



**BANCO COMERCIAL PORTUGUÊS, S. A.
MACAU BRANCH**

DISCLOSURE OF INFORMATION

31 DECEMBER 2018

(Circular No. 026/B/2012-DSB/AMCM)

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STATUS OF THE BRANCH

Banco Comercial Português, S. A. – Macau Branch (the Branch) is the Macau Branch of Banco Comercial Português, S. A. ('BCP' or the 'Head-Office') as from 11 May 2010 and has its registered office and principal place of business at Avenida Comercial de Macau, Quarteirão 5, Lote A, Finance and IT Centre of Macau Building, 19. Floor, G-l.

The Branch provides general banking and related financial services.

(Previously to 11 May 2010, since 1 July 1993, the Branch had been an offshore branch of BCP).

DISCLOSURE OF INFORMATION

The information presented hereinafter concerning the Branch and the Banking Group to which it belongs is disclosed under and in compliance with Circular No. 026/B/2012-DSB/AMCM of the Monetary Authority of Macau ('AMCM') (Guideline on Disclosure of Financial Information).

The Branch's policy on this matter is available and can also be consulted.

The information enclosed in pages 3 to 37 of this document is consistent with information otherwise published or in any way supplied to the AMCM and, in what concerns the Group information, other regulators.

The annual information provided has also been reviewed by the Branch's external auditors.

The information or any other remarks belonging to the Branch's books or practices are duly marked along these pages with the tag 'Macau Branch'.

The Management of the Branch

BALANCE SHEET AS OF 31 DECEMBER 2018
(MACAU BRANCH)

ASSETS	GROSS ASSETS	PROVISIONS, DEPRECIATION, AMORTIZATION	NET ASSETS
Cash in hand	582	-	582
Deposits with AMCM	105,990	-	105,990
Receivables	49	-	49
Balances with other local credit institutions	48,837	-	48,837
Balances with credit institutions abroad	15,631	-	15,631
Loans to customers	3,805,451	(399)	3,805,052
Placements & other operations with credit institutions abroad	7,643,101	-	7,643,101
Debtors	88	-	88
Equipment	8,556	(6,085)	2,471
Other fixed assets	4,199	(2,742)	1,457
Internal accounts	55,329	-	55,329
TOTALS	11,687,813	(9,226)	11,678,587

LIABILITIES AND OWN FUNDS	SUBTOTALS	TOTALS
Sight deposits	724,409	-
Time deposits	3,504,670	4,229,079
Deposits from the public sector	644,118	-
Funds from other local credit institutions	-	-
Funds from foreign credit institutions	6,277,422	-
Cheques and orders payable	4,244	-
Creditors	2,469	-
Sundry liabilities	15,013	6,943,266
Internal accounts	357,665	-
Provisions for general risks	39,324	-
Other reserves	-	396,989
Net income for the period	109,253	109,253
TOTALS		11,678,587

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018
(MACAU BRANCH)

DEBIT

Interest expense	160,533
Staff expenses	
Remunerations of managing and audit bodies	-
Remunerations of employees	6,833
Social expenses	8
Other staff expenses	1,266
Goods provided by third parties	293
Services provided by third parties	6,268
Other banking costs	557
Taxes and other levies	137
Inorganic costs	528
Allowances for depreciation and amortization	1,385
Allowances for impairment	2,999
Operating profit	121,069
TOTAL	301,876

CREDIT

Interest income	274,726
Fee and commission income	3,005
Revenues from other banking operations	23,179
Income from securities	-
Other banking revenues	966
Inorganic revenues	-
Operating losses	-
TOTAL	301,876

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018
(MACAU BRANCH)

DEBIT

Operating losses	-
Losses from previous years	-
Extraordinary losses	-
Allowance for income tax	14,816
Net profit	109,253
TOTAL	124,069

CREDIT

Operating profit	121,069
Profits from previous years	3,000
Extraordinary gains	-
Utilized provisions	-
Net loss	-
TOTAL	124,069

SUMMARY OF THE ACTIVITY REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (MACAU BRANCH)

In global economic environment, after strong growth in early 2018, global economic activity slowed significantly in the second half of 2018 due to the combined effects from the performance of major economies. China's growth declined caused by the joint effect from the required regulatory controls in shadow banking and an increase in trade tensions with the United States. The euro area economy lost more momentum than expected as consumer and business confidence weakened caused by continuous Brexit disputes in England, political instability in Italy, less external demand from Asia.

China's growth remained strong, though momentum has weakened. Investment growth slowed notably due to a sharp decline in infrastructure investment. Credit growth continued to slow driven by the tight control in shadow banking in 2018. CNY has depreciated substantially against the US dollar for the resistance to the trade tensions with the United States. Besides, with the promotion of "Greater Bay Area Development", a remarkable concept of enjoying economic integration and synergy has been formed by the end of 2018, which Macau has been appointed to become "one center, one platform, one base " for fostering the development of tourism, trade activities with Portuguese speaking countries as well as promoting the cultural and creative industries.

In 2018, although Macau SAR economy recorded a slowdown in the growth of overall demand, the GDP still recorded + 4.7% comparing with previous year (+ 9.7%). Such performance was mainly driven by the increase in gross gaming revenues (+14%) and spending of visitors (+13.6%), which were benefited from the traffic opening of Hong Kong – Zhuhai – Macau Bridge, the expansion in merchandise trades (+ 18.8% in import and + 8.1% in export), and the moderate recovery in property market (particularly in residential units). Unemployment rate remained steady at a very low level and Inflation rate kept moderate growth 3.0% even though CNY got significant depreciation vs MOP in the 2nd half of 2018.

In 2018, BCP Macau Branch remained developing its activities under the strategy of "Macau as business platform" for customers of BCP Group by providing products and services for Portuguese Speaking Countries where the Group is present, including remaining to be a reference bank to Chinese customers for the enjoyment of Golden Visa services, continuing the focus in trade finance operations between China and Portuguese speaking countries, mainly Portugal and Angola. Moreover, since the 2nd half of 2018, BCP Macau has been assigned a role of fund intermediary for the Group to cope with the Group's regional fund management requirements.

In 2018, BCP Macau Branch achieved a net income of MOP 109,2 million (+0.9%), its Deposits Portfolio reached MOP 4,873.2 million (-21.4%) and Net Loans Portfolio was at MOP 3,805.1 millions (+21.4%) . Operating Costs were MOP 20.3 million (+15.6%).

Although a positive 2019 outlook for Macau SAR economy performance, mainly, driven by the continuous good performance of Tourism, Gaming and Entertainment Sector, expected moderate improvement in trade tensions between China and the United States, the suspension of fixed investments in Macau Gaming and Entertainment Sectors regarding to the upcoming gaming licenses maturity, BCP Macau Branch would maintain conservative strategy with seeking for moderate growth in 2019 with main focus on risk mitigation.

Last but not least, we wish to say thanks to our Clients, Branch Staff and Macau SAR Authorities for the trust in Banco Comercial Português, S.A., Macau Branch.

The Management of
Banco Comercial Português, Macau Branch

SUMMARY OF THE EXTERNAL AUDITORS' OPINION

To the management of Banco Comercial Português, S. A. – Macau Branch (A branch of a commercial bank incorporated in Portugal)

We have audited the 2018 financial statements of Banco Comercial Português, S. A. – Macau Branch in accordance with the Audit Standards and the Technical Auditing Standards of the Macau Special Administrative Region, and, have expressed an unqualified opinion in our report dated 16 May 2018 on the financial statements.

The above-mentioned financial statements comprise the balance sheet as at 31 December 2018, the income statement, the statement of changes in equity, and a cash flow statement for the year ended, as well as a summary of significant accounting policies and other explanatory notes.

The summarized financial statements stated in this document are prepared by the management of the Branch in accordance with the above audited financial statements. In our opinion, the summarized financial statements are consistent, in all material aspects, with the audited financial statements and the books and records of the Branch.

In order to a better understanding in financial status and the operating results of Banco Comercial Português, S. A. – Macau Branch in the year as well as the audit scope, you are advised to read the summarized financial statements together with the audited financial statements and the respective auditors' report.

[Signed on the original]

Kwok Sze Man, Registered Auditor
Deloitte Touche Tohmatsu – Audit Firm
Macau, 20 May 2019

**LIST OF SHAREHOLDERS WITH QUALIFYING HOLDINGS IN
BANCO COMERCIAL PORTUGUÊS, S. A.**

NAME	% OF SHARE CAPITAL	% OF VOTING RIGHTS
Fosun Group Chiado (Luxembourg) S.à.r.l.	27.25%	27.25%
Sonangol Group Sonangol-Sociedade Nacional de Combustíveis de Angola, EP	19.49%	19.49%

Note:

According with the definition adopted by the Monetary Authority of Macau (AMCM), a qualifying holding is a holding which is owned directly or indirectly by the shareholder and which represents 10% or more of the share capital or voting rights of the credit institution or which confers, in any other form, the possibility to exercise a significant influence over the management of the credit institution.

**NAMES OF MEMBERS OF COMPANY BOARDS OF
BANCO COMERCIAL PORTUGUÊS, S. A.**

BOARD OF THE GENERAL MEETING

Pedro Rebelo de Sousa	Chairman
Octávio Castelo Paulo	Vice-Chairman
Ana Isabel dos Santos de Pina Cabral	Company Secretary

BOARD OF DIRECTORS

Nuno Manuel da Silva Amado	Chairman
Jorge Manuel Baptista Magalhães Correia	Vice-Chairman
Valter Rui Dias de Barros	Vice-Chairman
Miguel Maya Dias Pinheiro	Vice-Chairman
Ana Paula Alcobia Gray	Member
Cidália Maria Mota Lopes	Member
João Nuno de Oliveira Jorge Palma	Member
José Manuel Alves Elias da Costa	Member
José Miguel Bensliman Schorcht da Silva Pessanha	Member
Julia Gu	Member
Lingjiang Xu	Member
Maria José Henriques Barreto de Matos de Campos	Member
Miguel de Campos Pereira de Bragança	Member
Rui Manuel da Silva Teixeira	Member
Teófilo César Ferreira da Fonseca	Member
Wan Sinlong	Member

EXECUTIVE COMMITTEE

Miguel Maya Dias Pinheiro	Chairman
Miguel de Campos Pereira de Bragança	Vice-Chairman
João Nuno de Oliveira Jorge Palma	Vice-Chairman
Rui Manuel da Silva Teixeira	Member
José Miguel Bensliman Schorcht da Silva Pessanha	Member
Maria Maria José Henriques Barreto de Matos de Campos	Member

REMUNERATION AND WELFARE BOARD

Jorge Manuel Baptista Magalhães Correia	Chairman
Ana Paula Alcobia Gray	Member

(Vacant position to be filled at the next meeting of the General Meeting of Shareholders of the Bank)

BOARD FOR INTERNATIONAL STRATEGY

To be nominated	Chairman
To be nominated	Vice-Chairman
Nuno Manuel da Silva Amado	Members due to their functions
Miguel Maya dias Pinheiro	Members due to their functions
António Vítor Martins Monteiro	Members due to their functions

AUDIT COMMITTEE

Cidália Maria Mota Lopes	Member
Valter Rui Dias de Barros	Member
Wan Sinlong	Member

**MEMBERS OF THE MANAGEMENT OF THE MACAU BRANCH OF
BANCO COMERCIAL PORTUGUÊS, S. A. [MACAU BRANCH]**

José João Barreiros Pãosinho	General Manager
Vong Sau Mui	Deputy General Manager
Chan Fong Mei	Deputy General Manager
Rogério Gomes Simões Ferreira	Deputy General Manager

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018
(MACAU BRANCH)

CASH FLOW ARISING FROM OPERATING ACTIVITIES	
Profit before tax	124,069
<u>Adjustments</u>	
Depreciation and amortisation	1,385
Reversal of impairment losses on loans and commitments	(1)
Interest income	(274,726)
Interest expense	160,533
Loss on disposal of property and equipment	2
	<u>11,262</u>
<u>(Increase) / decrease in operating assets:</u>	
Loans and advances to credit institutions (more than 3 months)	(4,068,445)
Loans and advances to customers	(673,008)
Other assets	(21,504)
<u>Increase / (decrease) in operating liabilities:</u>	
Deposits from credit institutions	4,570,573
Deposits from customers	(1,327,465)
Other liabilities	(962)
CASH USED IN OPERATIONS	<u>(1,520,811)</u>
Interest paid	(122,195)
Interest received	543,772
Tax paid	(14,636)
NET CASH USED IN OPERATIONS	<u>(1,102,608)</u>
CASH FLOW ARISING FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	(30)
Acquisition of intangible assets	(109)
NET CASH USED IN INVESTING ACTIVITIES	<u>(139)</u>
CASH FLOW ARISING FROM FINANCING ACTIVITIES	
Distributions to the Head office	(108,283)
NET CASH USED IN FINANCING ACTIVITIES	<u>(108,283)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,211,030)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	4,956,774
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u><u>3,745,744</u></u>
REPRESENTED BY:	
Cash and deposits at the Monetary Authority of Macau	106,572
Balances with credit institutions repayable on demand	64,517
Other loans and advances to credit institutions	3,574,655
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u><u>3,745,744</u></u>

**OFF-BALANCE SHEET EXPOSURES OTHER THAN DERIVATIVES TRANSACTIONS
 AS OF 31 DECEMBER 2018 (MACAU BRANCH)**

Credit substitutes	29,774
Transaction-related contingencies	-
Acceptances and other trade-related contingencies	839
Not issuance facilities, revolving underwriting facilities and other similar facilities	-
Forward asset purchases	-
Unpaid portion of partly paid shares and other securities	-
Forward deposits	-
Asset sales with repurchase option	-
Undrawn credit facilities and other commitments to extend credit	2,459,910
Other off-balance sheet items	16,437,991
TOTAL	18,928,514

**DERIVATIVES TRANSACTIONS AS OF 31 DECEMBER 2018
 (MACAU BRANCH)**

Exchange rate contracts	
Forward purchases	789,442
Forward sales	766,739
Interest rate contracts	
Purchases	-
Sales	-
Equities contracts	-
Commodities contracts	-
Others	-
TOTAL	1,556,181

TOTAL OFF-BALANCE SHEET EXPOSURES **20,484,695**

SIGNIFICANT ACCOUNTING POLICIES (MACAU BRANCH)

1 Statement of Compliance

The Branch's financial statements are prepared in accordance with the requirements as set out in Decree-Law No. 32/93/M and the Macau Financial Reporting Standards ("MFRSs") issued under the Administrative Regulation No. 25/2005 of Macau Special Administration Region (the "Macau SAR").

2 Basis of preparation of the financial statements

The Branch is part of Banco Commercial Português, S.A.. It is registered as a branch under the Macau Financial System Act under the Supervision of the Monetary Authority of Macau ("AMCM"), accordingly, it is not a separate legal entity. These financial statements have been prepared from the books and records of the Branch, which contain evidence of all transactions entered into locally.

The financial statements are prepared in Macau Patacas ("MOP"), which is the Branch's functional currency, rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is historical cost. As mentioned above, the Branch is part of the Head Office and therefore no consolidated financial statements are required.

The preparation of financial statements in conformity with MFRSs requires the Branch's management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgments about 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 where assumptions and estimates are considered to be significant are presented in note 15 of significant accounting policy.

3 Loans and advances to customers

Loans and advances to customers include loans and advances which are not intended to be sold in the short term and are recognised when cash is advanced to borrowers.

Loans and advances to customers are initially recognised at fair value, which normally will be equal to the transaction price plus directly attributable transaction costs and fees, and are subsequently measured at amortised cost using the effective interest method, less impairment losses, if any.

These assets are derecognised when the contractual rights to receive the cash flows from the loans and advances expire, or where the asset together with substantially all the risks and rewards of ownership, have been transferred.

Impairment

In accordance with the terms of the Administrative Regulation No.25/2005 of the Macau SAR, the valuation and provisioning of loans and advances to customers are set out by the Monetary Authority of Macau as follows:

Specific provision for loan losses

Specific provisions are made when there is evidence that loans and advances to customers will not be fully recoverable and is intended to cover specific credit risks. This provision is presented as a deduction against credit granted. The adequacy of this provision is reviewed regularly by the Branch and the Head Office taking into consideration the existence of asset-backed guarantees, the overdue period and the customer's current financial position.

General provision for loan losses

This provision is intended to cover latent bad and doubtful debts which are present in any loan portfolio, including off-balance sheet commitments, but which have not been specifically identified as such. This general provision is recorded separately in liabilities. The general provision for loan losses is calculated in accordance with Notice No. 18/1993 of AMCM.

Changes in the provisions for loan losses are recognised in the income statement.

Write-off of loans

Loans and advances are written-off when it is determined that the loans are uncollectible. For collateralised loans, the write-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collateral is effectively received. This write-off is carried out only for loans that are considered not to be recoverable and have been fully provided. An amount recovered from loans and advances that have already been written off will be recognised as income in the income statement.

4 Financial liabilities

Financial liabilities include money market transactions, deposits from customers and from other financial institutions, and other payables. These financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The Branch derecognises financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

5 Interest income and expense

Interest income and expense for financial instruments measured at amortised cost using the effective interest method are recognised in the income statement on an accruals basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly 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.

When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Specifically regarding the accounting policy for interest on overdue loans, the following aspects are considered:

- Interest income for overdue loans secured by collaterals is accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is recorded as a gain assuming that there is a reasonable probability of recoverability; and
- Interest accrued and not paid for loans overdue for more than 90 days that are not covered by collateral is written-off and recognized only when received, on the basis that its recoverability is considered to be remote.

6 Fee and commission income

Fee and commission income arising from services provided by the Branch is recognised when the services are rendered.

7 Property and equipment

Property and equipment are stated at acquisition cost net of accumulated depreciation and impairment losses, if any. Subsequent costs are recognised as a separate asset only

when it is probable that future economic benefits will flow to the Branch.

Depreciation is calculated to write off the cost of property and equipment using straight-line method over their estimated useful lives as follows:

	Number of years
Improvements to leasehold buildings	10
Equipment	4 to 10

The useful life of an asset and its residual value, if any, are reviewed annually.

8 Intangible assets

Software

The Branch records the costs associated to software acquired from external entities as intangible assets. These assets are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated on straight-line basis over an estimated useful life of three years. The Branch does not capitalize internal costs arising from software development.

9 Impairment

At the end of the reporting period, the Branch reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Impairment losses are immediately recognised in the income statement. A reversal of impairment losses is limited to the carrying amount of the assets that would have been determined had no impairment loss been recognised for the assets in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, deposits with credit institutions having less than three months of maturity at acquisition.

Cash and equivalents include mandatory deposits with the AMCM.

11 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

12 Foreign currency transactions

Foreign currencies transactions during the year are translated at the foreign exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

13 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Branch has a legal or contractual obligation arising as a result of a past event, it is probable that an outflow of economic benefit will be recognised to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be recognised, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

14 Off-Balance sheet instruments

Off-balance sheet financial instruments include mainly derivatives arising from forward, swap and option transactions undertaken by the Branch in the foreign exchange and interest rate markets. Transactions undertaken for trading purposes are marked to market in respect of any excess, and the realized gain or loss is recognized in income statement.

15 Accounting estimates and judgments in applying accounting policies

MFRSs set forth a range of accounting treatments and require the Branch's management to apply judgment and make estimates in deciding which treatment is most appropriate. In the process of applying the Branch's accounting policies, management has made the following accounting judgements.

Impairment losses on loans and advances to customers

The Branch and the Head Office review its loan portfolio to assess impairment losses on a regular basis as described in accounting policy note 3.

The valuation process of the loan portfolio in order to determine whether an impairment loss should be recognised in the income statement is subject to management estimates and judgments. The probability of default, risk ratings, value of associated collateral, recovery rates and the estimate of both the amount and timing of future cash flows, among other things, are considered in making this assessment.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the Branch's income statement.

16 Related parties

For the purpose of these financial statements, related parties include:

- (a) Any person or any close family member of that person if that person:
 - i. Has control or joint control over the Branch;
 - ii. Has significant influence over the Branch;
 - iii. Holds a qualifying holding in the Branch;
 - iv. Is a member of the board of directors or supervisory board of the Branch or of a parent of the Branch; or
 - v. Is a member of key management personnel, other than a member of the board of directors or supervisory board as identified in sub-item (iv) above, of the Branch or of a parent of the Branch.

- (b) An entity if any of the following conditions applied:
 - i. That entity and the Branch are members of the same group (e.g. parent, subsidiary and fellow subsidiary).
 - ii. That entity holds a qualifying holding in the Branch.
 - iii. That entity is controlled or jointly controlled by a person identified in (a).
 - iv. A person identified in (a)(i) has significant influence over that entity or is a member of the key management personnel of that entity (or of a parent of that entity).
 - v. A person identified in (a)(iv) is a member of the key management personnel of that entity (or of a parent of that entity).

17 Fair value calculation

Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through internal models based on cash flow discounting techniques. Cash flows of the financial instruments are calculated according to their financial characteristics and the discount rates used take into account both the market interest rate and the current conditions of the Branch pricing policy.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that necessarily have some degree of judgment, and reflects exclusively the value attributed to the different financial instruments. Considering the characteristics of the financial instruments held by the Branch and that the terms of the existing portfolio are similar to current market conditions, management considers that the fair value of financial instruments measured at amortised cost does not differ significantly from the carrying value.

SOME PRINCIPLES ON RELATED PARTY TRANSACTIONS (MACAU BRANCH)

1 Definition of basic terms

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Related party (non-exhaustive definition – see note 16 of ‘Significant Accounting Policies’)

A party is related to an entity if the party, directly and indirectly, controls, is controlled by, or is under common control with, the entity.

A related party relationship might exist between entities when they are members of the same group either as a parent, a subsidiary or a fellow subsidiary.

Conflicts of interest

Conflicts of interest arise when an entity unduly benefits (directly or indirectly) from a transaction due to being in a relation of control with or having a significant influence over a related party.

2 Related party transactions

Because conflicts of interest may result more easily when transactions between related parties are at stake, it is of great importance that all transactions with related parties are conducted free of conflicts of interest, i.e. based on terms and conditions that are equally favorable when compared to transactions between unrelated parties, and the parties refrain from entering into transactions that unrelated parties would not.

3 Terms and conditions of related party lending

Within Banco Comercial Português, S. A. (BCP) Group, the terms and conditions inherent in related party lending are as much as possible in usual economic terms, i.e. on arm’s length basis, and subject to the same analysis and approval procedures as if the transactions were done with unrelated parties.

Conflicts of interest are, on the other hand, governed by the Group’s Code of Conduct.

4 Disclosure

The Macau Branch of BCP hereinafter discloses all business relationships such as the balances and the impact on Income Statement of transactions made with its Head-Office and, if any, with other fellow entities.

RELATED PARTY TRANSACTIONS AS OF 31 DECEMBER 2018
(MACAU BRANCH)

BALANCE SHEET AS OF 31 DECEMBER 2018

ASSETS

Balances with credit institutions abroad	9,196
Placements & other applications with credit institutions abroad	7,643,100
Loans granted	403,320
Debtors	-
Internal accounts	34,489
TOTAL	8,090,105

LIABILITIES AND OWN FUNDS

Borrowings and other balances	6,278,803
Internal accounts	316,495
TOTAL	6,595,298

INCOME STATEMENT

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

DEBIT

Interest expense	99,045
Other banking expenses	529
	99,574

CREDIT

Interest income	169,269
Other banking revenues	15
	169,284

OFF-BALANCE SHEET EXPOSURES AS OF 31 DECEMBER 2018

Exchange rate contracts		
Purchases		761,210
Sales		738,592
Interest rate contracts		
Purchases		-
Sales		-

**CONSOLIDATED CAPITAL ADEQUACY RATIO OF
 BANCO COMERCIAL PORTUGUÊS, S. A. GROUP
 AS OF 31 DECEMBER 2018**

**IN MOP
 (MILLIONS)
 @9.2324**

**IN EURO
 (MILLIONS)**

RISK WEIGHTED ASSETS

Credit risk	341,365	36,975
Market risk	10,394	1,126
Operational risk	33,525	3,631
Other risks	1,397	151
TOTAL	386,681	41,883

OWN FUNDS (LEVEL 1)

Ordinary share Capital	43,623	4,725
Share premium	148	16
Ordinary own shares	-	-
Reserves and retained earnings	9,288	1,006
Minority interests eligible to common equity tier 1	4,561	494
Regulatory adjustments	(11,024)	(1,194)
Capital Instruments	9	1
Minority interest eligible to additional tier 1	674	73
TIER 1 CAPITAL	47,279	5,121

TIER 2 CAPITAL

5,235

567

TOTAL CAPITAL

52,514

5,688

SOLVENCY RATIOS

Common Equity Tier 1	-	12.1%
Tier I	-	12.2%
Tier II	-	1.4%
Total Solvency Ratio	-	13.6%

RISK AND RISK MANAGEMENT IN BANCO COMERCIAL PORTUGUÊS, S. A. GROUP

1 Introduction

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally through coordinating with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on and to evaluate the risk/return profile by business line.

Monitoring and control of the main type of financial risks – credit, market (namely interest rate and exchange rate risk), liquidity and operational – to which the Group's business is subject are of particular importance.

2 Risk management organization

The Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including approval at the very highest level of the principles and rules to be followed in risk management, as well as the guidelines dictating the allocation of economic capital to the business lines.

The Board of Directors, through mainly the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at the level both of the Group and of each entity.

The Risk Committee is responsible, at an executive level, for the follow-up of the overall risk levels (credit, market, liquidity and operational risks), ensuring that these are compatible with the objectives, the available financial resources and the strategies approved for the development of the Group's activity.

The integration of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), as well as, optionally, the Chief Operations Officer (COO) and the members of the Executive Committee is responsible for Corporate, retail and Investment banking, the Risk Officer, the Compliance Officer and the heads of several key departments such as Internal Audit, Treasury and International Market.

The Chief Risk Officer is responsible for the risk control function for all entities of the Group. In order to ensure the transversal monitoring and alignment of concept, practices and objectives, the Chief Risk Officer is responsible for informing the Risk Committee on the general risk level and for proposing measures to improve the control environment and to implement the approved limits.

The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established

centrally by the Risk Committee and they are provided with Risk Office structures which are established in accordance with the risks inherent in their particular business. A Risk Control Committee has been set up at each subsidiary, responsible for the control of risks at local level, in which the Group Risk Officer takes part.

The Group Head of Compliance is responsible for implementing prevention systems, monitoring and reporting of risk in organizational processes that include, among others, the prevention of money laundering, combating the financing of terrorism, prevention of conflict of interest, abuse of market and communication with customers.

RISK AND RISK MANAGEMENT – CREDIT RISK

1 Credit risk definition

Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfill their obligations. This type of risk is particularly incisive under adverse economic conditions, when families and companies are faced with financial difficulties.

2 Credit risk assessment and management in BCP Group (summary)

Control and mitigation of this risk are carried out, on one hand, through a solid structure of risk analysis and assessment – using internal rating systems suited to the different business segments and a model for the early detection of potential defaults of the portfolio - and, on the other hand, through structural units that are exclusively dedicated to loan recovery, for the defaults that occur.

Credit granting is based on prior classification of the customers' risk and on thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale. It is based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk. The Rating Master Scale also identifies those customers showing worsening credit capacity.

The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to more active collateralization of loans and more adequate pricing of the risk incurred.

3 Credit risk elements - Notice No.18/1993 – AMCM (Macau Branch)

- **Definition of past due or impaired assets**

Past due assets (Group I) are deemed to be all credits and other placements in relation to which either the payments of interest or commission or the repayment of principal is delayed for no more than 3 months.

Impaired assets (Group II to IV) are deemed to be all credits and other placements in relation to which either the payments of interest or commission or the repayment of principal is delayed for more than 3 months.

- **Approach for provisions and statistical methods (individual impairment provision)**

For all impaired assets (Group II to IV), at the end of each quarter, a minimum specific impairment accumulated provision shall be set up based on their respective balances net of the realizable value of any existing and duly formalized tangible collateral in the following manner:

Group II (assets with impairment for more than 3 months and less or equal to 12 months) – 40%

Group III (assets with impairment for over 12 months and less than or equal to 18 months) – 80%

Group IV (assets with impairment for more than 18 months) – 100%

- **Approach for provisions and statistical methods (collective impairment provision)**

For the remaining assets (loans performing or the above Group I assets), a general impairment provision shall be set up by the end of each year in order to reach a balance of not less than 1% of their respective aggregated value.

ANALYSIS OF CREDIT GRANTED AS OF 31 DECEMBER 2018 (MACAU BRANCH)

GEOGRAPHIC DISTRIBUTION

China	0.0%	1,652
France	5.6%	213,268
Germany	8.2%	313,902
Gibraltar	0.1%	5,095
Hong Kong	10.6%	403,320
Luxembourg	11.7%	443,798
Macau	17.6%	670,031
Mozambique	1.1%	40,261
Netherlands	36.4%	1,384,915
Spain	5.6%	212,768
United States	3.1%	116,441
TOTAL	100.0%	3,805,451

INDUSTRY DISTRIBUTION OF CREDIT GRANTED

Electricity, gas and water	32.8%	1,246,374
Other manufacturing industries	23.6%	896,640
Restaurants, hotels and similar	17.3%	656,900
Constructions and public works	11.7%	443,798
Others	14.8%	561,739
TOTAL	100.0%	3,805,451

PAST DUE ASSETS

More than 3 months but not more than 6 months	-	-
More than 6 months but not more than 1 year	100.0%	998
More than 1 year	-	-
TOTAL	100.0%	998

ASSETS MATURITY ANALYSIS AS OF 31 DECEMBER 2018 (MACAU BRANCH)

LOANS AND ADVANCES TO CUSTOMERS

On demand (Overdrafts)	4.2%	161,656
Within 1 month	2.3%	86,563
More than 1 month but not more than 3 months	1.2%	43,940
More than 3 months but not more than 1 year	0.1%	2,420
More than 1 year but not more than 3 years	39.6%	1,507,394
More than 3 years	52.6%	2,003,478
Indefinite period	-	-
TOTAL	100.0%	3,805,451

BALANCES, PLACEMENT AND OTHER OPERATIONS WITH CREDIT INSTITUTIONS
AS OF 31 DECEMBER 2018
(MACAU BRANCH)

On demand	0.8%	64,468
Within 1 month	0.4%	27,755
More than 1 month but not more than 3 months	46.4%	3,574,655
More than 3 months but not more than 1 year	2.0%	151,045
More than 1 year but not more than 3 years	14.4%	1,110,526
More than 3 years	36.1%	2,779,120
Indefinite period	-	-
TOTAL	100.0%	7,707,569

CERTIFICATES OF DEPOSITS HELD AS OF 31 DECEMBER 2018
(MACAU BRANCH)

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

SECURITIES ISSUED BY THE MACAU GOVERNMENT AND/OR AMCM AS OF 31 DECEMBER 2018
(MACAU BRANCH)

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

OTHER SECURITIES AS OF 31 DECEMBER 2018
(MACAU BRANCH)

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

LIABILITIES MATURITY ANALYSIS AS OF 31 DECEMBER 2018
(MACAU BRANCH)

DEPOSITS AND BALANCES OF LOCAL BANKS AND FINANCIAL INSTITUTIONS
AS OF 31 DECEMBER 2018 (MACAU BRANCH)

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

DEPOSITS FROM PUBLIC SECTOR ENTITIES AS OF 31 DECEMBER 2018
(MACAU BRANCH)

On demand	-	-
Within 1 month	100.0%	644,118
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	100.0%	629,644

DEPOSITS FROM CREDIT INSTITUTIONS AS OF 31 DECEMBER 2018
(MACAU BRANCH)

On demand	0.5%	31,157
Within 1 month	10.6%	665,052
More than 1 month but not more than 3 months	7.6%	477,558
More than 3 months but not more than 1 year	22.5%	1,411,912
More than 1 year but not more than 3 years	14.5%	912,623
More than 3 years	44.3%	2,779,120
Indefinite period	-	-
TOTAL	100.0%	6,277,422

DEPOSITS FROM NON-BANK CUSTOMERS AS OF 31 DECEMBER 2018
(MACAU BRANCH)

On demand	17.1%	724,409
Within 1 month	9.0%	379,053
More than 1 month but not more than 3 months	26.4%	1,116,843
More than 3 months but not more than 1 year	45.6%	1,928,806
More than 1 year but not more than 3 years	1.9%	79,968
More than 3 years	-	-
Indefinite period	-	-
TOTAL	100.0%	4,229,079

CERTIFICATES OF DEPOSITS ISSUED AS OF 31 DECEMBER 2018
(MACAU BRANCH)

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

OTHER SECURITIES ISSUED AS OF 31 DECEMBER 2018
(MACAU BRANCH)

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

RISK AND RISK MANAGEMENT – MARKET RISK
(NAMELY INTEREST RATE RISK AND FOREIGN EXCHANGE RISK)

1 Market risk

Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (mainly of interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations between them and the respective volatility.

2 Market risk assessment and management in BCP Group

The Group in monitoring and control of market risk existing in the diverse portfolios uses an integrated risk measurement that includes the main types of market risk identified by the Group: generic risk (including interest rate risk, FX risk, equity risk and the pricing risk of the credit default swaps), specific risk, non-linear risk and commodities risk. The measure used in evaluating the generic market risk is the VAR (Value at Risk). The VAR is calculated considering a 10-working day time horizon and a confidence level of 99%.

As a complement to the VAR calculation, and aiming to identify risk concentrations that are not captured by this measurement and, also, for the purpose of testing other possible dimensions, the Group continuously tests a broad set of stress tests scenarios over the trading book and analyses its results.

3 Market risk assessment and management – Interest rate risk (Macau Branch)

Besides being followed by the Group risk function on an integrated global basis, the Branch also monitors its interest rate risk by mainly using the model provided by the regulator (AMCM). Through this model, computed at least once every quarter, the Branch is able to determine the sensitivity of its positions to changes in interest rates as well as the amount of capital that would be necessary to cover such scope of risk.

FOREIGN EXCHANGE RISK ASSESSMENT ELEMENTS AS OF 31 DECEMBER 2018
(MACAU BRANCH)

SPOT POSITION [LONG (+); SHORT (-)]

CURRENCIES

Macau Pataca (MOP)	(319,022)
Australian Dollar (AUD)	1,630
Canadian Dollar (CAD)	4,006
Chinese Yuan (CNY)	342
Hong Kong Dollar (HKD)	301,965
Japanese Yen (JPY)	1
South African Rand (ZAR)	211
Swiss Franc (CHF)	515
British Pound (GBP)	2,941
USA Dollar (USD)	(744,723)
Euro (EUR)	752,134

FORWARD POSITION [LONG (+); SHORT (-)]

Macau Pataca (MOP)	(28,147)
USA Dollar (USD)	789,442
Euro (EUR)	(738,592)

NET POSITION (ALL CURRENCIES) 22,703

NET POSITION (ALL FOREIGN CURRENCIES) 369,872

BREAKDOWN OF FOREIGN CURRENCIES WHICH NET POSITION EXCEEDS 10% OF TOTAL FOREIGN CURRENCIES NET POSITION (MACAU BRANCH)

HONG KONG DOLLAR (HKD)

ASSETS

Cash in hand	112
Balances with other local credit institutions	42,065
Balances with credit institutions abroad	6,824
Loans to customers	653,900
Placements & other operations with credit institutions abroad	341,960
Debtors	-
Equipment	5
Internal accounts	1,519
TOTAL	1,046,385

LIABILITIES

Sight deposits	5,541
Time deposits	93,076
Deposits from the public sector	644,118
Funds from credit institutions	-
Cheques and orders payable	6
Creditors	402
Internal accounts	1,277
TOTAL	744,420

SPOT POSITION **301,965**

FORWARD PURCHASE/SALE(-) **-**

NET POSITION **301,966**

USA DOLLAR (USD)

ASSETS

Cash in hand	44
Balances with other local credit institutions	714
Balances with credit institutions abroad	1,084
Loans to customers	609,956
Placements & other operations with credit institutions abroad	1,915,250
Debtors	-
Equipment	-
Internal accounts	1,570
TOTAL	2,528,618

LIABILITIES

Sight deposits	325,067
Time deposits	1,884,599
Deposits from the public sector	-
Funds from credit institutions	1,039,953
Cheques and orders payable	1,379
Creditors	-
Internal accounts	22,343
TOTAL	3,273,341

SPOT POSITION **(744,723)**

FORWARD PURCHASE/SALE(-) **789,442**

NET POSITION **44,719**

RISK AND RISK MANAGEMENT – OPERATIONAL RISK

1 Operational risk

Operational risk is understood to be the potential loss resulting from the failures or inadequacies in internal procedures, persons or systems and also the potential losses resulting from external events.

2 Operational risk assessment and management in BCP Group

The approach to operational risk management is based on the business and support ‘end-to-end’ processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for evaluation of the risks and for strengthening the performance within the scope of their processes. The Process Owners are responsible for keeping up to date all the relevant documentation concerning the processes, for ensuring the real adequacy of all the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the ‘risk self-assessment’ exercises, and for detecting and implementing improvement opportunities, including mitigating measures for the more significant exposures.

In the operational risk management implemented in the Group, there is a systematic process of gathering information on operational losses, which defines on a systematic form, the causes and the effects associated to an eventual detected loss. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

RISK AND RISK MANAGEMENT – LIQUIDITY RISK

1 Liquidity risk

Liquidity risk reflects the Group’s inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risks).

2 Liquidity risk assessment and management in BCP Group

Evaluation of the Group’s liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The Group’s wholesale funding structure is defined for each annual period by the

Liquidity Plan, which is an integral part of the budgeting process, formulated at consolidated level and for the main subsidiaries of the group. The setup of this plan is coordinated by the Group Treasurer and its implementation is monitored continuously along the year, being revised whenever necessary or advisable.

3 Liquidity risk assessment and management (Macau Branch)

Besides being followed by the Group risk function on an integrated global basis, and the support given by the Head-Office in this particular aspect by providing the liquidity as needed, the Branch has also its own liquidity risk management policy. Under this policy, the Branch manages its liquidity needs namely through maturity mismatch analysis over a series of time-bands as determined by the local regulator (AMCM).

SELECTED LIQUIDITY INDICATORS FOR THE YEAR OF 2018 (MACAU BRANCH)

- Arithmetic mean of the minimum weekly amount of cash in hand that is required to be held during the annual reporting period (2018) 97,791
- Arithmetic mean of the average weekly amount of cash in hand during the annual reporting period (2018) 114,515
- Arithmetic mean of the specified liquid assets at the end of each month during the annual reporting period (2018) 3,950,243
- Average ratio of specified liquid asset to total basic liabilities at the end of each month during the annual reporting period (2018) 71%
- Arithmetic mean of its one-month liquidity ratio in the last week of each month during the annual reporting period (2018) 158%
- Arithmetic mean of its three-month liquidity ratio in the last week of each month during the annual reporting period (2018) 27%

**CONSOLIDATED INFORMATION – KEY INDICATORS OF
 BANCO COMERCIAL PORTUGUÊS, S. A. GROUP AS OF
 31 DECEMBER 2018**

**IN MOP
 (MILLIONS)
 @9.2324** **IN EURO
 (MILLIONS)
 OR %**

BALANCE SHEET

Total assets	700,952	75,923
Loans and advances to customers (net)	444,291	48,123
Total customer funds	683,410	74,023
Resources from customers	510,072	55,248
Loans to customers (net)/Resources from customers	-	87%
Shareholders' equity and subordinated debt	63,270	6,853

PROFITABILITY

Net operating revenues	20,191	2,187
Operating costs	9,482	1,027
Impairment and provisions	5,549	601
Income tax		
Current	979	106
Deferred	295	32
Non-controlling interests	1,089	118
Net income attributable to shareholders of the bank	2,779	301
Return on average shareholders' equity (ROE)	-	5.2%
Return on average total assets (ROA)	-	0.6%
Net interest margin	-	2.2%
Net operating revenues/Average net assets	-	3.0%
Cost to income	-	45.6%
Staff costs/Net operating revenues	-	25.9%

CAPITAL

Own funds	52,514	5,688
Risk weighted assets	386,681	41,883
Common Equity Tier 1	-	12.1%
Tier I	-	12.2%
Tier II	-	1.4%
Total Solvency Ratio	-	13.6%

OTHER INFORMATION

None.