

2012

Activity Report

3rd Quarter

In accordance with Article 10 of the CMVM Regulation nr.5/2008 we are pleased to transcribe the

3rd QUARTER 2012 ACTIVITY REPORT

BANCO COMERCIAL PORTUGUÊS, S.A.

a public company (Sociedade Aberta)
having its registered office at Praça D. João I, 28, Oporto, registered at the Commercial Registry of Oporto, with the single commercial and tax identification number 501 525 882 and the share capital of EUR 3,500,000,000.00.

Financial Highlights

	Euro million	30 Sep. 12	30 Sep. 11	Change 12 / 11
Balance sheet				
Total assets		89,274	95,932	-6.9%
Loans to customers (gross) ⁽¹⁾		69,069	73,379	-5.9%
Total customer funds ⁽¹⁾		66,535	64,552	3.1%
Balance sheet customer funds ⁽¹⁾		53,838	51,351	4.8%
Customer deposits ⁽¹⁾		47,272	45,312	4.3%
Loans to customers, net / Customer deposits ⁽²⁾		139%	154%	
Loans to customers, net / Customer deposits ⁽³⁾		138%	152%	
Results				
Net income		(796.3)	97.6	
Net interest income		770.9	1,196.8	-35.6%
Net operating revenues		1,652.1	1,983.6	-16.7%
Operating costs		1,031.0	1,065.9	-3.3%
Loan impairment charges (net of recoveries)		1,236.6	764.0	61.9%
Other impairment and provisions		184.4	167.0	10.4%
Income taxes				
Current		52.8	57.1	-7.5%
Deferred		(112.1)	(231.8)	-
Profitability				
Net operating revenues / Average net assets ⁽²⁾		2.4%	2.7%	
Return on average assets (ROA) ⁽⁴⁾		-1.1%	0.2%	
Income before taxes and non-controlling interests / Average net assets ⁽²⁾		-1.2%	0.0%	
Return on average equity (ROE)		-30.4%	3.5%	
Income before taxes and non-controlling interests / Average equity ⁽²⁾		-26.2%	-0.4%	
Credit quality				
Overdue and doubtful loans / Total loans ⁽²⁾		8.4%	6.2%	
Overdue and doubtful loans, net / Total loans, net ⁽²⁾		2.6%	2.2%	
Credit at risk / Total loans ⁽²⁾		13.4%	9.5%	
Credit at risk, net / Total loans, net ⁽²⁾		7.9%	5.7%	
Impairment for loan losses / Overdue loans by more than 90 days ^{(2) (5)}		95.1%	95.5%	
Efficiency ratios				
Operating costs / Net operating revenues		66.1%	56.1%	
Operating costs / Net operating revenues (Portugal)		67.9%	54.0%	
Staff costs / Net operating revenues		37.0%	31.0%	
Capital ⁽⁶⁾				
Own funds		6,693	5,161	
Risk weighted assets		54,847	57,424	
Core Tier I ⁽²⁾		11.9%	9.1%	
Tier I ⁽²⁾		11.2%	8.4%	
Total ⁽²⁾		12.2%	9.0%	
Branches				
Portugal activity		861	882	-2.4%
Foreign activity		851	848	0.4%
Employees				
Portugal activity		9,866	10,043	-1.8%
Foreign activity		11,456	11,551	-0.8%

Note: the values presented for 2011 include the adjustment to the accounts from 1 January 2010.

(1) Adjusted for a Repo operation of Euro 2,256 million on 30 September 2011.

(2) According to Instruction no. 23/2011 from the Bank of Portugal.

(3) Calculated in accordance with the definition from the Bank of Portugal.

(4) Considering net income before non-controlling interests.

(5) Excludes the impact of specific items.

(6) On 30 September 2011 includes liability management operation on preference shares.

RESULTS AND ACTIVITY IN THE FIRST NINE MONTHS OF 2012

At the end of the 2011, considering the agreement signed between the Portuguese Government, the Portuguese Banking Association and the unions of bank employees to transfer the pension liabilities for retired employees and pensioners to the General Social Security Scheme, the Bank decided, just prior to the transfer, to change the accounting policy associated with the recognition of actuarial deviations.

Following the analysis of the several alternatives allowed by International Accounting Standards (IAS) 19 for Employee Benefits, the Group chose to recognise actuarial deviations in the period on equity. Previously, the Group proceeded with the deferral of actuarial deviations determined in accordance with the corridor method, in which gains and losses which exceeded 10% of the greater between the current value of the liabilities and the fair value of the Fund's assets were recorded in results by the value of the remaining estimated useful life of the active employees.

To reflect this, in accordance with IAS, this change was performed with retroactive effect to 1 January 2010, and consequently the Group recognised in equity the total actuarial deviations deferred. In accordance with the standards, the Group performed the restatement of financial statements as at 1 January 2010 and 31 December 2010, as well as in relation to the months during the year 2011, for comparison purposes.

RESULTS

Millennium bcp's **consolidated net income** was negative by Euro 796.3 million in the first nine months of 2012, compared with a profit of Euro 97.6 million posted in the first nine months of 2011 (restated according to the change in the accounting policy).

The evolution of consolidated net income was hindered by the reinforcement of impairment and provision charges posted in the activity in Portugal in the first nine months of 2012, in the amount of Euro 813.0 million, and by the accounting of impairment for estimated losses together with the net losses posted by the subsidiary in Greece, in the global amount of Euro 531.6 million. In the international activity, net income was restrained by the activity developed in Greece, despite the favourable performance of Bank Millennium in Poland, excluding the foreign exchange effect of the zloty against the euro, and of Banco Millennium Angola.

In the first nine months of 2012, operating costs excluding specific items reduced 1.8%, benefiting mostly from the activity in Portugal (-3.5%).

Net income for the first nine months of 2012 comprises:

- the impairment charges posted in the activity in Portugal, totalling Euro 813.0 million;
- the accounting of impairment for estimated losses and the negative net income of the operation in Greece totalling Euro 531.6 million, as mentioned above;
- the unfavourable impact on net interest income of the liability management operations, completed in 2011, in the amount of Euro 144.0 million, and of the issuance in 2012 of hybrid securities subscribed by the Portuguese State, in the amount of Euro 67.4 million;
- the accounting of a cost in the amount of Euro 51.1 million associated with commissions from the issuance of debt securities guaranteed by the Portuguese Republic;
- the repurchase of own debt securities which led to a capital gain of Euro 184.3 million;
- the gains associated with Portuguese sovereign debt classified as held for trading of Euro 42.7 million; and
- the favourable impact from the legislative change related to the mortality allowance of Euro 64.0 million.

Net income for the first nine months of 2011 includes:

- the losses associated with Portuguese sovereign debt classified as held for trading of Euro 126.1 million;
- the reversal of provisions related to the pension fund of former members of the Executive Board of Directors and to the complementary plan of employees, of Euro 48.3 million; and
- the recognition of deferred tax benefit in the amount of Euro 132.5 million in the scope of the restructuring process of the Group's shareholdings.

Net interest income totalled Euro 770.9 million in the first nine months of 2012, compared with Euro 1,196.8 million in the same period of 2011.

Net interest income in the activity in Portugal reflects the impact of the unfavourable interest rate effect, driven by the increase in the funding cost, and of the negative business volume effect, influenced by the performance of the portfolio of loans to customers. In the third quarter of 2012, net interest income includes the impact associated with the issuance of hybrid securities subscribed by the Portuguese State in the scope of the Bank's capitalisation process. In the international activity, net interest income reflects the evolution posted by Millennium bank in Greece, despite the increases observed in Millennium bank in Poland and in Banco Millennium Angola.

The net interest margin stood at 1.22% in the first nine month of 2012, which compares with 1.75% in the same period in 2011, determined by the impact of the liability management operations completed in the second half of 2011 and of the issuance in 2012 of hybrid securities subscribed by the Portuguese State and by the higher costs associated with term deposits, while, benefitting from the credit repricing effort.

AVERAGE BALANCES

Euro million

	30 Sep. 12		30 Sep. 11	
	Balance	Yield %	Balance	Yield %
Deposits in banks	4,669	1.33	4,198	1.66
Financial assets	10,813	4.46	12,631	4.06
Loans and advances to customers	67,227	4.54	73,461	4.31
Interest earning assets	82,709	4.35	90,290	4.15
Non-interest earning assets	8,702		7,700	
	91,411		97,990	
Amounts owed to credit institutions	17,478	1.53	20,207	1.69
Amounts owed to customers	48,220	3.30	46,732	2.79
Debt issued and financial liabilities	15,916	3.61	20,192	2.36
Subordinated debt	2,242	6.84	1,608	2.89
Interest bearing liabilities	83,856	3.08	88,739	2.44
Non-interest bearing liabilities	3,302		3,620	
Shareholders' equity and non-controlling interests	4,253		5,631	
	91,411		97,990	
Net interest margin		1.22		1.75

Note: Interest related to hedge derivatives were allocated, in September 2012 and 2011, to the respective balance sheet item.

Net commissions totalled Euro 516.0 million in the first nine months of 2012, which compares with Euro 594.5 million in the same period of 2011. In the activity in Portugal, excluding the effect of commissions associated with the guarantee granted by the Portuguese State, net commissions decreased by 6.7% from the same period in 2011. In the international activity commissions increased 0.4%, benefitting from the performance of most line items of commissions in the subsidiary companies in Mozambique and Angola.

Net commissions reflected:

- a lower level of net commissions related with the banking business (-2.2%);
- a drop in commissions related with the financial markets (-17.7%), as a result of the persistence of uncertainty factors in capital markets, leading to an unfavourable performance in the management of financial investments; and
- the cost associated with the issuance of debt securities by the Bank guaranteed by the Portuguese Republic, in the amount of Euro 51.1 million, posted in the first nine months of 2012.

The net trading income totalled Euro 358.8 million in the first nine months of 2012, which compares with Euro 181.2 million in the same period of 2011, reflecting the impact of the capital gain from the repurchase of debt securities issued by the Bank of Euro 184.3 million, posted in the activity in Portugal. In the international activity, net trading income was essentially influenced by the performance of trading and derivative operations, despite the higher results from foreign exchange activity.

The evolution of net trading income in the activity in Portugal, from the same period in 2011, was boosted by the higher gains related to the repurchase of debt securities issued by the Bank and to the Portuguese sovereign debt securities classified as available for trading, despite the unfavourable evolution in financial instruments at fair value option.

Other net operating income was negative by Euro 40.4 million in the first nine months of 2012, compared with gains of Euro 7.6 million in the first nine months of 2011.

In the activity in Portugal, the evolution of other net operating income was influenced by the higher losses associated with the re-evaluation of assets (including repossessed assets), in the amount of Euro 13.4 million, compared to the first nine months of 2011, together with the higher level of tax posted, of Euro 5.9 million, compared to the same period in 2011. In the first nine months of 2011, other net operating income comprised the positive impact from the adjustment of insurance premiums related with pensions, in the amount of Euro 18.9 million.

The performance of other net operating income in the international activity benefited from the growth achieved in the subsidiary companies in Poland and Angola.

Equity accounted earnings increased to Euro 42.9 million in the first nine months of 2012, from Euro 2.1 million posted in the same period in 2011, benefiting from the higher appropriation of results from the 49% shareholding in Millenniumbcp Ageas.

OTHER NET INCOME

	Euro million		
	30 Sep. 12	30 Sep. 11	Change 12/11
Net commissions	516.0	594.5	-13.2%
Banking commissions	490.6	501.6	-2.2%
Cards	134.1	138.8	-3.4%
Credit and guarantees	129.4	135.8	-4.7%
Bancassurance	52.9	55.4	-4.5%
Other commissions	174.2	171.6	1.5%
Market related commissions	76.5	92.9	-17.7%
Securities	44.4	55.9	-20.6%
Asset management	32.1	37.0	-13.3%
Commissions related with the State guarantee	(51.1)	-	
Net trading income	358.8	181.2	98.0%
Other net operating income	(40.4)	7.6	-
Dividends from equity instruments	3.8	1.4	-
Equity accounted earnings	42.9	2.1	-
Total other net income	881.2	786.8	12.0%
Other net income / Net operating revenues	53.3%	39.7%	

Operating costs totalled Euro 1,031.0 million in the first nine months of 2012, which compares with Euro 1,065.9 million accounted in the same period of 2011.

The evolution of operating costs includes: (i) the favourable impact of the legislative change related to mortality allowance, in the amount of Euro 64.0 million, accounted in the second quarter of 2012; (ii) the reversal of provisions related to the pension fund of former members of the Executive Board of Directors and

the complementary plan of employees, in the global amount of Euro 48.3 million, posted in the first nine months of 2011; and (iii) the accounting of costs for early retirements of Euro 2.7 million in the first nine months of 2012 (Euro 1.8 million in the same period of 2011).

Excluding these impacts, operating costs were down by 1.8%, reflecting the 11.5% reduction in depreciation, together with the decreases of 0.6% in staff costs and of 1.9% in other administrative costs.

In the activity in Portugal, operating costs excluding the mentioned effects decreased 3.5% from the first nine months of 2011, as a result of the reductions posted in depreciation (-15.2%), other administrative costs (-3.5%) and staff costs (-2.5%).

In the international activity, operating costs increased 0.9% from the first nine months of 2011, determined by the activity in the subsidiary companies in Angola and Mozambique, reflecting the reinforcement of the operational infrastructure and the support for the organic growth strategy underway in those markets, despite the savings achieved in the operations in Greece and Poland.

The consolidated cost-to-income ratio, excluding specific items, stood at 66.1% in the first nine months of 2012 (56.1% in the same period of 2011), while the activity in Portugal stood at 67.9% in the first nine months of 2012 (54.0% in the same period in 2011).

Staff costs stood at Euro 550.7 million in the first nine months of 2012 (Euro 569.2 million in the same period of 2011). However, staff costs excluding the previously mentioned impacts stood at Euro 612.0 million in the first nine months of 2012, evidencing a decrease of 0.6% from Euro 615.7 million posted in the same period of 2011.

The evolution of staff costs were influenced by the 2.5% decrease in the activity in Portugal, despite the increase of 3.1% in the international activity.

In the international activity, staff costs reflect the increase posted by the subsidiary company in Poland, excluding the foreign exchange rate effect of the zloty against the euro, together with the increases showed by the operations developed in Mozambique and Angola, driven by the rise in the number of employees, from the end of September 2011, in these two operations, to reinforce their competences and operational capabilities.

Other administrative costs decreased 1.9% to Euro 418.0 million in the first nine months of 2012, from Euro 426.3 million posted in the same period of 2011, as a result of the efforts carried out to rationalise and contain costs, highlighting the savings achieved in costs associated with rents, advertising and outsourcing.

Other administrative costs reduced by 3.5% in the activity in Portugal and, simultaneously, showed a reduction of 0.1% in the international activity. The higher expenses evidenced by the subsidiary companies in Mozambique and Angola were offset by the reductions in administrative costs in Millennium bank in Greece and Bank Millennium in Poland.

Depreciation costs fell 11.5% to Euro 62.3 million in the first nine months of 2012, from Euro 70.4 million posted in the same period in 2011.

In the activity in Portugal, depreciation costs decreased 15.2% from the same period of 2011, favourably influenced by the reduction in the level of depreciation on the whole line items. In the international activity depreciation costs fell by 7.4%, over the same period, benefiting from the reduction in depreciation costs posted by the subsidiary companies in Poland, Greece and Romania, despite the increase showed by Banco Millennium in Angola and Millennium bim in Mozambique, due to the ongoing investments as part of the business plans underway in these geographies.

OPERATING COSTS

	Euro million		
	30 Sep. 12	30 Sep. 11	Change 12/11
Staff costs ⁽¹⁾	612.0	615.7	-0.6%
Other administrative costs	418.0	426.3	-1.9%
Depreciation	62.3	70.4	-11.5%
	1,092.3	1,112.4	-1.8%
Legislative change related to mortality allowance	(64.0)	-	
Reversal of provision associated with pensions	-	(48.3)	
Costs with early retirements	2.7	1.8	
	1,031.0	1,065.9	-3.3%
Of which:			
Portugal activity	589.6	628.3	-6.2%
Foreign activity	441.4	437.6	0.9%
Operating costs / Net operating revenues ^{(2) (3)}	67.9%	54.0%	

(1) Excludes the impacts of the legislative change related to mortality allowance in the second quarter of 2012 (Euro 64.0 million), the reversal of provisions associated with pensions in the first nine months of 2011 (Euro 48.3 million) and the costs associated with early retirements (Euro 2.7 million in the first nine months of 2012 and Euro 1.8 million in the first nine months of 2011).

(2) Activity in Portugal. According to Instruction no. 23/2011 from the Bank of Portugal.

(3) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) stood at Euro 1,236.6 million in the first nine months of 2012, which compares with Euro 764.0 million in the same period of 2011. This evolution reflects the impact of impairment charges for loan losses related with the subsidiary company in Greece, which totalled Euro 543.5 million in the first nine months of 2012, compared with Euro 50.9 million in the same period of 2011.

In the activity in Portugal, the performance of impairment for loan losses (net of recoveries) reflects the persistence of an adverse macroeconomic and financial framework and consequently the worsening of the economical and financial situation of Portuguese households and companies.

In the international activity, impairment for loan losses (net of recoveries) reflects essentially the reinforcement of impairment charges in the subsidiary companies in Greece and Poland.

The cost of risk stood at 239 basis points in the first nine months of 2012, compared with 135 basis points in the same period in 2011.

Other impairment and provisions totalled Euro 184.4 million in the first nine months of 2012, which compares with Euro 167.0 million in the same period of 2011.

The evolution of other impairment and provisions reflects mostly the reinforcement of provision charges in the activity in Portugal, in particular, related to repossessed assets, which, in the process of regular re-evaluation of these assets, showed a decline in the respective market value, as well as the rise in charges for provisions related to other risks and commitments.

Income tax (current and deferred) totalled Euro -59.3 million in the first nine months of 2012, which compares with Euro -174.7 million in the same period of 2011.

In the first nine months of 2012, the income tax item includes the cost of current tax in the amount of Euro 52.8 million (Euro 57.1 million in the same period of 2011) and a deferred tax benefit in the amount of Euro 112.1 million (tax benefit of Euro 231.8 million in the same period of 2011, reflecting the accounting of a benefit of Euro 132.5 million in deferred tax assets in the scope of the restructuring of the Group's shareholdings).

BALANCE SHEET

Total assets stood at Euro 89,274 million as at 30 September 2012, which compares with Euro 95,932 million as at 30 September 2011.

Loans to customers (gross), adjusted for a repo operation of Euro 2,256 million on 30 September 2011, decreased 5.9%, to Euro 69,069 million as at 30 September 2012, from Euro 73,379 million on the same date in 2011.

The decrease in the loan portfolio, from the end of September 2011, reflects the reduction of 8.0% in the activity in Portugal. In the international activity, the loan portfolio grew 1.1%, from 30 September 2011, partly influenced by the foreign exchange rate effect of the appreciation of the zloty against the euro. Excluding the foreign exchange rate effect, loans to customers in the international activity decreased in most subsidiaries, despite the growth shown by Banco Millennium Angola and Millennium bim in Mozambique.

The evolution of the loans portfolio was influenced by both loans to companies (-8.7%) and loans to individuals (-2.8%), as a result of the gradual and progressive deleveraging process underway.

Between the end of September 2011 and the end of September 2012, the structure of the loans to customers' portfolio registered identical levels of diversification, with loans to companies representing 51% of total loans to customers as at 30 September 2012, while loans to individuals represented 49% of total loans.

LOANS TO CUSTOMERS (GROSS)			Euro million
	30 Sep. 12	30 Sep. 11	Change 12/11
Individuals	34,142	35,141	-2.8%
Mortgage loans	29,795	30,592	-2.6%
Consumer loans	4,347	4,549	-4.4%
Companies ⁽¹⁾	34,927	38,238	-8.7%
Services ⁽¹⁾	14,271	15,219	-6.2%
Commerce	3,688	4,440	-16.9%
Construction	4,613	5,500	-16.1%
Other	12,355	13,079	-5.5%
Total ⁽¹⁾	69,069	73,379	-5.9%
Of which:			
Portugal activity ⁽¹⁾	51,776	56,280	-8.0%
Foreign activity	17,293	17,099	1.1%

(1) Adjusted for a Repo operation of Euro 2,256 million on 30 September 2011.

Credit quality, measured by the loans overdue by more than 90 days as a percentage of total loans, stood at 6.3% as at 30 September 2012 (4.3% as at 30 September 2011), influenced by the portfolio of loans to companies.

The coverage ratio for loans overdue by more than 90 days stood at 95.1% as at 30 September 2012, compared to 95.5% on the same date in 2011. In the same period, the coverage ratio of the total loan portfolio to impairments increased to 5.9% as at 30 September 2012 (4.1% at the end of September 2011).

The overdue and doubtful loans stood at 8.4% of total loans as at 30 September 2012, compared to 6.2% posted on the same date in 2011 and credit at risk stood at 13.4% of total loans as at 30 June 2012 (9.5% at the end of September 2011).

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 30 SEPTEMBER 2012

	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans by more than 90 days /Total loans	Coverage ratio (Impairment/ Overdue >90 days)
Individuals	1,034	933	3.0%	90.2%
Mortgage loans	277	301	0.9%	108.7%
Consumer loans	757	632	17.4%	83.5%
Companies	3,285	3,176	9.4%	96.7%
Services	850	1,208	6.0%	142.2%
Commerce	428	351	11.6%	82.1%
Construction	1,362	716	29.5%	52.6%
Other	645	901	5.2%	139.6%
Total	4,319	4,109	6.3%	95.1%

Euro million

Total customer funds increased 3.1%, adjusted for a repo operation of Euro 2,256 million on 30 September 2011, achieving Euro 66,535 million as at 30 September 2012, which compares with Euro 64,552 million on the same date on 2011.

The growth of total customer funds was boosted by an increase of 4.8% in balance sheet customer funds, benefiting from both customer deposits (+4.3%) and in debt securities (+8.7%). Off-balance sheet customer funds fell by 3.8% to Euro 12,697 million as at 30 September 2012, from Euro 13,201 million as at 30 September 2011, reflecting the evolution of capitalisation products and assets under management.

In the activity in Portugal, total customer funds remained stable, totalling Euro 48,703 million as at 30 September 2012 (Euro 48,695 million on the same date in 2011). In the international activity, total customer funds were up by 12.5%, benefiting from the increase in both balance sheet customer funds and off-balance sheet customer funds, sustained by the performance of the subsidiary companies in Poland, Mozambique, Romania and Angola.

As at 30 September 2012, the structure of total customer funds comprised mostly balance sheet customer funds, which represented 81% of total customer funds, highlighting the component of customer deposits, which represented 71% of total customer funds, while off-balance sheet customer funds represented 19% of total customer funds.

TOTAL CUSTOMER FUNDS

	30 Sep. 12	30 Sep. 11	Change 12/11
Balance sheet customer funds ⁽¹⁾	53,838	51,351	4.8%
Deposits ⁽¹⁾	47,272	45,312	4.3%
Debt securities	6,566	6,039	8.7%
Off-balance sheet customer funds	12,697	13,201	-3.8%
Assets under management	3,642	3,767	-3.3%
Capitalisation products	9,055	9,434	-4.0%
Total ⁽¹⁾	66,535	64,552	3.1%
Of which:			
Portugal activity ⁽¹⁾	48,703	48,695	0.0%
Foreign activity	17,832	15,857	12.5%

(1) Adjusted for a Repo operation of Euro 2,256 million on 30 September 2011.

The **securities portfolio** stood at Euro 12,756 million as at 30 September 2012, up slightly from Euro 12,433 million posted on 30 September 2011.

This evolution was influenced, on the one hand, by the increase in financial assets available for sale and, on the other, by the reduction of financial assets held to maturity, reflecting the lower exposure to Portuguese and Greek sovereign debt and the repayment of bonds issued by Portuguese private issuers.

LIQUIDITY MANAGEMENT

During the third quarter of 2012, the Bank continued the implementation of the Liquidity Plan, emphasising the optimisation of the management of eligible assets for monetary policy operations with the ECB (European Central Bank). Accordingly, one of the measures involved a new covered bond issuance, which strengthened the pool of eligible assets by Euro 1.6 billion (after haircuts). Globally, the operations to optimise the management of eligible assets for monetary policy operations with the ECB mainly explained the growth of Euro 1.5 billion, to Euro 19.5 billion, in eligible assets, shown by the pool of monetary policy operations from 30 June 2012, which also represents a growth of Euro 3.8 billion since the beginning of 2012.

During the first nine months of 2012, the reduction of the commercial gap and the inflow of Euro 3.0 billion concerning the issuance of capital Core Tier I instruments subscribed by the State led to the reimbursement of Euro 5.4 billion of medium- and long-term debt placed in the markets, an amount that, comprising the anticipated repurchase of debt in advantageous terms, exceeded the initial forecast of the Funding Plan. At the same time, the ECB net exposure showed a reduction to Euro 13.1 billion as at 30 September 2012, when compared with Euro 15.3 billion as at 30 September 2011. Until the end of 2012, the amount of medium- and long-term debt to be refinanced is not significant, with the deleveraging effort expected to continue as well as, whenever justified, actions concerning the optimisation of the portfolio of eligible assets with the ECB

CAPITAL

Following the request submitted by Millennium bcp, the Bank of Portugal formally authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk from the activity in Portugal as from 31 December 2010. In the scope of the gradual adoption of the IRB methodologies for the calculation of capital requirements for credit and counterparty risk and following the request submitted by Millennium bcp, the Bank of Portugal formally authorised the extension of this methodology to the subclasses of risk “Renewable Retail Positions” and “Other Retail Positions” in Portugal with effect as from 31 December 2011.

The Core Tier I ratio stood at 11.9% in accordance with the Bank of Portugal rules and at 9.4% in accordance with EBA rules (12.1% and 9.7%, respectively, at the end of June 2012), reflecting the decrease of Core Tier I in the third quarter of 2012 (Euro 216 million in accordance with Bank of Portugal rules and Euro 240 million with EBA rules), as well as the decrease in risk weighted assets (Euro 793 million).

The decrease of Core Tier I was mainly influenced by the net loss in the quarter and by the amortisation of the deferred impacts permitted by the Bank of Portugal, despite the favourable contribution of the increases in fair value reserves of Millenniumbcp Ageas, in non-controlling interests and of positive exchange rate differences. The decrease of risk weighted assets was mainly influenced by the efforts related to the deleveraging process and to the optimisation and reinforcement of collaterals registered in the third quarter of 2012.

In the scope of the Bank’s Capitalisation Plan, the share capital increase was successfully implemented, through the issue of ordinary shares in the amount of Euro 500 million. Considering the impact of this operation, the Core Tier I as of 30 September 2012 reaches 12.8% in accordance with the Bank of Portugal rules and 10.3% in accordance with EBA rules.

SOLVENCY

	Euro million	
	30 Sep. 12	30 Jun. 12
Own Funds		
Core Tier I	6,522	6,738
Preference shares and Perpetual subordinated debt securities with conditional coupons	172	172
Other deduction ⁽¹⁾	(540)	(515)
Tier I Capital	6,154	6,394
Tier II Capital	678	675
Deductions to Total Regulatory Capital	(139)	(139)
Total Regulatory Capital	6,693	6,930
Risk Weighted Assets	54,847	55,640
Solvency Ratios		
Core Tier I	11.9%	12.1%
Tier I	11.2%	11.5%
Tier II	1.0%	1.0%
Total	12.2%	12.5%
Core Tier I ratio EBA ⁽²⁾	9.4%	9.7%

(1) Includes deductions related to the shortfall of the stock of impairment to estimated losses and to significant shareholdings in unconsolidated financial institutions, in particular to the shareholdings held in Millenniumbcp Ageas and Banque BCP (France and Luxembourg).

(2) Core Tier I ratio in accordance with the criteria of EBA. In this scope, Core Tier I in accordance with the rules of the Bank of Portugal was deducted of the "Other deductions (1)" and of the buffer to sovereign risks (Euro 848 million); the risk weighted assets do not have adjustments.

Note: The Bank received authorisation from the Bank of Portugal (BoP) to adopt IRB approaches for the calculation of capital requirements for credit risks, as from 31 December 2010. Estimates of the probability of default and the lost given default (IRB Advanced) were used for retail exposures to small companies and collateralised by commercial and residential real estate, and estimates of the probability of default (IRB Foundation) for corporate exposures, in Portugal, excluding property development loans and entities from the simplified rating system. In the scope of the Roll-Out Plan for the calculation of capital requirements for credit and counterparty risk under IRB approaches and following the request submitted by the Bank, the Bank of Portugal formally authorised the extension of this methodology to the subclasses of risk "Renewable Retail Positions" and "Other Retail Positions" in Portugal with effect as from 31 December 2011. In the 1st half of 2009, the Bank received authorisation from BoP to adopt the advanced approaches (internal models) to the generic market risk and the standard method for the operational risk.

RESTRUCTURING PROGRAMME

The current economic environment requires improvements of the productivity gap comparing to the average productivity of the Iberian institutions, of the balance between commercial and non-commercial functions and of the weight of staff with management functions, which justifies a restructuring program with a medium-term impact in costs, summarised as follows:

Targets

- Adjustment of the Bank's structure to new environment - "lower volumes, lower credit, lower margin"
- Span-of-control improvement to maximise the use of resources
- Reduce fragmentation in the various departments to eliminate interfaces and increase empowerment
- Lighten the central support structure to improve efficiency
- Socially responsible process

Guidelines

- Resize staff in line with goals set in the capitalisation plan and the sector's average productivity benchmarks
- Retail network management structure optimisation and reinforcement and focus in Marketing
- New management model in Companies segment to simplify the structure and integration with Marketing to boost business
- Adjustment of Corporate banking and international model to enhance synergies between businesses and geographies
- Rationalisation of central support and corporate areas ensuring the capture of functional synergies

NEW CREDIT MANAGEMENT MODEL

Implementation of a new credit management model to face the current macroeconomic environment, focusing the following aspects:

Granting

- Increase in commercial areas empowerment
- Transfer of analysis and approval of credit to clients in default to Credit Department

Monitoring

- Change in EWS model to enhance leading
- Prevention and collection in commercial networks with regional networks capacity utilisation

Recovery

- Organisational specialisation by type of assets / process phases
- Client transfer to recovery areas
- Performance metrics to minimise expected losses
- Reinforcement of 180 FTEs in recovery areas

SIGNIFICANT EVENTS

The completion of the operations to increase own funds set out in the Capitalisation Plan through the issuance of shares reserved for shareholders in the amount of Euro 500 million, the continuation of the deleveraging process, contributing to reducing wholesale funding, the concretisation of the most relevant initiatives included in the Management Agenda, including those related with financial strength, risk management and streamlining the organisation/efficiency and the preparation of the Restructuring Plan to be submitted to the European Commission as a consequence of the State support, were the most significant events in the Bank's activity in the 3rd quarter of 2012. For this period, it is worth mentioning the following:

- In implementing the Bank's Capitalisation Plan, the share capital increase was successfully completed, through the issue of ordinary shares in the amount of Euro 500 million, through subscription reserved for shareholders exercising their legal preference right, of 12.5 billion new shares.
- Completion of or implementation of the main initiatives of the Management Agenda, namely related to: (i) reinforcing financial strength, particularly the Capitalisation Plan, the Liquidity Plan, the Domestic Organic Deleveraging Plan and the Business Plan for 2013-2015; (ii) risk management, in particular the implementation of the new standardised credit recovery operating model definition, specialised credit recovery operational program, setting a model to resort to external agents in credit recovery and updating and adjusting risk models; (iii) simplification of the organisation /increased efficiency; (iv) the optimisation of the business mix, including the revision and updating of business plans for Mozambique and Angola and the revaluation of structural options for Greece and Romania and (v) enhancement of the position and profitability of the business in Portugal, in particular the completion of Project M and the materialisation of the network optimisation and objective business model for SMEs and Business and Corporate and Investment Banking.
- Pre-launch of an "M Imóveis" (M Real Estate) page on "millenniumbcp.pt", including a new application for smartphones.
- Launch of a new "Personal Finance Manager" application for Millennium bcp.
- In the scope of the International Day of Persons with Disabilities, Millennium bcp granted the Microcredit Award for Microentrepreneurs with Disabilities, aiming to support the creation of a viable business presented by a disabled person without access to bank credit.
- Included in its social responsibility policy, Millennium bcp launched, in partnership with Continente retail group, a contest with the theme "Back to School" for fans of the Millennium Sugere page on Facebook. This supported Portuguese families, by awarding five prizes worth Euro 100 each, payable via Continente cards for use in the purchase of school supplies.
- As part of the São João Festivities of Oporto in July, Millennium bcp, in partnership with the Youth Foundation, launch the "Hammers of St. John" exhibition, featuring a display of 150 original ideas that were based on hammers, the symbol of the São João festivities. São João is the patron saint of Porto.
- As part of the "More Mozambique for Me" Social Responsibility programme, Millennium bim ran the second "Clean-up operation", which took place in Praia da Costa do Sol and in some major streets and avenues in the city of Maputo, as part of the "Clean City for Me 2012" project.
- In keeping with the mission of promoting socio-economic and cultural development in Mozambique, Millennium bim has established a new partnership with Lusomundo Mozambique, enabling a wide range of benefits for customers.
- Banco Millennium Angola signed a Memorandum of Understanding with the Ministries of Economy and Finance as part of the "Angola Invests" programme aiming to encourage national entrepreneurs and featuring an overall credit line of USD 1.5 billion, divided among 19 banks operating in the market.
- Participation of Banco Millennium Angola in the 29th edition of the Luanda International Fair on the theme "Challenges for Attracting Investment".
- For the 3rd year in a row, Banco Millennium Angola took part in the Elite Angola Careers Recruitment Fair.

- Bank Millennium in Poland started to provide the option of access to term deposits for its mobile banking customers.
- For the fourth consecutive time Bank Millennium was included the RESPECT Index - Central and Eastern Europe's first index of socially responsible companies, which includes the companies listed on the Warsaw Stock Exchange's Primary Market that comply with highest standards for corporate governance, information governance and investor relations, as well as environmental, community and employee relations.
- As part of a social responsibility project, Bank Millennium's employees participated for the 3rd time in a Habitat building site in partnership with "Habitat for Humanity" in order to help twelve families in need of a home.
- Millennium bcp was distinguished by ConsumerChoice - the Centre for Evaluation of Consumer Satisfaction, making the bank the first brand to win the "Consumer Choice" prize in the banking category.
- The ranking of Portuguese foundations, recently published by a working group appointed by the Portuguese government, placed the Millennium bcp Foundation in first place in the banking sector in Portugal and first among the foundations of all the companies listed on the Portuguese stock exchange, standing out for its relevance, efficiency and sustainability.
- Three awards were granted to ActivoBank by Global Finance magazine in the "World's Best Internet Banks in Europe 2012": "Best Consumer Internet Bank" in Portugal, "Best Website Design" in Europe and "Best in Social Media" in Europe. ActivoBank was picked for the first time on this last award and for the 2nd time in the first two awards.
- The "Best Banking Group in Mozambique" award was granted to Millennium bim for the 3rd consecutive year under a survey organised by World Finance magazine.
- Nomination of Banco Millennium Angola as the "Best majority foreign-owned bank" in Angola by EMEA Finance magazine for the 2nd consecutive time.
- Bank Millennium was recognised as the best and friendliest Internet bank in Poland in Newsweek's "Friendly Bank - Internet Banking" ranking.
- Bank Millennium was recognised as "Best Consumer Internet Bank" in Poland and "Best Online Deposit, Credit and Investment Product Offer" in Central and Eastern Europe by Global Finance magazine.
- Bank Millennium has been ranked by Wprost weekly among "Medal-winning Banks" - top-scoring institutions in the Service Quality Programme.
- Bank Millennium has been ranked second by Forbes Magazine for the best banking services on offer to companies.
- Following the assessment of the implications of the recent recapitalisation measures taken by Portuguese banks, Standard & Poor's decided on July 11 to keep the main credit ratings (Long- and Short-term "B+"/"B", respectively) and a negative outlook for BCP.
- Fitch announced on 17 July the upgrade of the BCP's Viability Rating from "cc" to "b", of the Subordinated Debt (Lower Tier 2) from "C" to "B-" and of Preference shares from "C" to "CC". Long-term and short-term ratings were affirmed at "BB+"/"B", keeping the negative outlook.

Events after the end of the 3rd quarter of 2012

- Announcement on October 3 by the European Banking Authority (EBA) and by the Bank of Portugal, regarding the final assessment of the capital exercise and fulfilment of the EBA's December 2011 Recommendation, informing that Banco Comercial Português surpassed the minimum requirement of 9% Core Tier I ratio including the sovereign buffer as stated in the EBA recommendation.
- "Best Banking Group in Mozambique" award was granted to Millennium bim, for the 4th consecutive year by EMEA Finance magazine.

MACROECONOMIC ENVIRONMENT

The world economic activity continued to lose strength during the third quarter in a broad manner, as emerging countries started to be affected more meaningfully by further slack in world trade. According to IMF's latest projections, global GDP will expand by 3.3% this year and 3.6% in the next, with a significant wedge persisting between the performance expected in the emerging countries (growth above 5%) and in the advanced countries as a group (less than 2%).

Over the next few months, the election's outcome in the US and decisions at the institutional level in the European Union (a revision of the aid program to Greece, the Spanish financial system support package and the architecture of supervision of the banking system and of monitoring of national budgets) represent sources of risk. In the medium term, mending excessive indebtedness in advanced countries and creating alternative sustained growth drivers in the emerging countries remain the main policy challenges.

Central banks moved further with unconventional measures to counteract the limitations of fiscal policy in an excessive debt environment and to ensure proper monetary transmission, particularly in the euro area. In this context, a highlight is the ECB's decision for undertaking Outright Monetary Transactions in the secondary market for government securities, subject to a strict conditionality for the countries concerned, namely the existence of a global or preventive macroeconomic adjustment program. The transactions will mainly focus on sovereign bonds with maturities ranging between one to three years.

The bold steps taken by the monetary authorities, despite the lingering uncertainty, helped improve the confidence climate, leading to cyclical assets improving and an overall reduction of the risk premia. This was helpful for the euro periphery, contributing to reduce the borrowing costs of Portugal and for the issuance of debt by Portuguese companies. The ECB's main refinancing rate was kept unchanged at 0.75% but the Euribor interest rates converged to new lows (0.2% for the 3-month Euribor). Despite the reduction in interest rate differentials, the European currency strengthened, chiefly against the U.S. dollar (1.30 dollars per euro), interrupting the depreciation trend that had persisted since mid-2011.

The easing of tensions at the EU level compensated somewhat Portugal's deteriorating macroeconomic environment over the period. Portuguese GDP decreased 1.2% quarter-on-quarter in the second quarter - in line with the projected decline of close to 3.0% for the whole year but failing to extend the good results posted at the beginning of the year - and the unemployment rate rose to above 15% of the labour force. Notwithstanding the upward revision for the budget deficit targets to 5.0% and 4.5% of GDP in 2012 and 2013 respectively, fiscal austerity will remain extreme, concentrated on direct taxes, thus constraining both the ability and willingness to spend. In these circumstances, the recession will extend into 2013, driven by weak domestic demand. The indirect impact of measures on economic activity and the direct effects, through taxation on financial products and companies, as included in the budget proposal, add to the challenging environment that banks are facing.

Economic activity has slowed as well in Poland, driven by softer external demand, fiscal consolidation and the petering out of specific one-time events that supported demand at higher levels. The recent decision to relax some requirements associated with lending to households and the growing bias towards a more expansionary monetary policy will tend to minimise some of these effects, thus rendering still reasonable economic growth at above 2% for the period 2012/2013. In Greece, the extension and revision of the rescue package, as is currently being negotiated, will most likely not prevent another recession in 2013. The IMF estimates GDP will contract by 6.0% in 2012 and by a further 4.0% in 2013, completing a full six year period in a recessionary environment.

The sub-Saharan region has displayed a remarkable capacity to withstand the adverse contagions effects stemming from the outside, maintaining robust growth at above 5%. Mozambique has been successful in combining strong economic growth (over 7%) with aggressive disinflation (inflation at below 2% in September). In Angola, the government program as endorsed by the general elections of August ("Angola 25") aims at reinforcing macroeconomic stability by combating inflation, improving competitiveness and promoting sound public finances. The measures to support adequate funding to companies and the development of the capital markets will contribute to further diversification of economic activity and have a positive bearing on prospective banking business.

GLOSSARY

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

Cost of risk - ratio of impairment charges (net of recoveries) to the loan portfolio.

Credit at risk - definition that, according to the Bank of Portugal, is broader than the overdue loans by more than 90 days + doubtful loans, including, in particular, the possibility that debtors with overdue payments still do not fulfil their credit responsibilities. For detailed definition see instruction no. 23/2011 from the Bank of Portugal.

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

Dividends from equity instruments - dividends received from investments in financial assets available for sale.

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

Net interest margin - net interest income as a percentage of average interest earning assets.

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

Net trading income - net gains/losses arising from trading and hedging activities, net gains/losses arising from available for sale financial assets, net gains/losses arising from financial assets held to maturity.

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

Other impairment and provisions - other financial assets impairment, other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, goodwill impairment and other provisions.

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

Other net operating income - other operating income, other net income from non-banking activities and gains from the sale of subsidiaries and other assets.

Overdue and doubtful loans - loans overdue by more than 90 days and the doubtful loans reclassified as overdue loans for provisioning purposes.

Securities portfolio - financial assets held for trading, financial assets available for sale, assets with repurchase agreement and financial assets held to maturity.

Total customer funds - amounts due to customers (including securities), assets under management and capitalisation products.

CONSOLIDATED INDICATORS: ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	30 Sep. 12	30 Sep. 11	Change 12/11	30 Sep. 12	30 Sep. 11	Change 12/11	30 Sep. 12	30 Sep. 11	Change 12/11
Income statement									
Net interest income	770.9	1,196.8	-35.6%	365.8	762.0	-52.0%	405.1	434.8	-6.8%
Dividends from equity instruments	3.8	1.4	-	2.8	0.8	-	1.0	0.5	-
Net fees and commission income	516.0	594.5	-13.2%	340.3	419.6	-18.9%	175.7	174.9	0.4%
Other operating income	(40.4)	7.6	-	(42.5)	7.4	-	2.1	0.2	-
Net trading income	358.8	181.2	98.0%	251.4	58.4	-	107.4	122.8	-12.5%
Equity accounted earnings	42.9	2.1	>200%	41.2	1.9	>200%	1.8	0.2	>200%
Net operating revenues	1,652.1	1,983.6	-16.7%	959.0	1,250.1	-23.3%	693.1	733.5	-5.5%
Staff costs	550.7	569.2	-3.3%	336.5	361.6	-6.9%	214.1	207.6	3.1%
Other administrative costs	418.0	426.3	-1.9%	222.1	230.1	-3.5%	195.9	196.2	-0.1%
Depreciation	62.3	70.4	-11.5%	31.0	36.5	-15.2%	31.4	33.9	-7.4%
Operating costs	1,031.0	1,065.9	-3.3%	589.6	628.3	-6.2%	441.4	437.7	0.9%
Operating profit before impairment	621.1	917.7	-32.3%	369.4	621.8	-40.6%	251.6	295.8	-14.9%
Loans impairment (net of recoveries)	809.4	764.0	5.9%	627.9	639.6	-1.8%	181.5	124.4	45.8%
Other impairment and provisions	184.4	167.0	10.4%	185.1	168.2	10.1%	(0.7)	(1.2)	-
Profit before income tax	(372.8)	(13.3)	-	(443.6)	(185.9)	-	70.8	172.6	-59.0%
Income tax	(59.3)	(174.7)	-	(58.0)	(211.5)	-	(1.3)	36.8	-
Non-controlling interests	55.6	63.8	-12.8%	(8.0)	1.7	-	63.6	62.1	2.5%
Net income before imp. estimated losses	(369.1)	97.6	-						
Impairment for estimated losses ^(*)	427.2	-	-						
Net income	(796.3)	97.6	-	(377.6)	23.9	-	8.5	73.7	-88.5%
Balance sheet and activity indicators									
Total assets	89,274	95,933	-6.9%	66,998	73,650	-9.0%	22,276	22,283	-0.0%
Total customer funds ⁽¹⁾	66,535	64,552	3.1%	48,703	48,695	0.0%	17,832	15,857	12.5%
Balance sheet customer funds ⁽¹⁾	53,838	51,351	4.8%	37,083	36,324	2.1%	16,755	15,027	11.5%
Deposits ⁽¹⁾	47,272	45,312	4.3%	30,651	30,401	0.8%	16,620	14,911	11.5%
Debt securities	6,566	6,039	8.7%	6,431	5,923	8.6%	135	116	16.6%
Off-balance sheet customer funds	12,697	13,201	-3.8%	11,620	12,371	-6.1%	1,077	830	29.8%
Assets under management	3,642	3,767	-3.3%	2,915	3,214	-9.3%	727	553	31.5%
Capitalisation products	9,055	9,434	-4.0%	8,705	9,157	-4.9%	350	277	26.3%
Loans to customers (gross) ⁽¹⁾	69,069	73,379	-5.9%	51,776	56,280	-8.0%	17,293	17,099	1.1%
Individuals	34,142	35,141	-2.8%	23,551	24,746	-4.8%	10,591	10,395	1.9%
Mortgage loans	29,795	30,592	-2.6%	20,994	22,005	-4.6%	8,801	8,587	2.5%
Consumer loans	4,347	4,549	-4.4%	2,557	2,741	-6.7%	1,790	1,809	-1.0%
Companies ⁽¹⁾	34,927	38,238	-8.7%	28,225	31,534	-10.5%	6,702	6,704	-0.0%
Services ⁽¹⁾	14,271	15,219	-6.2%	12,250	13,225	-7.4%	2,021	1,994	1.4%
Commerce	3,688	4,440	-16.9%	2,441	3,195	-23.6%	1,247	1,245	0.1%
Construction	4,613	5,500	-16.1%	3,714	4,710	-21.1%	899	790	13.9%
Other	12,355	13,079	-5.5%	9,820	10,403	-5.6%	2,535	2,675	-5.2%
Credit quality									
Total overdue loans	4,589	3,541	29.6%	3,632	2,808	29.3%	957	733	30.6%
Overdue loans by more than 90 days	4,319	3,247	33.0%	3,419	2,565	33.3%	900	682	31.9%
Overdue loans by more than 90 days /Total loans	6.3%	4.3%		6.6%	4.4%		5.2%	4.0%	
Total impairment (balance sheet)	4,109	3,102	32.4%	2,880	2,449	17.6%	802	653	22.7%
Total impairment (balance sheet) /Total loans	5.9%	4.1%		5.6%	4.2%		4.6%	3.8%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	95.1%	95.5%		84.2%	95.5%		89.1%	95.7%	
Cost of risk (net of recoveries, in b.p.)	239	135		162	146		140	97	

(1) Adjusted for a Repo operation of Euro 2,256 million on 30 September 2011.

(*) Impairment charges related to the estimated losses in the subsidiary company in Greece, which, together with the reinforcement of impairments posted in the subsidiary's P&L, showed an increase in the level of impairment from the previous quarter achieving Euro 543.5 million in the first nine months of 2012.

INDIVIDUAL/CONSOLIDATED QUARTERLY INFORMATION (Not Audited)
(Model applicable to companies subject to the Accounting Plan for Banks/Leasing/Factoring companies)

Company: Banco Comercial Português, S.A.
Main Offices: Praça D. João I, 28 - 4000-295 Porto NIPC: 501 525 882
Period of Reference: ☐ Quarter 1 ☒ Quarter 3 ☐ Quarter 5 ⁽¹⁾ Reference values in 000Esc ☐ in Euros ☒
Start: 01/07/2012 End: 30/09/2012

Balance Sheet Items	Individual			Consolidated		
	n (NCA)	n-1 (NCA)	Var. (%)	n (IAS)	n-1 (IAS)	Var. (%)
ASSETS (NET)						
Loans to other credit institutions ⁽²⁾	13.830.317.695	10.930.543.541	26,53%	3.254.767.153	3.325.925.008	-2,14%
Loans to clients	44.699.795.777	52.263.458.715	-14,47%	64.960.445.581	72.532.357.897	-10,44%
Fixed income securities	13.668.501.792	22.390.890.161	-38,96%	11.123.281.418	11.002.117.495	1,10%
Variable yield securities	2.145.155.832	2.280.144.687	-5,92%	1.632.806.324	1.431.277.799	14,08%
Investments	4.026.619.360	3.862.534.098	4,25%	475.003.536	306.905.641	54,77%
SHAREHOLDER'S AND EQUIVALENT EQUITY						
Equity Capital	3.000.000.000	6.064.999.986	-50,54%	3.000.000.000	6.064.999.986	-50,54%
Nº of ordinary shares	7.207.167.060	7.207.167.060	-	7.207.167.060	7.207.167.060	-
Nº of other shares	0	0	-			-
Value of own shares	0	6.235.013	-100,00%	4.567.092	10.952.885	-58,30%
Nº of voting shares	0	20.328.598	-	9.731.319	44.522.815	-
Nº of preferred, non voting shares	0	0	-			-
Subordinate loans	5.973.098.768	2.717.224.537	119,82%	4.327.994.742	1.090.510.483	296,88%
Minority interests	0	0	-	605.334.714	528.411.163	14,56%
LIABILITIES						
Amounts owed to credit institutions	18.965.361.881	27.426.820.924	-30,85%	16.093.926.932	19.656.037.708	-18,12%
Amounts owed to clients	30.822.459.132	32.809.473.797	-6,06%	47.271.347.780	47.567.701.272	-0,62%
Debt securities	19.585.728.484	13.385.623.680	46,32%	14.267.986.884	14.799.552.996	-3,59%
TOTAL ASSETS (NET)	85.923.461.795	98.723.131.583	-12,97%	89.274.018.386	95.932.498.691	-6,94%
TOTAL SHAREHOLDER'S EQUITY	3.963.741.356	4.684.008.049	-15,38%	3.226.993.198	5.152.770.330	-37,37%
TOTAL LIABILITIES	81.959.720.439	94.039.123.534	-12,85%	85.441.690.474	90.251.317.198	-5,33%

P & L Items	Individual			Consolidated		
	n	n-1	Var. (%)	n	n-1	Var. (%)
Financial margin ⁽³⁾	295.907.039	686.083.390	-56,87%	770.912.876	1.196.787.591	-35,58%
Commissions and other oper. revenue (net)	389.417.526	456.210.900	-14,64%	475.632.691	602.130.773	-21,01%
Securities yield and profits from financial transactions (net)	524.595.498	-261.430.675	-300,66%	333.807.484	40.022.859	734,04%
Banking Income	1.209.920.063	880.863.615	37,36%	1.580.353.051	1.838.941.223	-14,06%
Personnel, administ. and other costs	-569.884.949	-610.221.837	-6,61%	-968.669.555	-995.514.965	-2,70%
Amortizations	-25.258.489	-30.007.783	-15,83%	-62.336.917	-70.414.844	-11,47%
Provisions (net of adjustments)	-1.582.670.851	-753.584.881	110,02%	-1.392.231.478	-788.480.285	76,57%
Extraordinary profit	0	0	n.a.	0	0	n.a.
Profit before taxes	-967.894.226	-512.950.886	88,69%	-842.884.899	-15.468.871	5348,91%
Income tax ⁽⁴⁾	238.889.876	248.858.437	-4,01%	59.284.464	174.726.250	-66,07%
Minority interests and income excluded from consolidation	0	0	-	-12.705.232	-61.656.609	-79,39%
Net profit / loss for the quarter	-729.004.350	-264.092.449	176,04%	-796.305.667	97.600.770	-915,88%
Net profit / loss per share for the quarter	-0,2430	-0,0435	458,06%	-0,1105	0,0135	-915,88%
Self financing ⁽⁵⁾	878.924.990	519.500.215	69,19%	658.262.728	956.495.899	-31,18%

⁽¹⁾ Applicable to the first economic period of companies adopting a fiscal year different from the calendar year (Art.65.º - A of the Portuguese Commercial Company Code)

⁽²⁾ Includes repayable on demand to credit institutions

⁽³⁾ Financial margin = Interest income - Interest expense

⁽⁴⁾ Estimated income tax

⁽⁵⁾ Self financing = Net profits + amortization + provision

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the nine months period ended 30 September, 2012 and 2011

	30 September 2012	30 September 2011
	(Thousands of Euros)	
Interest and similar income	2,770,427	2,984,471
Interest expense and similar charges	(1,999,514)	(1,787,684)
Net interest income	770,913	1,196,787
Dividends from equity instruments	3,820	1,354
Net fees and commission income	516,025	594,540
Net gains / losses arising from trading and hedging activities	349,003	154,895
Net gains / losses arising from available for sale financial assets	(5,705)	26,004
Net gains / (losses) arising from financial assets held to maturity	15,510	284
Other operating income	(39,861)	(1,826)
	1,609,705	1,972,038
Other net income from non banking activity	15,456	14,916
Total operating income	1,625,161	1,986,954
Staff costs	550,664	569,225
Other administrative costs	418,006	426,290
Depreciation	62,337	70,415
Operating costs	1,031,007	1,065,930
Operating net income before provisions and impairments	594,154	921,024
Loans impairment	(1,236,615)	(764,000)
Other financial assets impairment	(28,820)	(142,514)
Other assets impairment	(121,745)	(61,672)
Other provisions	(33,872)	37,192
Operating net income	(826,898)	(9,970)
Share of profit of associates under the equity method	42,921	2,133
Gains / (losses) from the sale of subsidiaries and other assets	(15,986)	(5,498)
Net income before income tax	(799,963)	(13,335)
Income tax		
Current	(52,791)	(57,076)
Deferred	112,075	231,802
Net income after income tax	(740,679)	161,391
Attributable to:		
Shareholders of the Bank	(796,306)	97,601
Non-controlling interests	55,627	63,790
Net income for the period	(740,679)	161,391
Earnings per share (in euros)		
Basic	(0.15)	0.01
Diluted	(0.15)	0.01

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 September, 2012 and 2011 and 31 December, 2011

	30 September 2012	31 December 2011	30 September 2011
	(Thousands of Euros)		
Assets			
Cash and deposits at central banks	2,535,908	2,115,945	1,790,255
Loans and advances to credit institutions			
Repayable on demand	749,492	1,577,410	1,552,278
Other loans and advances	2,505,275	2,913,015	1,773,647
Loans and advances to customers	64,960,446	68,045,535	72,532,358
Financial assets held for trading	1,670,516	2,145,330	3,172,950
Financial assets available for sale	7,391,544	4,774,114	3,699,834
Assets with repurchase agreement	34,239	495	55,205
Hedging derivatives	232,048	495,879	560,754
Financial assets held to maturity	3,659,790	5,160,180	5,505,407
Investments in associated companies	475,004	305,075	306,906
Non current assets held for sale	1,126,481	1,104,650	1,065,713
Investment property	559,092	560,567	514,403
Property and equipment	605,831	624,599	615,606
Goodwill and intangible assets	248,971	251,266	397,048
Current tax assets	26,300	52,828	27,785
Deferred tax assets	1,614,215	1,564,538	1,272,787
Other assets	878,867	1,790,650	1,089,564
	89,274,019	93,482,076	95,932,500
Liabilities			
Amounts owed to credit institutions	16,093,927	17,723,419	19,656,038
Amounts owed to customers	47,271,348	47,516,110	47,567,701
Debt securities	14,267,987	16,236,202	14,799,553
Financial liabilities held for trading	1,360,622	1,478,680	1,440,934
Other financial liabilities at fair value			
through profit and loss	221,221	2,578,990	3,451,504
Hedging derivatives	302,651	508,032	539,801
Provisions for liabilities and charges	277,532	246,100	218,601
Subordinated debt	4,327,995	1,146,543	1,090,510
Current income tax liabilities	2,366	24,037	10,823
Deferred income tax liabilities	3,118	2,385	1,803
Other liabilities	1,312,924	1,647,208	1,474,051
Total Liabilities	85,441,691	89,107,706	90,251,319
Equity			
Share capital	3,000,000	6,065,000	6,065,000
Treasury stock	(13,965)	(11,422)	(77,396)
Share premium	71,722	71,722	71,722
Preference shares	171,175	171,175	1,000,000
Other capital instruments	9,853	9,853	9,853
Fair value reserves	(87,235)	(389,460)	(374,082)
Reserves and retained earnings	871,749	(1,241,490)	(1,639,928)
Net income for the period attributable to Shareholders	(796,306)	(848,623)	97,601
Total Equity attributable to Shareholders of the Bank	3,226,993	3,826,755	5,152,770
Non-controlling interests	605,335	547,615	528,411
Total Equity	3,832,328	4,374,370	5,681,181
	89,274,019	93,482,076	95,932,500

Banco Comercial Português

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2012

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement for the nine months period ended 30 September, 2012 and 2011

	Notes	30 September 2012	30 September 2011
		(Thousands of Euros)	
Interest and similar income	3	2,770,427	2,984,471
Interest expense and similar charges	3	<u>(1,999,514)</u>	<u>(1,787,684)</u>
Net interest income		770,913	1,196,787
Dividends from equity instruments	4	3,820	1,354
Net fees and commissions income	5	516,025	594,540
Net gains / (losses) arising from trading and hedging activities	6	349,003	154,895
Net gains / (losses) arising from financial assets available for sale	7	(5,705)	26,004
Net gains / (losses) arising from financial assets held to maturity	8	15,510	284
Other operating income/costs	9	<u>(39,861)</u>	<u>(1,826)</u>
		1,609,705	1,972,038
Other net income from non banking activities		<u>15,456</u>	<u>14,916</u>
Total operating income		<u>1,625,161</u>	<u>1,986,954</u>
Staff costs	10	550,664	569,225
Other administrative costs	11	418,006	426,290
Depreciation	12	<u>62,337</u>	<u>70,415</u>
Operating expenses		<u>1,031,007</u>	<u>1,065,930</u>
Operating net income before provisions and impairment		594,154	921,024
Loans impairment	13	(1,236,615)	(764,000)
Other financial assets impairment	14	(28,820)	(142,514)
Other assets impairment	28, 30 and 33	(121,745)	(61,672)
Other provisions	15	<u>(33,872)</u>	<u>37,192</u>
Operating net income		(826,898)	(9,970)
Share of profit of associates under the equity method	16	42,921	2,133
Gains / (losses) from the sale of subsidiaries and other assets	17	<u>(15,986)</u>	<u>(5,498)</u>
Net (loss) / income before income tax		(799,963)	(13,335)
Income tax			
Current	18	(52,791)	(57,076)
Deferred	18	<u>112,075</u>	<u>231,802</u>
Net (loss) / income after income tax		<u>(740,679)</u>	<u>161,391</u>
Attributable to:			
Shareholders of the Bank		(796,306)	97,601
Non-controlling interests	46	<u>55,627</u>	<u>63,790</u>
Net (loss) / income for the period		<u>(740,679)</u>	<u>161,391</u>
Earnings per share (in Euros)	19		
Basic		(0.15)	0.01
Diluted		(0.15)	0.01

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 September, 2012 and 31 December, 2011

	Notes	30 September 2012	31 December 2011
		(Thousands of Euros)	
<i>Assets</i>			
Cash and deposits at central banks	20	2,535,908	2,115,945
Loans and advances to credit institutions			
Repayable on demand	21	749,492	1,577,410
Other loans and advances	22	2,505,275	2,913,015
Loans and advances to customers	23	64,960,446	68,045,535
Financial assets held for trading	24	1,670,516	2,145,330
Financial assets available for sale	24	7,391,544	4,774,114
Assets with repurchase agreement		34,239	495
Hedging derivatives	25	232,048	495,879
Financial assets held to maturity	26	3,659,790	5,160,180
Investments in associated companies	27	475,004	305,075
Non current assets held for sale	28	1,126,481	1,104,650
Investment property	29	559,092	560,567
Property and equipment	30	605,831	624,599
Goodwill and intangible assets	31	248,971	251,266
Current income tax assets		26,300	52,828
Deferred income tax assets	32	1,614,215	1,564,538
Other assets	33	878,867	1,790,650
		89,274,019	93,482,076
<i>Liabilities</i>			
Deposits from credit institutions	34	16,093,927	17,723,419
Deposits from customers	35	47,271,348	47,516,110
Debt securities issued	36	14,267,987	16,236,202
Financial liabilities held for trading	37	1,360,622	1,478,680
Other financial liabilities at fair value			
through profit or loss	38	221,221	2,578,990
Hedging derivatives	25	302,651	508,032
Provisions for liabilities and charges	39	277,532	246,100
Subordinated debt	40	4,327,995	1,146,543
Current income tax liabilities		2,366	24,037
Deferred income tax liabilities	32	3,118	2,385
Other liabilities	41	1,312,924	1,647,208
		85,441,691	89,107,706
<i>Equity</i>			
Share capital	42	3,000,000	6,065,000
Treasury stock	45	(13,965)	(11,422)
Share premium		71,722	71,722
Preference shares	42	171,175	171,175
Other capital instruments	42	9,853	9,853
Fair value reserves	44	(87,235)	(389,460)
Reserves and retained earnings	44	871,749	(1,241,490)
Net (loss) / income for the period attributable to Shareholders		(796,306)	(848,623)
		3,226,993	3,826,755
Non-controlling interests	46	605,335	547,615
		3,832,328	4,374,370
		89,274,019	93,482,076

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement for the three months period ended 30 September, 2012 and 2011

	Third quarter 2012	Third quarter 2011
	(Thousands of Euros)	
Interest and similar income	848,136	1,045,794
Interest expense and similar charges	<u>(670,142)</u>	<u>(656,716)</u>
Net interest income	177,994	389,078
Dividends from equity instruments	198	246
Net fees and commissions income	169,386	193,431
Net gains / (losses) arising from trading and hedging activities	28,546	163,915
Net gains / (losses) arising from available for sale financial assets	4,881	(7,516)
Net gains / (losses) arising from financial assets held to maturity	-	284
Other operating income	<u>(10,378)</u>	<u>(6,759)</u>
	370,627	732,679
Other net income from non banking activities	<u>4,885</u>	<u>5,191</u>
Total operating income	<u>375,512</u>	<u>737,870</u>
Staff costs	201,469	187,982
Other administrative costs	134,018	142,301
Depreciation	<u>20,139</u>	<u>22,470</u>
Operating expenses	<u>355,626</u>	<u>352,753</u>
Operating net income before provisions and impairment	19,886	385,117
Loans impairment	(249,346)	(201,873)
Other financial assets impairment	(17,564)	(139,039)
Other assets impairment	(45,948)	(19,552)
Other provisions	<u>(12,946)</u>	<u>(724)</u>
Operating net income	(305,918)	23,929
Share of profit of associates under the equity method	12,678	(21,928)
Gains / (losses) from the sale of subsidiaries and other assets	<u>(5,275)</u>	<u>(1,051)</u>
Net (loss) / income before income tax	(298,515)	950
Income tax		
Current	(14,632)	(14,892)
Deferred	<u>77,257</u>	<u>20,830</u>
Net (loss) / income after income tax	<u>(235,890)</u>	<u>6,888</u>
Attributable to:		
Shareholders of the Bank	(252,027)	(16,661)
Non-controlling interests	<u>16,137</u>	<u>23,549</u>
Net (loss) / income for the period	<u>(235,890)</u>	<u>6,888</u>
Earnings per share (in Euros)		
Basic	(0.14)	(0.02)
Diluted	(0.14)	(0.02)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS
Consolidated Cash Flows Statement
for the nine months period ended 30 September, 2012 and 2011

	30 September 2012	30 September 2011
	(Thousands of Euros)	
<i>Cash flows arising from operating activities</i>		
Interest income received	2,508,608	2,684,122
Commissions income received	707,341	724,343
Fees received from services rendered	122,463	87,477
Interest expense paid	(1,735,708)	(1,688,636)
Commissions expense paid	(218,974)	(105,919)
Recoveries on loans previously written off	10,993	12,257
Net earned premiums	13,400	15,751
Claims incurred	(9,843)	(7,538)
Payments to suppliers and employees	(1,159,736)	(1,232,916)
	<u>238,544</u>	<u>488,941</u>
<i>Decrease / (increase) in operating assets:</i>		
Loans and advances to credit institutions	(191,412)	(515,505)
Deposits with Central Banks under monetary regulations	118,076	744,946
Loans and advances to customers	3,068,719	944,570
Short term trading account securities	394,019	2,032,474
<i>Increase / (decrease) in operating liabilities:</i>		
Deposits from credit institutions repayable on demand	(43,955)	175,616
Deposits from credit institutions with agreed maturity date	(1,655,580)	(797,078)
Deposits from clients repayable on demand	(205,076)	(615,305)
Deposits from clients with agreed maturity date	(177,008)	2,457,262
	<u>1,546,327</u>	<u>4,915,921</u>
Income taxes (paid) / received	(26,703)	(41,211)
	<u>1,519,624</u>	<u>4,874,710</u>
<i>Cash flows arising from investing activities</i>		
Dividends received	8,753	7,692
Interest income from available for sale financial assets	370,497	305,980
Proceeds from sale of available for sale financial assets	15,306,086	13,851,772
Available for sale financial assets purchased	(45,407,243)	(19,782,967)
Proceeds from available for sale financial assets on maturity	27,805,730	4,407,866
Acquisition of fixed assets	(57,142)	(69,049)
Proceeds from sale of fixed assets	13,440	1,427
Decrease / (increase) in other sundry assets	1,178,594	891,180
	<u>(781,285)</u>	<u>(386,099)</u>
<i>Cash flows arising from financing activities</i>		
Issuance of subordinated debt	3,141,039	221,774
Reimbursement of subordinated debt	(44,239)	(1,134,311)
Issuance of debt securities	8,481,028	964,295
Reimbursement of debt securities	(11,419,356)	(4,850,915)
Issuance of commercial paper and other securities	5,601	1,103,710
Reimbursement of commercial paper and other securities	(1,446,034)	(866,634)
Share capital increase	-	250,050
Dividends paid to non-controlling interests	(10,778)	(19,140)
Increase / (decrease) in other sundry liabilities and non-controlling interests	(372,855)	131,897
	<u>(1,665,594)</u>	<u>(4,199,274)</u>
Exchange differences effect on cash and equivalents	<u>37,368</u>	<u>(45,153)</u>
Net changes in cash and equivalents	(889,887)	244,184
Cash and equivalents at the beginning of the period	<u>2,268,554</u>	<u>1,952,447</u>
Cash (note 20)	629,175	644,353
Other short term investments (note 21)	<u>749,492</u>	<u>1,552,278</u>
Cash and equivalents at the end of the period	<u><u>1,378,667</u></u>	<u><u>2,196,631</u></u>

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Statement of Changes in Equity for the nine months period ended 30 September, 2012 and 2011

(Amounts expressed in thousands of Euros)

	Total equity	Share capital	Preference shares	Other capital instruments	Share premium	Legal and statutory reserves	Other comprehensive income		Other reserves and retained earnings	Goodwill	Treasury stock	Non- controlling interests
							Fair value and cash flow hedged reserves	Other				
Balance on 31 December, 2010	7,247,476	4,694,600	1,000,000	1,000,000	192,122	466,042	(166,361)	(78,052)	2,607,142	(2,883,580)	(81,938)	497,501
Changes in the accounting policy of recognition of the actuarial gains/losses	(1,635,875)	-	-	-	-	-	-	(1,678,720)	42,845	-	-	-
Balance on 1 January, 2011	5,611,601	4,694,600	1,000,000	1,000,000	192,122	466,042	(166,361)	(1,756,772)	2,649,987	(2,883,580)	(81,938)	497,501
Transfers to reserves (note 44):												
Legal reserve	-	-	-	-	-	30,065	-	-	(30,065)	-	-	-
Statutory reserve	-	-	-	-	-	10,000	-	-	(10,000)	-	-	-
Share capital increase through the issue of 2,512,567,060 shares, conversion of perpetual subordinated securities and incorporation of reserves (note 42)	259,853	1,370,400	-	(990,147)	(120,400)	-	-	-	-	-	-	-
Costs related to the capital increase	(9,803)	-	-	-	-	-	-	-	(9,803)	-	-	-
Costs related to the issue of perpetual subordinated instruments	(21,345)	-	-	-	-	-	-	-	(21,345)	-	-	-
Tax related to the interest charge on the issue of perpetual subordinated instruments	5,358	-	-	-	-	-	-	-	5,358	-	-	-
Actuarial losses for the period	(16,199)	-	-	-	-	-	-	(16,199)	-	-	-	-
Net income for the period attributable to Shareholders of the Bank	97,601	-	-	-	-	-	-	-	97,601	-	-	-
Net income for the period attributable to Non-controlling interests (note 46)	63,790	-	-	-	-	-	-	-	-	-	-	63,790
Tax and issuance costs related with capital instruments	(100)	-	-	-	-	-	-	-	(100)	-	-	-
Dividends on preference shares	(27,715)	-	-	-	-	-	-	-	(27,715)	-	-	-
Treasury stock	4,542	-	-	-	-	-	-	-	-	-	4,542	-
Exchange differences arising on consolidation	(45,153)	-	-	-	-	-	-	(45,153)	-	-	-	-
Fair value reserves (note 44)												
Financial instruments available for sale	(225,343)	-	-	-	-	-	(225,343)	-	-	-	-	-
Cash-flow hedge	17,622	-	-	-	-	-	17,622	-	-	-	-	-
Non-controlling interests (note 46)	(32,880)	-	-	-	-	-	-	-	-	-	-	(32,880)
Other reserves arising on consolidation (note 44)	(648)	-	-	-	-	-	-	-	(648)	-	-	-
Balance on 30 September, 2011	5,681,181	6,065,000	1,000,000	9,853	71,722	506,107	(374,082)	(1,818,124)	2,653,270	(2,883,580)	(77,396)	528,411
Costs related to the capital increase	(59)	-	-	-	-	-	-	-	(59)	-	-	-
Exchange of debt instruments and perpetual preferred shares for new debt instruments	(388,390)	-	(828,825)	-	-	-	-	-	440,435	-	-	-
Actuarial losses for the period	(15,096)	-	-	-	-	-	-	(15,096)	-	-	-	-
Interest charge related to the issue of perpetual subordinated instruments	(250)	-	-	-	-	-	-	-	(250)	-	-	-
Tax related to the interest charge on the issue of perpetual subordinated instruments	63	-	-	-	-	-	-	-	63	-	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(946,224)	-	-	-	-	-	-	-	(946,224)	-	-	-
Net income for the period attributable to non-controlling interests (note 46)	22,063	-	-	-	-	-	-	-	-	-	-	22,063
Tax and issuance costs related with capital instruments	(2)	-	-	-	-	-	-	-	(2)	-	-	-
Dividends on preference shares	(28,838)	-	-	-	-	-	-	-	(28,838)	-	-	-
Treasury stock	65,974	-	-	-	-	-	-	-	-	-	65,974	-
Exchange differences arising on consolidation	4,963	-	-	-	-	-	-	4,963	-	-	-	-
Fair value reserves (note 44)												
Financial instruments available for sale	(21,737)	-	-	-	-	-	(21,737)	-	-	-	-	-
Cash-flow hedge	6,359	-	-	-	-	-	6,359	-	-	-	-	-
Non-controlling interests (note 46)	(2,859)	-	-	-	-	-	-	-	-	-	-	(2,859)
Other reserves arising on consolidation (note 44)	(2,778)	-	-	-	-	-	-	-	(2,778)	-	-	-
Balance on 31 December, 2011	4,374,370	6,065,000	171,175	9,853	71,722	506,107	(389,460)	(1,828,257)	2,115,617	(2,883,580)	(11,422)	547,615
Redution of the share capital (note 42)	-	(3,065,000)	-	-	-	123,893	-	-	2,941,107	-	-	-
Actuarial losses for the period	(137,059)	-	-	-	-	-	-	(137,059)	-	-	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(796,306)	-	-	-	-	-	-	-	(796,306)	-	-	-
Net income for the period attributable to non-controlling interests (note 46)	55,627	-	-	-	-	-	-	-	-	-	-	55,627
Impact of the sell of 2.637% of Banco Millennium Angola	(782)	-	-	-	-	-	-	-	(782)	-	-	-
Treasury stock	(2,543)	-	-	-	-	-	-	-	-	-	(2,543)	-
Exchange differences arising on consolidation	37,367	-	-	-	-	-	-	37,367	-	-	-	-
Fair value reserves (note 44)												
Financial instruments available for sale	336,342	-	-	-	-	-	336,342	-	-	-	-	-
Cash-flow hedge	(34,117)	-	-	-	-	-	(34,117)	-	-	-	-	-
Non-controlling interests (note 46)	2,093	-	-	-	-	-	-	-	-	-	-	2,093
Other reserves arising on consolidation (note 44)	(2,664)	-	-	-	-	-	-	-	(2,664)	-	-	-
Balance on 30 September, 2012	3,832,328	3,000,000	171,175	9,853	71,722	630,000	(87,235)	(1,927,949)	4,256,972	(2,883,580)	(13,965)	605,335

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS
Statement of Comprehensive income
for the nine months period ended 30 September, 2012 and 2011

	Notes	30 September 2012	30 September 2011
		(Thousands of Euros)	
Fair value reserves			
Financial assets available for sale	44	424,158	(278,038)
Cash-Flow hedge	44	(42,123)	21,738
Taxes			
Financial assets available for sale	44	(87,816)	52,695
Cash-Flow hedge	44	8,006	(4,116)
		<u>302,225</u>	<u>(207,721)</u>
Actuarial losses for the period			
Gross value		(156,744)	(27,834)
Taxes		<u>19,685</u>	<u>11,635</u>
		(137,059)	(16,199)
Exchange differences arising on consolidation	44	<u>37,367</u>	<u>(45,153)</u>
Comprehensive income recognised directly in Equity after taxes		202,533	(269,073)
Net (loss) / income for the period		<u>(740,679)</u>	<u>161,391</u>
Total Comprehensive income for the period		<u><u>(538,146)</u></u>	<u><u>(107,682)</u></u>
Attributable to:			
Shareholders of the Bank		(593,773)	(171,472)
Non-controlling interests		<u>55,627</u>	<u>63,790</u>
Total Comprehensive income for the period		<u><u>(538,146)</u></u>	<u><u>(107,682)</u></u>

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Statement of Comprehensive income for the three months period ended 30 September, 2012 and 2011

	Third quarter 2012	Third quarter 2011
	(Thousands of Euros)	
Fair value reserves		
Financial assets available for sale	160,280	(55,543)
Cash-Flow hedge	(18,741)	30,407
Taxes		
Financial assets available for sale	(33,379)	14,090
Cash-Flow hedge	3,561	(5,763)
	<u>111,721</u>	<u>(16,809)</u>
Actuarial losses for the period		
Gross value	(1,836)	(186)
Taxes	<u>7,804</u>	<u>2,440</u>
	5,968	2,254
Exchange differences arising on consolidation	<u>11,107</u>	<u>(44,295)</u>
Comprehensive income recognised directly in Equity after taxes	128,796	(58,850)
Net (loss) / income for the period	<u>(235,890)</u>	<u>6,888</u>
Total Comprehensive income for the period	<u>(107,094)</u>	<u>(51,962)</u>
Attributable to:		
Shareholders of the Bank	(123,231)	(75,511)
Non-controlling interests	<u>16,137</u>	<u>23,549</u>
Total Comprehensive income for the period	<u>(107,094)</u>	<u>(51,962)</u>

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1. Accounting policies

a) Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a public bank, established in Portugal in 1985. It started operations 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 nine months period ended 30 September, 2012 and 2011.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002, and as transposed into Portuguese Law through Decree-Law no. 35/2005, of 17 February and Regulation no. 1/2005 from the Bank of Portugal, the Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU') since the year 2005. 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 5 November 2012 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 with any normative always report to current version.

The consolidated financial statements for the nine months ended 30 September, 2012 were prepared in terms of recognition and measurement in accordance with the IFRS adopted by the EU and effective on that date, and the disclosures in accordance with the requirements set by IAS 34. These financial statements also present a statement of the third quarter of 2012 with comparative figures for the third quarter of last year. The financial statements for the nine months ended 30 September, 2012 do not include all information to be disclosed in annual financial statements.

According to one of the options allowed by IAS 19 Employee Benefits, the Group decided in 2011 for a change in the accounting policy for recognition of actuarial gains and losses, starting to recognise the actuarial gains and losses of the year against reserves. In accordance with IAS 8, this change in accounting policy is presented for comparative purposes from 1 January 2011, recognising in that date all the deferred actuarial gains and losses determined at that date in equity. Thus, the balance Reserves and retained earnings includes, with effective date 1 January 2011, the restatement resulted from the referred change in the accounting policy.

Previously, the Group proceeded to the deferral of actuarial gains and losses determined in accordance with the corridor method. Under this method, actuarial gains and losses not recognised that exceed 10% of the greater of the present value of the liabilities and the fair value of the Fund's assets are recorded in the income statement for the period corresponding to the estimated remaining useful life of the employees in service.

The accounting policies set out below have been applied consistently throughout the Group's entities and for all periods presented in these consolidated financial statements.

The Group's financial statements are prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss (trading and fair value option) and available for sale assets, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are hedged 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 defined benefit obligation net of the value of the fund.

The preparation of the financial statements in accordance with IFRS requires 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, the results of which form the basis of 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 where assumptions and estimates are considered to be significant are presented in note 1 ac).

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b) Basis of consolidation

As from 1 January, 2010, the Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

Investments in subsidiaries

Investments in subsidiaries where the Group holds control are fully consolidated from the date the Group assumes control over its financial and operational activities until the control ceases to exist. Control is presumed to exist when the Group owns more than half of the voting rights. Additionally, control exists when the Group has the power, directly or indirectly, to manage the financial and operating policies of an entity to obtain benefits from its activities, even if the percentage of capital held is less than 50%.

As from 1 January, 2010, accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise negative non-controlling interests. Previously, when the accumulated losses of a subsidiary attributable to the non-controlling interest exceed the equity of the subsidiary attributable to the non-controlling interest, the excess was attributed to the Group and charged to the income statement as it occurs. Profits subsequently reported by the subsidiary are recognised as profits of the Group until the prior losses attributable to non-controlling interest previously recognised by the Group have been recovered.

As from 1 January, 2010, 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 revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Investments in associates

Investments in associated companies are consolidated by the equity method between the date that the Group acquires significant influence and 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, 20% or more 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 Executive 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; or
- 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 an associate, the carrying amount is reduced to nil 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.

Goodwill

Goodwill arising from business combinations occurred prior to 1 January 2004 was charged against reserves.

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December, 2009.

As from 1 January, 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), 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.

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Negative goodwill arising on an acquisition is recognised directly in the income statement in the year the business combination occurs.

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless of the existence of any impairment triggers. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against "goodwill". As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

Purchases and dilution of non-controlling interests

Until 31 December, 2009, when an interest in a subsidiary was disposed of, without a loss in control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurred when the percentage of interest in a subsidiary decreased without any sale of interest in that subsidiary, for example, if the Group did not participate proportionally in the share capital increase of that subsidiary. Until 31 December, 2009, the Group recognised the gains or losses resulting from a dilution of a subsidiary following a sale or capital increase in the income statement.

Also in an acquisition of non-controlling interests, until 31 December 2009, the difference between the fair value of the non-controlling interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The difference between the non-controlling interests acquired and the fair value of the liability, was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Since 1 January 2010, 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 book value or fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of non-controlling interests, that does not impact the control position of a subsidiary, are always recognised against reserves.

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 Grupo in results for the year.

The same way, as from 1 January 2010, the acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding). As from 1 January 2010 onwards, in an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the consideration paid, is accounted against reserves.

Special Purpose Entities ('SPEs')

The Group fully consolidates SPEs resulting from securitization operation with assets from Group entities (as referred in note 22) and resulting from operations regarding the sale of customer loans when the substance of the relation with those entities indicates that the Group exercises control over its activities, independently of the percentage of the equity held. Other than these SPEs resulting from securitization operations and the sale of loans, no additional SPEs have been consolidated considering that they do not meet the criteria established on SIC 12 as described below.

The evaluation of the existence of control is determined based on the criteria established by SIC 12, which can be analysed as follows:

- The activities of the SPE, in substance, are being conducted on behalf of the Group, in accordance with the specific needs of the Group's business, in order to obtain benefits from these activities;
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an "autopilot" mechanism, the Group has delegated these decision-making powers;
- The Group has the rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks inherent to the activities of the SPE;
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

Investment fund management

The Group manages the assets held by investment funds for which the participation units are held by third parties. The financial statements of these entities are not consolidated by the Group, except when the Group has the control over these investment funds, namely when it holds more than 50% of the participation units.

When the Group consolidates real estate investment funds, the real estate property resulting from these funds are classified as investment property, as described in note 1 r).

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Investments in foreign subsidiaries and associates

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euros at the official exchange rate at the balance sheet date. The goodwill existing on these investments is valued against reserves.

Regarding the investments in foreign operations that are consolidated in the Group accounts under the full consolidation, proportional consolidation or equity methods, for exchange differences between the conversion to Euros of the opening net assets 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. The exchange differences from hedging instruments related with foreign operations are eliminated from profit and loss in the consolidation process against the exchange differences booked in reserves resulting from those investments. 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. 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 - exchange differences.

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.

Investments in jointly controlled entities

Jointly controlled entities, consolidated under the proportional method, are entities where the Group has joint control, established by contractual agreement. The consolidated financial statements include, in the corresponding captions, the Group's proportional share of the entities' assets, liabilities, revenue and expenses, with items of a similar nature on a line by line basis, from the date that joint control started until the date that joint control ceases.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses arising from intragroup 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 to the extent of the Group's interest in the entity.

c) Loans and advances to customers

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

The derecognition of these assets occurs in the following situations: (i) the contractual rights of the Group have expired; or (ii) the Group transferred substantially all the associated risks and rewards.

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

Impairment

The Group's policy consists in a regular assessment of the existence of objective evidence of impairment in the loan portfolios. Impairment losses identified are charged against results and subsequently the charge is reversed, if there is a reduction of the estimated impairment loss, in a subsequent period.

After initial recognition, a loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, may be classified as impaired when there is objective evidence of impairment as a result of one or more events and when the loss event has an impact on the estimated future cash flows of the loan or of the loan portfolio that can be reliably estimated.

According to IAS 39, there are two basic methods of calculating impairment losses: (i) individually assessed loans; and (ii) collective assessment.

(i) Individually assessed loans

Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Group assesses, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors are considered:

- Group's aggregate exposure to the customer and the existence of overdue loans;
- The viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- The existence, nature and estimated value of the collaterals;
- A significant downgrading in the client rating;
- The assets available on liquidation or insolvency;
- The ranking of all creditor claims;
- The amount and timing of expected receipts and recoveries.

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Impairment losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, with its current carrying value and the amount of any loss is charged in the income statement. The carrying amount of impaired loans is reduced through the use of an allowance account. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, which was applicable in the period that the impairment was determined.

Individual loans that are not identified as having an objective evidence of impairment are grouped on the basis of similar credit risk characteristics, and assessed collectively.

(ii) Collective assessment

Impairment losses are calculated on a collective basis under two different scenarios:

- for homogeneous groups of loans that are not considered individually significant; or
- in respect of losses which have been incurred but have not yet been reported ('IBNR') on loans for which no objective evidence of impairment is identified (see paragraph (i)).

The collective impairment loss is determined considering the following factors:

- historical loss experience in portfolios of similar risk characteristics;
- knowledge of the current economic and credit conditions and its impact on the historical losses level; and
- the estimated period between a loss occurring and a loss being identified.

The methodology and assumptions used to estimate the future cash flows are reviewed regularly by the Group in order to monitor the differences between estimated and real losses.

Loans which have been individually assessed and for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This loss covers loans that are impaired at the balance sheet date but which will not be individually identified as such until some time in the future.

In accordance with "Carta-Circular" no. 15/2009 of the Bank of Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals for the part of the loans which is collateralised is effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

1) Financial assets and liabilities at fair value through profit and loss

1a) Financial assets held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares or that are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in gains arising on trading and hedging activities.

The interest from debt instruments is recognised as interest margin.

Trading derivatives with a positive fair value are included in the Financial assets held for trading and the trading derivatives with negative fair value are included in the Financial liabilities held for trading.

1b) Other financial assets and liabilities at fair value through profit and loss ("Fair Value Option")

The Group has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Group's credit risk related with financial liabilities accounted under the Fair Value Option are disclosed in Net gains / (losses) arising from trading and hedging activities.

The designation of other financial assets and liabilities at fair value through profit and loss is performed whenever at least one of the requirements is fulfilled:

- the assets and liabilities are managed, evaluated and reported internally at its fair value;
- the designation eliminates or significantly reduces the accounting mismatch of the transactions;
- the assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

The financial assets and liabilities at Fair Value Option are initially accounted at their fair value, with the expenses or income related to the transactions being recognised in profit and loss and subsequently measured at fair value through profit and loss. The accrual of interest and premium/discount (when applicable) is recognised in Net interest income according with the effective interest rate of each transaction, as well as for accrual of interest of derivatives associated to financial instruments classified as Fair Value Option.

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2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Group, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale are subsequently measured at fair value. The changes in fair value are accounted for against fair value reserves until they are sold or an impairment loss exists. In the sale of the financial assets available for sale, the accumulated gains or losses recognised as fair value reserves are recognised under Net gains / (losses) arising from available for sale financial assets. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in the income statement when the right to receive the dividends is attributed.

3) Financial assets held-to-maturity

The financial assets held-to-maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, that the Group has the intention and capacity to maintain until the maturity of the assets and that were not included in the category of financial assets at fair value through profit and loss or financial assets available for sale. These financial assets are initially recognised at fair value and subsequently measured at amortised cost. The interest is calculated using the effective interest rate method and recognised in Net interest income. The impairment losses are recognised in profit and loss when identified.

Any reclassification or sale of financial assets included in this category that does not occur close to the maturity of the assets will require the Group to reclassify the entire portfolio as Financial assets available for sale and the Group will not be allowed to classify any assets under this category for the following two years.

4) Loans and receivables - Loans represented by securities

Non-derivative financial assets with fixed or determined payments, that are not quoted in a market and which the Group does not intend to sell immediately or in a near future, may be classified in this category.

In addition to loans granted, the Group recognises in this category unquoted bonds and commercial paper. The financial assets recognised in this category are initially accounted at fair value and subsequently at amortised cost net of impairment. The incremental direct transaction costs are included in the effective interest rate for these financial instruments. The interest accounted based on the effective interest rate method are recognised in Net interest income.

The impairment losses are recognised in profit and loss when identified.

5) Other financial liabilities

The other financial liabilities are all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category includes money market transactions, deposits from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in Net interest income.

The financial gains or losses calculated at the time of repurchase of other financial liabilities are recognised as Net gains / (losses) from trading and hedging activities, when occurred.

(ii) Impairment

An assessment is made at each balance sheet date as to whether there is any objective evidence of impairment, namely circumstances where an adverse impact on estimated future cash flows of the financial asset or group of financial assets can be reliably estimated or based on a significant or prolonged decrease in the fair value, below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. The impairment losses recognised in equity instruments classified as available for sale, when reversed, are recognised against fair value reserves.

(iii) Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives if the economic risks and benefits of the embedded derivative are not closely related to the host contract, unless the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives are classified as trading and recognised at fair value with changes through profit and loss.

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e) Derivatives hedge accounting

(i) Hedge accounting

The Group designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative and to changes in foreign exchange risk related with the monetary items, are recognised through profit and loss.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual period of the hedged item.

(iii) Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- Deferred over the residual period of the hedged instrument; or
- Recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

(iv) Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness has to be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, showing that the changes in the fair value of the hedging instrument are hedged by the changes in the hedged item for the risk being covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

(v) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any 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 the income statement. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are included in the income statement on the disposal of the foreign operation as part of the gain or loss from the disposal.

f) Reclassifications between financial instruments categories

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer Financial assets from Financial assets at fair value through profit and loss – trading to Financial assets available for sale, to Loans and Receivables - Loans represented by securities or to financial assets held-to-maturity, as long as the requirements described in the Standard are met, namely:

- If a financial asset, at the date of reclassification present the characteristics of a debt instrument for which there is no active market; or
- When there is some event that is uncommon and highly improbable that will occur again in the short term, that is, the event can be classified as a rare circumstance.

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The Group adopted this possibility for a group of financial assets, as disclosed in note 24.

Transfer of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables - Loans represented by securities and Financial assets held-to-maturity are permitted.

Transfers from and to Financial assets and financial liabilities at fair value through profit and loss by decision of the entity ("Fair value option") are prohibited.

g) Derecognition

The Group derecognises financial assets when all rights to future cash flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or the Group does not maintain control over the assets.

The Group derecognises financial liabilities when these are discharged, cancelled or extinguished.

h) Equity instruments

An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently from its legal form, showing 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 issuer and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognised when the right to receive this income is established and are deducted to equity.

i) Compound financial instruments

Financial instruments that contain both a liability and an equity component (example: convertible bonds) are classified as compound financial instruments. For those instruments to be considered as compound financial instruments, the terms of its conversion to ordinary shares (number of shares) can not change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability. Financial liabilities are measured at amortised cost through the effective interest rate method. The interests are recognised in Net interest income.

j) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

(ii) Repurchase agreements

The Group performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/reverse repos'). The securities related to reselling agreements in a future date are not recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions.

The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

k) Non-current assets held for sale and discontinued operations

Non current assets, groups of non-current assets held for sale (groups of assets together and 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, the referred assets are available for immediate sale and its sale is highly probable.

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, that 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 disposal.

The Group also classifies as non-current assets held for sale the investments arising from recovered loans that are measured initially by the lower of its fair value net of expenses and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

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The fair value is determined based on the expected selling price estimated through periodic valuations performed by the Group.

The subsequent accounting of these assets is determined based on the lower of the carrying amount and the corresponding fair value net of expenses. In case of unrealised losses, these should be recognised as impairment losses against results.

l) Finance lease transactions

Finance lease transactions for a lessee are recorded at the inception of the lease as an asset and liability, at the fair value of the leased asset, which is equivalent to the present value of the future lease payments.

Lease rentals are a combination of the finance 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.

Assets held under finance leases for a lessor are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease.

Lease rentals are a combination of the financial income and amortization of the capital outstanding.

Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

m) Interest income and expense

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest income or expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised on the net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that 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 or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (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 with the transaction except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

- Interest income for overdue loans with collaterals are accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is registered against results in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
- The interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off and are recognised only when they are received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains / (losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component of the changes in their fair value is recognised under interest income or expense (Net interest income).

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

- Fees and commissions which are earned as services are provided are recognised in income over the period in which the service is being provided;
- Fees and commissions that are earned on the execution of a significant act, are recognised as income when the service is completed.

Fees and commissions that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

o) Financial net gains / losses (Net gains / losses arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity)

Financial net gains / losses includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives), as well as the corresponding dividends received. This caption also includes the impairment losses and gains and losses arising from the sale of available for sale financial assets and financial assets held to maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

p) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Group's consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the year in which they occur.

q) Property and equipment

Property and equipment 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.

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The Group performs impairment testing whenever events or circumstances indicate that the book value exceeds the highest between the value in use and the fair value less costs to sell, being the difference charged to the profit and loss.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	<u>Number of years</u>
Premises	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other fixed assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash-flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

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

r) Investment property

Real estate properties owned by the investment funds consolidated in the Group, are recognised as Investment properties considering, that the main objective of these buildings is the capital appreciation on a long term basis and not its sale in a short term period, or its maintenance for own use.

These investments are initially recognised at its acquisition cost, including the transaction costs and subsequently revaluated at its fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in results as Other operating income.

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

s) Intangible Assets

Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the year in which they occur.

Software

The Group accounts as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three years. The Group does not capitalise internal costs arising from software development.

t) Cash and cash 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 banks.

Cash and cash equivalents exclude restricted balances with central banks.

u) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

v) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available-for-sale, for which the difference is recognised against equity.

w) Employee benefits

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 collective labour arrangements. These benefits are estimated in the pensions plans 'Plano ACT' and 'Plano ACTQ' of the Pension Plan of BCP Group, which corresponds to the referred collective labour arrangements (the conditions are estimated in the private social security of the banking sector for the constitution of the right to receive a pension).

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As for the benefits estimated in the two previous pensions plans, the Group also assumed the responsibility, if some conditions are met in each year, of the attribution of a complementary plan to the employees of the Group, after due consideration of the requirements of the collective labour agreements applicable to each sector (complementary plan).

The Group's net obligation in respect of pension plans (defined benefit pensions plan) is calculated on an half year basis at 31 December and 30 June of each year.

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 contributive rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System ('Caixa de Abono de Família dos Empregados Bancários') 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 'Acordo Colectivo de Trabalho'.

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions was established that regulated the transfer of the liabilities related with pensions currently being paid to pensioners and retirees, to the Social Security.

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 'Instrumento de Regulação Colectiva de Trabalho (IRCT)' of the retirees and pensioners. The responsibilities related with 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 and being financed through the corresponding Pensions funds. The Decree-Law also established the terms and conditions under which the transfer was made by setting a discount rate of 4% to determine the liabilities to be transferred.

As referred in note 1a), according to one of the options allowed by IAS 19 Employee Benefits, the Group decided in 2011 to change the accounting policy for recognition of actuarial gains and losses, starting to recognise the actuarial gains and losses of the year against reserves. In accordance with IAS 8, this change in accounting policy is presented for comparative purposes from 1 January 2010, recognizing in that date all the deferred actuarial gains and losses in equity.

Previously, the Group proceeded to the deferral of actuarial gains and losses determined in accordance with the corridor method. Under the corridor method, actuarial gains and losses not recognised that exceed 10% of the greater of the present value of the liabilities and the fair value of the Fund's assets are recorded in the income statement for the period corresponding to the estimated remaining useful life of the employees in service.

The current services cost plus the interest cost on the unwinding of the Pension liabilities less the expected return on the Plan assets are recorded in operational costs.

The Group's net obligation in respect of defined benefit pension plans 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 assets of the Pension Plan.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

Costs arising from early retirements are recognised in the income statement on the year in which the early retirement is approved and announced.

Gains and losses for the year are recognised against reserves in the year they occur.

The funding policy of the Plan is to make annual contributions by each Group company so as to cover the projected benefits obligations, including the non-contractual projected benefits. The minimum level required for the funding is 100% regarding the liability with pensioners and 95% regarding the employees in service.

Defined contribution plan

Defined Contribution Plan, when applicable, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

Share based compensation plan

As at 30 September 2012 there are no share based compensation plans in force.

Variable remuneration paid to employees

The Executive Committee decides on the most appropriate criteria of allocation among employees.

x) Income taxes

The Group is subject to the regime established by the Income Tax Code ("CIRC"). Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation, are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

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Income tax recorded in profit and loss comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in equity and after are recognised in profit and loss in the moment the results that originated the deferred taxes are recognised.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill, not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits, will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

y) Segmental reporting

The Group determines and presents the operational segments based on the management information prepared for internal purposes.

An operational segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services, in a specific economic environment and that is subject to risks and returns that are different from those of other business segments, which operates in different economic environments. The Group controls its activity through the following major operating segments:

Portugal

- Retail Banking;
- Companies (which includes companies in Portugal, Corporate and Investment Banking);
- Asset management and Private Banking.

Foreign activity

- Poland;
- Greece;
- Angola;
- Mozambique.

Others

The aggregate Others includes the activity not allocated to the segments mentioned above, namely the developed by subsidiaries in Romania, Switzerland and Cayman Islands.

z) 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 an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and (iii) a reliable estimate can be made of the amount of the obligation.

On the cases that the discount effect is material, provision corresponds to actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

aa) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury stock.

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, such as convertible debt and stock options granted to employees. 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.

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ab) Insurance contracts

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 classified as an investment contract and accounted for as a financial instrument.

Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long-term contracts are recognised 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 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 premiums on risks not occurred.

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 year to which they respect in the same way as gross premiums written.

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.

Liability adequacy test

At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

ac) Accounting estimates and judgements in applying accounting policies

IFRS set forth a range of accounting treatments that require the Executive Committee and management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies 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 Executive Committee, the Group's reported results would differ if a different treatment was chosen. 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 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.

Impairment of financial assets available for-sale

The Group determines that financial assets available for-sale are impaired when there has been a significant or prolonged decrease in the fair value below its acquisition cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the volatility in the prices of the financial assets.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the consolidated income statement of the Group.

Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment losses on a regularly basis, as described in note 1 c).

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The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows, among other things, are considered in making this evaluation.

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 consolidated income statement of the Group.

Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different financial results for a particular period.

Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for the specific circumstances — for example, selling an insignificant amount close to maturity — it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value instead of amortised cost.

Held-to-maturity investments are subject to impairment tests made by the Group. The use of different assumptions and estimates could have an impact on the income statement of the Group.

Securitizations and special purpose entities (SPEs)

The Group sponsors the formation of SPEs primarily for asset securitization transactions for liquidity purposes and/or capital management.

The Group does not consolidate SPEs that it does not control. As it can sometimes be difficult to determine whether the Group does control an SPE, it makes judgments about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question.

The determination of the SPEs that needs to be consolidated by the Group requires the use of estimates and assumptions in determining the respective expected residual gains and losses and which party retains the majority of such residual gains and losses. Different estimates and assumptions could lead the Group to a different scope of consolidation with a direct impact in net income.

In the scope of the application of this accounting policy and in accordance with note 22, the following SPEs resulting from securitization transactions were included in the consolidation perimeter: NovaFinance n.4, Magellan n.2 and 3, Kion n.1 and 3, Kion CLO Finance n.1, Orchis Sp zo.o, Caravela SME n. 2 and Tagus Leasing n.1. The Group did not consolidate the following SPEs also resulting from securitization transactions: Magellan n. 1 and 4. For these SPEs, which are not recognised in the balance sheet, the Group concluded that the main risks and the benefits were transferred, as the Group does not hold any security issued by the SPE, that are exposed to the majority of the residual risks, neither is exposed to the performance of the credit portfolios.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the worldwide amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

The Portuguese Tax Authorities are entitled to review the Bank and its subsidiaries' determination of its annual taxable earnings, for a period of four years or six years in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law which for its probability, the Executive Committee considers that there is no relevant material effect at the level of the Financial Statements.

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 that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

Goodwill impairment

Goodwill recoverable amount recognised as an asset of the Group is revised annually regardless the existence of impairment losses.

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.

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2. Net interest income and net gains arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity

IFRS requires separate disclosure of net interest income and net gains arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity, as presented in notes 3, 6, 7 and 8. A particular business activity can generate impact in net interest income and net gains arising from trading and hedging, from financial assets available for sale and from financial assets held to maturity. This disclosure requirement demonstrates the contribution of the different business activities for the net interest margin and net gains from trading and hedging, from financial assets available for sale and from financial assets held to maturity

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Net interest income	770,913	1,196,787
Net gains/(losses) from trading and hedging assets	349,003	154,895
Net gains/(losses) from financial assets available for sale	(5,705)	26,004
Net gains/(losses) from financial assets held to maturity	15,510	284
	<u>1,129,721</u>	<u>1,377,970</u>

3. Net interest income

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
<i>Interest and similar income</i>		
Interest on loans and advances	2,197,334	2,294,170
Interest on trading securities	24,654	96,581
Interest on available for sale financial assets	244,846	144,075
Interest on held to maturity financial assets	97,829	148,259
Interest on hedging derivatives	152,031	197,960
Interest on derivatives associated to financial instruments through profit and loss account	4,404	49,001
Interest on deposits and other investments	49,329	54,425
	<u>2,770,427</u>	<u>2,984,471</u>
<i>Interest expense and similar charges</i>		
Interest on deposits and inter-bank funding	1,403,612	1,237,939
Interest on securities sold under repurchase agreement	10,505	12,809
Interest on securities issued	557,109	406,812
Interest on hedging derivatives	11,897	20,334
Interest on derivatives associated to financial instruments through profit and loss account	1,073	10,522
Interest on other financial liabilities valued at fair value through profit and loss account	15,318	99,268
	<u>1,999,514</u>	<u>1,787,684</u>
Net interest income	<u>770,913</u>	<u>1,196,787</u>

The balance of Interest on loans and advances includes the amount of Euros 50,360,000 (30 September 2011: Euros 35,836,000) related to commissions and other gains / losses which are accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

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4. Dividends from equity instruments

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Dividends from financial assets available for sale	3,814	1,320
Other	6	34
	<u>3,820</u>	<u>1,354</u>

The balance of Dividends from financial assets available for sale includes dividends and income from investment fund units received during the period.

5. Net fees and commissions income

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
<i>Fees and commissions income</i>		
From guarantees	82,338	81,793
From credit and commitments	170	291
From banking services	399,823	414,936
From insurance activity	999	682
From other services	176,973	189,713
	<u>660,303</u>	<u>687,415</u>
<i>Fees and commissions expenses</i>		
From guarantees	56,451	3,687
From banking services	64,076	62,200
From insurance activity	1,057	658
From other services	22,694	26,330
	<u>144,278</u>	<u>92,875</u>
Net fees and commission income	<u>516,025</u>	<u>594,540</u>

As at 30 September 2012, the caption Fees and commissions expenses - from guarantess includes the amount of Euros 51,075,000 related to commissions paid in accordance with the issues accounted under the scope of the guarantee given by the Portuguese State.

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6. Net gains / (losses) arising from trading and hedging activities

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
<i>Gains arising on trading and hedging activities</i>		
Foreign exchange activity	1,261,500	16,720,661
Transactions with financial instruments recognized at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	60,699	25,046
Variable income	9,899	5,731
Certificates and structured securities issued	7,639	32,078
Derivatives associated to financial instruments through profit and loss account	33,835	67,117
Other financial instruments derivatives	1,502,833	1,561,971
Other financial instruments through profit and loss account	8,198	183,881
Repurchase of debt securities issued	356,293	93,542
Hedging accounting		
Hedging derivatives	115,687	830,435
Hedged item	10,945	163,660
Other activity	8,590	112,813
	<u>3,376,118</u>	<u>19,796,935</u>
<i>Losses arising on trading and hedging activities</i>		
Foreign exchange activity	1,198,725	16,608,986
Transactions with financial instruments recognized at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	5,161	151,089
Variable income	10,122	7,235
Certificates and structured securities issued	17,307	12,374
Derivatives associated to financial instruments through profit and loss account	10,233	146,049
Other financial instruments derivatives	1,430,167	1,594,370
Other financial instruments through profit and loss account	95,602	82,320
Repurchase of debt securities issued	56,894	2,718
Hedging accounting		
Hedging derivatives	59,605	747,907
Hedged item	105,685	229,971
Other activity	37,614	59,021
	<u>3,027,115</u>	<u>19,642,040</u>
Net gains / (losses) arising from trading and hedging activities	<u>349,003</u>	<u>154,895</u>

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7. Net gains / (losses) arising from financial assets available for sale

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Gains arising from financial assets available for sale		
Fixed income	8,196	10,584
Variable income	934	30,325
Losses arising from financial assets available for sale		
Fixed income	(14,422)	(2,076)
Variable income	(413)	(12,829)
Net gains / (losses) arising from financial assets available for sale	<u>(5,705)</u>	<u>26,004</u>

8. Net gains / (losses) arising from financial assets held to maturity

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Gains arising from financial assets held to maturity	<u>15,510</u>	<u>284</u>
Net gains / (losses) arising from financial assets held to maturity	<u>15,510</u>	<u>284</u>

The amount corresponds to realised gains resulting from Greek sovereign debt transactions following the restructuring of the referred debt which took place in 2012.

9. Other operating income

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
<i>Operating income</i>		
Income from services	26,535	23,764
Cheques and others	11,576	12,860
Other operating income	<u>13,189</u>	<u>28,347</u>
	<u>51,300</u>	<u>64,971</u>
<i>Operating costs</i>		
Indirect taxes	28,324	22,982
Donations and quotizations	3,576	3,438
Specific contribution for the Banking Sector	25,402	23,988
Other operating expenses	<u>33,859</u>	<u>16,389</u>
	<u>91,161</u>	<u>66,797</u>
	<u>(39,861)</u>	<u>(1,826)</u>

10. Staff costs

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Salaries and remunerations	460,566	450,625
Mandatory social security charges	49,516	77,067
Voluntary social security charges	34,578	32,540
Other staff costs	<u>6,004</u>	<u>8,993</u>
	<u>550,664</u>	<u>569,225</u>

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11. Other administrative costs

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Water, electricity and fuel	18,187	16,720
Consumables	5,212	5,197
Rents	108,628	112,841
Communications	31,164	29,716
Travel, hotel and representation costs	8,493	9,564
Advertising	24,344	28,511
Maintenance and related services	30,280	28,942
Credit cards and mortgage	8,264	10,884
Advisory services	13,600	12,744
Information technology services	17,517	16,790
Outsourcing	61,138	64,612
Other specialised services	25,628	21,877
Training costs	1,626	1,753
Insurance	11,237	13,611
Legal expenses	9,693	8,940
Transportation	8,045	7,910
Other supplies and services	34,950	35,678
	<u>418,006</u>	<u>426,290</u>

12. Depreciation

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
<i>Intangible assets:</i>		
Software	11,320	11,482
Other intangible assets	351	270
	<u>11,671</u>	<u>11,752</u>
<i>Property, plant and equipment:</i>		
Land and buildings	25,530	30,402
Equipment		
Furniture	2,831	3,396
Office equipment	1,990	2,156
Computer equipment	10,721	12,542
Interior installations	3,003	2,952
Motor vehicles	2,246	2,290
Security equipment	1,820	1,914
Other tangible assets	2,525	3,011
	<u>50,666</u>	<u>58,663</u>
	<u>62,337</u>	<u>70,415</u>

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13. Loans impairment

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
<i>Loans and advances to credit institutions:</i>		
For overdue loans and credit risks		
Write-back for the period	(5)	(2,846)
	(5)	(2,846)
<i>Loans and advances to customers:</i>		
For overdue loans and credit risks		
Charge for the period	2,010,330	1,001,028
Write-back for the period	(762,717)	(221,925)
Recovery of loans and interest charged-off	(10,993)	(12,257)
	1,236,620	766,846
	1,236,615	764,000

The caption Loans and advances to customers includes the amount of Euros 543,496,000 related to the impairment recorded during 2012 to cover the activity of the Millennium Bank (Greece), considering the financial crisis that affects Greece. The capitalization needs of the Greek banks determined by the Greece Central Bank and the independent evaluation done by the Troika team which estimated a significant increase of the credit risk that affects the Greek banking sector.

The caption Loans impairment is related to an estimate of the incurred losses determined according with the methodology for a regular evaluation of objective evidence of impairment, as established in the accounting policy described in note 1 c).

14. Other financial assets impairment

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Impairment for financial assets available for sale		
Charge for the period	29,588	6,535
Write-back for the period	(887)	(124)
	28,701	6,411
Impairment for financial assets held to maturity		
Charge for the period	119	136,103
	119	136,103
	28,820	142,514

15. Other provisions

The amount of this account is comprised of:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Provision for other pensions benefits		
Charge for the period	549	572
	549	572
Provision for guarantees and other commitments		
Charge for the period	33,427	6,588
Write-back for the period	(10,836)	(10,420)
	22,591	(3,832)
Other provisions for liabilities and charges		
Charge for the period	12,093	2,928
Write-back for the period	(1,361)	(36,860)
	10,732	(33,932)
	33,872	(37,192)

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16. Share of profit of associates under the equity method

The main contribution of the investments accounted for under the equity method to the Group's profit are analysed as follows:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Millenniumbcp Ageas Group	44,101	6,979
Other companies	(1,180)	(4,846)
	<u>42,921</u>	<u>2,133</u>

17. Gains / (losses) from the sale of subsidiaries and other assets

The caption Gains / (losses) from the sale of subsidiaries and other assets corresponds to the gains and losses arising from the sale and revaluation of assets of the Group classified as non current assets held for sale.

18. Income tax

The charge for the first nine months of 2012 and 2011, is comprised as follows:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Current tax	(52,791)	(57,076)
Deferred tax		
Recognition and reversal of temporary differences	(142,008)	228,773
Tax losses carried forward	254,083	3,029
	<u>112,075</u>	<u>231,802</u>
	<u>59,284</u>	<u>174,726</u>

The reconciliation of the effective tax rate is analysed as follows:

	Sep 2012		Sep 2011	
	%	Euros '000	%	Euros '000
Net income before income taxes		(799,963)		(13,335)
Current tax rate	29.0%	231,989	29.0%	3,867
Foreign tax rate effect				
and in "Zona Franca da Madeira"	-4.6%	(36,757)	86.7%	11,560
Accruals for the calculation of taxable income	-16.7%	(133,949)	-342.6%	(45,688)
Deductions for the calculation of taxable income	5.4%	43,547	658.7%	87,834
Fiscal incentives not recognised in profit / loss accounts	0.8%	6,102	56.3%	7,512
Effect of the tax losses used / recognised	-0.8%	(6,287)	-3.8%	(502)
Effect of deferred tax losses not recognised previously	0.5%	4,043	872.7%	116,380
Tax rate effect	-5.1%	(40,491)	-39.1%	(5,210)
Previous periods corrections	-0.9%	(7,400)	4.4%	590
(Autonomous tax) / tax credits	-0.2%	(1,513)	-12.1%	(1,617)
	<u>7.4%</u>	<u>59,284</u>	<u>1310.2%</u>	<u>174,726</u>

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19. Earnings per share

The earnings per share are calculated as follows:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Net income for the period attributable to shareholders of the Bank	(796,306)	97,601
Dividends from other capital instruments	-	(40,373)
Adjusted net income	(796,306)	57,228
Average number of shares	7,205,435,833	5,939,064,865
Basic earnings per share (Euros)	(0.15)	0.01
Diluted earnings per share (Euros)	(0.15)	0.01

In June 2012, the Bank registered a decrease of the share capital from Euros 6,064,999,986 to Euros 3,000,000,000 without altering the number of existing shares without nominal value, being this decrease composed of two separate amounts: a) Euros 1,547,873,439.69, to cover losses recorded in the Bank's individual financial statements for 2011; b) Euros 1,517,126,546.31, to reinforce future conditions for having funds that may be qualified, under the regulatory provisions, as distributable. Therefore, the Bank's share capital, on 30 September 2012, amounts to Euros 3,000,000,000, represented by 7,207,167,060 nominate and ordinary shares without nominal value.

In June 2011, a capital increase of the Banco Comercial Português, S.A. was performed, from Euros 4,694,600,000 to Euros 6,064,999,986 resulting from the following steps:

- (i) Euros 120,400,000, by incorporation of share premium reserves, through the issuance of 206,518,010 new ordinary and nominative shares without nominal value;
- (ii) Euros 990,147,000, by contribution in kind of 990,147 perpetual subordinated instruments with conditioned interest, by issuing 1,584,235,200 new ordinary and nominative shares without nominal value, that resulted in the conversion of the majority of the perpetual subordinated securities;
- (iii) Euros 259,852,986, by the issue of 721,813,850 ordinary shares without nominal value, with the issue and subscribe value of Euros 0.36, with preference reserve to the shareholders, in the exercise of the preference legal rights.

In accordance with the Decree-Law no. 49/2010 of 19 May, that allows share capital of a company to be represented by shares without nominal value, the General Shareholders meeting of Banco Comercial Português, S.A. approved that the share capital of Banco Comercial Português, S.A. would be represented by shares with no nominal value.

The average number of shares indicated above, results from the number of existing shares at the beginning of each year, adjusted by the number of shares repurchased or issued in the period weighted by a time factor. During the year of 2009, Banco Comercial Português, S.A. issued three series of its program of perpetual subordinated debt securities in the total amount of Euros 1,000,000,000, which were considered as capital instruments as established in the accounting policy described in note 1 h), in accordance with the IAS 32.

The balance Dividends from other capital instruments included, on 30 September 2011, the dividends distributed from the following issues:

a) Two issues by BCP Finance Company Ltd which considering the rules established in IAS 32 and in accordance with the accounting policy presented in note 1 h), were considered as equity instruments. The issues are analysed as follows:

- 5,000,000 Perpetual Non-cumulative Guaranteed Non-voting Preference Shares with par value of Euros 100 each, issued on 9 June, 2004, amounting to Euros 500,000,000, issued to redeem the 8,000,000 Non-cumulative Guaranteed Non-voting Preference Shares, with par value of Euros 50 each, issued by BCP Finance Company on 14 June, 1999, amounting to Euros 400,000,000.

- 10,000 preference shares with par value of Euros 50,000 perpetual each without voting rights issued on 13 October 2005, in the amount of Euros 500,000,000, to redeem the 6,000,000 preference shares, of Euros 100 each, without voting rights, in the amount of Euros 600,000,000, issued by BCP Finance Company on 28 September 2000.

Within the scope of the exchange offer, the majority of the preference shares were exchanged for new debt instruments in October 2011.

b) Three issues of perpetual subordinated debt securities analysed as follows:

- In June 2009, as referred in note 42, the Bank issued Euros 300,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

- In August 2009, as referred in note 42, the Bank issued Euros 600,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

- In December 2009, as referred in note 42, the Bank issued Euros 100,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

These issues were exchanged within the scope of the public change offering of perpetual subordinated securities for ordinary shares, performed in 2011. The amount not exchanged amounts to Euros 9,853,000 on 30 September, 2012.

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20. Cash and deposits at central banks

This balance is analysed as follows:

	Sep 2012	Dec 2011
	Euros '000	Euros '000
Cash	629,175	691,144
Central banks	1,906,733	1,424,801
	<u>2,535,908</u>	<u>2,115,945</u>

The balance Central banks includes deposits with central banks of the countries where the group operates in order to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other liabilities. The cash reserve requirements, according with the European Central Bank System for Euro Zone, establishes the maintenance of a deposit with the Central Bank equivalent to 2% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

21. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	Sep 2012	Dec 2011
	Euros '000	Euros '000
Credit institutions in Portugal	7,215	2,970
Credit institutions abroad	599,337	1,251,177
Amounts due for collection	142,940	323,263
	<u>749,492</u>	<u>1,577,410</u>

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions.

22. Other loans and advances to credit institutions

This balance is analysed as follows:

	Sep 2012	Dec 2011
	Euros '000	Euros '000
Bank of Portugal	-	600,008
Inter-bank Money Market	40,001	-
Credit institutions in Portugal	175,704	846,856
Credit institutions abroad	2,290,021	1,466,731
	2,505,726	2,913,595
Overdue loans - more than 90 days	1,831	1,836
	2,507,557	2,915,431
Impairment for other loans and advances to credit institutions	(2,282)	(2,416)
	<u>2,505,275</u>	<u>2,913,015</u>

The movements of impairment for other loans and advances to credit institutions is analysed as follows:

	Sep 2012	Sep 2011
	Euros '000	Euros '000
Balance on 1 January	2,416	13,759
Transfers	(129)	887
Write-back for the period	(5)	(2,846)
Loans charged-off	-	(9,153)
Balance on 30 September	<u>2,282</u>	<u>2,647</u>

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23. Loans and advances to customers

This balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Public sector	833,020	712,224
Asset-backed loans	41,989,756	43,337,792
Personal guaranteed loans	9,873,149	10,944,941
Unsecured loans	3,529,180	3,658,828
Foreign loans	3,413,591	3,835,789
Factoring	954,926	1,286,608
Finance leases	3,886,794	4,280,612
	<u>64,480,416</u>	<u>68,056,794</u>
Overdue loans - less than 90 days	269,900	280,211
Overdue loans - more than 90 days	<u>4,318,768</u>	<u>3,196,072</u>
	69,069,084	71,533,077
Impairment for credit risk	<u>(4,108,638)</u>	<u>(3,487,542)</u>
	<u><u>64,960,446</u></u>	<u><u>68,045,535</u></u>

As at 30 September 2012, the balance Loans and advances to customers includes the amount of Euros 12,964,309,000 (31 December 2011: Euros 10,508,017,000) regarding mortgage loans which are a collateral for seven asset-back securities, issued by the Group.

During 2011, Banco Investimento Imobiliário, S.A. issued one covered bond in the amount of Euros 1,000,000,000 with maturity of 3 years. The referred issue occurred in 19 January 2011 with an interest rate of 1M Euribor +0.75%.

The Group, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

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

	Sep 2012 Euros '000	Dec 2011 Euros '000
<i>Loans not represented by securities</i>		
Discounted bills	371,736	533,231
Current account credits	3,630,216	4,502,604
Overdrafts	1,793,521	1,867,652
Loans	19,251,963	19,994,269
Mortgage loans	31,039,626	32,036,068
Factoring	954,926	1,286,609
Finance leases	3,886,794	4,280,611
	<u>60,928,782</u>	<u>64,501,044</u>
<i>Loans represented by securities</i>		
Commercial paper	2,030,183	1,741,120
Bonds	<u>1,521,451</u>	<u>1,814,630</u>
	3,551,634	3,555,750
	64,480,416	68,056,794
Overdue loans - less than 90 days	269,900	280,211
Overdue loans - more than 90 days	<u>4,318,768</u>	<u>3,196,072</u>
	69,069,084	71,533,077
Impairment for credit risk	<u>(4,108,638)</u>	<u>(3,487,542)</u>
	<u><u>64,960,446</u></u>	<u><u>68,045,535</u></u>

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

	Sep 2012	Dec 2011
	Euros '000	Euros '000
Agriculture	533,614	644,293
Mining	211,876	434,327
Food, beverage and tobacco	592,356	521,473
Textiles	511,997	491,557
Wood and cork	234,982	229,143
Printing and publishing	373,683	294,543
Chemicals	721,651	833,055
Engineering	997,400	1,177,560
Electricity, water and gas	1,044,640	951,045
Construction	4,613,474	4,991,080
Retail business	1,428,996	1,669,000
Wholesale business	2,258,768	2,584,655
Restaurants and hotels	1,628,868	1,411,024
Transports and communications	2,136,497	1,846,405
Services	14,271,157	14,802,022
Consumer credit	4,347,498	4,496,917
Mortgage credit	29,794,743	30,308,497
Other domestic activities	1,292,048	886,812
Other international activities	2,074,836	2,959,669
	<u>69,069,084</u>	<u>71,533,077</u>
Impairment for credit risk	<u>(4,108,638)</u>	<u>(3,487,542)</u>
	<u><u>64,960,446</u></u>	<u><u>68,045,535</u></u>

Loans and advances to customers includes the effect of traditional securitization transactions owned by Special Purpose Entities (SPEs) consolidated following the application of SIC 12, in accordance with accounting policy described in note 1 b).

Securitization transactions engaged by BCP Group refer to mortgage loans, consumer loans, leases, commercial paper and corporate loans. The traditional securitization transactions are set through specifically created SPE. As referred in accounting policy described in note 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.

The balance Loans and advances to customers includes the following amounts related to securitization transactions, presented by type of transaction:

	Traditional	
	Sep 2012	Dec 2011
	Euros '000	Euros '000
Mortgage loans	2,939,000	6,392,175
Consumer loans	276,667	417,771
Leases	775,222	992,600
Corporate loans	2,683,694	4,620,819
	<u>6,674,583</u>	<u>12,423,365</u>

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

	Sep 2012	Dec 2011
	Euros '000	Euros '000
Gross amount	4,531,004	5,300,269
Interest not yet due	<u>(644,210)</u>	<u>(1,019,658)</u>
Net book value	<u><u>3,886,794</u></u>	<u><u>4,280,611</u></u>

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The loans portfolio includes restructured loans that have been formally negotiated with the clients, in order to reinforce collaterals, defer the maturity date or change the interest rate. The analysis of restructured loans by sector of activity is as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Agriculture	7,532	7,221
Mining	171	798
Food, beverage and tobacco	4,302	5,590
Textiles	2,381	3,155
Wood and cork	11,740	12,297
Printing and publishing	2,323	1,673
Chemicals	234	733
Engineering	20,934	31,988
Electricity, water and gas	2,509	3,168
Construction	27,894	45,256
Retail business	25,752	18,076
Wholesale business	52,434	55,622
Restaurants and hotels	5,212	3,441
Transports and communications	11,279	10,138
Services	221,409	222,727
Consumer credit	207,604	256,712
Mortgage credit	326,563	254,593
Other domestic activities	65	197
Other international activities	1,293	3,300
	<u>931,631</u>	<u>936,685</u>

The analysis of the overdue loans by sector of activity is as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Agriculture	43,476	60,622
Mining	21,429	8,749
Food, beverage and tobacco	47,134	76,328
Textiles	53,450	51,128
Wood and cork	44,030	28,520
Printing and publishing	22,159	20,883
Chemicals	14,429	19,356
Engineering	120,554	100,655
Electricity, water and gas	1,919	2,874
Construction	1,462,044	708,428
Retail business	147,142	120,470
Wholesale business	304,390	292,686
Restaurants and hotels	209,220	149,387
Transports and communications	63,027	58,294
Services	907,544	795,634
Consumer credit	792,829	666,543
Mortgage credit	288,057	239,137
Other domestic activities	32,115	21,789
Other international activities	13,720	54,800
	<u>4,588,668</u>	<u>3,476,283</u>

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The movements of impairment for credit risk are analysed as follows:

	Sep 2012 Euros '000	Sep 2011 Euros '000
<i>Impairment for overdue loans and for other credit risks:</i>		
Balance on 1 January	3,487,542	2,505,886
Transfers	(6,387)	(17,117)
Impairment for the period	2,010,330	1,001,028
Write-back for the period	(762,717)	(221,925)
Loans charged-off	(635,722)	(146,319)
Exchange rate differences	15,592	(19,392)
Balance on 30 September	<u>4,108,638</u>	<u>3,102,161</u>

If the impairment loss decreases in a subsequent period to its initial accounting and this decrease can be objectively associated to an event that occurred after the recognition of the loss, the impairment in excess is reversed through profit and loss.

The analysis of the impairment, by sector of activity, is as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Agriculture	44,797	65,288
Mining	13,009	6,726
Food, beverage and tobacco	39,830	55,707
Textiles	28,086	40,731
Wood and cork	32,620	23,097
Printing and publishing	36,512	34,717
Chemicals	32,841	13,994
Engineering	103,030	108,624
Electricity, water and gas	32,868	3,817
Construction	715,871	388,794
Retail business	113,267	90,795
Wholesale business	238,069	248,366
Restaurants and hotels	126,365	86,397
Transports and communications	202,671	66,641
Services	1,208,458	964,474
Consumer credit	631,832	549,750
Mortgage credit	300,838	257,238
Other domestic activities	12,389	10,531
Other international activities	195,285	471,855
	<u>4,108,638</u>	<u>3,487,542</u>

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

	Sep 2012 Euros '000	Sep 2011 Euros '000
Agriculture	34,546	1,113
Mining	2,822	369
Food, beverage and tobacco	48,690	773
Textiles	11,829	11,111
Wood and cork	2,918	3,195
Printing and publishing	776	345
Chemicals	1,398	359
Engineering	12,967	6,355
Electricity, water and gas	1,250	19
Construction	40,617	8,668
Retail business	17,221	1,028
Wholesale business	67,452	5,813
Restaurants and hotels	2,131	3,626
Transports and communications	2,602	2,590
Services	103,014	9,933
Consumer credit	105,799	27,045
Mortgage credit	6,317	170
Other domestic activities	1,739	122
Other international activities	171,634	63,685
	<u>635,722</u>	<u>146,319</u>

In compliance with the accounting policy described in note 1 c), loans and advances to customers are charged-off when there are no feasible expectations, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

The analysis of recovered loans and interest, during the first nine months of 2012 and 2011, by sector of activity, is as follows:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Agriculture	161	49
Mining	145	32
Food, beverage and tobacco	63	684
Textiles	446	668
Wood and cork	310	1,063
Printing and publishing	125	113
Chemicals	47	56
Engineering	332	189
Electricity, water and gas	10	-
Construction	528	1,157
Retail business	598	293
Wholesale business	4,080	3,262
Restaurants and hotels	25	25
Transports and communications	112	20
Services	881	2,857
Consumer credit	2,709	1,763
Mortgage credit	18	2
Other domestic activities	161	19
Other international activities	242	5
	<u>10,993</u>	<u>12,257</u>

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24. Financial assets held for trading and available for sale

The balance Financial assets held for trading and available for sale is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Bonds and other fixed income securities		
Issued by public entities	5,282,466	4,283,378
Issued by other entities	2,146,784	1,034,084
	7,429,250	5,317,462
Overdue securities	4,927	4,927
Impairment for overdue securities	(4,925)	(4,925)
	7,429,252	5,317,464
Shares and other variable income securities	371,149	282,318
	7,800,401	5,599,782
Trading derivatives	1,261,659	1,319,662
	9,062,060	6,919,444

The portfolio of financial instruments held for trading and available for sale securities, net of impairment, as at 30 September 2012, is analysed as follows:

	Securities		
	Trading Euros '000	Available for sale Euros '000	Total Euros '000
Fixed income:			
Bonds issued by public entities			
Portuguese issuers	143,846	1,213,321	1,357,167
Foreign issuers	128,701	934,669	1,063,370
Bonds issued by other entities			
Portuguese issuers	12,705	380,758	393,463
Foreign issuers	80,906	225,065	305,971
Treasury bills and other			
Government bonds	28,171	2,833,758	2,861,929
Commercial paper	-	1,452,277	1,452,277
	394,329	7,039,848	7,434,177
Variable income:			
Shares in Portuguese companies	3,450	71,404	74,854
Shares in foreign companies	7,717	27,550	35,267
Investment fund units	1,683	257,667	259,350
Other securities	1,678	-	1,678
	14,528	356,621	371,149
Impairment for overdue securities	-	(4,925)	(4,925)
	408,857	7,391,544	7,800,401
Trading derivatives	1,261,659	-	1,261,659
	1,670,516	7,391,544	9,062,060

As referred in the accounting policy presented in note 1 d), the available for sale securities are presented at market value with the respective fair value accounted against fair value reserves, as referred in note 44. The negative amount of fair value reserves of Euros 47,096,000 is presented net of impairment losses in the amount of Euros 87,969,000.

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The portfolio of financial instruments held for trading and available for sale securities, net of impairment, as at 31 December 2011, is analysed as follows:

	Securities		Total Euros '000
	Trading Euros '000	Available for sale Euros '000	
Fixed income:			
Bonds issued by public entities			
Portuguese issuers	77,476	939,681	1,017,157
Foreign issuers	104,568	549,376	653,944
Bonds issued by other entities			
Portuguese issuers	37,865	347,215	385,080
Foreign issuers	76,164	577,767	653,931
Treasury bills and other			
Government bonds	499,738	2,112,539	2,612,277
	<u>795,811</u>	<u>4,526,578</u>	<u>5,322,389</u>
Variable income:			
Shares in Portuguese companies	4,741	66,972	71,713
Shares in foreign companies	24,846	41,348	66,194
Investment fund units	270	144,141	144,411
	<u>29,857</u>	<u>252,461</u>	<u>282,318</u>
Impairment for overdue securities	-	(4,925)	(4,925)
	<u>825,668</u>	<u>4,774,114</u>	<u>5,599,782</u>
Trading derivatives	1,319,662	-	1,319,662
	<u>2,145,330</u>	<u>4,774,114</u>	<u>6,919,444</u>

As referred in the accounting policy presented in note 1 d), the available for sale securities are presented at market value with the respective fair value accounted against fair value reserves, as referred in note 44. The negative amount of fair value reserves of Euros 471,254,000 is presented net of impairment losses in the amount of Euros 62,272,000.

The analysis of the securities portfolio included in the financial assets held for trading and available for sale, by sector of activity, as at 30 September 2012 is analysed as follows:

	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Gross Total Euros '000
Food, beverage and tobacco	-	2	-	2	4
Wood and cork	-	501	-	361	862
Printing and publishing	41	106	-	998	1,145
Chemicals	-	372	-	-	372
Engineering	-	7	-	-	7
Electricity, water and gas	147,946	617	-	-	148,563
Construction	-	1,804	-	2,560	4,364
Retail business	-	2	-	-	2
Wholesale business	-	1,225	-	475	1,700
Restaurants and hotels	-	74	-	-	74
Transport and communications	43,138	7,020	-	529	50,687
Services	1,945,350	98,314	255,431	2	2,299,097
Other domestic activities	10,309	16	5,597	-	15,922
Other international activities	-	61	-	-	61
	<u>2,146,784</u>	<u>110,121</u>	<u>261,028</u>	<u>4,927</u>	<u>2,522,860</u>
Government and Public securities	2,420,537	-	2,861,929	-	5,282,466
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	<u>4,567,321</u>	<u>110,121</u>	<u>3,122,957</u>	<u>2</u>	<u>7,800,401</u>

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The analysis of the securities portfolio included in the financial assets held for trading and available for sale, by sector of activity, as at 31 December 2011 is analysed as follows:

	Bonds	Shares	Other Financial Assets	Overdue Securities	Gross Total
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Food, beverage and tobacco	-	3	-	2	5
Textiles	-	1	-	-	1
Wood and cork	-	501	-	361	862
Printing and publishing	86	15,281	-	998	16,365
Chemicals	-	7,625	-	-	7,625
Engineering	-	185	-	-	185
Electricity, water and gas	154,713	1,118	-	-	155,831
Construction	9,472	1,960	-	2,560	13,992
Retail business	-	437	-	-	437
Wholesale business	-	1,205	-	475	1,680
Restaurants and hotels	-	51	-	-	51
Transport and communications	23,350	774	-	529	24,653
Services	821,002	108,710	144,411	2	1,074,125
Other international activities	25,461	56	-	-	25,517
	<u>1,034,084</u>	<u>137,907</u>	<u>144,411</u>	<u>4,927</u>	<u>1,321,329</u>
Government and Public securities	1,671,101	-	2,612,277	-	4,283,378
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	<u><u>2,705,185</u></u>	<u><u>137,907</u></u>	<u><u>2,756,688</u></u>	<u><u>2</u></u>	<u><u>5,599,782</u></u>

25. Hedging derivatives

This balance is analysed as follows:

	Sep 2012	Dec 2011
	Euros '000	Euros '000
<i>Hedging instruments</i>		
Assets:		
Swaps	<u>232,048</u>	<u>495,879</u>
	<u><u>232,048</u></u>	<u><u>495,879</u></u>
Liabilities:		
Swaps	<u>302,651</u>	<u>508,032</u>
	<u><u>302,651</u></u>	<u><u>508,032</u></u>

26. Financial assets held to maturity

The balance Financial assets held to maturity is analysed as follows:

	Sep 2012	Dec 2011
	Euros '000	Euros '000
Bonds and other fixed income securities		
Issued by Government and public entities	2,170,473	3,011,692
Issued by other entities	<u>1,489,317</u>	<u>2,681,153</u>
	3,659,790	5,692,845
Impairment for securities	<u>-</u>	<u>(532,665)</u>
	<u><u>3,659,790</u></u>	<u><u>5,160,180</u></u>

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The analysis of the bonds and other fixed income securities portfolio included in the Financial assets held to maturity, by sector of activity, is analysed as follows:

	Sep 2012	Dec 2011
	Euros '000	Euros '000
Transport and communications	173,316	170,333
Services	1,316,001	2,510,819
	1,489,317	2,681,152
Government and Public securities	2,170,473	2,479,028
	3,659,790	5,160,180

The Group, as part of the management process of the liquidity risk, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include fixed income securities.

27. Investments in associated companies

This balance is analysed as follows:

	Sep 2012	Dec 2011
	Euros '000	Euros '000
Portuguese credit institutions	23,686	24,863
Foreign credit institutions	25,803	24,104
Other Portuguese companies	415,032	247,053
Other foreign companies	10,483	9,055
	475,004	305,075

The balance Investments in associated companies is analysed as follows:

	Sep 2012	Dec 2011
	Euros '000	Euros '000
Banque BCP, S.A.S.	21,274	19,696
Banque BCP (Luxembourg), S.A.	4,529	4,408
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	399,590	233,441
SIBS, S.G.P.S., S.A.	14,204	13,312
Unicre - Instituição Financeira de Crédito, S.A.	23,686	24,863
Other	11,721	9,355
	475,004	305,075

These investments correspond to unquoted companies, consolidated by the equity method. The investment held in the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S. corresponds to 49% of the share capital of the company. The Group companies included in the consolidation perimeter are presented in note 50.

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28. Non current assets held for sale

This balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Subsidiaries acquired exclusively with the purpose of short-term sale	48,827	48,884
Investments, properties and other assets arising from recovered loans	1,376,597	1,352,995
	1,425,424	1,401,879
Impairment	(298,943)	(297,229)
	1,126,481	1,104,650

The assets included in this balance are accounted for in accordance with the accounting policy described in note 1 k).

The balance Subsidiaries acquired exclusively with the view of short-term sale corresponds to two real estate companies acquired by the Group within the restructuring of a loan exposure, that the Group intends to sell in less than one year. However, taking into account the actual market conditions, it was not possible to conclude the sales in the expected time. Until the date of the sale, the Group continues to consolidate in reserves and income, any changes occurred in the net assets of the subsidiaries.

The balance Investments properties and other assets arising from recovered loans includes buildings and other assets resulting from the foreclosure of contracts of loans to customers, originated by (i) delivery of the assets, with option to repurchase or leasing, accounted with the celebration of the contract or the promise to delivery the asset and the respective irrevocable power of attorney issued by the customer in the name of the Bank; or (ii) the adjudication of the assets as a result of a judicial process of guarantees execution, accounted with the title of adjudication or following the adjudication request after the record of the first pawn (payment prosolvency).

These assets are available for sale in a period less than one year and the Group has a strategy for its sale. However, taking into account the actual market conditions, it is not possible in all instances to conclude the sales in the expected time.

The referred balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euros 97,564,000 (31 December 2011: Euros 108,871,000).

29. Investment property

The balance Investment property includes the amount of Euros 548,308,000 (31 December 2011: Euros 550,237,000) related to buildings accounted in the "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo Especial de Investimento Imobiliário Oceânico II", "Fundo Especial de Investimento Imobiliário Fechado Stone Capital", "Fundo Especial de Investimento Imobiliário Fechado Sand Capital", "Fundo de Investimento Imobiliário Fechado Gestimo" and "Fundo Especial de Investimento Imobiliário Fechado Intercapital", which are consolidated under the full consolidation method as referred in the accounting policy described in note 1 b).

The buildings are valued in accordance with the accounting policy described in note 1 r).

30. Property and equipment

This balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Land and buildings	967,407	960,072
Equipment		
Furniture	98,506	98,511
Machines	56,569	53,291
Computer equipment	314,776	311,571
Interior installations	146,702	146,022
Motor vehicles	20,219	20,749
Security equipment	83,981	84,140
Work in progress	99,663	96,710
Other tangible assets	45,604	48,073
	1,833,427	1,819,139
<i>Accumulated depreciation</i>		
Charge for the period	(50,666)	(80,482)
Accumulated charge for the previous periods	(1,176,930)	(1,114,058)
	(1,227,596)	(1,194,540)
	605,831	624,599

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31. Goodwill and intangible assets

This balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
<i>Intangible assets</i>		
Software	137,711	142,871
Other intangible assets	57,686	53,741
	<u>195,397</u>	<u>196,612</u>
<i>Accumulated depreciation</i>		
Charge for the period	(11,671)	(15,628)
Accumulated charge for the previous periods	(149,170)	(144,172)
	<u>(160,841)</u>	<u>(159,800)</u>
	<u>34,556</u>	<u>36,812</u>
<i>Goodwill</i>		
Millennium Bank, Societé Anonyme (Greece)	294,260	294,260
Bank Millennium, S.A. (Poland)	164,040	164,040
Real estate and mortgage credit	40,859	40,859
Unicre - Instituição Financeira de Crédito, S.A.	7,436	7,436
Others	15,599	15,638
	<u>522,194</u>	<u>522,233</u>
<i>Impairment</i>		
Millennium Bank, Societé Anonyme (Greece)	(294,260)	(294,260)
Others	(13,519)	(13,519)
	<u>(307,779)</u>	<u>(307,779)</u>
	<u>214,415</u>	<u>214,454</u>
	<u>248,971</u>	<u>251,266</u>

32. Deferred income tax assets and liabilities

Deferred income tax assets and liabilities generated by temporary differences are analysed as follows:

	Sep 2012		Dec 2011	
	Assets Euros '000	Liabilities Euros '000	Assets Euros '000	Liabilities Euros '000
Intangible assets	58	-	59	-
Other tangible assets	5,238	3,896	4,014	3,813
Impairment losses	543,482	4,166	629,060	4,025
Benefits to employees	523,926	12	606,027	-
Financial assets available for sale	19,445	21,054	143,663	73,486
Derivatives	-	2,238	-	3,312
Allocation of profits	69,267	-	78,760	-
Tax losses carried forward	523,487	-	253,166	-
Others	61,049	100,371	39,134	104,709
	<u>1,745,952</u>	<u>131,737</u>	<u>1,753,883</u>	<u>189,345</u>
Deferred tax assets	<u>1,614,215</u>		<u>1,564,538</u>	
Impairment losses	-	1,247	-	1,917
Available for sale assets	-	2,321	405	1,479
Others	973	523	1,132	526
	<u>973</u>	<u>4,091</u>	<u>1,537</u>	<u>3,922</u>
Deferred tax liabilities		<u>3,118</u>		<u>2,385</u>
Net deferred tax	<u>1,611,097</u>		<u>1,562,153</u>	

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33. Other assets

This balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Debtors	297,961	540,751
Amounts due for collection	17,375	20,413
Recoverable tax	109,148	110,816
Recoverable government subsidies on interest on mortgage loans	24,931	20,154
Associated companies	873	1,943
Interest and other amounts receivable	39,742	34,030
Prepayments and deferred costs	37,938	29,006
Amounts receivable on trading activity	14,519	566,814
Amounts due from customers	116,139	147,398
Reinsurance technical provision	4,357	3,188
Sundry assets	295,683	398,723
	958,666	1,873,236
Impairment for other assets	(79,799)	(82,586)
	<u>878,867</u>	<u>1,790,650</u>

34. Deposits from credit institutions

This balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Central Banks	13,270,217	13,670,434
Credit institutions in Portugal	232,652	1,087,311
Credit institutions abroad	2,591,058	2,965,674
	<u>16,093,927</u>	<u>17,723,419</u>

35. Deposits from customers

This balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Deposits from customers:		
Repayable on demand	13,595,652	13,800,706
Term deposits	31,712,892	31,976,867
Saving accounts	1,545,961	1,342,413
Treasury bills and other assets sold under repurchase agreement	95,785	113,847
Others	321,058	282,277
	<u>47,271,348</u>	<u>47,516,110</u>

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the referred fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

36. Debt securities issued

This balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Bonds	14,177,211	14,699,586
Commercial paper	-	1,439,407
Others	90,776	97,209
	<u>14,267,987</u>	<u>16,236,202</u>

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37. Financial liabilities held for trading

The balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Derivatives		
FRA	562	27
Swaps	1,126,446	1,298,411
Forwards over preference shares	-	2,601
Options	109,528	29,739
Embedded derivatives	710	11,351
Forwards	9,433	13,250
Others	113,943	123,301
	<u>1,360,622</u>	<u>1,478,680</u>

38. Other financial liabilities at fair value through profit or loss

The balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Deposits from credit institutions	-	14,510
Deposits from customers	12,259	5,834
Bonds	208,962	2,558,646
	<u>221,221</u>	<u>2,578,990</u>

39. Provisions for liabilities and charges

This balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Provision for guarantees and other commitments	128,271	100,708
Technical provision for the insurance activity:		
For direct insurance and reinsurance accepted:		
Unearned premium / reserve	14,588	13,663
Life insurance	53,036	56,039
Bonuses and rebates	2,358	2,866
Other technical provisions	9,064	9,095
Provision for pension costs	4,317	3,768
Other provisions for liabilities and charges	65,898	59,961
	<u>277,532</u>	<u>246,100</u>

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

	Sep 2012 Euros '000	Sep 2011 Euros '000
Balance on 1 January	100,708	80,906
Transfers	4,919	7,033
Charge for the period	33,427	6,588
Write-back for the period	(10,836)	(10,420)
Amounts charged-off	-	(233)
Exchange rate differences	53	526
	<u>128,271</u>	<u>84,400</u>

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40. Subordinated debt

This balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Bonds	4,327,995	1,146,543
	<u>4,327,995</u>	<u>1,146,543</u>

The caption Subordinated debt - Bonds includes, as at 30 September 2012, the amount of Euros 3,000,000,000 related to the issue at 29 June 2012 by Banco Comercial Português, S.A., hybrids subordinated debt instruments qualify as Core Tier I Capital (CoCo's) fully subscribed by the Portuguese State. The instruments are fully reimbursable by the Bank through a five years period and only in special conditions, as not carry out or lack of payment, are susceptible to convert in Bank's shares.

The referred instruments were issued under the scope of the recapitalization program of the bank, using the Euros 12,000,000,000 line available by the Portuguese State, under the scope of the IMF intervention program, in accordance with the law n. 150-A/2012. These instruments are eligible to solvency effects to Core Tier I, allowing the Bank fulfil the 9% limit of the Core Tier I ratio on 30 June 2012. However, under the IAS 32 - Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability, according with its characteristics, namely: (i) obligation condition to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at that date, in order to have the value of the bond settled.

Then, the classification as liability results from the fact that the investor, as holder of the instrument issue, is not exposed to the company equity instruments risk, as always will receive the equivalent amount of the invested value, in cash and in own institution securities in the same amount.

The operation has an increase rate beginning in 8.5% and ending at the maturity at 10% in 2016.

As at 30 September 2012, the characteristics of subordinated debt issued are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
<i>Non Perpetual Bonds</i>					
Banco Comercial Português:					
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018	See reference (i)	251,425	251,425
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018	See reference (i)	70,802	70,802
Bcp Ob Sub Jun 2020 - Emtm 727	June, 2010	June, 2020	See reference (ii)	87,178	91,075
Bcp Ob Sub Aug 2020 - Emtm 739	August, 2010	August, 2020	See reference (iii)	53,298	56,364
Bcp Ob Sub Mar 2021 - Emtm 804	March, 2011	August, 2020	See reference (iv)	114,000	114,000
Bcp Ob Sub Apr 2021 - Emtm 809	April, 2011	April, 2021	See reference (iv)	64,100	64,100
Bcp Ob Sub 3S Apr 2021 - Emtm 812	April, 2011	April, 2021	See reference (iv)	35,000	35,000
Bcp Sub 11/25.08.2019 - Emtm 823	August, 2011	August, 2019	Fixed rate of 6.383%	7,500	8,080
Bcp Subord Sep 2019 - Emtm 826	October, 2011	September, 2019	Fixed rate of 9.310%	50,000	46,313
Bcp Subord Nov 2019 - Emtm 830	November, 2011	November, 2019	Fixed rate of 8.519%	40,000	34,955
Bcp Subord Nov 2019 - Emtm 833	December, 2011	December, 2019	Fixed rate of 7.150%	26,600	21,307
Mill Bcp Subord Jan 2020 - Emtm 834	January, 2012	January, 2020	Fixed rate of 7.010%	14,000	10,542
Mbcp Subord Feb2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9.000%	23,000	19,248
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.150%	51,000	43,238
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate of 9.000%	25,000	21,005
Bcp Subord Jul 2020 - Emtm 844	July, 2012	July, 2020	Fixed rate of 9.000%	26,250	21,092
Bank Millennium:					
Bank Millennium 2007	December, 2007	December, 2017	Fixed rate of 6.337%	150,366	150,366
Banco de Investimento Imobiliário:					
BII 2004	December, 2004	December, 2014	See reference (v)	15,000	14,988
BCP Finance Bank:					
BCP Fin Bank Ltd EMTN - 295	December, 2006	December, 2016	See reference (vi)	71,209	71,187
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate of 13.000%	78,850	49,533
Magellan No. 3:					
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44
					<u>1,194,664</u>

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(continuation)

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
<i>Perpetual Bonds</i>					
BCP - Euro 200 millions	June, 2002	-	See reference (vii)	85	40
TOPS BPSM 1997	December, 1997	-	Euribor 6M + 0.900%	21,978	22,586
BCP Leasing 2001	December, 2001	-	See reference (viii)	5,023	5,023
					<u>27,649</u>
<i>CoCo's</i>					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (ix)	3,000,000	3,018,162
					<u>3,018,162</u>
<i>Accruals</i>					
					<u>87,520</u>
					<u>4,327,995</u>

References :

- (i) - 1st year 6.000%; 2nd to 5th year Euribor 6M + 1.000%; 6th year and following Euribor 6M + 1.400%
- (ii) - Until the 5th year fixed rate of 3.250%; 6th year and following years Euribor 6M + 1.000%
- (iii) - 1st year: 3.000%; 2nd year 3.250%; 3rd year 3.500%; 4th year 4.000%; 5th year 5.000%; 6th year and following Euribor 6M + 1.250%
- (iv) - Euribor 3M + 3.750% per year
- (v) - Until 10th coupon Euribor 6M + 0.400%; After 10th coupon Euribor 6M + 0.900%
- (vi) - Euribor 3M + 0.300% (0.800% after December 2011)
- (vii) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.400%
- (viii) - Until 40th coupon Euribor 3M + 1.750%; After 40th coupon Euribor 3M + 2.250%
- (ix) - 1st year: 8.500%; 2nd year 8.750%; 3rd year 9.000%; 4th year 9.500%; 5th year 10.000%

41. Other liabilities

This balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Creditors:		
Suppliers	36,794	49,000
From factoring operations	3,135	2,839
Associated companies	5	457
Other creditors	292,771	423,983
Public sector	76,618	74,125
Interests and other amounts payable	92,010	83,948
Deferred income	4,617	8,948
Holiday pay and subsidies	92,292	75,863
Other administrative costs payable	1,104	2,214
Amounts payable on trading activity	42,808	316,625
Other liabilities	670,770	609,206
	<u>1,312,924</u>	<u>1,647,208</u>

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42. Share capital, preference shares and other capital instruments

The share capital of the Bank, amounts to Euros 3,000,000,000 and is represented by 7,207,167,060 nominate and ordinary shares without nominal value, which is fully paid.

In accordance with the Shareholders General Meeting on 31 May 2012, the bank reduced, in June 2012, the share capital from Euros 6,064,999,986 to Euros 3,000,000,000, without changing the number of shares without nominal value at this date. The reduction included two components: a) Euros 1,547,873,439.69 to cover losses on the individual accounts of the Bank occurred in the year 2011; b) Euros 1,517,126,546.31, to reinforce the future conditions in order to have funds that can be distribute.

It was concluded in June 2011 the capital increase of the Banco Comercial Português, S.A. from Euros 4,694,600,000 to Euros 6,064,999,986 as a result of:

- (i) Euros 120,400,000, by incorporation of share premium reserves, through the issuance of 206,518,010 new ordinary and nominative shares without nominal value;
- (ii) Euros 990,147,000, by contribution in kind of 990,147 perpetual subordinated instruments with interests conditioned, by issuing 1,584,235,200 new ordinary and nominative shares without nominal value, that resulted in the conversion of the majority of the perpetual subordinated securities;
- (iii) Euros 259,852,986, by the issue of 721,813,850 ordinary shares without nominal value, with the issue and subscribe value of Euros 0.36, with preference reserve to the shareholders, in the exercise of the preference legal rights.

During 2009, Banco Comercial Português, S.A. issued 3 tranches of its perpetual subordinated debt securities which based on its characteristics are classified, in accordance with accounting policy presented in note 1 h), as capital instruments under IAS 32. The three tranches issued in 2009 are analysed as follows:

- In June 2009, the Bank has issued Euros 300,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000.
- In August 2009, the Bank has issued Euros 600,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000.
- In December 2009, the Bank has issued Euros 100,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000.

Following the share capital increase mentioned above, the majority of the issued perpetual subordinated securities were converted into ordinary shares, in October 2011.

In accordance with the Decree-Law no. 49/2010 of 19 May, which allows the share capital of an open company can be represented by shares without nominal value, the Shareholders General Meeting approved in 2011 that the share capital is represented by shares without nominal value.

In 2011, the preference shares issued by BCP Finance Company in the amount of Euros 1,000,000,000, which in accordance with IAS 32 and the accounting policy described in note 1 h) were considered as capital instruments, were converted, in to debt instruments in accordance with the offering launched by Banco Comercial Português, S.A. in 22 September 2011, for debt instruments and preference shares holders, included on the liability management strategy of the Group.

43. Legal reserve

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. In accordance with the proposal of share capital reduction approved in the General Shareholders Meeting held on 31 May 2012, the Bank increase the legal reserves in the amount of Euros 123,892,877.

In accordance with current legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20 percent of their net annual profits depending on the nature of their economic activity.

44. Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

	Sep 2012 Euros '000	Dec 2011 Euros '000
Other comprehensive income:		
Actuarial losses (net of taxes)	(1,847,074)	(1,710,015)
Exchange differences arising on consolidation	(80,875)	(118,242)
Fair value reserves		
Financial assets available for sale	(47,096)	(471,254)
Cash-flow hedge	(29,997)	12,126
Tax		
Financial assets available for sale	(15,844)	71,972
Cash-flow hedge	5,702	(2,304)
	<u>(2,015,184)</u>	<u>(2,217,717)</u>
Other reserves and retained earnings:		
Legal reserve	600,000	476,107
Statutory reserve	30,000	30,000
Other reserves and retained earnings	5,221,425	3,129,723
Goodwill arising on consolidation	(2,883,580)	(2,883,580)
Other reserves arising on consolidation	(168,147)	(165,483)
	<u>2,799,698</u>	<u>586,767</u>

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The legal reserve changes are analysed in note 43. The Fair value reserves correspond to the accumulated fair value changes of the financial assets available for sale and Cash flow hedge, in accordance with the accounting policy presented in note 1 d).

The balance Statutory reserves corresponds to a reserve to steady dividends that, according with the bank's by-laws can be distributed.

The balance Reserves and Retained Earnings includes, as at 1 January 2011, a restatement in the amount of Euros 1,635,875,000 (net of deferred tax) resulting from the decision taken by the former Executive Board of Directors of changing the accounting policy regarding the recognition of actuarial gains and losses.

The balance Other comprehensive income includes gains and losses that in accordance with IAS/IFRS are recognised in equity.

The balance Other reserves and retained earnings included, on 31 December 2011, the amount of Euros 440,435,000 regarding the positive impact of the exchange of preference shares for new debt instruments.

45. Treasury stock

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares	Other treasury stock	Total
Sep 2012			
Net book value (Euros '000)	4,567	9,398	13,965
Number of securities	108,338,517	(*)	
Average book value (Euros)	0.04		
Dec 2011			
Net book value (Euros '000)	3,803	7,619	11,422
Number of securities	25,127,258	(*)	
Average book value (Euros)	0.15		

Treasury stock refers to own securities held by the companies included in the consolidation perimeter. These securities are held within the limits established by the bank's by-laws and by "Código das Sociedades Comerciais".

(*) As at 30 September 2012, this balance includes 9,731,319 shares and 98,607,198 warrants related to the ongoing capital increase (31 December 2011: 20,695,482 shares) owned by clients which were financed by the Bank. Considering the fact that for these clients there is evidence of impairment, under the IAS 39 the shares of the Bank owned by these clients were, only for accounting purposes and in accordance with this standard, considered as treasury stock.

46. Non-controlling interests

This balance is analysed as follows:

	Balance Sheet		Income Statement	
	Sep 2012	Dec 2011	Sep 2012	Sep 2011
	Euros '000	Euros '000	Euros '000	Euros '000
Bank Millennium, S.A.	392,845	354,789	25,182	30,783
BIM - Banco Internacional de Moçambique, SA	114,108	109,645	23,239	22,015
Banco Millennium Angola, S.A.	105,077	83,999	11,939	10,715
Other subsidiaries	(6,695)	(818)	(4,733)	277
	<u>605,335</u>	<u>547,615</u>	<u>55,627</u>	<u>63,790</u>

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47. Guarantees and other commitments

This balance is analysed as follows:

	Sep 2012	Dec 2011
	Euros '000	Euros '000
Guarantees granted	6,778,509	7,873,914
Guarantees received	30,503,433	30,238,624
Commitments to third parties	8,797,099	9,699,210
Commitments from third parties	16,417,727	13,483,634
Securities and other items held for safekeeping on behalf of customers	105,640,944	121,083,525
Securities and other items held under custody by the Securities Depository Authority	132,137,677	132,002,341
Other off balance sheet accounts	164,311,673	165,637,007

The amounts of Guarantees granted and Commitments to third parties are analysed as follows:

	Sep 2012	Dec 2011
	Euros '000	Euros '000
<i>Guarantees granted:</i>		
Guarantees	5,358,089	6,127,839
Stand-by letter of credit	207,481	293,015
Open documentary credits	185,422	272,304
Bails and indemnities	1,027,517	1,180,756
	<u>6,778,509</u>	<u>7,873,914</u>
<i>Commitments to third parties</i>		
Irrevocable commitments		
Term deposits contracts	28,691	28,328
Irrevocable credit lines	2,102,311	2,145,275
Securities subscription	47,564	48,024
Other irrevocable commitments	318,452	364,725
Revocable commitments		
Revocable credit lines	4,982,036	5,664,922
Bank overdraft facilities	1,216,322	1,348,330
Other revocable commitments	101,723	99,606
	<u>8,797,099</u>	<u>9,699,210</u>

The guarantees granted by the Group may be related with loan transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According with 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.

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 once they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as referred in the accounting policy described 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.

Considering their nature, as described above, no material losses are anticipated as a result of these transactions.

48. Relevant events occurred during the first nine months of 2012

Issue of hybrid instruments eligible as capital Core Tier 1

Following (i) the definition of principles publicly announced on June 4, (ii) the approval of the Recapitalization Plan by the shareholders in a general meeting held on June 25, and (iii) the Decision made by his Excellency the Minister of State and Finance relating to the Bank's Recapitalization Plan pursuant to Article 13. of the Law 63-A/2008, of November 24, in its current wording, the Board of Directors of the Bank, with the prior opinion of the Audit Committee, approved the issuance of hybrid instruments of subordinated debt eligible as Core Tier 1 amounting to Euros 3,000,000,000, already fully subscribed and paid-up by the State. With the completion of this issue the Bank is adequately capitalized and ensures compliance with the capital requirements set forth by Banco de Portugal through its Notice no. 5/2012, consisting in Core Tier 1 of 9% at end-June 2012, calculated according to more stringent criteria in order to create a temporary capital buffer.

As referred in note 40, the instrument is considered for accounting a debt instrument.

General Meeting on 31 May 2012

The Annual General Meeting of the Bank was held on 31 May 2012. In this meeting the following resolutions were taken: Approval of the individual and consolidated annual report, balance sheet and financial statements of 2011; Approval of the proposal to transfer the losses recorded in the 2011 individual balance sheet, amounting to 468,526,835.71 Euros, to Retained Earnings; Approval of the remuneration policy for the members of the Board of Directors, including the Executive Committee; Approval of the remuneration policy for heads of function, senior executives and other employees; Approval of the change in the items under Equity, by reducing the amount of the share capital. from Euros 6,064,999,986 to Euros 3,000,000,000.

Decrease of the Share Capital of the Banco Comercial Português, S.A. from Euros 6,064,999,986 to Euros 3,000,000,000

Banco Comercial Português, S.A. in accordance to the resolutions adopted at the Annual General Meeting of the Bank held on May 31, 2012, registered, at the respective Commercial Registry Office, the decrease of the Bank's share capital from 6,064,999,986 Euros to 3,000,000,000 euros, without changing the number of existing shares with no nominal value, being this decrease composed of two separate amounts: a) 1,547,873,439.69 euros, to cover losses recorded in the Bank's individual financial statements for 2011; b) 1,517,126,546.31 euros, to reinforce future conditions for having funds that may be qualified as distributable under the regulatory provisions. Therefore, the share capital of the Banco Comercial Português, S.A. currently amounts to Euros 3,000,000,000, represented by 7,207,167,060 nominative, book-entry shares without nominal value.

Offer of repurchase bonds

During the first semester of 2012, the Bank started an offer of repurchase of debt for holders of Magellan Mortgages No. 2 plc, and Magellan Mortgages No. 3 plc securities and Floating Rate Notes issued by Banco Comercial Portuguese SA, with repayment in May 2014. The offer is included in the set of initiatives undertaken by the Bank pursuant its liability management strategy. On this basis, it was repurchased Euros 486,981,371 of the nominal of these operations.

Offer to repurchase covered bonds

As at 23 March 2012, the Bank concluded the offer to repurchase the covered bonds listed below, issued by the Bank:

- Issue of Euros 1,500 millions due 22 June 2017 ("OH2017");
- Issue of Euros 1,000 millions due 29 October 2014 ("OH2014");
- Issue of Euros 1,000 millions due 8 October de 2016 ("OH2016").

The Bank accepted all of the orders given by the investors which amounted to Euros 918,650,000 (nominal value). The following table sets out the amounts tendered and accepted for each issue:

- "OH2017" - Euros 467,500,000, corresponding to 9,350 covered bonds;
- "OH2014" - Euros 129,150,000, corresponding to 2,583 covered bonds;
- "OH2016" - Euros 322,000,000, corresponding to 6,440 covered bonds.

The purpose of the offer was to proactively manage the Bank's outstanding liability and capital structure.

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49. Segmental reporting

The segments presented, concerning business and geographic segments, are in accordance with IFRS 8. In accordance with the Group's management model, the primary segment corresponds to segments used for Executive Committee's management purposes. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Corporate and Investment Banking and Asset Management and Private Banking.

Segments description

The Retail Banking activity includes the Retail activity of Banco Comercial Português in Portugal, operating as a distribution channel for products and services from other companies of the Group, and the Foreign business segment, operating through several banking operations in markets with affinity to Portugal and in countries with higher growth potential.

The Retail segment in Portugal includes: (i) the Retail network in Portugal, where the strategic approach is to target "Mass Market" customers, who appreciate a value proposition based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposition based on innovation and personalisation, requiring a dedicated Account Manager; and (ii) ActivoBank, a bank focused on clients who are young in spirit, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

The Companies Banking business includes the Companies segment in Portugal, which operates as a distribution channel of products and services from other companies of the Group, and the Corporate & Investment Banking segment.

The Companies in Portugal segment includes: (i) the Companies network, that covers the financial needs of companies with an annual turnover between Euros 2.5 million and Euros 50 million, and focuses on innovation, offering a wide range of traditional banking products complemented by specialised financing; (ii) the activity of the Real Estate Business Division.

The Corporate & Investment Banking segment includes: (i) the Corporate network in Portugal, targeting corporate and institutional customers with an annual turnover in excess of Euro 50 million, providing a complete range of value-added products and services; (ii) the Investment Banking unit, which specialises in capital markets, providing strategic and financial advisory, specialised financial services – Project finance, Corporate finance, Securities brokerage and Equity research - as well as structuring risk-hedging derivatives products; and (iii) the activity of the Bank's International Division.

The Asset Management and Private Banking segment, for purposes of the geographical segments, comprises the Private Banking network in Portugal and subsidiary companies specialised in the asset management business in Portugal. In terms of business segments, it also includes the activities of Banque Privée BCP and Millennium bcp Bank & Trust.

The Foreign Business segment, for the purpose of geographical segments, comprises the operations outside Portugal, in particular Bank Millennium in Poland, Millennium bank in Greece, Banque Privée BCP in Switzerland, Banca Millennium in Romania, Millennium bim in Mozambique, Banco Millennium Angola and Millennium bcp Bank & Trust in the Cayman Islands. The Foreign Business segment, in terms of the business segments, comprises the Group operations outside Portugal referred to above, excluding Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands, which are included in the Asset Management and Private Banking segment.

In Poland, the Group is represented by a universal bank offering a wide range of financial products and services to individuals and companies nationwide; in Greece by an operation focused on retail and based on offering innovative products and high service levels; in Switzerland by Banque Privée BCP, a Private Banking platform under Swiss law; and in Romania with an operation focused on individuals and small and medium-sized companies. Additionally, the Group is represented in Mozambique by a universal bank targeting companies and individual customers; in Angola by a bank focused on private customers and companies as well as public and private institutions; and in the Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high net worth ("Affluent" segment).

Other segment includes the centralised management of shareholdings and the remaining corporate activities and operations that are not included in the business segments, namely the bancassurance activity, a joint-venture with the Belgian-Dutch Group Ageas, and the remaining amounts not allocated to the segments.

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Business segments activity

The figures reported for each business segment result from aggregating the subsidiaries and business units integrated in each segment, including the impact from capital allocation and the balancing process of each entity, both at balance sheet and income statement levels, based on average figures. Balance sheet headings for each subsidiary and business unit are re-calculated, given the replacement of their original own funds by the outcome of the capital allocation process, according to regulatory solvency criteria.

Considering that the capital allocation process complies with regulatory solvency criteria currently in place, the weighted risk, as well as the capital allocated to segments, are based on Basel II methodology, with the application in Portugal in 2011 and 2012 of the IRB Advanced method for the Retail portfolio in credit risk and the IRB Foundation method for loans to companies, excluding real estate promoters and entities of the simplified rating system. Additionally, it was adopted the standard approach for operational risk and the internal models approach for general market risk and foreign exchange risk, for the perimeter managed centrally from Portugal. The capital allocation for each segment, in the first nine months of 2011 and 2012, resulted from the application of 10% to the risks managed by each segment. Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

Operating costs determined for each business area rely on one hand the amounts accounted directly in the respective cost centres, and on the other hand, the amounts resulting from internal cost allocation processes. For example, in the first set of costs are included costs related to phone communication, travelling accommodation and representation expenses and to advisory services and in the second set are included costs related to correspondence, water and electricity and to rents related to spaces occupied by organic units, among others. The allocation of this last set of costs is based on the application of previously defined criteria, related to the level of activity of each business area, like the number of current accounts, the number of customers or employees, the business volume and the space occupied.

Financial flows generated by the business areas, in particular the placement of funds from new deposits and funding of loans granted, are processed at market prices, having the Bank's Treasury as counterparty. These market prices are determined according to the currency, the maturity of the transactions and their repricing periods. Additionally, all financial flows resulting from capital allocation are based on the average 6-month Euribor interest rate for each given period.

Information related to 2011 is presented on a comparable basis with the information reported in 2012, reflecting the current organisational structure of the Group's business areas referred to in the Segment description described above, and considering the effect of the transfer of clients and also the redeployment of cost of funds held under the rationalization of the business platform.

The net contributions of each segment include, where applicable, the non-controlling interests. Thus, the net contribution reflects the individual results achieved by its business units, independent of the percentage held by the Group, including the impact of movements of funds described above. The following information is based on financial statements prepared according to IFRS and on the organisational model in place for the Group, as at 30 September 2012.

The Group operates with special emphasis in the Portuguese market, and also in a few affinity markets and in markets of recognised growth potential. Considering this, the geographical segments include Portugal, Poland, Greece, Mozambique, Angola and Other. The segment Portugal reflects, essentially, the activities carried out by Banco Comercial Português in Portugal, ActivoBank and Banco de Investimento Imobiliário. The segment Poland includes the business carried out by Bank Millennium (Poland); the segment Greece contains the activity of Millennium Bank (Greece), while the segment Mozambique contains the activity of BIM - Banco Internacional de Moçambique and the segment Angola contains the activity of Banco Millennium Angola. The segment Other comprises the Group's operations not included in the remaining segments, namely the activities developed in other countries, such as Banque Privée BCP in Switzerland, Banca Millennium in Romania and Millennium bcp Bank & Trust in the Cayman Islands.

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As at 30 September 2012, the net contribution of the major business segments is analysed as follows:

	Commercial Banking			Companies Banking			Asset Management and Private Banking	Other	Consolidated
	Retail in Portugal	Foreign Business	Total	Companies in Portugal	Corporate and Investment Banking in Portugal	Total			
Income statement									
Interest income	624,558	964,782	1,589,340	372,155	614,105	986,260	149,792	45,035	2,770,427
Interest expense	(481,864)	(589,080)	(1,070,944)	(187,769)	(377,957)	(565,726)	(107,519)	(255,325)	(1,999,514)
Net interest income	142,694	375,702	518,396	184,386	236,148	420,534	42,273	(210,290)	770,913
Commissions and other income	304,820	231,186	536,006	75,203	156,874	232,077	42,282	(55,434)	754,931
Commissions and other costs	(11,220)	(63,218)	(74,438)	(2,420)	(7,876)	(10,296)	(11,436)	(163,321)	(259,491)
Net commissions and other income	293,600	167,968	461,568	72,783	148,998	221,781	30,846	(218,755)	495,440
Net gains arising from trading activity	(7)	106,074	106,067	-	(11,357)	(11,357)	1,373	262,725	358,808
Staff costs and administrative costs	447,379	393,584	840,963	50,300	56,665	106,965	36,345	(15,603)	968,670
Depreciations	1,376	31,041	32,417	208	99	307	321	29,292	62,337
Operating costs	448,755	424,625	873,380	50,508	56,764	107,272	36,666	13,689	1,031,007
Impairment and provisions	(75,881)	(179,686)	(255,567)	(255,881)	(351,677)	(607,558)	(17,112)	(540,815)	(1,421,052)
Share of profit of associates under the equity method	-	1,756	1,756	-	-	-	-	41,165	42,921
Net gain from the sale of other assets	-	-	-	-	-	-	-	(15,986)	(15,986)
Net income before income tax	(88,349)	47,189	(41,160)	(49,220)	(34,652)	(83,872)	20,714	(695,645)	(799,963)
Income tax	22,894	4,204	27,098	14,324	10,049	24,373	(3,638)	11,451	59,284
Non-controlling interests	-	(59,750)	(59,750)	-	-	-	-	4,123	(55,627)
Net income after income tax	(65,455)	(8,357)	(73,812)	(34,896)	(24,603)	(59,499)	17,076	(680,071)	(796,306)
Income between segments	22,791	-	22,791	(3,955)	(15,862)	(19,817)	(2,974)	-	-
Balance sheet									
Cash and Loans and advances to credit institutions	2,271,171	2,153,785	4,424,956	1,097,711	9,914,786	11,012,497	3,940,309	(13,587,087)	5,790,675
Loans and advances to customers	26,482,378	16,025,670	42,508,048	10,072,726	12,828,893	22,901,619	1,432,904	(1,882,125)	64,960,446
Financial assets	1,916	2,673,100	2,675,016	-	5,754,972	5,754,972	42,637	4,481,273	12,953,898
Other assets	112,491	752,741	865,232	13,315	37,512	50,827	20,923	4,632,018	5,569,000
Total Assets	28,867,956	21,605,296	50,473,252	11,183,752	28,536,163	39,719,915	5,436,773	(6,355,921)	89,274,019
Deposits from other credit institutions	7,590,915	6,440,050	14,030,965	7,011,473	14,759,720	21,771,193	2,619,844	(22,328,075)	16,093,927
Deposits from customers	19,117,292	15,475,576	34,592,868	1,700,251	6,426,814	8,127,065	2,939,635	1,611,780	47,271,348
Debt securities issued	2,898,122	298,951	3,197,073	3,164,380	7,841,491	11,005,871	65,043	-	14,267,987
Other financial liabilities held for trading at fair value through profit or loss	273,032	190,641	463,673	298,116	738,745	1,036,861	46,534	34,775	1,581,843
Other financial liabilities	9,348	301,276	310,624	9,143	32,733	41,876	2,210	4,275,936	4,630,646
Other liabilities	(1,945,574)	(2,450,003)	(4,395,577)	(1,904,202)	(3,016,935)	(4,921,137)	(455,117)	11,367,771	1,595,940
Total Liabilities	27,943,135	20,256,491	48,199,626	10,279,161	26,782,568	37,061,729	5,218,149	(5,037,813)	85,441,691
Equity and non-controlling interests	924,821	1,348,805	2,273,626	904,591	1,753,595	2,658,186	218,624	(1,318,108)	3,832,328
Total Liabilities, Equity and non-controlling interests	28,867,956	21,605,296	50,473,252	11,183,752	28,536,163	39,719,915	5,436,773	(6,355,921)	89,274,019

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As at 30 September 2011, the net contribution of the major business segments is analysed as follows:

	Commercial Banking			Companies Banking			Asset Management and Private Banking	Other	Consolidated
	Retail in Portugal	Foreign Business	Total	Companies in Portugal	Corporate and Investment Banking in Portugal	Total			
Income statement									
Interest income	746,691	967,516	1,714,207	412,159	506,362	918,521	136,567	215,176	2,984,471
Interest expense	(577,682)	(517,530)	(1,095,212)	(228,820)	(298,923)	(527,743)	(103,922)	(60,807)	(1,787,684)
Net interest income	169,009	449,986	618,995	183,339	207,439	390,778	32,645	154,369	1,196,787
Commissions and other income	319,091	220,258	539,349	81,077	142,330	223,407	48,564	(23,380)	787,940
Commissions and other costs	(12,632)	(57,494)	(70,126)	(2,398)	(2,348)	(4,746)	(13,875)	(90,209)	(178,956)
Net commissions and other income	306,459	162,764	469,223	78,679	139,982	218,661	34,689	(113,589)	608,984
Net gains arising from trading activity	43	77,137	77,180	-	(14,587)	(14,587)	565	118,025	181,183
Staff costs and administrative costs	476,602	388,408	865,010	47,191	56,377	103,568	38,213	(11,276)	995,515
Depreciations	1,302	33,591	34,893	194	96	290	280	34,952	70,415
Operating costs	477,904	421,999	899,903	47,385	56,473	103,858	38,493	23,676	1,065,930
Impairment and provisions	(136,167)	(116,294)	(252,461)	(222,381)	(191,234)	(413,615)	(99,930)	(164,988)	(930,994)
Share of profit of associates under the equity method	-	219	219	-	(38)	(38)	-	1,952	2,133
Net gain from the sale of other assets	-	-	-	-	-	-	-	(5,498)	(5,498)
Net income before income tax	(138,560)	151,813	13,253	(7,748)	85,089	77,341	(70,524)	(33,405)	(13,335)
Income tax	39,940	(34,334)	5,606	2,291	(24,676)	(22,385)	21,344	170,161	174,726
Non-controlling interests	-	(57,389)	(57,389)	-	-	-	-	(6,401)	(63,790)
Net income after income tax	(98,620)	60,090	(38,530)	(5,457)	60,413	54,956	(49,180)	130,355	97,601
Income between segments	17,045	-	17,045	7,390	(24,410)	(17,020)	(25)	-	-
Balance sheet									
Cash and Loans and advances to credit institutions	2,725,008	3,283,442	6,008,450	2,331,618	7,340,126	9,671,744	4,292,807	(14,856,821)	5,116,180
Loans and advances to customers	28,659,494	15,710,036	44,369,530	11,833,141	13,629,427	25,462,568	1,987,752	712,508	72,532,358
Financial assets	1,459	1,750,111	1,751,570	-	5,770,615	5,770,615	41,834	5,374,926	12,938,945
Other assets	1,212,712	595,614	1,808,326	80,842	329,472	410,314	48,217	3,078,160	5,345,017
Total Assets	32,598,673	21,339,203	53,937,876	14,245,601	27,069,640	41,315,241	6,370,610	(5,691,227)	95,932,500
Deposits from other credit institutions	6,426,130	4,601,673	11,027,803	5,531,789	10,527,015	16,058,804	2,926,479	(10,357,048)	19,656,038
Deposits from customers	19,013,921	13,613,943	32,627,864	2,101,427	7,437,292	9,538,719	3,188,092	2,213,026	47,567,701
Debt securities issued	4,264,350	698,862	4,963,212	4,204,216	5,632,125	9,836,341	-	-	14,799,553
Other financial liabilities held for trading at fair value through profit or loss	1,441,142	324,098	1,765,240	1,420,819	1,903,383	3,324,202	39,626	(236,630)	4,892,438
Other financial liabilities	(30,569)	564,202	533,633	(23,493)	(86,077)	(109,570)	(4,919)	1,211,167	1,630,311
Other liabilities	70,459	272,597	343,056	(75,270)	68,375	(6,895)	(6,063)	1,375,180	1,705,278
Total Liabilities	31,185,433	20,075,375	51,260,808	13,159,488	25,482,113	38,641,601	6,143,215	(5,794,305)	90,251,319
Equity and non-controlling interests	1,413,240	1,263,828	2,677,068	1,086,113	1,587,527	2,673,640	227,395	103,078	5,681,181
Total Liabilities, Equity and non-controlling interests	32,598,673	21,339,203	53,937,876	14,245,601	27,069,640	41,315,241	6,370,610	(5,691,227)	95,932,500

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As at 30 September 2012, the net contribution of the major geographic segments is analysed as follows:

	Portugal					Total	Poland	Greece	Angola	Mozam- bique	Other	Consoli- dated
	Retail Banking	Companies	Asset Ma- nagement and Private Banking	Corporate and Investment Banking	Other							
Income statement												
Interest income	624,558	372,155	99,370	614,105	45,035	1,755,223	552,851	157,192	72,058	157,689	75,414	2,770,427
Interest expense	(481,864)	(187,769)	(72,336)	(377,957)	(255,325)	(1,375,251)	(350,286)	(146,408)	(22,166)	(55,154)	(50,249)	(1,999,514)
Net interest income	142,694	184,386	27,034	236,148	(210,290)	379,972	202,565	10,784	49,892	102,535	25,165	770,913
Commissions and other income	304,820	75,203	27,038	156,874	(55,434)	508,501	129,327	24,486	18,732	53,600	20,285	754,931
Commissions and other costs	(11,220)	(2,420)	(7,034)	(7,876)	(163,321)	(191,871)	(31,943)	(10,593)	(2,069)	(17,195)	(5,820)	(259,491)
Net commissions and other income	293,600	72,783	20,004	148,998	(218,755)	316,630	97,384	13,893	16,663	36,405	14,465	495,440
Net gains arising from trading activity	(7)	-	-	(11,357)	262,725	251,361	33,778	23,827	23,056	22,437	4,349	358,808
Staff costs and administrative costs	447,379	50,300	19,842	56,665	(15,603)	558,583	187,477	70,382	47,150	65,461	39,617	968,670
Depreciations	1,376	208	3	99	29,292	30,978	9,933	5,577	6,993	6,614	2,242	62,337
Operating costs	448,755	50,508	19,845	56,764	13,689	589,561	197,410	75,959	54,143	72,075	41,859	1,031,007
Impairment and provisions	(75,881)	(255,881)	(15,992)	(351,677)	(540,815)	(1,240,246)	(40,745)	(117,752)	(7,242)	(9,928)	(5,139)	(1,421,052)
Share of profit of associates under the equity method	-	-	-	-	41,165	41,165	905	-	-	851	-	42,921
Net gain from the sale of other assets	-	-	-	-	(15,986)	(15,986)	-	-	-	-	-	(15,986)
Net income before income tax	(88,349)	(49,220)	11,201	(34,652)	(695,645)	(856,665)	96,477	(145,207)	28,226	80,225	(3,019)	(799,963)
Income tax	22,894	14,324	(3,250)	10,049	11,451	55,468	(19,574)	40,372	(4,606)	(13,970)	1,594	59,284
Non-controlling interests	-	-	-	-	4,123	4,123	(26,524)	-	(11,163)	(22,063)	-	(55,627)
Net income after income tax	(65,455)	(34,896)	7,951	(24,603)	(680,071)	(797,074)	50,379	(104,835)	12,457	44,192	(1,425)	(796,306)
Income between segments	22,791	(3,955)	(2,974)	(15,862)	-	-	-	-	-	-	-	-
Balance sheet												
Cash and Loans and advances to credit institutions	2,271,171	1,097,711	1,152,346	9,914,786	(13,587,087)	848,927	923,027	344,396	302,613	522,655	2,849,057	5,790,675
Loans and advances to customers	26,482,378	10,072,726	967,269	12,828,893	(1,882,125)	48,469,141	9,802,523	4,431,628	490,342	918,109	848,703	64,960,446
Financial assets	1,916	-	1,696	5,754,972	4,481,273	10,239,857	1,792,298	153,963	382,198	244,642	140,940	12,953,898
Other assets	112,491	13,315	5,681	37,512	4,632,018	4,801,017	179,234	209,360	170,683	164,469	44,237	5,569,000
Total Assets	28,867,956	11,183,752	2,126,992	28,536,163	(6,355,921)	64,358,942	12,697,082	5,139,347	1,345,836	1,849,875	3,882,937	89,274,019
Deposits from other credit institutions	7,590,915	7,011,473	319,746	14,759,720	(22,328,075)	7,353,779	2,556,978	2,555,388	553,449	487,134	2,587,199	16,093,927
Deposits from customers	19,117,292	1,700,251	1,795,278	6,426,814	1,611,780	30,651,415	10,152,968	2,815,629	848,627	1,345,763	1,456,946	47,271,348
Debt securities issued	2,898,122	3,164,380	65,043	7,841,491	-	13,969,036	151,488	119,716	-	27,747	-	14,267,987
Other financial liabilities held for trading at fair value through profit or loss	273,032	298,116	6,128	738,745	34,775	1,350,796	104,866	83,591	-	-	42,590	1,581,843
Other financial liabilities	9,348	9,143	578	32,733	4,275,936	4,327,738	286,872	6,298	1,060	1,359	7,319	4,630,646
Other liabilities	(1,945,574)	(1,904,202)	(116,958)	(3,016,935)	11,367,771	4,384,102	(1,201,979)	(871,224)	(162,148)	(146,582)	(406,229)	1,595,940
Total Liabilities	27,943,135	10,279,161	2,069,815	26,782,568	(5,037,813)	62,036,866	12,051,193	4,709,398	1,240,988	1,715,421	3,687,825	85,441,691
Equity and non-controlling interests	924,821	904,591	57,177	1,753,595	(1,318,108)	2,322,076	645,889	429,949	104,848	134,454	195,112	3,832,328
Total Liabilities, Equity and non-controlling interests	28,867,956	11,183,752	2,126,992	28,536,163	(6,355,921)	64,358,942	12,697,082	5,139,347	1,345,836	1,849,875	3,882,937	89,274,019

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As at 30 September 2011, the net contribution of the major geographic segments is analysed as follows:

	Portugal					Total	Poland	Greece	Angola	Mozam- bique	Other	Consoli- dated
	Retail Banking	Companies	Asset Ma- nagement and Private Banking	Corporate and Investment Banking	Other							
Income statement												
Interest income	746,691	412,159	80,292	506,362	215,177	1,960,681	493,471	235,768	67,857	140,502	86,192	2,984,471
Interest expense	(577,682)	(228,820)	(53,898)	(298,923)	(60,806)	(1,220,129)	(293,392)	(144,606)	(24,431)	(39,954)	(65,172)	(1,787,684)
Net interest income	169,009	183,339	26,394	207,439	154,371	740,552	200,079	91,162	43,426	100,548	21,020	1,196,787
Commissions and other income	319,091	81,077	31,553	142,330	(23,380)	550,671	131,588	24,539	13,741	45,670	21,729	787,938
Commissions and other costs	(12,632)	(2,398)	(9,738)	(2,348)	(90,205)	(117,321)	(28,607)	(10,036)	(1,640)	(15,643)	(5,707)	(178,954)
Net commissions and other income	306,459	78,679	21,815	139,982	(113,585)	433,350	102,981	14,503	12,101	30,027	16,022	608,984
Net gains arising from trading activity	43	-	(5)	(14,587)	118,025	103,476	33,796	6,571	19,122	13,437	4,781	181,183
Staff costs and administrative costs	476,602	47,191	22,832	56,377	(11,276)	591,726	195,141	80,560	37,131	49,241	41,716	995,515
Depreciations	1,302	194	3	96	34,951	36,546	12,427	7,486	4,889	5,171	3,896	70,415
Operating costs	477,904	47,385	22,835	56,473	23,675	628,272	207,568	88,046	42,020	54,412	45,612	1,065,930
Impairment and provisions	(136,167)	(222,381)	(92,994)	(191,234)	(164,987)	(807,763)	(31,741)	(52,436)	(9,619)	(13,344)	(16,091)	(930,994)
Share of profit of associates under the equity method	-	-	-	(38)	1,952	1,914	219	-	-	-	-	2,133
Net gain from the sale of other assets	-	-	-	-	(5,498)	(5,498)	-	-	-	-	-	(5,498)
Net income before income tax	(138,560)	(7,748)	(67,625)	85,089	(33,397)	(162,241)	97,766	(28,246)	23,010	76,256	(19,880)	(13,335)
Income tax	39,940	2,291	19,619	(24,676)	170,163	207,337	(21,076)	(541)	(1,494)	(13,891)	4,391	174,726
Non-controlling interests	-	-	-	-	(6,401)	(6,401)	(26,451)	-	(10,170)	(20,768)	-	(63,790)
Net income after income tax	(98,620)	(5,457)	(48,006)	60,413	130,365	38,695	50,239	(28,787)	11,346	41,597	(15,489)	97,601
Income between segments	17,045	7,390	(25)	(24,410)	-	-	-	-	-	-	-	-
Balance sheet												
Cash and Loans and advances to credit institutions	2,725,008	2,331,618	834,271	7,340,126	(14,856,821)	(1,625,798)	1,330,418	1,293,172	309,960	276,749	3,531,679	5,116,180
Loans and advances to customers	28,659,494	11,833,141	1,251,092	13,629,427	712,508	56,085,662	9,248,020	4,746,113	450,424	941,126	1,061,013	72,532,358
Financial assets	1,459	-	1,703	5,770,615	5,374,926	11,148,703	544,016	478,682	398,673	254,584	114,287	12,938,945
Other assets	1,212,712	80,842	29,787	329,472	3,078,160	4,730,973	184,851	141,941	108,483	131,440	47,329	5,345,017
Total Assets	32,598,673	14,245,601	2,116,853	27,069,640	(5,691,227)	70,339,540	11,307,305	6,659,908	1,267,540	1,603,899	4,754,308	95,932,500
Deposits from other credit institutions	6,426,130	5,531,789	148,048	10,527,015	(10,357,048)	12,275,934	1,102,911	2,779,347	321,316	180,085	2,996,445	19,656,038
Deposits from customers	19,013,921	2,101,427	1,890,597	7,437,292	2,213,026	32,656,263	8,426,445	2,979,565	807,499	1,150,179	1,547,750	47,567,701
Debt securities issued	4,264,350	4,204,216	-	5,632,125	-	14,100,691	309,610	360,319	-	28,933	-	14,799,553
Other financial liabilities held for trading at fair value through profit or loss	1,441,142	1,420,819	-	1,903,383	(236,630)	4,528,714	205,536	118,357	-	-	39,831	4,892,438
Other financial liabilities	(30,569)	(23,493)	(1,707)	(86,077)	1,211,167	1,069,321	567,068	(1,332)	(1,821)	(2,780)	(145)	1,630,311
Other liabilities	70,459	(75,270)	983	68,375	1,375,180	1,439,727	85,981	10,051	56,374	118,942	(5,797)	1,705,278
Total Liabilities	31,185,433	13,159,488	2,037,921	25,482,113	(5,794,305)	66,070,650	10,697,551	6,246,307	1,183,368	1,475,359	4,578,084	90,251,319
Equity and non-controlling interests	1,413,240	1,086,113	78,932	1,587,527	103,078	4,268,890	609,754	413,601	84,172	128,540	176,224	5,681,181
Total Liabilities, Equity and non-controlling interests	32,598,673	14,245,601	2,116,853	27,069,640	(5,691,227)	70,339,540	11,307,305	6,659,908	1,267,540	1,603,899	4,754,308	95,932,500

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Reconciliation of net income of reportable segments with the net result of the Group

Description of the relevant items of reconciliation:

	Sep 2012 Euros '000	Sep 2011 Euros '000
Net income (*)		
Retail Banking in Portugal	(65,455)	(98,620)
Companies	(34,896)	(5,457)
Corporate and Investment Banking	(24,603)	60,413
Asset Management and Private Banking	7,951	(48,006)
Foreign Business	60,518	116,295
	(56,485)	24,625
Impact on the Net interest income of the allocation of capital (1)	5,555	8,820
	(62,040)	15,805
Amounts not allocated to segments		
Non-controlling interests (2)	(55,627)	(63,790)
Operating expenses (3)	(13,690)	(23,676)
Loan impairment and other provisions (4)	(113,610)	(28,886)
Own Credit Risk	(26,971)	33,543
Loans impairment for Millennium Bank, S.A. (Greece) (5)	(427,205)	(136,103)
Impact on the interest income of liability management transactions	(144,000)	-
Repurchase of own issues (liability management)	184,300	98,315
Cost of debt issue with State Guarantee granted	(57,596)	-
Interest on hybrid instruments	(67,422)	-
Exchange rate adjustment of investments	(37,382)	47,181
Price adjustment of Eureko	-	24,480
Others (6)	24,937	130,732
Total not allocated to segments	(734,266)	81,796
Consolidated net income	(796,306)	97,601

(*) The net income is not deducted, when applicable, from non-controlling interests.

(1) Represents the impact on net interest income due to allocation of capital. The balance sheet items of each subsidiary and each business unit are recalculated considering the replacement of accounting equity by the amounts assigned through the allocation within the strict fulfilment of solvency regulatory criteria.

(2) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, in Mozambique and in Angola.

(3) Includes difference in costs allocated to the segments, namely those connected with corporate areas and strategic projects.

(4) Includes provisions for property in kind, administrative infractions, various contingencies and other unallocated to commercial networks.

(5) Impairment charges related to the estimated losses in the subsidiary company in Greece, which, together with the reinforcement of impairments posted in the subsidiary's P&L, showed an increase in the level of impairment from the previous quarter achieving Euros 543.5 million in the first nine months of 2012.

(6) Includes funding for non interest bearing assets and the financial strategies as well as tax effect associated with the items previously discriminated.

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50. BCP list of subsidiary and associated companies

As at 30 September 2012 the Banco Comercial Português 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		Bank
					% control	% held	% held
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	Oeiras	6,720,691	EUR	Investment fund management	100.0	100.0	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Lisbon	1,500,000	EUR	Investment fund management	100.0	100.0	100.0
BII Investimentos International, S.A.	Luxembourg	150,000	EUR	Investment fund management	100.0	100.0	—
BCP Capital - Sociedade de Capital de Risco, S.A.	Lisbon	28,500,000	EUR	Venture capital	100.0	100.0	100.0
Banco de Investimento Imobiliário, S.A.	Lisbon	217,000,000	EUR	Banking	100.0	100.0	100.0
BII Internacional, S.G.P.S., Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	—
BII Finance Company	George Town	25,000	USD	Investment	100.0	100.0	—
Banco ActivoBank, S.A.	Lisbon	41,000,000	EUR	Banking	100.0	100.0	—
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	—
Banco Millennium Angola, S.A.	Luanda	4,009,893,495	AOA	Banking	50.1	50.1	50.1
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	65.5	65.5	65.5
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	65.5	—
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Broker	100.0	65.5	—
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	65.5	—
TBM Sp.z o.o.	Warsaw	500,000	PLN	Advisory and services	100.0	65.5	—
MB Finance AB	Stockholm	200,000	SEK	Investment	100.0	65.5	—
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	65.5	—
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Broker	100.0	65.5	—
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	48.5	—
Banque Privée BCP (Suisse) S.A.	Geneve	70,000,000	CHF	Banking	100.0	100.0	—
Millennium Bank, S.A.	Athens	199,580,000	EUR	Banking	100.0	100.0	—

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Subsidiary companies	Head office	Share capital	Currency	Activity	Group		Bank
					% control	% held	% held
Millennium Fin S.A.	Athens	759,980	EUR	Investment	100.0	100.0	–
Millennium A.E.D.A.K.	Athens	1,176,000	EUR	Investment fund management	100.0	100.0	–
Banca Millennium S.A.	Bucharest	303,195,000	RON	Banking	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
Bitalpart, B.V.	Rotterdam	19,370	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	620,774,050	EUR	Holding company	100.0	100.0	100.0
ALO Investments B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	–
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
MBCP REO I, LLC	Delaware	370,174	USD	Real-estate management	100.0	100.0	–
MBCP REO II, LLC	Delaware	5,593,920	USD	Real-estate management	100.0	100.0	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	202,176,174	EUR	Investment	100.0	15.3	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	Sao Paulo	36,520,000	BRL	Financial Services	100.0	100.0	100.0
Millennium BCP - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotext services	100.0	100.0	100.0
Caracas Financial Services, Limited	George Town	25,000	USD	Financial Services	100.0	100.0	100.0
Millennium bcp Imobiliária, S.A.	Lisbon	50,000	EUR	Real-estate management	99.9	99.9	99.9
Millennium bcp - Prestação de Serviços, A. C. E.	Lisbon	331,000	EUR	Services	91.5	92.1	73.5
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0
Imábida - Imobiliária da Arrábida, S.A.	Oeiras	1,750,000	EUR	Real-estate management	100.0	100.0	100.0
QPR Investimentos, S.A.	Lisbon	50,000	EUR	Advisory and services	100.0	100.0	100.0
Propaço- Sociedade Imobiliária De Paço D'Arcos, Lda	Oeiras	5,000	EUR	Real-estate company	52.7	52.7	52.7

The Group also consolidates under the full consolidation method the following Investment Funds: "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo Especial de Investimento Imobiliário Oceânico II", "Fundo Especial de Investimento Imobiliário Fechado Stone Capital", "Fundo Especial de Investimento Imobiliário Fechado Sand Capital" and "Fundo de Investimento Imobiliário Fechado Gestimo", "M Inovação - Fundo de Capital de Risco BCP Capital" and "Fundo Especial de Investimento Imobiliário Fechado Intercapital", as referred in the accounting policy presented in note 1 b).

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As at 30 September 2012 the associated companies, were as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group		Bank
					% control	% held	% held
Academia Millennium Atlântico	Luanda	47,500,000	AOA	Education	33.0	16.5	–
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,625	EUR	Extractive industry	20.0	20.0	20.0
Baía de Luanda - Promoção, Montagem e Gestão de Negócios, S.A.	Luanda	19,200,000	USD	Services	10.0	10.0	–
Banque BCP, S.A.S.	Paris	84,164,803	EUR	Banking	19.9	19.9	19.9
Banque BCP (Luxembourg), S.A.	Luxembourg	16,000,000	EUR	Banking	19.9	19.9	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Real-estate	20.0	12.0	–
Beira Nave	Maputo	2,849,640	MZN	Electronic equipments	22.8	13.7	–
Luanda Waterfront Corporation	George Town	10,810,000	USD	Services	10.0	10.0	–
Lubuskie Fabryki Mebli, S.A.	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	32.8	–
Nanium, S.A.	Vila do Conde	15,000,000	EUR	Electronic equipments	41.1	41.1	41.1
Pomorskie Hurtowe Centrum Rolno - Spożywcze S.A.	Gdansk	21,357,000	PLN	Wholesale business	38.4	25.2	–
Quinta do Furão - Sociedade de Animação Turística e Agrícola de Santana, Lda (*)	Funchal	1,870,492	EUR	Turism	31.3	31.3	31.3
SIBS, S.G.P.S, S.A.	Lisbon	24,642,300	EUR	Holding company	21.9	21.9	21.5
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	Oeiras	50,000	EUR	Advisory and services	25.0	25.0	25.0
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	31.7
VSC - Aluguer de Veículos Sem Condutor, Lda.	Lisbon	12,500,000	EUR	Long term rental	50.0	50.0	–

As at 30 September 2012 the Banco Comercial Português Group's subsidiary and associated insurance companies included in the consolidated accounts under the full consolidation method and equity method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group		Bank
					% control	% held	% held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0	100.0	100.0
SIM - Seguradora Internacional de Moçambique, S.A.	Maputo	147,500,000	MZN	Insurance	89.9	60.0	–

Associated companies	Head office	Share capital	Currency	Activity	Group		Bank
					% control	% held	% held
Millenniumbcpc Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	1,000,002,375	EUR	Holding company	49.0	49.0	–
Médis - Companhia Portuguesa Seguros de Saúde, S.A.	Oeiras	12,000,000	EUR	Health insurance	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 - Companhia Portuguesa de Seguros, S.A.	Oeiras	12,500,000	EUR	Non-life insurance	49.0	49.0	–
Pensõesgere, Sociedade Gestora Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

(*) New entity included on 2012 perimeter.