issued	(423)	(2,886)
Interest on hedging derivatives	(9,664)	(6,025)
Interest on leasing	(1,160)	-
Interest on other liabilities	(397)	(387)
	(109,286)	(128,293)
	362,709	344,805

During the first quarter of 2019, the balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 9,780,000 (31 March 2018: Euros 11,838,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

During the first quarter of 2019, the balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 1,530,000 e Euros 3,114,000, respectively (31 March 2018: Euros 4,870,000 and 2,729,000 respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Dividends from financial assets through other comprehensive income	46	69

The balances Dividends from financial assets through other comprehensive income include dividends and income from investment fund units received during the period.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Fees and commissions received		
From banking services	132,454	127,820
From management and maintenance of accounts	27,516	26,188
From securities operations	16,825	20,225
From guarantees provided	14,499	14,502
From commitments	1,053	1,011
From fiduciary and trust activities	173	212
From insurance activity commissions	266	257
Other commissions	9,964	10,726
	202,750	200,941
Fees and commissions paid		
From banking services	(27,923)	(24,986)
From guarantees received	(1,985)	(1,314)
From securities operations	(2,482)	(2,918)
From insurance activity commissions	(241)	(290)
Other commissions	(3,509)	(3,617)
	(36,140)	(33,125)
	166,610	167,816

The balance Fees and commissions received - From banking services includes the amount of Euros 28,487,000 (31 March 2018: Euros 27,767,000) related to insurance mediation commissions.

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	83,695	(30,510)
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	9,009	(4,719)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	(84,045)	26,568
	8,659	(8,661)
Net gains / (losses) from foreign exchange	17,386	17,969
Net gains / (losses) from hedge accounting	(7,122)	77
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(5,764)	(15,610)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	47,149	40,667
	60,308	34,442

The balances Net gains / (losses) from financial operations at fair value through profit or loss is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	1,514	12,077
Equity instruments	159	1,122
Derivative financial instruments	164,566	68,739
Other operations	225	242
	166,464	82,180
Losses		
Debt securities portfolio	(1,578)	(9,608)
Equity instruments	(2)	(1,417)
Derivative financial instruments	(81,082)	(101,568)
Other operations	(107)	(97)
	(82,769)	(112,690)
	83,695	(30,510)
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	6,094	5,911
Debt securities portfolio	13,918	6,326
Equity instruments	-	204
	20,012	12,441
Losses		
Loans and advances to customers	(7,245)	(9,280)
Debt securities portfolio	(3,758)	(7,880)
	(11,003)	(17,160)
	9,009	(4,719)

(continuation)

(continues)

(Thousands of euros)

	31 March 2019	31 March 2018
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	-	3,690
Debt securities issued		
Certificates and structured securities issued	8,300	30,529
Other debt securities issued	351	729
	8,651	34,948
Losses		
Debt securities portfolio	(471)	(1,467)
Resources from customers	470	-
Debt securities issued		
Certificates and structured securities issued	(86,791)	(6,788)
Other debt securities issued	(5,904)	(125)
	(92,696)	(8,380)
	(84,045)	26,568

The balances Net gains / (losses) from foreign exchange, Net gains / (losses) from hedge accounting and Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost, are presented as follows:

(Thousands of euros)

	31 March 2019	31 March 2018
Net gains / (losses) from foreign exchange		
Gains	312,300	343,117
Losses	(294,914)	(325,148)
	17,386	17,969
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	16,220	32,108
Hedged items	45,201	5,182
	61,421	37,290
Losses		
Hedging derivatives	(64,060)	(20,731)
Hedged items	(4,483)	(16,482)
	(68,543)	(37,213)
	(7,122)	77
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	1,101	348
Debt securities issued	173	6
Others	47	49
	1,321	403
Losses		
Credit sales	(6,664)	(15,351)
Debt securities issued	(160)	(424)
Others	(261)	(238)
	(7,085)	(16,013)
	(5,764)	(15,610)

The balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	53,425	40,784
Losses		
Debt securities portfolio	(6,276)	(117)
	47,149	40,667

6. Other operating income / (losses)

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Operating income		
Gains on leasing operations	751	1,100
Income from services	6,355	6,035
Rents	1,071	787
Sales of cheques and others	2,691	3,067
Other operating income	2,936	3,552
	13,804	14,541
Operating costs		
Donations and contributions	(915)	(961)
Resolution Funds Contributions	(16,914)	(9,048)
Contributions to Deposit Guarantee Fund	(2,776)	(4,130)
Tax for the Polish banking sector	(11,991)	(12,509)
Taxes	(3,775)	(3,770)
Losses on financial leasing operations	(31)	(216)
Other operating costs	(6,939)	(7,903)
	(43,341)	(38,537)
	(29,537)	(23,996)

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Salaries and remunerations	119,785	111,217
Mandatory social security charges	24,725	26,952
Voluntary social security charges	3,082	3,059
Other staff costs	4,635	1,074
	152,227	142,302

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Water, electricity and fuel	4,580	4,042
Credit cards and mortgage	1,916	2,365
Communications	5,942	5,241
Maintenance and related services	4,303	3,358
Legal expenses	1,299	1,399
Travel, hotel and representation costs	2,346	2,266
Advisory services	5,522	4,321
Training costs	777	950
Information technology services	9,926	8,591
Consumables	1,209	1,058
Outsourcing and independent labour	18,190	19,590
Advertising	4,089	4,692
Rents and leases	6,583	18,535
Insurance	854	985
Transportation	2,405	2,559
Other specialised services	5,385	5,013
Other supplies and services	5,151	4,571
	80,477	89,536

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Intangible assets amortisations (note 29):		
Software	4,247	3,162
Other intangible assets	680	284
	4,927	3,446
Other tangible assets depreciations (note 28):		
Properties	4,460	4,792
Equipment		
Computers	2,975	2,628
Security equipment	302	378
Installations	648	574
Machinery	179	162
Furniture	585	528
Motor vehicles	1,198	1,141
Other equipment	479	551
Right-of-use	11,076	-
	21,902	10,754
	26,829	14,200

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Loans and advances to credit institutions (note 20)		
Charge for the period	201	20
	201	20
Loans and advances to customers (note 21)		
Charge for the period	171,939	233,267
Reversals for the period	(79,431)	(129,265)
Recoveries of loans and interest charged-off	(6,660)	(5,052)
	85,848	98,950
Debt securities (note 22)		
Associated to credit operations		
Charge for the period	1,791	7,114
Reversals for the period	(1,108)	(17)
	683	7,097
Not associated to credit operations		
Charge for the period	246	4
Reversals for the period	(70)	(1,183)
	176	(1,179)
	859	5,918
	86,908	104,888

11. Impairment for financial assets at fair value through other comprehensive income

The detail of these balances is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Impairment for financial assets at fair value through other comprehensive income (note 23)		
Charge for the period	613	1,606
Reversals for the period	(127)	(2,977)
	486	(1,371)

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Impairment for investments in associated companies		
Charge for the period	2,217	-
	2,217	-
Impairment for non-current assets held for sale (note 26)		
Charge for the period	20,038	13,243
Reversals for the period	(3,954)	(3,015)
	16,084	10,228
Impairment for goodwill of subsidiaries (note 29)		
Charge for the period	-	4,627
	-	4,627
Impairment for other assets (note 31)		
Charge for the period	3,000	2,337
Reversals for the period	(732)	(672)
	2,268	1,665
	20,569	16,520

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Provision for guarantees and other commitments (note 38)		
Charge for the period	11,710	10,658
Reversals for the period	(15,006)	(9,814)
	(3,296)	844
Other provisions for liabilities and charges (note 38)		
Charge for the period	6,203	9,069
Reversals for the period	(6,931)	(10)
	(728)	9,059
	(4,024)	9,903

14. 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)

	31 March 2019	31 March 2018
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current period	4,932	4,056
Effect of the application of IAS 29:		
Revaluation of the net non-monetary assets of the BMA	653	(1,143)
Revaluation of the goodwill associated to the investment in BMA	2,217	4,627
	2,870	3,484
	7,802	7,540
Banque BCP, S.A.S.	913	820
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	9,334	8,920
SIBS, S.G.P.S, S.A.	1,535	686
Unicre - Instituição Financeira de Crédito, S.A.	(655)	1,832
Other companies	(301)	-
	18,628	19,798

15. Gains / (losses) arising from sales of subsidiaries and other assets

This balance is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Other assets	16,166	(5,143)

The balance Other assets includes gains / (losses) arising from the sale of assets of the Group classified as non-current assets held for sale (note 26), in the positive amount of Euros 12,991,000 (31 March 2018: negative amount of Euros 3,876,000).

16. Income / (loss) arising from discontinued or discontinuing operations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2019	31 March 2018
Discontinued operations		
Gain arising on sale of Planfipsa Group	13,454	-

Under the scope of the sale of Planfipsa Group, occurred in February 2019, and in accordance with IFRS 5, this operation was considered as a discontinuing operation, during the 2nd semester of 2018, and the impact on results is shown in a separate line of the income statement called "Income / (loss) arising from discontinued or discontinuing operations".

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	31 March 2019	31 March 2018
Continuing operations		
Net income	168,748	112,510
Non-controlling interests	(28,359)	(26,921)
Appropriated net income	140,389	85,589
Discontinued or discontinuing operations		
Appropriated net income	13,454	-
Adjusted net income	153,843	85,589
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.038	0.023
from discontinued or discontinuing operations	0.004	0.000
	0.042	0.023
Diluted earnings per share (Euros):		
from continuing operations	0.038	0.023
from discontinued or discontinuing operations	0.004	0.000
	0.042	0.023

The Bank's share capital, as at 31 March 2019, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

Pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced from Euros 5,600,738,053.72 to Euros 4,725,000,000, maintaining the number of nominative shares (15,113,989,952) book-entry shares without nominal value.

There were not identified another dilution effects of the earnings per share as at 31 March 2019 and 2018, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Cash	466,990	566,202
Central Banks		
Bank of Portugal	1,117,254	1,315,682
Central Banks abroad	707,823	871,955
	2,292,067	2,753,839

The balance Central Banks includes deposits at Central Banks of the countries where the Group operates 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.

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Credit institutions in Portugal	22,277	960
Credit institutions abroad	155,890	238,932
Amounts due for collection	110,040	86,815
	288,207	326,707

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.

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Loans and advances to credit institutions in Portugal		
Loans	45,905	47,911
Applications to collateralise CIRS and IRS operations (*)	380	430
Other applications	8,508	1,123
	54,793	49,464
Loans and advances to credit institutions abroad		
Very short-term applications	-	78,030
Short-term applications	672,729	498,856
Applications to collateralise CIRS and IRS operations (*)	279,695	256,177
Other applications	15,748	8,690
	968,172	841,753
	1,022,965	891,217
Overdue loans - Over 90 days	672	669
	1,023,637	891,886
Impairment for loans and advances to credit institutions	(2,054)	(1,853)
	1,021,583	890,033

(*) Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"). 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 Group.

The changes occurred in impairment for Loans and advances to credit institutions are analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Balance on 1 January	1,853	-
Adjustments due to the implementation of IFRS 9	-	703
Impairment charge for the period (note 10)	201	1,387
Reversals for the period (note 10)	-	(128)
Loans charged-off	-	(109)
Balance at the end of the period	2,054	1,853

21. Loans and advances to customers

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Mortgage loans	23,798,926	23,691,928
Loans	13,277,933	13,047,108
Finance leases	3,993,677	3,955,451
Factoring operations	2,432,615	2,463,503
Current account credits	1,794,314	1,731,445
Overdrafts	1,348,369	1,258,634
Discounted bills	244,446	249,710
	46,890,280	46,397,779
Overdue loans - less than 90 days	100,960	118,475
Overdue loans - Over 90 days	1,763,740	1,896,578
	48,754,980	48,412,832
Impairment for credit risk	(2,783,202)	(2,851,906)
	45,971,778	45,560,926

The balance Loans and advances to customers, as at 31 March 2019, is analysed as follows:

(Thousands of euros)

	31 March 2019				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	694,356	1	694,357	(2,671)	691,686
Asset-backed loans	28,306,242	1,112,094	29,418,336	(1,733,356)	27,684,980
Other guaranteed loans	3,568,030	186,987	3,755,017	(295,919)	3,459,098
Unsecured loans	5,785,651	343,095	6,128,746	(404,158)	5,724,588
Foreign loans	2,109,709	102,532	2,212,241	(170,929)	2,041,312
Factoring operations	2,432,615	23,437	2,456,052	(46,366)	2,409,686
Finance leases	3,993,677	96,554	4,090,231	(129,803)	3,960,428
	46,890,280	1,864,700	48,754,980	(2,783,202)	45,971,778

The balance Loans and advances to customers, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	31 December 2018				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	721,519	1,062	722,581	(3,981)	718,600
Asset-backed loans	28,000,766	1,164,703	29,165,469	(1,706,849)	27,458,620
Other guaranteed loans	3,526,035	170,305	3,696,340	(332,468)	3,363,872
Unsecured loans	5,658,748	455,439	6,114,187	(450,549)	5,663,638
Foreign loans	2,071,757	114,496	2,186,253	(178,146)	2,008,107
Factoring operations	2,463,503	15,205	2,478,708	(42,219)	2,436,489
Finance leases	3,955,451	93,843	4,049,294	(137,694)	3,911,600
	46,397,779	2,015,053	48,412,832	(2,851,906)	45,560,926

The analysis of loans and advances to customers, as at 31 March 2019, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2019					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	303,193	9,776	312,969	(9,487)	303,482	0.64%
Fisheries	32,711	45	32,756	(806)	31,950	0.07%
Mining	57,917	1,681	59,598	(7,888)	51,710	0.12%
Food, beverage and tobacco	665,656	16,626	682,282	(22,057)	660,225	1.40%
Textiles	374,223	13,849	388,072	(25,815)	362,257	0.80%
Wood and cork	236,711	5,593	242,304	(8,136)	234,168	0.50%
Paper, printing and publishing	189,211	3,910	193,121	(16,815)	176,306	0.40%
Chemicals	696,785	43,682	740,467	(51,188)	689,279	1.52%
Machinery, equipment and basic metallurgical	1,233,673	39,335	1,273,008	(42,176)	1,230,832	2.61%
Electricity and gas	372,307	289	372,596	(1,699)	370,897	0.76%
Water	177,250	1,128	178,378	(11,406)	166,972	0.37%
Construction	1,613,703	288,664	1,902,367	(415,215)	1,487,152	3.90%
Retail business	1,110,186	79,978	1,190,164	(78,423)	1,111,741	2.44%
Wholesale business	2,137,328	73,933	2,211,261	(102,830)	2,108,431	4.54%
Restaurants and hotels	1,153,374	54,919	1,208,293	(91,611)	1,116,682	2.48%
Transports	1,303,069	16,946	1,320,015	(32,408)	1,287,607	2.71%
Post offices	10,441	371	10,812	(803)	10,009	0.02%
Telecommunications	298,075	7,352	305,427	(22,069)	283,358	0.63%
Services						
Financial intermediation	1,567,329	110,931	1,678,260	(381,655)	1,296,605	3.44%
Real estate activities	1,404,230	212,424	1,616,654	(152,187)	1,464,467	3.32%
Consulting, scientific and technical activities	1,334,903	30,430	1,365,333	(377,332)	988,001	2.80%
Administrative and support services activities	555,102	18,267	573,369	(83,746)	489,623	1.18%
Public sector	1,115,186	1	1,115,187	(6,963)	1,108,224	2.29%
Education	131,093	1,625	132,718	(7,335)	125,383	0.27%
Health and collective service activities	272,313	1,715	274,028	(3,777)	270,251	0.56%
Artistic, sports and recreational activities	290,718	4,274	294,992	(76,681)	218,311	0.61%
Other services	198,108	275,016	473,124	(187,309)	285,815	0.97%
Consumer loans	3,544,362	243,572	3,787,934	(279,454)	3,508,480	7.77%
Mortgage credit	23,649,022	212,087	23,861,109	(195,838)	23,665,271	48.94%
Other domestic activities	1,075	389	1,464	(169)	1,295	0.00%
Other international activities	861,026	95,892	956,918	(89,924)	866,994	1.96%
	46,890,280	1,864,700	48,754,980	(2,783,202)	45,971,778	100%

The analysis of loans and advances to customers, as at 31 December 2018, by sector of activity, is as follows:

(Thousands of euros)

	31 December 2018					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	294,808	10,093	304,901	(9,704)	295,197	0.63%
Fisheries	31,515	43	31,558	(883)	30,675	0.07%
Mining	59,058	2,877	61,935	(9,744)	52,191	0.13%
Food, beverage and tobacco	683,830	15,670	699,500	(17,615)	681,885	1.45%
Textiles	363,277	14,540	377,817	(22,566)	355,251	0.78%
Wood and cork	237,191	6,312	243,503	(8,564)	234,939	0.50%
Paper, printing and publishing	193,611	4,985	198,596	(18,134)	180,462	0.41%
Chemicals	664,652	40,598	705,250	(50,057)	655,193	1.46%
Machinery, equipment and basic metallurgical	1,171,768	46,249	1,218,017	(50,160)	1,167,857	2.52%
Electricity and gas	371,518	611	372,129	(2,027)	370,102	0.77%
Water	188,221	1,132	189,353	(11,461)	177,892	0.39%
Construction	1,595,783	358,006	1,953,789	(433,006)	1,520,783	4.04%
Retail business	1,089,590	80,331	1,169,921	(89,031)	1,080,890	2.42%
Wholesale business	2,093,318	79,300	2,172,618	(103,523)	2,069,095	4.49%
Restaurants and hotels	1,150,604	55,508	1,206,112	(91,657)	1,114,455	2.49%
Transports	1,293,631	18,180	1,311,811	(31,328)	1,280,483	2.71%
Post offices	10,631	351	10,982	(644)	10,338	0.02%
Telecommunications	306,844	6,333	313,177	(15,882)	297,295	0.65%
Services						
Financial intermediation	1,476,828	116,446	1,593,274	(380,196)	1,213,078	3.29%
Real estate activities	1,336,226	218,978	1,555,204	(158,998)	1,396,206	3.21%
Consulting, scientific and technical activities	1,339,659	30,038	1,369,697	(371,352)	998,345	2.83%
Administrative and support services activities	553,539	31,448	584,987	(79,567)	505,420	1.21%
Public sector	1,128,520	1,247	1,129,767	(7,743)	1,122,024	2.33%
Education	131,840	1,719	133,559	(7,713)	125,846	0.28%
Health and collective service activities	282,231	2,012	284,243	(4,286)	279,957	0.59%
Artistic, sports and recreational activities	287,865	6,161	294,026	(76,296)	217,730	0.61%
Other services	209,752	264,796	474,548	(194,401)	280,147	0.98%
Consumer loans	3,432,425	281,567	3,713,992	(302,840)	3,411,152	7.67%
Mortgage credit	23,555,628	225,084	23,780,712	(212,505)	23,568,207	49.12%
Other domestic activities	1,124	499	1,623	(302)	1,321	0.00%
Other international activities	862,292	93,939	956,231	(89,721)	866,510	1.98%
	46,397,779	2,015,053	48,412,832	(2,851,906)	45,560,926	100%

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

(Thousands of euros)

	31 March 2019	31 December 2018
Amount of future minimum payments	4,520,164	4,424,029
Interest not yet due	(526,487)	(468,578)
Present value	3,993,677	3,955,451

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)

	31 March 2019	31 December 2018
Agriculture and forestry	4,746	4,782
Fisheries	17	18
Mining	5,254	5,112
Food, beverage and tobacco	7,026	3,501
Textiles	1,318	1,277
Wood and cork	2,996	3,027
Paper, printing and publishing	398	371
Chemicals	3,951	2,208
Machinery, equipment and basic metallurgical	29,540	30,006
Electricity and gas	108	450
Water	465	117
Construction	35,506	37,171
Retail business	15,094	17,222
Wholesale business	83,102	88,365
Restaurants and hotels	10,465	13,302
Transports	4,412	4,519
Post offices	140	29
Telecommunications	19,268	20,145
Services		
Financial intermediation	382	350
Real estate activities	4,302	5,116
Consulting, scientific and technical activities	15,534	15,518
Administrative and support services activities	7,143	7,233
Public sector	64,406	65,360
Education	334	217
Health and collective service activities	852	862
Artistic, sports and recreational activities	320	317
Other services	960	647
Consumer loans	129,691	136,811
Mortgage credit	101,880	95,260
Other international activities	12,330	12,263
	561,940	571,576

The changes occurred in impairment for credit risks are analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Balance on 1 January	2,851,906	3,279,046
Adjustments due to the implementation of IFRS 9		
Remeasurement under IFRS 9	-	235,548
Reclassification under IFRS 9	-	8,508
Charge for the period in net income interest (note 2)	8,659	37,281
Transfers resulting from changes in the Group's structure	-	754
Other transfers (a)	854	(56,345)
Impairment charge for the period (note 10)	171,940	926,054
Reversals for the period (note 10)	(79,431)	(442,082)
Loans charged-off	(170,193)	(1,129,834)
Exchange rate differences	(533)	(7,024)
Balance at the end of the period	2,783,202	2,851,906

The analysis of loans charged-off, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Agriculture and forestry	362	4,964
Fisheries	-	152
Mining	1,218	3,403
Food, beverage and tobacco	311	2,138
Textiles	2,036	15,631
Wood and cork	562	16,981
Paper, printing and publishing	1,417	1,976
Chemicals	1,203	5,389
Machinery, equipment and basic metallurgical	10,496	29,123
Electricity and gas	11	5
Water	67	4,949
Construction	50,198	257,356
Retail business	7,885	29,939
Wholesale business	5,696	67,318
Restaurants and hotels	993	27,817
Transports	4,229	17,243
Post offices	6	70
Telecommunications	288	1,822
Services		
Financial intermediation	2,179	244,728
Real estate activities	4,451	80,496
Consulting, scientific and technical activities	8,365	89,357
Administrative and support services activities	1,200	11,185
Public sector	1,043	3
Education	128	807
Health and collective service activities	307	603
Artistic, sports and recreational activities	619	919
Other services	1,048	10,668
Consumer loans	58,531	185,758
Mortgage credit	4,311	13,979
Other domestic activities	292	1,132
Other international activities	741	3,923
	170,193	1,129,834

In compliance with the accounting policy described in note 1 C1.3, 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 recovered loans and interest occurred during the first quarter of 2019 and 2018 by sector of activity, is as follows:

(Thousands of euros)

	31 March 2019	31 March 2018
Agriculture and forestry	4	29
Food, beverage and tobacco	7	98
Textiles	17	2
Wood and cork	1	10
Paper, printing and publishing	5	4
Chemicals	432	10
Machinery, equipment and basic metallurgical	42	(9)
Electricity and gas	-	1
Construction	1,258	315
Retail business	117	241
Wholesale business	215	55
Restaurants and hotels	1	9
Transports	2,729	123
Telecommunications	1	1
Services		
Financial intermediation	450	2,235
Real estate activities	416	81
Consulting, scientific and technical activities	8	21
Administrative and support services activities	2	21
Artistic, sports and recreational activities	-	4
Other services	128	27
Consumer loans	704	1,119
Mortgage credit	73	1
Other domestic activities	44	7
Other international activities	6	647
	6,660	5,052

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	177,738	176,751
Commercial paper	2,055,193	2,024,762
Foreign issuers		
Bonds	34,897	34,671
Commercial paper	18,703	19,704
	2,286,531	2,255,888
Overdue securities - over 90 days	41,453	55,353
	2,327,984	2,311,241
Impairment	(26,769)	(39,921)
	2,301,215	2,271,320
Debt securities held not associated with credit operations		
Public entities		
Portuguese issuers	47,012	47,377
Foreign issuers	304,912	740,118
Other entities		
Portuguese issuers	254,970	254,661
Foreign issuers	559,161	63,326
	1,166,055	1,105,482
Impairment	(1,973)	(1,788)
	1,164,082	1,103,694
	3,465,297	3,375,014

The analysis of debt securities portfolio, net of impairment, by sector of activity, is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Debt securities held associated with credit operations		
Mining	20,999	24,996
Food, beverage and tobacco	89,860	80,074
Textiles	72,929	69,346
Wood and cork	10,006	10,820
Paper, printing and publishing	16,937	17,163
Chemicals	214,521	222,101
Machinery, equipment and basic metallurgical	71,919	56,775
Electricity and gas	191,334	190,338
Water	9,999	9,957
Construction	8,946	6,937
Retail business	98,114	86,042
Wholesale business	75,571	73,388
Restaurants and hotels	7,493	8,518
Transports	42,183	49,144
Telecommunications	8,949	8,932
Services		
Financial intermediation	238,255	249,231
Real estate activities	31,855	39,115
Consulting, scientific and technical activities	1,015,578	991,948
Administrative and support services activities	13,671	13,653
Health and collective service activities	4,999	4,999
Other services	3,622	3,596
Other international activities	53,475	54,247
	2,301,215	2,271,320
Debt securities held not associated with credit operations		
Chemicals	25,090	25,562
Construction	39,252	39,229
Transports and communications	175,404	174,480
Services		
Financial intermediation	559,163	63,325
Consulting, scientific and technical activities	15,007	15,149
	813,916	317,745
Government and Public securities	350,166	785,949
	1,164,082	1,103,694
	3,465,297	3,375,014

The changes occurred in impairment for debt securities are analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Debt securities held associated with credit operations		
Balance on 1 January	39,921	42,886
Adjustments due to the implementation of IFRS 9	-	2,946
Charge for the period in net income interest (note 2)	64	211
Charge for the period (note 10)	1,791	-
Reversals for the period (note 10)	(1,108)	(6,121)
Loans charged-off	(13,899)	-
Exchange rate differences	-	(1)
Balance at the end of the period	26,769	39,921
Debt securities held not associated with credit operations		
Balance on 1 January	1,788	n.a.
Adjustments due to the implementation of IFRS 9	-	2,217
Charge for the period (note 10)	246	1,184
Reversals for the period (note 10)	(70)	(1,616)
Exchange rate differences	9	3
Balance at the end of the period	1,973	1,788

23. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The balances Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	240,685	220,047
Equity instruments	5,149	5,410
Trading derivatives	661,603	644,997
	907,437	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	288,276	291,050
Debt instruments	1,099,886	1,108,605
Equity instruments	5,020	5,029
	1,393,182	1,404,684
Financial assets designated at fair value through profit or loss		
Debt instruments	33,005	33,034
	33,005	33,034
Financial assets at fair value through other comprehensive income		
Debt instruments	14,617,025	13,797,971
Equity instruments	46,537	47,654
	14,663,562	13,845,625
	16,997,186	16,153,797

The balance Financial assets not held for trading mandatorily at fair value through profit or loss - Loans to customers at fair value is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Public sector	32	20
Asset-backed loans	9	5
Unsecured loans	284,153	287,028
	284,194	287,053
Overdue loans - less than 90 days	1,191	1,023
Overdue loans - Over 90 days	2,891	2,974
	288,276	291,050

The analysis of loans and advances to customers at fair value, by sector of activity is as follows:

(Thousands of euros)

	31 March 2019			31 December 2018
	Gross value	Fair value adjustments	Net value	Net value
Agriculture and forestry	29	(1)	28	11
Food, beverage and tobacco	78	(4)	74	87
Textiles	42	(9)	33	36
Wood and cork	35	(1)	34	54
Paper, printing and publishing	45	(2)	43	44
Chemicals	115	(3)	112	105
Machinery, equipment and basic metallurgical	369	(16)	353	286
Electricity and gas	11	(5)	6	3
Water	31	(2)	29	27
Construction	322	(26)	296	290
Retail business	760	(61)	699	661
Wholesale business	589	(56)	533	499
Restaurants and hotels	138	(14)	124	126
Transports	541	(57)	484	487
Post offices	15	(3)	12	12
Telecommunications	5	-	5	6
Services				
Financial intermediation	97	(4)	93	91
Real estate activities	41	(2)	39	36
Consulting, scientific and technical activities	372	(23)	349	372
Administrative and support services activities	705	(20)	685	511
Public sector	3	-	3	1
Education	110	(4)	106	100
Health and collective service activities	47	(3)	44	43
Artistic, sports and recreational activities	43	(1)	42	40
Other services	305	(14)	291	251
Consumer loans	299,459	(15,700)	283,759	286,871
	304,307	(16,031)	288,276	291,050

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 March 2019, is analysed as follows:

(Thousands of euros)

	31 March 2019				
	Financial assets at fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	6,912	-	33,005	5,356,318	5,396,235
Foreign issuers	179,638	-	-	5,896,690	6,076,328
Bonds issued by other entities					
Portuguese issuers	9,429	16,747	-	848,786	874,962
Foreign issuers	44,706	-	-	227,468	272,174
Treasury bills and other Government bonds					
Portuguese issuers	-	-	-	1,931,984	1,931,984
Foreign issuers	-	-	-	359,495	359,495
Shares of foreign companies	-	23,057	-	-	23,057
Investment fund units	-	1,060,082	-	-	1,060,082
	240,685	1,099,886	33,005	14,620,741	15,994,317
Impairment for overdue securities	-	-	-	(3,716)	(3,716)
	240,685	1,099,886	33,005	14,617,025	15,990,601
Equity instruments					
Shares					
Portuguese companies	4,570	-	-	21,822	26,392
Foreign companies	45	5,020	-	24,715	29,780
Other securities	534	-	-	-	534
	5,149	5,020	-	46,537	56,706
Trading derivatives	661,603	-	-	-	661,603
	907,437	1,104,906	33,005	14,663,562	16,708,910

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	31 December 2018				
	Financial assets at fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	3,666	-	33,034	5,671,092	5,707,792
Foreign issuers	161,347	-	-	4,904,357	5,065,704
Bonds issued by other entities					
Portuguese issuers	9,852	16,778	-	1,217,482	1,244,112
Foreign issuers	45,182	-	-	479,347	524,529
Treasury bills and other Government bonds					
Portuguese issuers	-	-	-	853,492	853,492
Foreign issuers	-	-	-	675,923	675,923
Shares of foreign companies	-	19,085	-	-	19,085
Investment fund units	-	1,072,742	-	-	1,072,742
	220,047	1,108,605	33,034	13,801,693	15,163,379
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	220,047	1,108,605	33,034	13,797,971	15,159,657
Equity instruments					
Shares					
Portuguese companies	4,939	-	-	23,270	28,209
Foreign companies	24	5,029	-	24,382	29,435
Investment fund units	12	-	-	2	14
Other securities	435	-	-	-	435
	5,410	5,029	-	47,654	58,093
Trading derivatives	644,997	-	-	-	644,997
	870,454	1,113,634	33,034	13,845,625	15,862,747

The portfolio of financial assets at fair value through other comprehensive income, as at 31 March 2019, is analysed as follows:

(Thousands of euros)

	31 March 2019			
	Amortised cost (a)	Fair value hedge adjustments	Fair value adjustments	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	5,137,052	193,644	25,622	5,356,318
Foreign issuers	5,887,665	2,681	6,344	5,896,690
Bonds issued by other entities				
Portuguese issuers (*)	814,473	13,186	17,411	845,070
Foreign issuers	226,109	4	1,355	227,468
Treasury bills and other Government bonds				
Portuguese issuers	1,931,639	-	345	1,931,984
Foreign issuers	359,351	-	144	359,495
	14,356,289	209,515	51,221	14,617,025
Equity instruments				
Shares				
Portuguese companies	56,142	-	(34,320)	21,822
Foreign companies	20,896	-	3,819	24,715
	77,038	-	(30,501)	46,537
	14,433,327	209,515	20,720	14,663,562

(*) Includes impairment for overdue securities

(a) Include interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	31 December 2018			
	Amortised cost (a)	Fair value hedge adjustments	Fair value adjustments	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	5,547,657	165,986	(42,551)	5,671,092
Foreign issuers	4,889,654	981	13,722	4,904,357
Bonds issued by other entities				
Portuguese issuers (*)	1,188,586	6,750	18,424	1,213,760
Foreign issuers	479,719	(1)	(371)	479,347
Treasury bills and other Government bonds				
Portuguese issuers	853,339	-	153	853,492
Foreign issuers	675,643	-	280	675,923
	13,634,598	173,716	(10,343)	13,797,971
Equity instruments				
Shares				
Portuguese companies	57,033	-	(33,763)	23,270
Foreign companies	20,816	-	3,566	24,382
Investment fund units	2	-	-	2
	77,851	-	(30,197)	47,654
	13,712,449	173,716	(40,540)	13,845,625

(*) Includes impairment for overdue securities

(a) Include interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 March 2019 is as follows:

(Thousands of euros)

	31 March 2019				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Fisheries	2,000	-	-	-	2,000
Mining	-	7	-	-	7
Textiles	-	-	-	197	197
Wood and cork	-	-	-	998	998
Paper, printing and publishing	52,803	2	-	-	52,805
Chemicals	-	4	-	-	4
Machinery, equipment and basic metallurgical	4,062	515	-	-	4,577
Construction	17,339	10	30,073	2,394	49,816
Retail business	-	4,063	-	-	4,063
Wholesale business	106,363	721	-	126	107,210
Restaurants and hotels	-	15,842	-	-	15,842
Transports	308,499	-	-	-	308,499
Telecommunications	-	6,198	-	-	6,198
Services					
Financial intermediation	351,091	34,145	995,081	-	1,380,317
Real estate activities	-	-	27,941	-	27,941
Consulting, scientific and technical activities	126,679	177	-	-	126,856
Administrative and support services activities	9,940	10,111	-	-	20,051
Public sector	147,961	-	534	-	148,495
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	7,410	6,987	1	14,398
Other international activities	-	8	-	-	8
	1,143,420	79,229	1,060,616	3,716	2,286,981
Government and Public securities	11,472,563	-	2,291,479	-	13,764,042
Impairment for overdue securities	-	-	-	(3,716)	(3,716)
	12,615,983	79,229	3,352,095	-	16,047,307

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2018 is as follows:

(Thousands of euros)

	31 December 2018				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Fisheries	2,000	-	-	-	2,000
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	47,066	1	-	-	47,067
Chemicals	-	4	-	-	4
Machinery, equipment and basic metallurgical	4,062	511	-	-	4,573
Construction	-	377	30,118	2,394	32,889
Retail business	-	4,064	-	-	4,064
Wholesale business	62,762	655	-	126	63,543
Restaurants and hotels	-	15,585	-	-	15,585
Transports	689,930	-	-	-	689,930
Telecommunications	-	7,849	-	-	7,849
Services					
Financial intermediation	615,600	11,783	1,026,846	-	1,654,229
Real estate activities	-	-	27,374	-	27,374
Consulting, scientific and technical activities	158,735	95	-	-	158,830
Administrative and support services activities	9,720	9,372	-	-	19,092
Public sector	158,360	-	434	-	158,794
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	1	7,324	7,504	1	14,830
Other international activities	-	8	-	-	8
	1,764,919	57,644	1,092,276	3,722	2,918,561
Government and Public securities	10,773,496	-	1,529,415	-	12,302,911
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	12,538,415	57,644	2,621,691	-	15,217,750

24. Hedging derivatives

This balance is analysed, by hedging instruments, as follows:

(Thousands of euros)

	31 March 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Swaps	162,126	272,759	123,054	177,900

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Portuguese credit institutions	41,428	42,486
Foreign credit institutions	247,919	237,991
Other Portuguese companies	215,839	180,832
Other foreign companies	21,753	21,785
	526,939	483,094
Impairment	(82,560)	(78,012)
	444,379	405,082

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	31 March 2019				31 December 2018
	Ownership on equity	Goodwill	Impairment for investments in associated companies	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	154,466	-	-	154,466	138,460
Banco Millennium Atlântico, S.A.	110,271	100,251	(61,695)	148,827	141,188
Banque BCP, S.A.S.	37,397	-	-	37,397	36,802
Mundotêxtil - Indústrias Têxteis, S.A.	6,762	-	-	6,762	6,762
SIBS, S.G.P.S, S.A.	32,782	-	-	32,782	32,629
Unicre - Instituição Financeira de Crédito, S.A.	33,993	7,435	-	41,428	42,486
Webspectator Corporation	94	18,011	(18,011)	94	92
Others	25,477	-	(2,854)	22,623	6,663
	401,242	125,697	(82,560)	444,379	405,082

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 49.

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019			31 December 2018		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	1,458,604	(209,890)	1,248,714	1,516,604	(209,622)	1,306,982
Assets belong to investments funds and real estate companies	394,605	(60,593)	334,012	431,565	(62,571)	368,994
Assets for own use (closed branches)	33,285	(7,833)	25,452	45,658	(10,871)	34,787
Equipment and other	57,022	(19,418)	37,604	72,216	(13,635)	58,581
Subsidiaries acquired exclusively with the purpose of short-term sale	-	-	-	69,338	-	69,338
Other assets	29,011	-	29,011	29,776	-	29,776
	1,972,527	(297,734)	1,674,793	2,165,157	(296,699)	1,868,458

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from process of recovered loans or judicial auction being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership.

These assets are available for sale in a period less than one year and the Group has a strategy for its sale, according to the characteristic of each asset. However, considering the formal constraints, 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 Group 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.

27. Investment property

As at 31 March 2019, the balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N), based on independent assessments and compliance with legal requirements.

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Real estate	721,857	780,726
Equipment:		
Computer equipment	307,717	306,699
Security equipment	71,698	71,703
Interior installations	143,051	143,114
Machinery	46,220	45,871
Furniture	84,674	84,363
Motor vehicles	27,608	32,948
Other equipment	31,412	32,663
Right of use	245,129	-
Work in progress	14,394	21,719
Other tangible assets	233	236
	1,693,993	1,520,042
Accumulated depreciation		
Relative to the current period (note 9)	(21,902)	(42,819)
Relative to the previous periods	(1,050,200)	(1,015,947)
	(1,072,102)	(1,058,766)
	621,891	461,276

The changes occurred in Other tangible assets, during the first quarter of 2019, 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 March
Real estate	780,726	325	(59,801)	1,406	(799)	721,857
Equipment:						
Computer equipment	306,699	1,578	(1,693)	1,397	(264)	307,717
Security equipment	71,703	305	(243)	(26)	(41)	71,698
Interior installations	143,114	223	(324)	144	(106)	143,051
Machinery	45,871	93	(353)	659	(50)	46,220
Furniture	84,363	807	(411)	(37)	(48)	84,674
Motor vehicles	32,948	949	(6,231)	-	(58)	27,608
Other equipment	32,663	5	(94)	(1,110)	(52)	31,412
Right of use	-	-	-	245,450	(321)	245,129
Work in progress	21,719	4,313	(189)	(11,363)	(86)	14,394
Other tangible assets	236	-	-	-	(3)	233
	1,520,042	8,598	(69,339)	236,520	(1,828)	1,693,993
Accumulated depreciation						
Real estate	(431,078)	(4,460)	3,902	109	243	(431,284)
Equipment:						
Computer equipment	(278,202)	(2,975)	1,566	(1,035)	217	(280,429)
Security equipment	(66,409)	(302)	235	26	31	(66,419)
Interior installations	(127,455)	(648)	308	-	59	(127,736)
Machinery	(41,873)	(179)	234	(194)	44	(41,968)
Furniture	(75,600)	(585)	409	44	26	(75,706)
Motor vehicles	(14,294)	(1,198)	861	152	45	(14,434)
Other equipment	(23,819)	(479)	91	1,136	39	(23,032)
Right of use	-	(11,076)	-	-	18	(11,058)
Other tangible assets	(36)	-	-	-	-	(36)
	(1,058,766)	(21,902)	7,606	238	722	(1,072,102)
	461,276	(13,304)	(61,733)	236,758	(1,106)	621,891

The changes occurred in Other tangible assets, during 2018, 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	830,989	5,186	(61,969)	8,617	(2,097)	780,726
Equipment:						
Computer equipment	300,310	9,896	(7,542)	4,670	(635)	306,699
Security equipment	70,960	1,385	(692)	49	1	71,703
Interior installations	140,628	1,983	(3,209)	3,705	7	143,114
Machinery	45,279	1,149	(573)	580	(564)	45,871
Furniture	83,202	1,962	(1,439)	635	3	84,363
Motor vehicles	30,597	7,092	(4,667)	231	(305)	32,948
Other equipment	31,394	27	(1,356)	3,408	(810)	32,663
Work in progress	20,288	29,676	(355)	(27,794)	(96)	21,719
Other tangible assets	230	2	-	4	-	236
	1,553,877	58,358	(81,802)	(5,895)	(4,496)	1,520,042
Accumulated depreciation						
Real estate	(442,632)	(18,321)	26,361	1,924	1,590	(431,078)
Equipment:						
Computer equipment	(274,652)	(11,149)	7,179	4	416	(278,202)
Security equipment	(65,726)	(1,453)	692	81	(3)	(66,409)
Interior installations	(128,313)	(2,394)	3,163	99	(10)	(127,455)
Machinery	(42,093)	(648)	557	(213)	524	(41,873)
Furniture	(74,571)	(2,235)	1,436	(224)	(6)	(75,600)
Motor vehicles	(12,876)	(4,649)	3,304	(130)	57	(14,294)
Other equipment	(22,555)	(1,970)	1,356	(1,207)	557	(23,819)
Other tangible assets	(36)	-	-	-	-	(36)
	(1,063,454)	(42,819)	44,048	334	3,125	(1,058,766)
	490,423	15,539	(37,754)	(5,561)	(1,371)	461,276

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	111,645	111,853
Real estate and mortgage credit	40,859	40,859
Others	17,778	17,781
	170,282	170,493
Impairment		
Real estate and mortgage credit	(40,859)	(40,859)
Others	(13,278)	(13,278)
	(54,137)	(54,137)
	116,145	116,356
Intangible assets		
Software	143,658	142,229
Other intangible assets	56,658	56,765
	200,316	198,994
Accumulated amortisation		
Charge for the period (note 9)	(4,927)	(14,926)
Charge for the previous periods	(140,668)	(126,029)
	(145,595)	(140,955)
	54,721	58,039
	170,866	174,395

The changes occurred in Goodwill and intangible assets balances, during the first quarter of 2019, 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 March
Goodwill - Differences arising on consolidation	170,493	-	-	-	(211)	170,282
Impairment for goodwill	(54,137)	-	-	-	-	(54,137)
	116,356	-	-	-	(211)	116,145
Intangible assets						
Software	142,229	1,824	(143)	4	(256)	143,658
Other intangible assets	56,765	6	(6)	(4)	(103)	56,658
	198,994	1,830	(149)	-	(359)	200,316
Accumulated depreciation						
Software	(87,126)	(4,247)	10	(121)	176	(91,308)
Other intangible assets	(53,829)	(680)	-	121	101	(54,287)
	(140,955)	(4,927)	10	-	277	(145,595)
	58,039	(3,097)	(139)	-	(82)	54,721
	174,395	(3,097)	(139)	-	(293)	170,866

The changes occurred in Goodwill and intangible assets balances, during 2018, 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	176,929	-	(3,195)	-	(3,241)	170,493
Impairment for goodwill	(57,332)	-	3,195	-	-	(54,137)
	119,597	-	-	-	(3,241)	116,356
Intangible assets						
Software	122,124	28,697	(5,801)	(884)	(1,907)	142,229
Other intangible assets	56,731	1,505	-	137	(1,608)	56,765
	178,855	30,202	(5,801)	(747)	(3,515)	198,994
Accumulated depreciation:						
Software	(80,286)	(13,307)	5,755	(749)	1,461	(87,126)
Other intangible assets	(53,760)	(1,619)	-	31	1,519	(53,829)
	(134,046)	(14,926)	5,755	(718)	2,980	(140,955)
	44,809	15,276	(46)	(1,465)	(535)	58,039
	164,406	15,276	(46)	(1,465)	(3,776)	174,395

30. Income tax

The deferred income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	31 March 2019			31 December 2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses	968,500	-	968,500	973,317	-	973,317
Employee benefits	836,266	-	836,266	836,580	-	836,580
	1,804,766	-	1,804,766	1,809,897	-	1,809,897
Deferred taxes depending on the future profits						
Impairment losses	767,368	(50,303)	717,065	800,003	(50,303)	749,700
Tax losses carried forward	327,988	-	327,988	328,229	-	328,229
Employee benefits	45,100	(1,073)	44,027	43,659	(222)	43,437
Financial assets at fair value through other comprehensive income	189,265	(261,768)	(72,503)	157,957	(188,577)	(30,620)
Derivatives	-	(5,959)	(5,959)	-	(6,071)	(6,071)
Intangible assets	39	-	39	39	-	39
Other tangible assets	10,555	(3,184)	7,371	8,759	(3,184)	5,575
Others	31,730	(16,663)	15,067	24,069	(13,085)	10,984
	1,372,045	(338,950)	1,033,095	1,362,715	(261,442)	1,101,273
Total deferred taxes	3,176,811	(338,950)	2,837,861	3,172,612	(261,442)	2,911,170
Offset between deferred tax assets and deferred tax liabilities	(332,248)	332,248	-	(255,982)	255,982	-
Net deferred taxes	2,844,563	(6,702)	2,837,861	2,916,630	(5,460)	2,911,170

(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 as well as 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 applied 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 Special Regime applicable to the deferred tax assets, 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 withe headquarter in Portugal from 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, those 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 their creation, and the issuing bank shall deposit in favour of the State the amount of the price corresponding to all the rights issued, within 3 months of date of the confirmation of the conversion 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:

	31 March 2019	31 December 2018
Income tax	21%	21%
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%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000 (a)	9%	9%

The tax applicable to deferred taxes related to tax losses of the Bank is 21% (31 December 2018: 21%).

The average deferred tax rate associated with temporary differences of the Banco Comercial Português, S.A. is 31.30% (31 December 2018: 31.30%). 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, 2017, 2018 and 2019 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. adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of IRC taxation, with BCP being the dominant entity. In 2018 and 2019 the RETGS application was maintained.

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 impairment losses in credits 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	31 March 2019	31 December 2018
2019-2025	8,196	8,437
2026	10,297	10,297
2028 and following	309,495	309,495
	327,988	328,229

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, 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 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 Decrees No. 11/2017, of 28 December, and No. 13/2018, 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 and 2018, respectively. These Regulatory Decrees establish that the Notice of Bank of Portugal No. 3/95 (notice that was relevant to determine the provisions for credit in financial statements in NCA basis) should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes in 2017 and 2018, respectively.

In the absence of specific rules regarding the tax regime for credit impairment and provisions for guarantees for taxation periods beginning on or after 1 January 2019, in the estimation of taxable net income for the period, the Bank considered maintaining the tax rules in force in 2018, which stipulate that the Bank of Portugal Notice No. 3/95 should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes.

In 2018, the Bank adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the Bank's interpretation of the application of IRC Code general rules.

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Z.3), and with the requirements of IAS 12, the deferred tax assets were recognised 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 2019 and adjusted according to the strategic plan approved by the elected governing bodies, which support future taxable net income, considering the macroeconomic and competitive environment.

To estimate taxable net income for the periods 2019 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 2019, were considered the tax rules in force in 2018, similar to the one's in force in 2015, 2016 and 2017, and through 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. In applying these rules, the following assumptions were considered in general terms:

a) non-deductible expenses related to charge in credit impairments were estimated based on the average percentage of amounts not deducted for tax purposes in the last years, compared to the amounts of impairment charges recorded in those years;

b) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2019-2021, submitted to the supervisory body in March 2019, and also based on the average reversal percentage observed in the last years;

c) the average percentages concerned were segregated, depending on the existence or absence of a mortgage guarantee, the eligibility for the special regime applicable to deferred tax assets and according to the classification of clients as Non Performing Exposures;

- In the absence of a transitional regime that establishes the tax treatment to be given to the transition adjustments resulting from the adoption of IFRS 9, the general rules of the IRC Code have been applied;
- 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 were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

The projections made, take into consideration, 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 globally consistent with the Reduction Plan of Non-Performing Assets 2019-2021, submitted to the supervisory body in March 2019, 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.

The analyses made allow the conclusion of the recoverability of the total deferred tax assets recognised as at 31 March 2019.

In accordance with these assessments, the amount of unrecognised deferred tax, by year of expiration, is as follows:

(Thousands of euros)

Tax losses carried forward	31 March 2019	31 December 2018
2018	-	1,595
2019-2025	168,025	149,694
2026	203,348	203,349
2027 and following	209,396	209,397
	580,769	564,035

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 March 2019, is analysed as follows:

(Thousands of euros)

	31 March 2019		
		Reserves and retained earnings	
	Net income for the period	Movement of the period	Exchange differences
Deferred taxes			
Deferred taxes not depending on the future profits (a)			
Impairment losses	(4,817)	-	-
Employee benefits	(302)	(12)	-
	(5,119)	(12)	-
Deferred taxes depending on the future profits			
Impairment losses	(32,495)	2,251	(2,391)
Tax losses carried forward (b)	(359)	210	(92)
Employee benefits	1,205	(500)	(115)
Financial assets at fair value through other comprehensive income	-	(42,262)	379
Derivatives	101	(170)	181
Other tangible assets	1,807	15	(26)
Others	571	4,169	(657)
	(29,170)	(36,287)	(2,721)
	(34,289)	(36,299)	(2,721)
Current taxes			
Current period	(31,160)	11	-
	(65,449)	(36,288)	(2,721)

(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) - The tax on reserves and retained earnings refers to realities recognised in reserves and retained earnings considered for taxable net income purposes.

The impact of income taxes in Net income / (loss) and in other balances of Group's equity, as at 31 March 2018, is analysed as follows:

(Thousands of euros)

	31 March 2018		
	Net income / (loss) for the period	Reserves and retained earnings	Exchange differences
Deferred taxes			
Deferred taxes not depending on the future profits (a)			
Impairment losses	48,834	(48,834)	-
	48,834	(48,834)	-
Deferred taxes depending on the future profits			
Impairment losses	(20,021)	(179,777)	(473)
Tax losses carried forward	(7,249)	6,688	(5)
Employee benefits	(184)	(821)	(31)
Financial assets at fair value through other comprehensive income	(10,076)	4,233	6,544
Derivatives	201	-	56
Other tangible assets	250	32	(6)
Others	(37,943)	58,377	(123)
	(75,022)	(111,268)	5,962
	(26,188)	(160,102)	5,962
Current taxes			
Current period	(23,128)	-	-
Correction of previous periods	1	-	-
	(23,127)	-	-
	(49,315)	(160,102)	5,962

(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 reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	31 March 2019	31 March 2018
Net income / (loss) before income taxes	234,197	161,825
Current tax rate (%)	31.5%	31.5%
Expected tax	(73,772)	(50,975)
Employees' benefits	808	1,028
Tax benefits	3,559	3,758
Effect of the difference between the tax rate and deferred tax recognised / not recognised	10,265	19,297
Non-deductible costs and other corrections	(1,360)	(1,415)
Non-deductible impairment and provisions	(3,666)	(20,772)
Results of companies accounted by the equity method	4,964	5,139
Autonomous tax	(241)	(518)
Contribution to the banking sector	(6,006)	(4,857)
Total	(65,449)	(49,315)
Effective rate (%)	27.95%	30.47%

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Deposit account applications	187,826	53,417
Associated companies	462	1,644
Subsidies receivables	7,344	8,767
Prepaid expenses	31,723	29,307
Debtors for futures and options transactions	114,419	109,445
Insurance activity	6,682	6,297
Debtors		
Residents		
Advances to suppliers	320	962
Prosecution cases / agreements with the Bank	13,256	11,713
SIBS	6,125	6,005
Receivables from real estate, transfers of assets and other securities	38,267	36,760
Others	70,316	72,897
Non-residents	62,589	43,150
Interest and other amounts receivable	48,539	43,969
Amounts receivable on trading activity	11,902	33,792
Gold and other precious metals	3,663	3,617
Other financial investments	165	165
Other recoverable tax	20,748	22,026
Artistic patrimony	28,876	28,811
Reinsurance technical provision	10,087	5,243
Obligations with post-employment benefits	15,162	12,707
Capital supplies	227,984	227,295
Amounts due for collection	33,856	45,501
Amounts due from customers	106,483	217,483
Sundry assets	114,960	75,984
	1,161,754	1,096,957
Impairment for other assets	(286,369)	(285,141)
	875,385	811,816

The changes occurred in impairment for other assets are analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Balance on 1 January	285,141	282,646
Transfers	(150)	51,842
Charge for the period (note 12)	3,000	7,234
Reversals for the period (note 12)	(732)	(1,414)
Amounts charged-off	(882)	(55,164)
Exchange rate differences	(8)	(3)
Balance at the end of the period	286,369	285,141

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Resources and other financing from Central Banks		
Bank of Portugal	3,948,152	3,950,657
Central Banks abroad	86,458	805,264
	4,034,610	4,755,921
Resources from credit institutions in Portugal		
Very short-term deposits	-	8,134
Sight deposits	220,897	119,634
Term Deposits	214,977	190,825
Loans obtained	1,190	1,154
CIRS and IRS operations collateralised by deposits (*)	2,400	2,560
	439,464	322,307
Resources from credit institutions abroad		
Very short-term deposits	-	700
Sight deposits	169,432	184,543
Term Deposits	226,047	196,906
Loans obtained	1,806,181	1,818,677
CIRS and IRS operations collateralised by deposits (*)	22,969	21,174
Sales operations with repurchase agreement	698,290	451,712
Other resources	475	856
	2,923,394	2,674,568
	7,397,468	7,752,796

(*) 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"). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

The balance 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.

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Deposits from customers		
Repayable on demand	31,080,060	30,592,203
Term deposits	18,095,711	18,231,848
Saving accounts	3,655,202	3,512,313
Treasury bills and other assets sold under repurchase agreement	15,188	15,958
Cheques and orders to pay	415,425	312,365
Others	60,061	-
	53,321,647	52,664,687

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Bonds	268,053	310,164
Covered bonds	994,747	994,347
Medium term notes (MTNs)	80,276	77,488
Securitisations	288,405	298,395
	1,631,481	1,680,394
Accruals	8,343	5,693
	1,639,824	1,686,087

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Bonds		
Non Perpetual	1,225,642	1,036,785
Perpetual	27,021	27,021
	1,252,663	1,063,806
Accruals	17,720	8,299
	1,270,383	1,072,105

As at 31 March 2019, 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						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	45,473
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	25,676
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	14,408
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,587	604
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	52,367	4,944
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	42,306	4,844
Mbcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	28,577	3,680
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,009	2,201
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,211	4,191
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	53,478	10,285
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,221	5,167
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,335	6,592
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (ii)	300,000	298,650	300,000
Bank Millennium						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	162,617	162,617	43,775
Bank Millennium - BKMO_300129W	December, 2017	December, 2027	Wibor 6M 2,30%	192,817	192,817	51,904
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,426	81,323	14,561
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,225,642	538,305
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	6,611
BCP Leasing 2001	December, 2001	See reference (i)	Euribor 3M+2,25%	4,986	4,986	1,496
					27,021	8,106
Accruals					17,720	-
					1,270,383	546,411

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References:

Date of exercise of the next call option - The dates of the next call options are the dates provided in the Issues Terms and Conditions.

(i) June 2019

Interest rate

(ii) 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%.

As at 31 December 2018, 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						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	51,173
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	28,881
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	16,158
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,637	979
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	53,541	7,444
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	43,234	6,844
Mbcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	29,297	5,010
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,334	2,901
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,543	5,341
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,102	12,835
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,522	6,417
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,560	7,904
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (iii)	300,000	298,620	300,000
Bank Millennium						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	162,920	162,920	42,409
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,445	80,331	14,978
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,036,785	509,274
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	8,814
BCP Leasing 2001	December, 2001	See reference (ii)	Euribor 3M+2,25%	4,986	4,986	1,994
					27,021	10,808
Accruals					8,299	-
					1,072,105	520,082

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

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) June 2019; (ii) - March 2019.

Interest rate

(iii) 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%.

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Short selling securities	26,526	28,803
Trading derivatives (note 23):		
Swaps	284,956	281,724
Options	3,413	3,966
Embedded derivatives	9,406	8,344
Forwards	3,881	3,024
Others	3,446	1,147
	305,102	298,205
	331,628	327,008

37. Financial liabilities designated at fair value through profit or loss

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Deposits from customers	2,436,768	2,583,549
Debt securities at fair value through profit and loss		
Bonds	926	826
Medium term notes (MTNs)	460,707	340,274
	461,633	341,100
Accruals	1,160	806
	462,793	341,906
Certificates	736,731	678,192
	3,636,292	3,603,647

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Provision for guarantees and other commitments	184,422	187,710
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	9,203	7,801
Life insurance	4,557	4,736
For participation in profit and loss	1,585	184
Other technical provisions	19,394	13,918
Other provisions for liabilities and charges	140,901	136,483
	360,062	350,832

Changes in Provisions for guarantees and other commitments are analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Balance on 1 January	187,710	130,875
Adjustments due to the implementation of IFRS 9	-	14,714
Transfers	-	(2,122)
Charge for the period (note 13)	11,710	86,255
Reversals for the period (note 13)	(15,006)	(41,802)
Exchange rate differences	8	(210)
Balance at the end of the period	184,422	187,710

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Balance on 1 January	136,483	135,249
Other transfers	6,695	733
Charge for the period (note 13)	6,203	13,537
Reversals for the period (note 13)	(6,931)	(301)
Amounts charged-off	(1,540)	(12,427)
Exchange rate differences	(9)	(308)
Balance at the end of the period	140,901	136,483

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Creditors:		
Associated companies	2	44
Suppliers	31,155	46,144
From factoring operations	28,935	26,323
For futures and options transactions	10,866	13,731
For direct insurance and reinsurance operations	3,866	3,614
Deposit account and other applications	62,738	75,453
Obligations not covered by the Group Pension Fund - amounts payable by the Group	12,994	13,431
Rents to pay	242,248	-
Other creditors		
Residents	26,112	27,915
Non-residents	56,338	257,902
Holiday pay and subsidies	47,589	58,609
Interests and other amounts payable	50,649	46,685
Operations to be settled - foreign, transfers and deposits	307,955	277,452
Amounts payable on trading activity	80,874	10,603
Other administrative costs payable	8,055	5,194
Deferred income	73,314	71,329
Loans insurance received and to amortised	62,485	59,641
Public sector	34,561	35,791
Other liabilities	137,488	270,213
	1,278,224	1,300,074

40. Share capital, Preference shares and Other equity instruments

The Bank's share capital, as at 31 March 2019, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

Pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced from Euros 5,600,738,053.72 to Euros 4,725,000,000 maintaining the number of nominative shares (15,113,989,952) book-entry shares without nominal value. The reduction in share capital of Euros 875,738,053.72 was made by incorporation of reserves including actuarial differences.

As at 31 March 2019, 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 March 2019, the balance Other equity instruments, in the amount of Euros 402,922,000 corresponds to:

-2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each.
- 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each.

As described in note 47, Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as Additional Tier 1 core capital instrument, in the amount of Euros 400,000,000.

41. Legal and statutory reserves

Under Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. Such reserve is not normally distributable. As at 31 March 2019, the amount of Legal reserves amounts to Euros 234,608,000 (31 December 2018: Euros 234,608,000).

In accordance with current Portuguese 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 2018: 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
31 March 2019			
Net book value (Euros '000)	75	-	75
Number of securities	323,738 (*)		
Average book value (Euros)	0.23		
31 December 2018			
Net book value (Euros '000)	74	-	74
Number of securities	323,738 (*)		
Average book value (Euros)	0.23		

(*) As at 31 March 2019, Banco Comercial Português, S.A. does not hold treasury shares and did not purchased or sold own shares during the period. However, this balance includes 323,738 shares (31 December 2018: 323,738 shares) owned by clients. Since 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, deducted to equity.

The own shares held by the companies included in the consolidation perimeter are within the limits established by the Bank's by-laws and by "Código das Sociedades Comerciais".

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	51,221	(10,343)
Equity instruments	(30,501)	(30,197)
Of associated companies and other changes	30,660	25,675
Cash-flow hedge	163,851	105,705
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	3,572	4,151
	218,803	94,991
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(13,259)	7,988
Equity instruments	1,801	1,880
Cash-flow hedge	(51,629)	(34,069)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(1,118)	(1,299)
	(64,205)	(25,500)
	154,598	69,491
Exchange differences arising on consolidation:		
Bank Millennium, S.A.	(39,833)	(38,841)
BIM - Banco International de Moçambique, S.A.	(155,183)	(152,287)
Banco Millennium Atlântico, S.A.	(101,667)	(100,382)
Others	2,416	2,454
	(294,267)	(289,056)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	46,978	43,342
Others	(3,965)	(3,965)
	43,013	39,377
Other reserves and retained earnings	949,133	650,669
	852,477	470,481

(*) Includes the effects arising from the application of hedge accounting.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Fair value changes		
Debt instruments	6,460	15,890
Equity instruments	3,276	2,938
Cash-flow hedge	(2,780)	(7,964)
Other	63	29
	7,019	10,893
Deferred taxes		
Debt instruments	(1,227)	(3,019)
Equity instruments	(622)	(558)
Cash-flow hedge	528	1,513
	(1,321)	(2,064)
	5,698	8,829
Exchange differences arising on consolidation	(116,792)	(113,417)
Actuarial losses (net of taxes)	248	248
Other reserves and retained earnings	1,284,302	1,287,773
	1,173,456	1,183,433

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	31 March 2019	31 December 2018	31 March 2019	31 March 2018
Bank Millennium, S.A.	987,334	973,749	18,638	18,576
BIM - Banco International de Moçambique, SA (*)	153,671	160,776	9,883	8,414
Other subsidiaries	32,451	48,908	(162)	(69)
	1,173,456	1,183,433	28,359	26,921

(*) Includes the non-controlling interests of BIM Group related to SIM - Seguradora International de Moçambique, S.A.R.L.

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	31 March 2019	31 December 2018
Guarantees granted		
Guarantees	4,257,787	4,306,184
Stand-by letter of credit	79,166	81,249
Open documentary credits	291,908	300,020
Bails and indemnities	138,190	139,345
	4,767,051	4,826,798
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	11,077	-
Irrevocable credit lines	3,160,809	3,267,453
Securities subscription	92,608	97,159
Other irrevocable commitments	114,975	114,829
Revocable commitments		
Revocable credit lines	4,202,245	4,077,379
Bank overdraft facilities	531,325	552,307
Other revocable commitments	105,995	109,535
	8,219,034	8,218,662
Guarantees received	24,203,428	24,061,727
Commitments from third parties	9,404,094	9,411,635
Securities and other items held for safekeeping	67,048,326	64,887,064
Securities and other items held under custody by the Securities Depository Authority	66,270,165	65,566,396
Other off balance sheet accounts	124,878,096	126,252,374

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 38).

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 are 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. 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. As at 31 March 2019, these securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available Net assets value (NAV), 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 IFRS 9 3.2 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 IFRS 9 3.2, 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. During the first quarter of 2019 and 2018, no credits were sold to Specialized Credit Funds.

The amounts accumulated as at 31 March 2019, related to these operations are analysed as follows:

(Thousands of euros)

	31 March 2019			
	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)
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 (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

As at 31 March 2019, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 March 2019			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (note 31)	Total
Fundo Recuperação Turismo FCR				
Gross value	287,930	32,320	-	320,250
Impairment and other fair value adjustments	(49,356)	(32,320)	-	(81,676)
	238,574	-	-	238,574
Fundo Reestruturação Empresarial FCR				
Gross value	69,053	-	33,280	102,333
Impairment and other fair value adjustments	(10,342)	-	(33,280)	(43,622)
	58,711	-	-	58,711
FLIT-PTREL				
Gross value	262,920	38,154	-	301,074
Impairment and other fair value adjustments	1,826	(38,154)	-	(36,328)
	264,746	-	-	264,746
Fundo Recuperação FCR				
Gross value	193,730	81,431	-	275,161
Impairment and other fair value adjustments	(88,588)	(81,431)	-	(170,019)
	105,142	-	-	105,142
Fundo Aquarius FCR				
Gross value	139,148	-	-	139,148
Impairment and other fair value adjustments	(8,688)	-	-	(8,688)
	130,460	-	-	130,460
Discovery Real Estate Fund				
Gross value	154,252	-	-	154,252
Impairment and other fair value adjustments	842	-	-	842
	155,094	-	-	155,094
Fundo Vega FCR				
Gross value	47,694	74,831	-	122,525
Impairment and other fair value adjustments	(5,678)	(74,831)	-	(80,509)
	42,016	-	-	42,016
Total Gross value	1,154,727	226,736	33,280	1,414,743
Total impairment and other fair value adjustments	(159,984)	(226,736)	(33,280)	(420,000)
	994,743	-	-	994,743

As at 31 December 2018, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 December 2018			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (note 31)	Total
Fundo Recuperação Turismo FCR				
Gross value	287,930	32,206	-	320,136
Impairment and other fair value adjustments	(49,074)	(32,206)	-	(81,280)
	238,856	-	-	238,856
Fundo Reestruturação Empresarial FCR				
Gross value	86,669	-	33,280	119,949
Impairment and other fair value adjustments	(11,315)	-	(33,280)	(44,595)
	75,354	-	-	75,354
FLIT-PTREL				
Gross value	262,920	38,154	-	301,074
Impairment and other fair value adjustments	1,826	(38,154)	-	(36,328)
	264,746	-	-	264,746
Fundo Recuperação FCR				
Gross value	193,730	80,938	-	274,668
Impairment and other fair value adjustments	(89,971)	(80,938)	-	(170,909)
	103,759	-	-	103,759
Fundo Aquarius FCR				
Gross value	139,148	-	-	139,148
Impairment and other fair value adjustments	(10,974)	-	-	(10,974)
	128,174	-	-	128,174
Discovery Real Estate Fund				
Gross value	152,938	-	-	152,938
Impairment and other fair value adjustments	1,001	-	-	1,001
	153,939	-	-	153,939
Fundo Vega FCR				
Gross value	47,694	74,751	-	122,445
Impairment and other fair value adjustments	(5,534)	(74,751)	-	(80,285)
	42,160	-	-	42,160
Total Gross value	1,171,029	226,049	33,280	1,430,358
Total impairment and other fair value adjustments	(164,041)	(226,049)	(33,280)	(423,370)
	1,006,988	-	-	1,006,988

47. Relevant events occurred during the first quarter of 2019

Issue of perpetual subordinated notes by Banco Comercial Português, S.A.

Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as additional Tier 1 core capital instrument ("Additional Tier 1" or “AT1”).

The operation, in the amount of Euros 400 million and with no fixed term, has the option of early repayment by the Bank as of the end of the 5th year, and an interest rate of 9.25% per annum during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

The issuance, the first of its kind denominated in euros on the European market in 2019, was part of the Bank's strategy to strengthen and diversify the components of its capital base, contributing significantly to the strengthening of its eligible liabilities to meet the minimum requirement for eligible own funds and liabilities and to strengthen its presence in the capital market.

Issue of W-Series subordinated bonds of the Bank Millennium, S.A. (Poland)

On 30 January 2019 the Bank Millennium, S.A. (Poland) issued 1,660 series W subordinated bonds in the total amount of PLN 830 million (Euros 193 million). The maturity of the bonds is 30 January 2029 and the interest rate is variable, based on WIBOR 6M plus a margin of 2.30% per annum.

After the assent of Polish Financial Supervision Authority, the bonds were considered instruments in the Bank's Tier 2 capital in the meaning of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

48. Consolidate balance sheet and income statement by geographical and business 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 management purposes by the Executive Committee. 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.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with 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 the following segments: i) Retail Banking; ii) Companies, Corporate & Investment Banking; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than Euros 2.5 million. The Retail network strategic approach is to target "Mass Market" customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal 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 and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;
- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), 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, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term;
- Trade Finance Department (from Treasury and Markets International Division), which coordinates the 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 1 million euros);
- Specialized Credit and Real Estate Division, which ensures integrated and specialized management of real estate business of the Group. Regarding credit for real estate development, it ensures the economic viability of real estate and tourist projects. In the area of specialized credit for Factoring and Confirming products, it ensures the operational management of contracts and collections and in the real estate sector ensures the sustainability and quick return of these assets to the market.
- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for the purposes of geographical segments, comprises the Private Banking network in Portugal and the provision of advisory services and the asset management activity provided by the Wealth Management Division. For the 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.

All other businesses not previously discriminated are allocated to the Other segment (Portugal) and include centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other amounts not allocated to segments.

Foreign Business includes the following segments:

- 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 Other segment also includes the contribution of the associate in Angola.

B. Business Segments

For the purposes of business segments reporting, Foreign Business segment 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, in this context, are considered in Private Banking segment.

Business segments activity

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.

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 31 March 2019, 31 December 2018 and 31 March 2018 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Commissions and other net income, as well as operating costs calculated for each business area, are based on the amounts accounted for directly in the respective cost centres, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. As an example, for operational costs, the first set includes costs recorded for telephones, travel, travelling accommodation and representation expenses and to advisory services, and in the second set of costs are included correspondence, water and electricity and rents related to spaces occupied by organic units, among others. The allocation of this last set of costs is based on the application of pre-defined criteria related to the level of activity of each business area.

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), at the reference date and with the Organization of the Group's business areas in force on 31 March 2019. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity 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 March 2019, the net contribution of the major business segments, for the income statement and balance sheet, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking			
	Retail in Portugal	Foreign business (1)	Total	in Portugal	Private banking	Other	Consolidated
INCOME STATEMENT							
Interest and similar income	119,263	225,257	344,520	80,656	6,391	40,428	471,995
Interest expense and similar charges	(7,177)	(68,462)	(75,639)	(11,880)	(2,468)	(19,299)	(109,286)
Net interest income	112,086	156,795	268,881	68,776	3,923	21,129	362,709
Commissions and other income	103,008	63,888	166,896	39,138	13,717	2,499	222,250
Commissions and other costs	(9,473)	(49,251)	(58,724)	(6,504)	(1,768)	(15,396)	(82,392)
Net commissions and other income	93,535	14,637	108,172	32,634	11,949	(12,897)	139,858
Net gains arising from financial operations (2)	3,868	19,244	23,112	113	1,206	35,877	60,308
Share of profit of associates under the equity method	-	7,803	7,803	-	-	10,825	18,628
Gains / (losses) arising from the sale of subsidiaries and other assets	-	4,854	4,854	-	-	11,312	16,166
Net operating revenue	209,489	203,333	412,822	101,523	17,078	66,246	597,669
Operating expenses	116,966	92,921	209,887	32,406	11,229	6,011	259,533
Impairment for credit and financial assets (3)	(2,422)	(18,603)	(21,025)	(69,644)	280	2,995	(87,394)
Other impairments and provisions (4)	4	4,040	4,044	(2)	-	(20,587)	(16,545)
Net income / (loss) before income tax	90,105	95,849	185,954	(529)	6,129	42,643	234,197
Income tax	(27,782)	(25,185)	(52,967)	401	(1,732)	(11,151)	(65,449)
Income / (loss) after income tax from continuing operations	62,323	70,664	132,987	(128)	4,397	31,492	168,748
Income / (loss) arising from discontinued operations	-	-	-	-	-	13,454	13,454
Net income / (loss) for the period	62,323	70,664	132,987	(128)	4,397	44,946	182,202
Non-controlling interests	-	(28,521)	(28,521)	-	-	162	(28,359)
Net income / (loss) for the period attributable to Bank's Shareholders	62,323	42,143	104,466	(128)	4,397	45,108	153,843
BALANCE SHEET							
Cash and Loans and advances to credit institutions	8,731,432	1,007,192	9,738,624	317,422	2,629,047	(9,083,236)	3,601,857
Loans and advances to customers (5)	21,370,383	13,219,746	34,590,129	12,603,362	571,252	796,526	48,561,269
Financial assets (6)	382,673	6,512,674	6,895,347	-	762	11,324,255	18,220,364
Other assets	110,241	688,125	798,366	25,174	18,787	5,892,530	6,734,857
Total Assets	30,594,729	21,427,737	52,022,466	12,945,958	3,219,848	8,930,075	77,118,347
Resources from other credit institutions (7)	802,527	1,440,743	2,243,270	3,979,389	362,324	812,485	7,397,468
Resources from customers (8)	27,475,689	17,051,732	44,527,421	7,734,783	2,640,842	855,369	55,758,415
Debt securities issued (9)	1,155,083	208,519	1,363,602	1,518	73,631	1,400,597	2,839,348
Other financial liabilities (10)	-	493,295	493,295	-	746	1,380,729	1,874,770
Other liabilities	37,484	602,576	640,060	61,881	14,090	943,613	1,659,644
Total Liabilities	29,470,783	19,796,865	49,267,648	11,777,571	3,091,633	5,392,793	69,529,645
Equity and non-controlling interests	1,123,946	1,630,872	2,754,818	1,168,387	128,215	3,537,282	7,588,702
Total Liabilities, Equity and Non-controlling interests	30,594,729	21,427,737	52,022,466	12,945,958	3,219,848	8,930,075	77,118,347
Number of employees (11)	4,742	8,941	13,683	736	229	1,637	16,285

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;
(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive income;
(3) Includes impairment (net of reversals) 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. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations);
(4) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, impairment of goodwill, impairment of other assets and provisions.
(5) Includes 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;
(6) Includes 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 and hedging derivatives;
(7) Includes resources and other financing from Central Banks and resources from other credit institutions;
(8) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss);
(9) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(10) Includes financial liabilities held for trading, subordinated debt and hedging derivatives;
(11) Foreign Business segment considers 6,319 employees from Poland corresponding to 6,183 FTE - Full-time equivalent.

As at 31 March 2018, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business [1]	Total				
INCOME STATEMENT							
Interest and similar income	116,603	218,864	335,467	87,722	9,311	40,598	473,098
Interest expense and similar charges	(11,834)	(71,512)	(83,346)	(22,231)	(3,467)	(19,249)	(128,293)
Net interest income	104,769	147,352	252,121	65,491	5,844	21,349	344,805
Commissions and other income	98,234	67,285	165,519	38,865	16,324	235	220,943
Commissions and other costs	(9,361)	(45,193)	(54,554)	(6,473)	(1,996)	(14,019)	(77,042)
Net commissions and other income	88,873	22,092	110,965	32,392	14,328	(13,784)	143,901
Net gains arising from financial operations [2]	1,989	14,706	16,695	415	854	16,478	34,442
Share of profit of associates under the equity method	-	7,541	7,541	-	-	12,257	19,798
Gains / (losses) arising from the sale of subsidiaries and other assets	-	511	511	-	-	(5,654)	(5,143)
Net operating revenue	195,631	192,202	387,833	98,298	21,026	30,646	537,803
Operating expenses	115,440	86,305	201,745	30,547	10,286	3,460	246,038
Impairment for credit and financial assets [3]	(3,645)	(17,696)	(21,341)	(98,684)	1,830	14,678	(103,517)
Other impairments and provisions [4]	-	(4,874)	(4,874)	7	-	(21,556)	(26,423)
Net income / (loss) before income tax	76,546	83,327	159,873	(30,926)	12,570	20,308	161,825
Income tax	(23,834)	(20,692)	(44,526)	10,062	(3,625)	(11,226)	(49,315)
Net income / (loss) for the period	52,712	62,635	115,347	(20,864)	8,945	9,082	112,510
Non-controlling interests	-	(26,990)	(26,990)	-	-	69	(26,921)
Net income / (loss) for the period attributable to Bank's Shareholders	52,712	35,645	88,357	(20,864)	8,945	9,151	85,589

As at 31 December 2018, the net contribution of the major operational segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Retail in Portugal	Foreign business	Total	Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
BALANCE SHEET							
Cash and Loans and advances to credit institutions	8,676,928	1,280,716	9,957,644	218,221	2,513,580	(8,718,866)	3,970,579
Loans and advances to customers [5]	21,257,724	12,977,414	34,235,138	13,092,522	573,712	221,924	48,123,296
Financial assets [6]	20,838	6,148,434	6,169,272	-	1,481	10,976,994	17,147,747
Other assets	187,135	596,699	783,834	49,580	15,569	5,832,444	6,681,427
Total Assets	30,142,625	21,003,263	51,145,888	13,360,323	3,104,342	8,312,496	75,923,049
Resources from other credit institutions [7]	913,040	1,536,902	2,449,942	4,310,909	358,109	633,836	7,752,796
Resources from customers [8]	27,168,263	16,988,098	44,156,361	7,883,217	2,577,072	631,586	55,248,236
Debt securities issued [9]	1,018,395	188,446	1,206,841	769	54,691	1,443,884	2,706,185
Other financial liabilities [10]	-	304,002	304,002	-	1,428	1,271,583	1,577,013
Other liabilities	38,566	514,180	552,746	60,772	10,559	1,050,836	1,674,913
Total Liabilities	29,138,264	19,531,628	48,669,892	12,255,667	3,001,859	5,031,725	68,959,143
Equity and non-controlling interests	1,004,361	1,471,635	2,475,996	1,104,656	102,483	3,280,771	6,963,906
Total Liabilities, Equity and Non-controlling interests	30,142,625	21,003,263	51,145,888	13,360,323	3,104,342	8,312,496	75,923,049
Number of employees [11]	4,637	8,889	13,526	725	226	1,590	16,067

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;
(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive income;
(3) Includes impairment (net of reversals) 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. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations);
(4) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, impairment of goodwill, impairment of other assets and provisions;
(5) Includes 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;
(6) Includes 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 and hedging derivatives;
(7) Includes resources and other financing from Central Banks and resources from other credit institutions;
(8) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss);
(9) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(10) Includes financial liabilities held for trading, subordinated debt and hedging derivatives;
(11) Foreign Business segment considers 6,270 employees from Poland corresponding to 6,132 FTE - Full-time equivalent.

As at 31 March 2019, the net contribution of the major geographic segments, for the income statement and balance sheet, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	119,263	80,656	3,802	40,428	244,149	162,170	63,086	2,590	471,995
Interest expense and similar charges	(7,177)	(11,880)	(1,785)	(19,299)	(40,141)	(50,763)	(17,617)	(765)	(109,286)
Net interest income	112,086	68,776	2,017	21,129	204,008	111,407	45,469	1,825	362,709
Commissions and other income	103,008	39,138	6,277	2,499	150,922	48,448	15,440	7,440	222,250
Commissions and other costs	(9,473)	(6,504)	(355)	(15,396)	(31,728)	(43,986)	(5,265)	(1,413)	(82,392)
Net commissions and other income	93,535	32,634	5,922	(12,897)	119,194	4,462	10,175	6,027	139,858
Net gains arising from financial operations (2)	3,868	113	98	35,877	39,956	15,207	4,038	1,107	60,308
Share of profit of associates under the equity method	-	-	-	10,825	10,825	-	-	7,803	18,628
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	-	11,312	11,312	(576)	5,430	-	16,166
Net operating revenue	209,489	101,523	8,037	66,246	385,295	130,500	65,112	16,762	597,669
Operating expenses	116,966	32,406	4,613	6,011	159,996	69,591	23,329	6,617	259,533
Impairment for credit and financial assets (3)	(2,422)	(69,644)	264	2,995	(68,807)	(15,462)	(5,559)	2,434	(87,394)
Other impairments and provisions (4)	4	(2)	-	(20,587)	(20,585)	7,281	(1,024)	(2,217)	(16,545)
Net income / (loss) before income tax	90,105	(529)	3,688	42,643	135,907	52,728	35,200	10,362	234,197
Income tax	(27,782)	401	(1,162)	(11,151)	(39,694)	(16,673)	(7,765)	(1,317)	(65,449)
Income / (loss) after income tax from continuing operations	62,323	(128)	2,526	31,492	96,213	36,055	27,435	9,045	168,748
Income / (loss) arising from discontinued operations	-	-	-	13,454	13,454	-	-	-	13,454
Net income / (loss) for the period	62,323	(128)	2,526	44,946	109,667	36,055	27,435	9,045	182,202
Non-controlling interests	-	-	-	162	162	(17,991)	(9,290)	(1,240)	(28,359)
Net income / (loss) for the period attributable to Bank's Shareholders	62,323	(128)	2,526	45,108	109,829	18,064	18,145	7,805	153,843
BALANCE SHEET									
Cash and Loans and advances to credit institutions	8,731,432	317,422	1,940,453	(9,083,236)	1,906,071	499,783	507,409	688,594	3,601,857
Loans and advances to customers (5)	21,370,383	12,603,362	237,030	796,526	35,007,301	12,530,765	688,981	334,222	48,561,269
Financial assets (6)	382,673	-	-	11,324,255	11,706,928	5,749,131	763,543	762	18,220,364
Other assets	110,241	25,174	6,061	5,892,530	6,034,006	340,211	199,088	161,552	6,734,857
Total Assets	30,594,729	12,945,958	2,183,544	8,930,075	54,654,306	19,119,890	2,159,021	1,185,130	77,118,347
Resources from other credit institutions (7)	802,527	3,979,389	-	812,485	5,594,401	1,256,691	137,100	409,276	7,397,468
Resources from customers (8)	27,475,689	7,734,783	2,042,035	855,369	38,107,876	15,488,690	1,563,042	598,807	55,758,415
Debt securities issued (9)	1,155,083	1,518	73,631	1,400,597	2,630,829	208,519	-	-	2,839,348
Other financial liabilities (10)	-	-	-	1,380,729	1,380,729	493,295	-	746	1,874,770
Other liabilities	37,484	61,881	820	943,613	1,043,798	503,802	98,773	13,271	1,659,644
Total Liabilities	29,470,783	11,777,571	2,116,486	5,392,793	48,757,633	17,950,997	1,798,915	1,022,100	69,529,645
Equity and non-controlling interests	1,123,946	1,168,387	67,058	3,537,282	5,896,673	1,168,893	360,106	163,030	7,588,702
Total Liabilities, Equity and Non-controlling interests	30,594,729	12,945,958	2,183,544	8,930,075	54,654,306	19,119,890	2,159,021	1,185,130	77,118,347
Number of employees (11)	4,742	736	147	1,637	7,262	6,319	2,622	82	16,285

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;
(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive income;
(3) Includes impairment (net of reversals) 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. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations);
(4) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, impairment of goodwill, impairment of other assets and provisions.
(5) Includes 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;
(6) Includes 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 and hedging derivatives;
(7) Includes resources and other financing from Central Banks and resources from other credit institutions;
(8) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss);
(9) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(10) Includes financial liabilities held for trading, subordinated debt and hedging derivatives;
through profit or loss (debt securities and certificates);
(10) Includes financial liabilities held for trading, subordinated debt and hedging derivatives;
(11) In Poland, the number of employees presented corresponds to 6,183 FTE - Full-time equivalent.

As at 31 March 2018, 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	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	116,603	87,722	5,917	40,598	250,840	146,147	74,586	1,525	473,098
Interest expense and similar charges	(11,834)	(22,231)	(1,589)	(19,249)	(54,903)	(46,121)	(27,104)	(165)	(128,293)
Net interest income	104,769	65,491	4,328	21,349	195,937	100,026	47,482	1,360	344,805
Commissions and other income	98,234	38,865	8,595	235	145,929	52,543	14,742	7,729	220,943
Commissions and other costs	(9,361)	(6,473)	(362)	(14,019)	(30,215)	(37,890)	(7,302)	(1,635)	(77,042)
Net commissions and other income	88,873	32,392	8,233	(13,784)	115,714	14,653	7,440	6,094	143,901
Net gains arising from financial operations (2)	1,989	415	68	16,478	18,950	12,643	2,064	785	34,442
Share of profit of associates under the equity method	-	-	-	12,257	12,257	-	-	7,541	19,798
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	-	(5,654)	(5,654)	473	38	-	(5,143)
Net operating revenue	195,631	98,298	12,629	30,646	337,204	127,795	57,024	15,780	537,803
Operating expenses	115,440	30,547	3,995	3,460	153,442	65,557	20,748	6,291	246,038
Impairment for credit and financial assets (3)	(3,645)	(98,684)	1,230	14,678	(86,421)	(11,675)	(6,021)	600	(103,517)
Other impairments and provisions (4)	-	7	-	(21,556)	(21,549)	(739)	490	(4,625)	(26,423)
Net income / (loss) before income tax	76,546	(30,926)	9,864	20,308	75,792	49,824	30,745	5,464	161,825
Income tax	(23,834)	10,062	(3,107)	(11,226)	(28,105)	(14,748)	(5,993)	(469)	(49,315)
Net income / (loss) for the period	52,712	(20,864)	6,757	9,082	47,687	35,076	24,752	4,995	112,510
Non-controlling interests	-	-	-	69	69	(17,503)	(8,376)	(1,111)	(26,921)
Net income / (loss) for the period attributable to Bank's Shareholders	52,712	(20,864)	6,757	9,151	47,756	17,573	16,376	3,884	85,589

As at 31 December 2018, the net contribution of the major geographic segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	8,676,928	218,221	1,869,029	(8,718,866)	2,045,312	740,447	540,268	644,552	3,970,579
Loans and advances to customers (5)	21,257,724	13,092,522	231,839	221,924	34,804,009	12,268,269	711,562	339,456	48,123,296
Financial assets (6)	20,838	-	-	10,976,994	10,997,832	5,448,454	699,980	1,481	17,147,747
Other assets	187,135	49,580	12,163	5,832,444	6,081,322	268,046	186,692	145,367	6,681,427
Total Assets	30,142,625	13,360,323	2,113,031	8,312,496	53,928,475	18,725,216	2,138,502	1,130,856	75,923,049
Resources from other credit institutions (7)	913,040	4,310,909	-	633,836	5,857,785	1,357,900	137,064	400,047	7,752,796
Resources from customers (8)	27,168,263	7,883,217	1,998,106	631,586	37,681,172	15,417,499	1,570,599	578,966	55,248,236
Debt securities issued (9)	1,018,395	769	54,691	1,443,884	2,517,739	188,446	-	-	2,706,185
Other financial liabilities (10)	-	-	-	1,271,583	1,271,583	304,002	-	1,428	1,577,013
Other liabilities	38,566	60,772	1,018	1,050,836	1,151,192	435,594	78,586	9,541	1,674,913
Total Liabilities	29,138,264	12,255,667	2,053,815	5,031,725	48,479,471	17,703,441	1,786,249	989,982	68,959,143
Equity and non-controlling interests	1,004,361	1,104,656	59,216	3,280,771	5,449,004	1,021,775	352,253	140,874	6,963,906
Total Liabilities, Equity and Non-controlling interests	30,142,625	13,360,323	2,113,031	8,312,496	53,928,475	18,725,216	2,138,502	1,130,856	75,923,049
Number of employees (11)	4,637	725	143	1,590	7,095	6,270	2,619	83	16,067

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;
(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive income;
(3) Includes impairment (net of reversals) 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. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations);
(4) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, impairment of goodwill, impairment of other assets and provisions;
(5) Includes 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;
(6) Includes 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 and hedging derivatives;
(7) Includes resources and other financing from Central Banks and resources from other credit institutions;
(8) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss);
(9) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(10) Includes financial liabilities held for trading, subordinated debt and hedging derivatives;
(11) In Poland, the number of employees presented corresponds to 6,132 FTE - Full-time equivalent.

Reconciliation of net income of reportable segments with the net income attributable to shareholders

(Thousands of euros)

	31 March 2019	31 March 2018
Net contribution		
Retail banking in Portugal	62,323	52,712
Companies, Corporate and Investment banking	(128)	(20,864)
Private Banking	2,526	6,757
Foreign business (continuing operations)	72,535	64,823
Non-controlling interests (1)	(28,521)	(26,990)
	108,735	76,438
Amounts not allocated to segments		
Net interest income of the bond portfolio	6,282	5,361
Foreign exchange activity	3,450	6,363
Gains / (losses) arising from sales of subsidiaries and other assets	11,312	(5,654)
Equity accounted earnings	10,825	12,257
Impairment and other provisions (2)	(17,591)	(6,878)
Operational costs (3)	(6,011)	(3,460)
Gains on sale of Portuguese public debt	25,958	10,067
Taxes (4)	(11,151)	(11,226)
Income from discontinued operations	13,454	-
Non-controlling interests	162	69
Others (5)	8,418	2,252
Total not allocated to segments	45,108	9,151
Consolidated net income	153,843	85,589

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, and in Mozambique.
(2) 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.
(3) Corresponds to revenues/(costs) related to restructuring costs.
(4) 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.
(5) 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.

49. List of subsidiary and associated companies of Banco Comercial Português Group

As at 31 March 2019, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Banco de Investimento Imobiliário, S.A.	Lisbon	17,500,000	EUR	Banking	100.0	100.0	100.0
Banco ActivoBank, S.A.	Lisbon	64,500,000	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	1,000,000	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	31,000,785	EUR	Financial	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	–
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, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	12,106,743	EUR	Real-estate management	100.0	100.0	100.0
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	30,300,000	EUR	Real-estate management	100.0	100.0	100.0
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	96.2	95.8	85.7
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	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 Telecommunication, 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	–
Piast Expert Sp. z o.o	Tychy	100,000	PLN	Marketing services	100.0	50.1	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9	99.9	99.9
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100.0	100.0	100.0
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Setelote - Aldeamentos Turísticos S.A.	Oeiras	400,000	EUR	Real-estate company	90.0	90.0	–
Irgossai - Urbanização e Construção, S.A.	Oeiras	50,000	EUR	Construction and real estate	100.0	100.0	–
Imábida - Imobiliária da Arrábida, S.A. (*)	Oeiras	50,000	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.

During the first quarter of 2019, the Group sold the Planfipsa group.

As at 31 March 2019, 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:

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	99,038,784	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	4,353,444	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	97,894,785	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	3,336,555,200	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	6,664,172	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

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
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	73,333,000	EUR	Real estate investment fund	100.0	100.0	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	3,404,600	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	8,860,000	EUR	Real estate investment fund	54.0	54.0	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	10,170,000	EUR	Real estate investment fund	100.0	100.0	100.0
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real estate investment fund	50.0	50.0	50.0
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	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 March 2019, 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 March 2019, 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
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	147,500,000	MZN	Insurance	92.0	61.4	–

As at 31 March 2019, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7	22.5	–
Banque BCP, S.A.S.	Paris	141,710,595	EUR	Banking	19.9	19.9	19.9
Beiranave Estaleiros Navais Beira SARL	Beira	2,850,000	MZN	Naval shipyards	22.8	14.0	–
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50.0	50.0	50.0
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.3	–
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	Setúbal	744,231	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 clothing	24.8	24.7	–
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E	Lisbon	1,000,000	EUR	Services	33.3	33.3	33.3
Projepolska, S.A.	Cascais	9.424.643	EUR	Real-estate company	23.9	23.9	23.9
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	Consulting	25.0	25.0	25.0
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	0.5
Webspectator Corporation	Delaware	950	USD	Digital advertising service	25.1	25.1	25.1

As at March 2019, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	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	–

50. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy AA), the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded on May 22, 2019, with 64.59% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One – Approval of the individual and consolidated annual report, balance sheet and financial statements of 2018, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profits for the 2018 financial year;

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 remuneration policy of Members of Management and Supervision Bodies;

Item Five – Approval of the alteration of the articles of association, giving a new wording to paragraph c) of article 14 and to nr. 1 of article 10, adding two new numbers 2 and 3 to article 10 with the consequent renumbering of current nrs. 2 and 3;

Item Six – Approval of the cooptation of Mr. Fernando Costa Lima as member of the Board of Directors and of the Audit Committee for the exercise of functions in the term-of-office ending in 2021. The effects of this cooptation are subject to obtaining the authorization for the exercise of functions from the European Central Bank;

Item Seven – Appointment of Prof. Cidália Maria da Mota Lopes as Chairperson of the Audit Committee to exercise functions during the term-of-office ending in 2021;

Item Eight – Election of Mr. Nuno Maria Pestana de Almeida Alves as member of the Remunerations and Welfare Board;

Item Nine - Election of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, as the Single Auditor, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the two-year term-of-office 2019/2020;

Item Ten - Selection of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, SA to perform functions of External Auditor in the 2019/2020 two-year period;

Item Eleven – Approval of the acquisition and sale of own shares and bonds.

Banco Comercial Português, S.A. dividend payment for 2018

Under the terms and for the purposes of no. 2, paragraph b) of article 249 of the Securities Code and of no. 3 of article 7 of Regulation no. 5/2008 of the Portuguese Securities Market Commission, Banco Comercial Português, S.A. announces that its Annual General Meeting, held on May 22, 2019, approved the Board of Directors' proposal for the appropriation of profits for the year 2018, resulting in the payment of a gross dividend of Euros 0.002 per share.

Dividends will be payable from June 11, 2019, with the following amounts per share:
Gross dividend per share: Euros 0.002
Income taxes (withholding tax): Personal (IRS): 28% / Corporate (IRC): 25%
Income taxes (if applicable): Euros 0.00056 / Euros 0.00050
Net dividend per share: Euros 0.00144 / Euros 0.00150

Non-objection by the Polish Financial Supervision Authority to the acquisition of Euro Bank S.A. by Bank Millennium S.A.

Bank Millennium S.A., owned 50.1% by Banco Comercial Português, S.A., announced on 28 May 2019, having been informed of the non-objection by the Polish Financial Supervision Authority to its acquisition of Euro Bank S.A..

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Banco Comercial Português, S.A.,
Company open to public investment

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Praça D. João I, 28
4000-295 Porto

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