2013

Activity Report

3rd Quarter

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

3rd QUARTER 2013 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

Million euros

	30 Sep. 13	30 Sep. 12	Change 13 / 12
Balance sheet			
Total assets	83,121	89,274	-6.9%
Loans to customers (gross) (1)	60,588	64,322	-5.8%
Total customer funds (1)	64,994	63,679	2.1%
Balance sheet customer funds (1)	51,603	51,022	1.1%
Customer deposits (1)	46,854	44,456	5.4%
Loans to customers, net / Customer deposits (2)	123%	139%	
Loans to customers, net / Customer deposits (3)	124%	137%	
Results			
Net income	(597.3)	(796.3)	
Net interest income	625.9	758.5	-17.5%
Net operating revenues	1,281.9	1,607.9	-20.3%
Operating costs	911.8	955.4	-4.6%
Loan impairment charges (net of recoveries)	622.7	693.1	-10.2%
Other impairment and provisions	375.6	183.8	104.4%
Income taxes			
Current	57.1	52.8	8.1%
Deferred	(196.6)	(82.6)	
Profitability			
Net operating revenues / Average net assets (2)	2.0%	2.3%	
Return on average assets (ROA) (4)	-0.8%	-1.1%	
Income before taxes and non-controlling interests / Average net assets (2)	-1.0%	-1.1%	
Return on average equity (ROE)	-27.6%	-30.4%	
Income before taxes and non-controlling interests / Average equity (2)	-25.3%	-25.2%	
Credit quality			
Overdue and doubtful loans / Total loans (2)	9.1%	8.4%	
Overdue and doubtful loans, net / Total loans, net (2)	3.6%	2.6%	
Credit at risk / Total loans (2)	12.3%	13.4%	
Credit at risk, net / Total loans, net (2)	7.0%	7.9%	
Impairment for loan losses / Overdue loans by more than 90 days (1)	81.4%	87.5%	
Efficiency ratios (2) (5)			
Operating costs / Net operating revenues	70.8%	63.2%	
Operating costs / Net operating revenues (Portugal)	88.6%	67.6%	
Staff costs / Net operating revenues	39.9%	35.8%	
Capital			
Own funds	6,691	6,693	
Risk weighted assets	48,711	54,847	
Core tier I (2)	12.7%	11.9%	
Core tier I (EBA)	10.2%	9.4%	
Tier I (2)	12.3%	11.2%	
Total (2)	13.7%	12.2%	
Branches			
Portugal activity	783	861	-9.1%
Foreign activity (1)	738	731	1.0%
Employees			
Portugal activity	8,703	9,866	-11.8%
Foreign activity (1)	10,080	10,264	-1.8%

(1) First nine months of 2012 adjusted to the actual consolidation perimeter.
(2) According to Instruction no. 16/2004 from the Bank of Portugal, as the currently existing version.
(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.

RESULTS AND ACTIVITY IN THE FIRST NINE MONTHS OF 2013

Following the conclusion, on 19 June 2013, of the sale of the entire share capital of Millennium bank in Greece, in accordance with the general conditions announced, and according to IFRS 5, Millennium bank in Greece is now classified as a discontinued operation, with the impact on results presented on a separate line item in the profit and loss account, defined as "income arising from discontinued operations" and the profit and loss account was restated as at 30 September 2012, for comparative purposes. At the consolidated balance sheet level, the presentation of assets and liabilities of Millennium bank in Greece were not included as at 30 September 2013, but remained in the criteria considered as at 30 September 2012 and 31 December 2012.

RESULTS

Millennium bcp's **net income** was negative by Euro 597.3 million in the first nine months of 2013, which compares favourably with the net loss of Euro 796.3 million posted in the same period in 2012.

Net income in the first nine months of 2013 includes, in particular, the impacts associated with:

- the reinforcement of impairment and provisions, in the global amount of Euro 998.3 million, including the provision charge in the amount of Euro 80.0 million for other risks and liabilities;
- the negative effects on net interest income related to the cost of the issuance of hybrid financial instruments (Euro 201.1 million) and on net commissions related to a cost with the issuance, by the Bank, of debt securities guaranteed by the Portuguese Republic (Euro 47.8 million);
- the negative impact on net trading income related to the sale of loans of Euro 54.1 million; and
- the net loss posted in discontinued operations (Greece) of Euro 41.4 million.

Compared with the first nine months of 2012, net income was hindered by the activity in Portugal, reflecting, in particular, the performance of net interest income, net trading income and impairment charges for loan losses and for other impairment and provisions, despite the savings achieved in operating costs.

Net income associated with the international activity, excluding Millennium bank in Greece, was up by 13.5%, from the first nine months of 2012, benefiting from both the increase in net operating revenues and the reduction in operating costs, influenced by the performance reached in all international operations, especially in Poland and in Angola.

Net interest income stood at Euro 625.9 million in the first nine months of 2013, which compares with Euro 758.5 million in the first nine months of 2012, continuing to be penalised by the impact of the issuance of hybrid financial instruments subscribed by the Portuguese State in the first half of 2012, for which interest expenses accounted in the first nine months of 2013 totalled Euro 201.1 million (impact of Euro 67.4 million in the same period of 2012).

Over the analysed period, net interest income was also influenced by the unfavourable business volume effect, in the activity in Portugal, reflecting the effect of the extension of an adverse economic environment, leading to the retraction of credit demand by individuals and companies. Nevertheless, the Bank maintained the initiatives to improve customer proximity and to stimulate the loan granting activity to economically viable projects, highlighting the support to companies to access to credit lines aimed at encouraging investment, entrepreneurship and strengthening of the productive capacity in different sectors of the economy.

Net interest income continued to be penalised by the unfavourable interest rate effect, as a result of the persistence of historically low market interest rates, despite the continued initiatives to adjust the pricing conditions to the current economic context, both in terms of loans operations, in order to adjust the financing cost to customer risk profiles, and in terms of the efforts to gradually reduce the cost of term deposits.

On a quarterly basis, net interest income showed a gradual increase throughout 2013, benefiting from the abovementioned initiatives, in particular the decrease in the cost of term deposits. So, between the second and the third quarters of 2013, net interest income increased 15.9%, sustained by the activity in Portugal and by the international activity.

The net interest margin stood at 1.09% in the first nine months of 2013, which compares with 1.25% in the same period in 2012.

AVERAGE BALANCES

Euro million

	30 Sep.13		30 Sep.12	
	Balance	**Yield %**	**Balance**	**Yield %**
Deposits in banks	4,056	1.36	6,122	1.51
Financial assets	13,467	3.44	10,688	4.45
Loans and advances to customers	58,050	3.97	62,849	4.55
Interest earning assets	**75,573**	**3.74**	**79,659**	**4.31**
Discontinued operations and non-current assets held for sale (1)	1,891		3,417	
Non-interest earning assets	9,215		8,335	
	86,679		**91,411**	
Amounts owed to credit institutions	14,587	1.07	17,399	1.42
Amounts owed to customers	46,791	2.26	45,337	3.21
Debt issued and financial liabilities	12,398	3.68	15,785	3.64
Subordinated debt	4,326	7.55	2,242	6.84
Interest bearing liabilities	**78,102**	**2.56**	**80,763**	**3.01**
Discontinued operations and non-current liabilities associated with assets held for sale (1)	2,053		3,269	
Non-interest bearing liabilities	2,818		3,126	
Shareholders' equity and non-controlling interests	3,706		4,253	
	86,679		**91,411**	
Net interest margin		1.09		1.25

Note: Interests related to hedge derivatives were allocated, in September 2013 and 2012, to the respective balance sheet item.
(1) Includes the activity of the Greek subsidiary and the consolidation adjustments.

Net commissions increased 1.0% to Euro 503.6 million in the first nine months of 2013, which compares with Euro 498.4 million booked in the same period in 2012. Net commissions include the cost related to the guarantee granted by the Portuguese State to debt securities issued by the Bank. Excluding this impact, net commissions rose 0.3% from the first nine months of 2012.

The performance of net commissions in the first nine months of 2013 reflects:

- the increase in net commissions related to the financial markets (+10.9%), benefiting from operations with securities and from asset management, reflecting the increases of 11.4% in the activity in Portugal and of 10.4% in the international activity, supported by overall international operations; and
- the decrease in net commissions associated with the banking business (-1.8%), as a result of the lower levels of activity in Portugal, despite the growth of 12.2% in the international activity.

Net trading income totalled Euro 154.6 million in the first nine months of 2013, which compares with Euro 340.6 million in the same period in 2012.

The performance of net trading income, in the first nine months of 2013, was determined by the activity in Portugal, which benefitted, in particular, the valuation of warrants related to the shareholding in Piraeus Bank, in the amount of Euro 79.1 million, and the negative effect associated with the sale of loans, in the amount of Euro 54.1 million, while, in the first nine months of 2012, capital gains were booked in the amount of Euro 184.3 million, associated with the repurchase of debt securities issued by the Bank.

In the international activity, the performance of net trading income was influenced by the evolution of results associated with assets available for sale and other financial instruments, highlighting the performance achieved by the subsidiary company in Poland.

Other net operating income was negative by Euro 50.2 million in the first nine months of 2013, which compares with net losses of Euro 36.4 million in the same period in 2012, reflecting mostly the impacts of the specific banking sector contribution and of the initial and regular contributions to the resolution fund, introduced in 2013.

The performance of other net operating income reflects the unfavourable evolution showed by the activity in Portugal, as the international activity posted an increase, benefiting from the gains obtained from the sale of real estate during the first nine months of 2013.

Equity accounted earnings, which comprise essentially the appropriation of results associated with the 49% shareholding in Millenniumbcp Ageas, stood at Euro 46.4 million in the first nine months of 2013 (Euro 42.9 million in the same period of 2012).

OTHER NET INCOME

Euro million

	30 Sep. 13	30 Sep. 12	Change 13/12
Net commissions	**503.6**	**498.4**	**1.0%**
Banking commissions	450.4	458.5	-1.8%
Cards	134.9	132.3	2.0%
Credit and guarantees	114.8	128.5	-10.6%
Bancassurance	54.7	53.0	3.2%
Other commissions	146.0	144.7	0.9%
Market related commissions	101.0	91.0	10.9%
Securities	66.3	60.5	9.5%
Asset management	34.7	30.5	13.7%
Commissions related with the State guarantee	(47.8)	(51.1)	-
Net trading income	**154.6**	**340.6**	**-54.6%**
Other net operating income	**(50.2)**	**(36.4)**	**-**
Dividends from equity instruments	**1.7**	**3.8**	**-56.6%**
Equity accounted earnings	**46.4**	**42.9**	**8.2%**
Total other net income	**656.0**	**849.4**	**-22.8%**
Other net income / Net operating revenues	51.2%	52.8%	

Operating costs stood at Euro 911.8 million in the first nine months of 2013, which compares with Euro 955.4 million in the same period in 2012.

The evolution of operating costs was affected by the following events:

- the accounting of costs associated with the restructuring programme, in particular early retirements and indemnities, in the global amount of Euro 11.2 million in the first nine months of 2013 (Euro 2.7 million in the same period in 2012); and

- the favourable impact of the legislative change related to the calculation of mortality allowance, in the amount of Euro 7.5 million in the first nine months of 2013 (Euro 64.0 million in the same period in 2012).

Excluding abovementioned impacts, operating costs reduced 10.7%, as a result of the decrease in expenses associated with staff costs, other administrative costs and depreciation.

In the activity in Portugal, operating costs include the abovementioned effects. Excluding those impacts, operating costs reduced 14.8% from the first nine months of 2012, determined by lower staff costs, influenced by the positive effect associated with the plan to decrease the number of employees implemented in 2012. Additionally, operating costs in Portugal also benefited from the lower level of other administrative costs, reflecting the impact of initiatives implemented aimed at rationalising and containing costs, and of depreciation costs, following the gradual end of the period of depreciation of the respective investments.

In the international activity, operating costs reduced 3.3% from the same period in 2012, as a result of the decrease in costs posted by the subsidiary companies in Poland, Romania and Switzerland, despite the increases evidenced by Millennium bim in Mozambique and by Banco Millennium Angola, due to the organic growth strategy implemented in these two operations.

Staff costs stood at Euro 515.0 million in the first nine months of 2013 (Euro 514.4 million in the same period in 2012). However, excluding the previously mentioned impacts, staff costs decreased 11.2%, to Euro 511.3 million in the first nine months of 2013, which compares with Euro 575.7 million posted in the same period of 2012. This evolution in staff costs was mostly influenced by the activity in Portugal (-15.2%), together with the reduction of 2.3% in the international activity, related with the reduction achieved by Bank Millennium in Poland, which more than offset the increases posted by the subsidiaries in Angola and Mozambique.

Other administrative costs reduced 9.9% to Euro 346.4 million in the first nine months of 2013, from Euro 384.2 million in the same period in 2012. This evolution benefited from the impact of initiatives implemented to improve operational efficiency, in particular the effect from the resizing of the branch network in Portugal (-78 branches, from 30 September 2012), under the restructuring program carried out. From the first nine months of 2012, highlights include the savings obtained in specialised services, communication, rent, advertising & sponsorship and maintenance.

In the activity in Portugal, other administrative costs fell 14.0%, materialising the savings achieved in the line items mentioned above, while in the international activity costs decreased 4.1%, reflecting the impact of cost containment initiatives implemented in the international subsidiaries, in particular in Poland and Romania.

Depreciation costs reduced 11.2%, to Euro 50.4 million in the first nine months of 2013, from Euro 56.8 million in the same period in 2012.

This lower level of depreciation was determined mostly by 15.7% decrease in the activity in Portugal, from the same period in 2012, as a result of the decrease in depreciation related to buildings and equipment.

In the international activity, depreciation costs reduced by 5.7%, from the same period in 2012, benefiting from the slowing down of the depreciation level in Banco Millennium Angola and the stabilisation in Bank Millennium in Poland, over the analysed period.

OPERATING COSTS

Euro million

	30 Sep. 13	30 Sep. 12	Change 13/12
Staff costs (1)	511.3	575.7	-11.2%
Other administrative costs	346.4	384.2	-9.9%
Depreciation	50.4	56.8	-11.2%
	908.0	**1,016.7**	-10.7%
Specific items:			
Restructuring programme	11.2	2.7	
Legislative change related to mortality allowance	(7.5)	(64.0)	
Operating costs	**911.8**	**955.4**	**-4.6%**
Of which:			
Portugal activity (1)	554.8	651.2	-14.8%
Foreign activity	353.3	365.5	-3.3%

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

Impairment for loan losses (net of recoveries) totalled Euro 622.7 million in the first nine months of 2013, which compares with Euro 693.1 million in the same period in 2012.

The impairment charges for loan losses were influenced by the slowdown in impairment charges in the activity in Portugal, compared with the same period in 2012, notwithstanding the maintenance of a high level of impairment charges for loan losses over the analysed period, influenced by the persistence of an unfavourable economic environment in Portugal.

In the international activity, the decrease of impairment for loan losses (net of recoveries) reflects the lower level of impairment charges posted in the operation developed in Poland.

The cost of risk stood at 137 basis points in the first nine months of 2013, compared with 144 basis points in the same period in 2012 (excluding Millennium bank in Greece).

Other impairment and provisions stood at Euro 375.6 million in the first nine months of 2013, which compares with Euro 183.8 million in the same period in 2012.

This evolution was influenced by the accounting of provisions for guarantees and other commitments, in the amount of Euro 56.5 million, by the provision charges posted in the second quarter of 2013, of Euro 80.0 million, related to the subscription of ordinary shares of Piraeus Bank and by the accounting in September 2013 of a provision, in the amount of Euro 80.0 million, for other risks and liabilities related to several contingencies.

Income tax (current and deferred) stood at Euro -139.6 million in the first nine months of 2013, which compares with Euro 29.8 million in the same period of 2012.

The income tax item includes current tax in the amount of Euro 57.1 million (Euro 52.8 million in the first nine months of 2012), net of a deferred tax asset in the amount of Euro 196.6 million (Euro 82.6 million in the first nine months of 2012).

BALANCE SHEET

Total assets stood at Euro 83,121 million as at 30 September 2013 (Euro 89,274 million as at 30 September 2012), influenced by the effect of the sale of Millennium bank in Greece in June 2013, with the corresponding reflection in all line items of assets and liabilities of the consolidated balance sheet.

Loans to customers (gross) totalled Euro 60,588 million as at 30 September 2013, which compares with Euro 69,069 million as at 30 September 2012 (Euro 66,861 million as at 31 December 2012).

Excluding the mentioned impact of the sale of the Greek operation, the portfolio of loans to customers decreased 2.5% from the end of December 2012, showing, thus, a slowdown in new credit operations occurred in the previous year and a growing dynamism in lending to customers in the first nine months of 2013.

This evolution of the loans portfolio reflects the performance of the activity in Portugal (-3.5%), as the international activity, excluding the impact of the sale of Millennium bank in Greece, showed a slight increase from the end of December 2012, as the decrease in the loans portfolio in the subsidiaries in Cayman and Switzerland was more than offset by the growth posted by the operations developed in Mozambique, Poland and Angola.

The performance of loans to customers reflects the decrease in loans to individuals (-3.2%) and in loans to companies (-1.8%), from 31 December 2012, mostly influenced by the performance of the activity in Portugal. As regards, the decrease in loans to customers, in the first nine months of 2013, occurred at a relatively moderate pace, mainly reflecting the continued process to reduce the levels of indebtedness by households and companies, the limited private investment and the consequent contraction of demand for credit, together with the high uncertainty about future economic and financial conditions.

In this context, Millennium bcp continued its initiatives focused on commercial dynamism aimed at supporting Portuguese companies, improving proximity to customers, particularly by identifying the satisfaction of financial needs and by supporting processes of internationalisation and of competitiveness strengthening.

The structure of the portfolio of loans to customers showed identical levels of diversification, between the end of September 2012 and the end of September 2013, with loans to companies representing 50% of total loans to customers, as at 30 September 2013.

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Sep. 13	30 Sep. 12	Change 13/12
Individuals	**30,281**	**31,643**	**-4.3%**
Mortgage	26,735	27,836	-4.0%
Consumer	3,546	3,807	-6.8%
Companies	**30,307**	**32,680**	**-7.3%**
Services	12,257	12,995	-5.7%
Commerce	3,350	3,369	-0.5%
Construction and other	14,700	16,316	-9.9%
Total excluding Greece	**60,588**	**64,322**	**-5.8%**
Millennium bank in Greece	--	4,747	
Total	**60,588**	**69,069**	**-12.3%**
Of which:			
Portugal activity	47,826	51,776	-7.6%
Foreign activity (excluding Greece)	12,762	12,546	1.7%

Credit quality, measured by loans overdue by more than 90 days as a percentage of total loans, stood at 7.1% as at 30 September 2013 (6.0% as at 30 September 2012, considering the actual consolidation perimeter), reflecting, in particular, the performance of the portfolio of loans to companies.

Considering the actual consolidation perimeter, the coverage ratio for loans overdue by more than 90 days stood at 81.4% as at 30 September 2013, which compares with 87.5% at the end of September 2012, and the coverage ratio of the total loans overdue portfolio to impairments stood at 79.1% as at 30 September 2013 (82.2% at the end of September 2012).

Overdue and doubtful loans stood at 9.1% of total loans as at 30 September 2013, compared with 8.4% posted on the same date in 2012, and credit at risk stood at 12.3% of total loans as at 30 September 2013 (13.4% on the same date in 2012).

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 30 SEPTEMBER 2013

Euro million

	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	**860**	**716**	**2.8%**	**83.3%**
Mortgage	233	288	0.9%	123.3%
Consumer	627	428	17.7%	68.4%
Companies	**3,414**	**2,765**	**11.3%**	**81.0%**
Services	1,061	1,224	8.7%	115.5%
Commerce	437	267	13.0%	61.1%
Construction and other	1,916	1,273	13.0%	66.4%
Total	**4,274**	**3,481**	**7.1%**	**81.4%**

Total customer funds totalled Euro 64,994 million as at 30 September 2013 (Euro 66,535 million as at 30 September 2012). Excluding the impact of the referred sale of the operation in Greece, total customer funds were up by 2.1% from 30 September 2012.

The growth of total customer funds, excluding the operation in Greece, was determined by:

- the increase in balance sheet customer funds (+1.1%), benefiting from the growth in customer deposits (+5.4%), which further increase the stable funding resources and reduce the commercial gap; and
- the rise in off-balance sheet customer funds (+5.8%), boosted by the performance of assets under management.

In the activity in Portugal, total customer funds stood at Euro 49,000 million as at 30 September 2013 (Euro 48,703 million as at 30 September 2012). In the international activity, total customer funds, excluding Millennium bank in Greece, increased 6.8% to Euro 15,993 million as at 30 September 2013, sustained by the growth in both balance sheet customer funds and off-balance sheet customer funds, reflecting the favourable performance in overall international operations, in particular in the subsidiary companies in Poland, Mozambique and Angola.

As at 30 September 2013, balance sheet customer funds represented 79% of total customer funds, with special emphasis on the component of customer deposits, which represented 72% of total customer funds.

TOTAL CUSTOMER FUNDS

Euro million

	30 Sep. 13	30 Sep. 12	Change 13/12
Balance sheet customer funds	**51,603**	**51,022**	**1.1%**
Deposits	46,854	44,456	5.4%
Debt securities	4,749	6,566	-27.7%
Off-balance sheet customer funds	**13,390**	**12,657**	**5.8%**
Assets under management	4,578	3,602	27.1%
Capitalisation products	8,812	9,055	-2.7%
Total excluding Greece	**64,994**	**63,679**	**2.1%**
Millennium bank in Greece	--	2,856	
Total	**64,994**	**66,535**	**-2.3%**
Of which:			
Portugal activity	49,000	48,703	0.6%
Foreign activity (excluding Greece)	15,993	14,976	6.8%

The **securities portfolio** stood at Euro 15,300 million as at 30 September 2013, which compares with Euro 12,756 million on the same date in 2012 (Euro 14,488 million as at 31 December 2012) and represented 18.4% of total assets (14.3% and 16.1% as at 30 September 2012 and 31 December 2012, respectively).

This evolution was supported essentially by the reinforcement of financial assets available for sale – mainly reflecting the increase in the portfolio of sovereign debt financial instruments, in particular, Portuguese and Polish sovereign debt securities, despite the elimination of the exposure to Greek sovereign debt -, while a decrease was registered in both financial assets held to maturity and financial assets held for trading.

LIQUIDITY MANAGEMENT

In the first nine months of 2013, the Bank continued to implement its 2013 Liquidity Plan, anchored in the continued deleveraging effort and in a dynamic management of the portfolio of eligible assets in the ECB.

Accordingly, the deleveraging effort allowed a reduction of the commercial gap (measured by the evolution of net loans to customers and of customer deposits) by Euro 7.4 billion from the end of September 2012. Beyond the full accomplishment of the refinancing plan for medium- and long-term debt for 2013, amounting to Euro 1.1 billion, the abovementioned result allowed the Bank to fund a strong increase of the securities portfolio, and the early redemption, as expected, of a Euro 1.75 billion issue guaranteed by the State which was withdrawn from the portfolio of eligible collateral and, simultaneously, to ensure the maintenance of a liquidity buffer at very comfortable level, at Euro 8.3 billion at the end of September 2013.

The evolution of the liquidity position of the Bank allowed the early redemption of an LTRO tranche of Euro 1.0 billion, from a total of Euro 12.0 billion, in order to increase flexibility in short-term treasury management.

CAPITAL

Following the request submitted by Millennium bcp, the Bank of Portugal 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, the Bank of Portugal 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. Afterwards - and with effect as from 31 December 2012 -, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors ("CCF") for exposures of the class of risk "Companies" in Portugal and the adoption of IRB methodologies for "Loans secured by residential real estate" and "Renewable positions" of the Retail portfolio in Poland.

As at 30 September 2013, the core tier I ratio stood at 12.7%, an increase of 18 basis points from 12.5% as at the end of the first half of 2013.

This performance mainly reflects the positive impacts of the Notice no. 3/2013 of Bank of Portugal, that removed the deduction of the shortfall of impairment to regulatory provisions related to exposures treated by the standardised approach (+14 basis points on core tier I) and the increase of non-controlling interests, originated mainly in Bank Millennium in Poland (+6 basis points on core tier I), as the negative effect of net income recorded in the third quarter was partially offset by the decrease of capital requirements that resulted from the reduction of the exposure to credit risk.

On 22 July 2013, the European Banking Authority ("EBA") released a recommendation establishing the preservation of a nominal floor of core tier I capital corresponding to the amount of capital needed to meet the core tier I ratio of 9% as at 30 June 2012, including the same capital buffer for exposures to sovereign risk, in order to ensure an appropriate transition to the stricter requirements of the CRD IV/CRR. However, this recommendation foresees the waive of the nominal floor in cases of restructuring plans and specific de-risking programs and for those banks whose common equity tier I level is above the minimum capital requirements and the capital conservation buffer computed under fully implemented CRD IV/CRR requirements, for which the nominal capital floor may be set taking as reference a later date, after the submission of credit institutions' requests to the Bank of Portugal and its subsequent assessment.

In order to provide an adequate comparability of the EBA's indicators between the end of June and September 2013, we present, for those dates, both the core tier I ratio in accordance with the EBA's rules and the surplus of core tier I resulting from the new recommendation on the preservation of capital levels, assuming the capital requirements reported in each of those dates as the reference for the calculations.

The core tier I ratio calculated in accordance with the rules of the EBA would increase from 10.0% in June 2013 to 10.2% in September 2013, in line with the performance of the core tier I ratio based on the rules of the Bank of Portugal, while the corresponding capital surplus would improve between the same dates, from Euro 481 million to Euro 577 million, respectively.

SOLVENCY

Euro million

	30 Sep. 13	30 Jun. 13
Own funds		
Core tier I	6,181	6,099
Preference shares and perpetual subordinated debt securities with conditional coupons	173	99
Other deduction (1)	(372)	(382)
Tier I capital	5,982	5,816
Tier II capital	857	917
Deductions to total regulatory capital	(148)	(149)
Total regulatory capital	**6,691**	**6,584**
Risk weighted assets	**48,711**	**48,755**
Solvency ratios		
Core tier I	12.7%	12.5%
Tier I	12.3%	11.9%
Tier II	1.5%	1.6%
Total	13.7%	13.5%
Core tier I ratio EBA (2)	10.2%	10.0%
Capital preservation (3)	577	481

(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. This ratio was revoked, according to the EBA recommendation EBA/REC/2013/03 of 22 July 2013. The September value is presented just for comparison.

(3) These amounts represent the surplus of core tier I resulting from the new recommendation on the preservation of capital levels, assuming the capital requirements reported in each of those dates as the reference for the calculations.

Note: The Bank of Portugal authorised the adoption of methodologies based on internal ratings ("IRB") in the calculation of capital requirements for credit and counterparty risk as from 31 December 2010, and authorised its subsequent extension in the scope of the gradual adoption of the IRB methodologies for calculating capital requirements for credit and counterparty risk, as from the end of 2011 and 2012. Presently, the Bank calculates these capital requirements for a substantial part of the risks of the activity in Portugal from the Retail (Advanced IRB) and the Corporate (IRB Foundation) segments, excluding the real estate promotion segment and the simplified rating segment. As from 31 December 2012, the Bank of Portugal also authorised the adoption of IRB methodologies for "Loans secured by residential real estate" and "Renewable Positions" of the Retail portfolio in Poland. In the first half of 2009, the Bank also received authorisation from the Bank of Portugal to the advance approaches (internal models) for generic market risk and the standard method for operational risk.

SIGNIFICANT EVENTS

The approval of the Restructuring Plan, the focus on core activities, continuing the strategy that was being implemented so far, and the continuing process of adjustment of the structure of the Bank in the domestic market, were the most significant events in the activity of the Bank in the 3rd quarter of 2013. Also worth mentioning in this period:

- The announcement, on 2 September 2013, of the formal decision of Directorate-General for Competition at the European Commission of the agreement with the Portuguese Authorities concerning the restructuring plan of BCP. The decision concluded that the restructuring plan complies with the rules of the European Union regarding state aid, showing the bank is viable without continued State support.
- Launch of a new application called M Enterprises, which allows customers to manage their companies with complete mobility by having total access to their bank accounts, and the ability to authorise transactions via Apple or Android™ smart phones or tablets.
- 5th edition of the "Millennium Days for Businesses" event in Santarém, seeking to get closer to Portuguese companies, supporting their internationalisation and strengthening their competitiveness.
- The National Machado de Castro Museum in Coimbra brought to the public the exhibition "Shared Art Millennium bcp - 100 Years of Portuguese Art in 100 Years of the National Machado de Castro Museum".
- Cooperation agreement signed between the Millennium bcp Microcredit and NERA – Business Association of the Algarve Region that aims to boost job creation in the region, through the implementation of joint projects in the area of entrepreneurship.
- Millennium bcp, through the Millennium bcp Foundation, supported the restoration of the Santo António Altar of the Madre de Deus convent in Lisbon.
- Millennium bcp has made a credit line available to support investment in Mozambique. The total amount allocated is USD 100 million available as funding through Millennium bim.
- Millennium bcp joined in September the "STOXX Europe Sustainability" and the "EURO STOXX Sustainability" Indices, based on the assessment of analysts Sustainalytics, having also seen its presence confirmed in the "Ethibel Excellence Europe" index under the responsibility of the analyst Vigeo.
- "Top Rated" for Leading Non Resident Clients, "Top Rated" for Medium Size Non Resident Clients Non Affiliated, " Leading Commended" for Domestic Clients according to the 2013 Global Custodian Survey.
- "Best Commercial Bank" in Portugal, granted to ActivoBank in the scope of the World Finance Banking Awards 2013.
- 1st place in 2013 Marktest's Reputation Index ranking, achieved by Médis in the Insurance category.
- "Best Consumer Internet Bank" in Portugal and Poland, in the scope of the "World's Best Internet Banks in Europe 2013".
- "Friendly Bank for Retail Customers" to Bank Millennium in Poland granted by Newsweek magazine.
- "Best Bank in Mozambique", for the 5th consecutive year, by EMEA Finance magazine.
- Distinction granted to Banco Millennium Angola as "Excellence Brand in Angola 2012/2013" by Superbrands.
- Following the revision of the outlook for Portugal from "stable" to "negative", the Standard and Poor's rating agency revised downwards, on 11 July 2013, the long term rating of BCP from "B+" to "B", maintaining the "negative" Outlook.
- Reaffirmation of the main ratings of BCP at "BB+/B" by the Fitch rating agency, on 10 July 2013, maintaining the "negative" Outlook.

MACROECONOMIC ENVIRONMENT

According to the latest IMF forecasts, the contribution of the different regions to world economic growth in 2013 will remain heterogeneous. In spite of some structural and cyclical constraints, the developing economies should continue to enjoy robust levels of activity expansion (4.5%), in contrast with the more moderate pace of the developed economies, namely the US (1.6%) and Japan (2.0%), where the exceptional degree of monetary policy accommodation has produced a positive effect on the valuation of financial and real estate assets. The euro area will be the sole major economic bloc to record a recession (-0.4%), notwithstanding the sequential GDP growth observed in the second quarter (0.3%), made possible by the acceleration of the external demand, by the progressively softer financial conditions and by the easing of the fiscal targets in some euro zone countries (Spain, France, The Netherlands and Portugal).

In the first nine months of the year, the behaviour of financial markets was dictated by the swings in the Federal Reserve's commitment to keep monetary conditions exceptionally accommodative. By the end of the first half, the expectations that the US central bank would revert its policy course led to a generalised increase in the yields of sovereign debt securities of practically all countries, to a decrease in the main equity indexes, to a volatility spike, as well as to a depreciation of the emerging markets currencies, especially those with external deficits. In September, the U-turn of the Federal Reserve regarding the normalisation process of its monetary policy put an end to the preceding risk aversion climate, giving rise to a broad movement of financial assets' appreciation, which however had only a modest impact in the Portuguese debt securities due mainly to the rise of political tensions.

Faced with a weak growth outlook, associated with elevated unemployment rates and low inflationary pressures amid a still convalescent financial system, some central banks reinforced their atypically accommodative monetary policies. After reducing its key rate to 0.5% in May and announcing that the fixed-rate full allotment refinancing operations would remain in place at least until mid-2014, in July the ECB adopted a forward-looking guidance for its monetary policy by announcing that interest rates would remain at current levels or below for an extended period of time. Despite the efforts to influence interest rates in money markets, the monetary policy transmission remained impaired due to the fragmentation of risk perceptions between countries with strong credit ratings and those under financial assistance and also to the steady liquidations of the Long Term Refinancing Operations (LTRO) of 2011 and 2012. Yet, expectations that the ECB could deploy its Outright Monetary Transactions (OMT) contributed to continued support of European sovereign debt markets.

According to the National Institute of Statistics, Portuguese GDP recorded a year-on-year contraction of 2.1% in the second quarter of 2013, corresponding to a quarter-on-quarter growth of 1.1%. The latter stemmed mainly from the less negative evolution of the domestic demand, especially investment. Despite the on-going fiscal consolidation, the main economic activity indicators pertaining to the third quarter suggest the steadying of the recovery movement that started in the previous quarter. More recently, the favourable outcome of the eighth and ninth reviews of the official assistance programme, together with the authorities' commitment to maintain the fiscal targets laid down in this programme favoured the risk perception of Portuguese debt issuers in the financial markets.

The IMF predicts moderate growth rates for Poland and Romania (1.3% e 2.0%, respectively), despite the impact of the restrictive fiscal policies in both countries. The stability of the Zloty and the benign developments on the inflation front allowed the Polish central bank to continue the aggressive rate cutting cycle. In Romania, though, the rise of inflation beyond the 3.5% ceiling defined for 2013 led the monetary authority to hike its key rate from 4.25% to 5.25% between May and September. In Mozambique, the economic slowdown to 7% reflected the effect of the severe flooding in the beginning of the year on agriculture production and infrastructure building. Yet, the increase in exports (especially coal) should allow the economy to perform robustly. In Angola, the fall of oil prices in the first quarter determined a deterioration of total exports in that period. However, the start of the production of liquid gas in June should bolster GDP, which is expected to grow 5.6% in 2013.

GLOSSARY

Capitalisation products – includes unit link and retirement saving plans.

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. 16/2004 from the Bank of Portugal, as the currently existing version.

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. 13	30 Sep. 12	Change 13/12	30 Sep. 13	30 Sep. 12	Change 13/12	30 Sep. 13	30 Sep. 12	Change 13/12
Income statement									
Net interest income	625.9	758.5	-17.5%	246.0	364.7	-32.6%	379.9	393.7	-3.5%
Dividends from equity instruments	1.7	3.8	-56.6%	1.2	2.8	-56.6%	0.4	1.0	-56.4%
Net fees and commission income	503.6	498.4	1.0%	326.9	340.3	-3.9%	176.6	158.1	11.7%
Other operating income	(50.2)	(36.4)	-	(63.2)	(42.1)	-	13.0	5.8	125.8%
Net trading income	154.6	340.6	-54.6%	69.3	257.0	-73.0%	85.3	83.6	2.0%
Equity accounted earnings	46.4	42.9	8.2%	46.1	41.2	12.1%	0.3	1.8	-82.2%
Net operating revenues	**1,281.9**	**1,607.9**	**-20.3%**	**626.3**	**963.9**	**-35.0%**	**655.6**	**644.0**	**1.8%**
Staff costs	515.0	514.4	0.1%	341.2	336.5	1.4%	173.8	177.9	-2.3%
Other administrative costs	346.4	384.2	-9.9%	191.2	222.4	-14.0%	155.2	161.8	-4.1%
Depreciation	50.4	56.8	-11.2%	26.1	31.0	-15.7%	24.3	25.8	-5.7%
Operating costs	**911.8**	**955.4**	**-4.6%**	**558.5**	**589.9**	**-5.3%**	**353.3**	**365.5**	**-3.3%**
Operating profit before impairment	**370.1**	**652.5**	**-43.3%**	**67.8**	**374.0**	**-81.9%**	**302.3**	**278.5**	**8.5%**
Loans impairment (net of recoveries)	622.7	693.1	-10.2%	563.6	627.9	-10.2%	59.1	65.2	-9.4%
Other impairment and provisions	375.6	183.8	104.4%	373.4	185.9	100.8%	2.2	(2.1)	-
Profit before income tax	**(628.1)**	**(224.4)**	**-**	**(869.2)**	**(439.9)**	**-**	**241.0**	**215.5**	**11.8%**
Income tax	(139.6)	(29.8)	-	(185.4)	(68.8)	-	45.8	38.9	17.6%
Income after income tax from continuing operations	**(488.6)**	**(194.6)**	**-**	**(683.8)**	**(371.1)**	**-**	**195.2**	**176.5**	**10.6%**
Income arising from discontinued operations	(41.4)	(546.1)	-	-	-	-	-	-	
Non-controlling interests	67.3	55.6	21.1%	0.2	(8.0)	-	67.1	63.6	5.5%
Net income	**(597.3)**	**(796.3)**	**-**	**(684.0)**	**(363.1)**	**-**	**128.1**	**112.9**	**13.5%**
Balance sheet and activity indicators									
Total assets	**83,121**	**89,274**	**-6.9%**	**64,380**	**67,425**	**-4.5%**	**18,741**	**21,849**	**-14.2%**
Total customer funds (1)	**64,994**	**63,679**	**2.1%**	**49,000**	**48,703**	**0.6%**	**15,993**	**14,976**	**6.8%**
Balance sheet customer funds (1)	**51,603**	**51,022**	**1.1%**	**36,884**	**37,083**	**-0.5%**	**14,720**	**13,939**	**5.6%**
Deposits	46,854	44,456	5.4%	32,245	30,651	5.2%	14,609	13,804	5.8%
Debt securities	4,749	6,566	-27.7%	4,638	6,431	-27.9%	111	135	-17.8%
Off-balance sheet customer funds (1)	**13,390**	**12,657**	**5.8%**	**12,117**	**11,620**	**4.3%**	**1,274**	**1,037**	**22.8%**
Assets under management	4,578	3,602	27.1%	3,772	2,915	29.4%	806	687	17.4%
Capitalisation products	8,812	9,055	-2.7%	8,345	8,705	-4.1%	467	350	33.4%
Millennium bank in Greece	-	2,856		-	-		-	2,856	
Loans to customers (gross) (1)	**60,588**	**64,322**	**-5.8%**	**47,826**	**51,776**	**-7.6%**	**12,762**	**12,546**	**1.7%**
Individuals (1)	**30,281**	**31,643**	**-4.3%**	**22,277**	**23,555**	**-5.4%**	**8,004**	**8,087**	**-1.0%**
Mortgage	26,735	27,836	-4.0%	20,070	20,994	-4.4%	6,665	6,842	-2.6%
Consumer	3,546	3,807	-6.8%	2,207	2,561	-13.8%	1,339	1,245	7.5%
Companies (1)	**30,307**	**32,680**	**-7.3%**	**25,549**	**28,221**	**-9.5%**	**4,758**	**4,459**	**6.7%**
Services	12,257	12,995	-5.7%	11,314	11,906	-5.0%	942	1,090	-13.5%
Commerce	3,350	3,369	-0.5%	2,350	2,441	-3.7%	1,000	928	7.8%
Construction and other	14,700	16,316	-9.9%	11,885	13,874	-14.3%	2,815	2,441	15.3%
Millennium bank in Greece	-	4,747		-	-		-	4,747	
Credit quality (1)									
Total overdue loans	4,402	4,093	7.6%	4,044	3,632	11.3%	359	462	-22.3%
Overdue loans by more than 90 days	4,274	3,845	11.1%	3,937	3,419	15.2%	337	426	-21.1%
Overdue loans by more than 90 days /Total loans	7.1%	6.0%		8.2%	6.6%		2.6%	3.4%	
Total impairment (balance sheet)	3,481	3,366	3.4%	3,006	2,880	4.4%	475	486	-2.3%
Total impairment (balance sheet) /Total loans	5.7%	5.2%		6.3%	5.6%		3.7%	3.9%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	81.4%	87.5%		76.3%	84.2%		141.2%	114.1%	
Cost of risk (net of recoveries, in b.p.)	137	144		157	162		62	69	

(1) First nine months of 2012 adjusted to the actual consolidation perimeter.

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: **Reference values in 000Esc** ☐ **in Euros** ☒

Quarter 1 ☐ **Quarter 3** ☒ **Quarter 5** [1] ☐ **Start: 01/01/2013 End: 30/09/2013**

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]	8,945,351,055	13,830,317,695	-35.32%	2,559,023,369	3,254,767,153	-21.38%
Loans to clients	40,919,939,267	44,699,795,777	-8.46%	57,106,718,866	64,960,445,581	-12.09%
Fixed income securities	13,924,041,824	13,668,501,792	1.87%	12,756,655,579	11,123,281,418	14.68%
Variable yield securities	2,650,209,154	2,145,155,832	23.54%	2,543,580,987	1,632,806,324	55.78%
Investments	3,788,586,794	4,026,619,360	-5.91%	545,072,252	475,003,536	14.75%
SHAREHOLDER'S AND EQUIVALENT EQUITY						
Equity Capital	3,500,000,000	3,000,000,000	16.67%	3,500,000,000	3,000,000,000	16.67%
Nº of ordinary shares	19,707,167,060	7,207,167,060	-	19,707,167,060	7,207,167,060	-
Nº of other shares	0	0	-			-
Value of own shares	0	0	-	7,384,436	4,567,092	61.69%
Nº of voting shares	0	0	-	76,921,204	9,731,319	-
Nº of preferred, non voting shares	0	0	-			-
Subordinate loans	6,031,801,856	5,973,098,768	0.98%	4,408,289,857	4,327,994,742	1.86%
Minority interests	0	0	-	661,076,853	605,334,714	9.21%
LIABILITIES						
Amounts owed to credit institutions	17,423,124,033	18,965,361,881	-8.13%	15,383,560,294	16,093,926,932	-4.41%
Amounts owed to clients	32,328,395,014	30,822,459,132	4.89%	46,854,035,227	47,271,347,780	-0.88%
Debt securities	13,113,485,077	19,585,728,484	-33.05%	9,633,736,225	14,267,986,884	-32.48%
TOTAL ASSETS (NET)	77,219,271,074	85,923,461,795	-10.13%	83,121,402,217	89,274,018,386	-6.89%
TOTAL SHAREHOLDER'S EQUITY	2,443,148,045	3,963,741,356	-38.36%	2,715,126,688	3,226,993,198	-15.86%
TOTAL LIABILITIES	74,776,123,029	81,959,720,439	-8.76%	79,745,198,676	85,441,690,474	-6.67%

P & L Items	Individual			Consolidated		
	n	n-1	Var. (%)	n	n-1	Var. (%)
Financial margin [3]	166,972,106	295,907,039	-43.57%	625,902,705	770,912,876	-18.81%
Commissions and other oper. revenue (net)	334,293,999	389,417,526	-14.16%	411,990,928	475,632,691	-13.38%
Securities yield and profits from financial transactions (net)	-70,923,038	524,595,498	-113.52%	58,857,132	333,807,484	-82.37%
Banking Income	430,343,067	1,209,920,063	-64.43%	1,096,750,765	1,580,353,051	-30.60%
Personnel, administ. and other costs	-550,436,562	-569,884,949	-3.41%	-861,400,761	-968,669,555	-11.07%
Amortizations	-21,467,990	-25,258,489	-15.01%	-50,402,062	-62,336,917	-19.15%
Provisions (net of adjustments)	-1,423,398,535	-1,582,670,851	-10.06%	-900,929,414	-1,392,231,478	-35.29%
Extraordinary profit	0	0	n.a.	0	0	n.a.
Profit before taxes	-1,564,960,020	-967,894,226	61.69%	-715,981,472	-842,884,899	-15.06%
Income tax [4]	318,777,824	238,889,876	33.44%	139,554,948	59,284,464	135.40%
Minority interests and income excluded from consolidation	0	0	-	-20,899,409	-12,705,232	64.49%
Net profit / loss for the quarter	-1,246,182,196	-729,004,350	70.94%	-597,325,933	-796,305,667	-24.99%
Net profit / loss per share for the quarter	-0.3561	-0.2430	46.52%	-0.0303	-0.1105	-72.57%
Self financing [5]	198,684,329	878,924,990	-77.39%	354,005,543	658,262,728	-46.22%

(1) Aplicable 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 month period ended 30 September, 2013 and 2012

	30 september 2013	30 september 2012
	(Thousands of Euros)	
Interest and similar income	2,169,740	2,641,485
Interest expense and similar charges	(1,543,837)	(1,883,011)
Net interest income	625,903	758,474
Dividends from equity instruments	1,656	3,814
Net fees and commission income	503,583	498,449
Net gains / losses arising from trading and hedging activities	113,916	346,505
Net gains / losses arising from available for sale financial assets	40,924	(5,869)
Net gains / (losses) arising from financial assets held to maturity	(278)	(22)
Other operating income	(44,083)	(35,846)
	1,241,621	1,565,505
Other net income from non banking activity	15,457	15,456
Total operating income	1,257,078	1,580,961
Staff costs	515,034	514,392
Other administrative costs	346,367	384,244
Depreciation	50,402	56,760
Operating costs	911,803	955,396
Operating net income before provisions and impairments	345,275	625,565
Loans impairment	(622,678)	(693,119)
Other financial assets impairment	(97,361)	(29,642)
Other assets impairment	(108,866)	(121,745)
Goodwill impairment	(7,722)	-
Other provisions	(161,663)	(32,412)
Operating net income	(653,015)	(251,353)
Share of profit of associates under the equity method	46,440	42,921
Gains / (losses) from the sale of subsidiaries and other assets	(21,572)	(15,986)
Net (loss) / income before income tax	(628,147)	(224,418)
Income tax		
Current	(57,055)	(52,791)
Deferred	196,610	82,609
Net (loss) / income after income tax from continuing operations	(488,592)	(194,600)
Income arising from discontinued operations	(41,394)	(546,080)
Net income after income tax	(529,986)	(740,680)
Attributable to:		
Shareholders of the Bank	(597,326)	(796,306)
Non-controlling interests	67,340	55,626
Net income for the period	(529,986)	(740,680)
Earnings per share (in euros)		
Basic	(0.04)	(0.10)
Diluted	(0.04)	(0.10)

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 September, 2013 and 2012 and 31 December, 2012

	30 september 2013	31 December 2012	30 september 2012
		(Thousands of Euros)	
Assets			
Cash and deposits at central banks	2,044,901	3,580,546	2,535,908
Loans and advances to credit institutions			
Repayable on demand	1,003,555	829,684	749,492
Other loans and advances	1,555,469	1,887,389	2,505,275
Loans and advances to customers	57,106,719	62,618,235	64,960,446
Financial assets held for trading	1,527,243	1,690,926	1,670,516
Financial assets available for sale	10,485,700	9,223,411	7,391,544
Assets with repurchase agreement	121,645	4,288	34,239
Hedging derivatives	136,935	186,032	232,048
Financial assets held to maturity	3,165,649	3,568,966	3,659,790
Investments in associated companies	545,072	516,980	475,004
Non current assets held for sale	1,265,560	1,284,126	1,126,481
Investment property	697,403	554,233	559,092
Property and equipment	529,133	626,398	605,831
Goodwill and intangible assets	250,068	259,054	248,971
Current tax assets	39,784	34,037	26,300
Deferred tax assets	1,892,356	1,755,411	1,614,215
Other assets	754,213	1,124,323	878,867
	83,121,405	89,744,039	89,274,019
Liabilities			
Amounts owed to credit institutions	15,383,561	15,265,760	16,093,927
Amounts owed to customers	46,854,035	49,389,866	47,271,348
Debt securities	9,633,736	13,548,263	14,267,987
Financial liabilities held for trading	1,033,970	1,393,194	1,360,622
Other financial liabilities at fair value through profit and loss	849,326	329,267	221,221
Hedging derivatives	274,593	301,315	302,651
Provisions for liabilities and charges	406,041	253,328	277,532
Subordinated debt	4,408,290	4,298,773	4,327,995
Current income tax liabilities	6,507	15,588	2,366
Deferred income tax liabilities	4,457	2,868	3,118
Other liabilities	890,686	945,629	1,312,924
Total Liabilities	79,745,202	85,743,851	85,441,691
Equity			
Share capital	3,500,000	3,500,000	3,000,000
Treasury stock	(14,977)	(14,212)	(13,965)
Share premium	-	71,722	71,722
Preference shares	171,175	171,175	171,175
Other capital instruments	9,853	9,853	9,853
Fair value reserves	13,296	2,668	(87,235)
Reserves and retained earnings	(366,895)	850,021	871,749
Net income for the period attributable to Shareholders	(597,326)	(1,219,053)	(796,306)
Total Equity attributable to Shareholders of the Bank	2,715,126	3,372,174	3,226,993
Non-controlling interests	661,077	628,014	605,335
Total Equity	3,376,203	4,000,188	3,832,328
	83,121,405	89,744,039	89,274,019

Banco Comercial Português

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the nine month period ended 30 September, 2013 and 2012

	Notes	30 September 2013	30 September 2012
		(Thousands of Euros)	
Interest and similar income	3	2,169,740	2,641,485
Interest expense and similar charges	3	(1,543,837)	(1,883,011)
Net interest income		625,903	758,474
Dividends from equity instruments	4	1,656	3,814
Net fees and commissions income	5	503,583	498,449
Net gains / (losses) arising from trading and hedging activities	6	113,916	346,505
Net gains / (losses) arising from financial assets available for sale	7	40,924	(5,869)
Net gains / (losses) arising from financial assets held to maturity	8	(278)	(22)
Other operating income/costs	9	(44,083)	(35,846)
		1,241,621	1,565,505
Other net income from non banking activities		15,457	15,456
Total operating income		1,257,078	1,580,961
Staff costs	10	515,034	514,392
Other administrative costs	11	346,367	384,244
Depreciation	12	50,402	56,760
Operating expenses		911,803	955,396
Operating net income before provisions and impairment		345,275	625,565
Loans impairment	13	(622,678)	(693,119)
Other financial assets impairment	14	(97,361)	(29,642)
Other assets impairment	28, 30 and 33	(108,866)	(121,745)
Goodwill impairment		(7,722)	-
Other provisions	15	(161,663)	(32,412)
Operating net (loss) / income		(653,015)	(251,353)
Share of profit of associates under the equity method	16	46,440	42,921
Gains / (losses) from the sale of subsidiaries and other assets	17	(21,572)	(15,986)
Net (loss) / income before income tax		(628,147)	(224,418)
Income tax			
Current	32	(57,055)	(52,791)
Deferred	32	196,610	82,609
(Loss) / income after income tax from continuing operations		(488,592)	(194,600)
(Loss) / income arising from discontinued operations	18	(41,394)	(546,080)
Net (loss) / income after income tax		(529,986)	(740,680)
Attributable to:			
Shareholders of the Bank		(597,326)	(796,306)
Non-controlling interests	46	67,340	55,626
Net loss for the period		(529,986)	(740,680)
Earnings per share (in Euros)	19		
Basic		(0.04)	(0.10)
Diluted		(0.04)	(0.10)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 September, 2013 and 2012 and 31 December, 2012

	Notes	30 September 2013	31 December 2012	30 September 2012
		(Thousands of Euros)		
Assets				
Cash and deposits at Central Banks	20	2,044,901	3,580,546	2,535,908
Loans and advances to credit institutions				
Repayable on demand	21	1,003,555	829,684	749,492
Other loans and advances	22	1,555,469	1,887,389	2,505,275
Loans and advances to customers	23	57,106,719	62,618,235	64,960,446
Financial assets held for trading	24	1,527,243	1,690,926	1,670,516
Financial assets available for sale	24	10,485,700	9,223,411	7,391,544
Assets with repurchase agreement		121,645	4,288	34,239
Hedging derivatives	25	136,935	186,032	232,048
Financial assets held to maturity	26	3,165,649	3,568,966	3,659,790
Investments in associated companies	27	545,072	516,980	475,004
Non current assets held for sale	28	1,265,560	1,284,126	1,126,481
Investment property	29	697,403	554,233	559,092
Property and equipment	30	529,133	626,398	605,831
Goodwill and intangible assets	31	250,068	259,054	248,971
Current income tax assets		39,784	34,037	26,300
Deferred income tax assets	32	1,892,356	1,755,411	1,614,215
Other assets	33	754,213	1,124,323	878,867
		83,121,405	89,744,039	89,274,019
Liabilities				
Deposits from credit institutions	34	15,383,561	15,265,760	16,093,927
Deposits from customers	35	46,854,035	49,389,866	47,271,348
Debt securities issued	36	9,633,736	13,548,263	14,267,987
Financial liabilities held for trading	37	1,033,970	1,393,194	1,360,622
Other financial liabilities at fair value				
through profit or loss	38	849,326	329,267	221,221
Hedging derivatives	25	274,593	301,315	302,651
Provisions for liabilities and charges	39	406,041	253,328	277,532
Subordinated debt	40	4,408,290	4,298,773	4,327,995
Current income tax liabilities		6,507	15,588	2,366
Deferred income tax liabilities	32	4,457	2,868	3,118
Other liabilities	41	890,686	945,629	1,312,924
Total Liabilities		79,745,202	85,743,851	85,441,691
Equity				
Share capital	42	3,500,000	3,500,000	3,000,000
Treasury stock	45	(14,977)	(14,212)	(13,965)
Share premium		-	71,722	71,722
Preference shares	42	171,175	171,175	171,175
Other capital instruments	42	9,853	9,853	9,853
Fair value reserves	44	13,296	2,668	(87,235)
Reserves and retained earnings	44	(366,895)	850,021	871,749
Net loss for the period attributable to Shareholders		(597,326)	(1,219,053)	(796,306)
Total Equity attributable to Shareholders of the Bank		2,715,126	3,372,174	3,226,993
Non-controlling interests	46	661,077	628,014	605,335
Total Equity		3,376,203	4,000,188	3,832,328
		83,121,405	89,744,039	89,274,019

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the three month period between 1 July and 30 September, 2013 and 2012

	Third quarter 2013	Third quarter 2012
	(Thousands of Euros)	
Interest and similar income	716,384	806,884
Interest expense and similar charges	(478,577)	(630,478)
Net interest income	237,807	176,406
Dividends from equity instruments	164	197
Net fees and commissions income	165,020	163,609
Net gains / (losses) arising from trading and hedging activities	110,871	27,776
Net gains / (losses) arising from available for sale financial assets	(13,091)	5,438
Other operating income	(18,792)	(9,788)
	481,979	363,638
Other net income from non banking activities	5,026	4,885
Total operating income	487,005	368,523
Staff costs	170,818	189,405
Other administrative costs	112,804	121,241
Depreciation	15,932	18,408
Operating expenses	299,554	329,054
Operating net income before provisions and impairment	187,451	39,469
Loans impairment	(146,166)	(226,573)
Other financial assets impairment	(84,014)	(18,386)
Other assets impairment	(41,153)	(45,948)
Goodwill impairment	(7,722)	-
Other provisions	(8,131)	(12,459)
Operating net (loss) / income	(99,735)	(263,897)
Share of profit of associates under the equity method	15,797	12,678
Gains / (losses) from the sale of subsidiaries and other assets	(11,657)	(5,259)
Net (loss) / income before income tax	(95,595)	(256,478)
Income tax		
Current	(20,820)	(14,632)
Deferred	30,316	64,592
(Loss) / income after income tax from continuing operations	(86,099)	(206,518)
(Loss) / income arising from discontinued operations	345	(29,373)
Net (loss) / income after income tax	(85,754)	(235,891)
Attributable to:		
Shareholders of the Bank	(109,107)	(252,027)
Non-controlling interests	23,353	16,136
Net (loss) / income for the period	(85,754)	(235,891)
Earnings per share (in Euros)		
Basic	(0.12)	(0.33)
Diluted	(0.12)	(0.33)

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Cash Flows Statement
for the nine month period ended 30 September, 2013 and 2012

	30 September 2013	30 September 2012
	(Thousands of Euros)	
Cash flows arising from operating activities		
Interest income received	1,886,328	2,508,608
Commissions received	686,533	707,341
Fees received from services rendered	64,384	122,463
Interest expense paid	(1,235,306)	(1,735,708)
Commissions paid	(245,046)	(218,974)
Recoveries on loans previously written off	9,467	10,993
Net earned premiums	20,457	13,400
Claims incurred	(11,617)	(9,843)
Payments to suppliers and employees	(1,112,781)	(1,159,736)
	62,419	238,544
Decrease / (increase) in operating assets:		
Loans and advances to credit institutions	1,377,841	(191,412)
Deposits with Central Banks under monetary regulations	1,540,509	118,076
Loans and advances to customers	2,029,593	3,068,719
Short term trading account securities	(133,854)	394,019
Increase / (decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	(166,500)	(43,955)
Deposits from credit institutions with agreed maturity date	531,215	(1,655,580)
Deposits from clients repayable on demand	1,106,517	(205,076)
Deposits from clients with agreed maturity date	(165,544)	(177,008)
	6,182,196	1,546,327
Income taxes (paid) / received	(58,563)	(26,703)
	6,123,633	1,519,624
Cash flows arising from investing activities		
Proceeds from sale of shares in subsidiaries and associated companies	2,595	-
Dividends received	4,458	8,753
Interest income from available for sale financial assets and held to maturity financial assets	308,578	370,497
Proceeds from sale of available for sale financial assets	12,285,913	15,306,086
Available for sale financial assets purchased	(62,986,980)	(45,407,243)
Proceeds from available for sale financial assets on maturity	49,248,740	27,805,730
Acquisition of fixed assets	(44,991)	(57,142)
Proceeds from sale of fixed assets	36,290	13,440
Decrease / (increase) in other sundry assets	(342,554)	1,178,594
	(1,487,951)	(781,285)
Cash flows arising from financing activities		
Issuance of subordinated debt	908	3,141,039
Reimbursement of subordinated debt	(966)	(44,239)
Issuance of debt securities	4,135,213	8,481,028
Reimbursement of debt securities	(8,214,273)	(11,419,356)
Issuance of commercial paper and other securities	151,307	5,601
Reimbursement of commercial paper and other securities	(9,726)	(1,446,034)
Dividends paid to non-controlling interests	(8,979)	(10,773)
Increase / (decrease) in other sundry liabilities and non-controlling interests	(583,328)	(394,687)
	(4,529,844)	(1,687,421)
Exchange differences effect on cash and equivalents	(48,799)	59,195
Net changes in cash and equivalents	57,039	(889,887)
Cash and equivalents at the beginning of the period	1,562,300	2,268,554
Cash (note 20)	615,784	629,175
Other short term investments (note 21)	1,003,555	749,492
Cash and equivalents at the end of the period	1,619,339	1,378,667

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Statement of Changes in Equity
for the nine month period ended 30 September, 2013 and 2012

(Amounts expressed in thousands of Euros)

	Total equity	Share capital	Preference shares	Other capital instruments	Share premium	Legal and statutory reserves	Other comprehensive income: Fair value and cash flow hedged reserves	Other comprehensive income: Other	Other reserves and retained earnings	Treasury stock	Non-controlling interests
Balance on 1 January, 2012	4,374,370	6,065,000	171,175	9,853	71,722	506,107	(389,460)	(1,828,257)	(767,963)	(11,422)	547,615
Capital reduction (note 42)	-	(3,065,000)	-	-	-	123,893	-	-	2,941,107	-	-
Actuarial losses for the period	(137,059)	-	-	-	-	-	-	(137,059)	-	-	-
Net 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)	55,626	-	-	-	-	-	-	-	-	-	55,626
Impact of the sale of 2.637% of Banco Millennium Angola	-	-	-	-	-	-	-	-	(782)	-	782
Capital increase of Banco Millennium Angola	7,971	-	-	-	-	-	-	-	-	-	7,971
Capital reduction of M Inovação - Fundo de Capital de Risco BCP Capital	(1,179)	-	-	-	-	-	-	-	-	-	(1,179)
Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.	(10,773)	-	-	-	-	-	-	-	-	-	(10,773)
Treasury stock	(2,543)	-	-	-	-	-	-	-	-	(2,543)	-
Exchange differences arising on consolidation	59,195	-	-	-	-	-	-	37,367	-	-	21,828
Fair value reserves (note 44)	285,743	-	-	-	-	-	302,225	-	-	-	(16,482)
Other reserves arising on consolidation (note 44)	(2,717)	-	-	-	-	-	-	-	(2,664)	-	(53)
Balance on 30 September, 2012	3,832,328	3,000,000	171,175	9,853	71,722	630,000	(87,235)	(1,927,949)	1,373,392	(13,965)	605,335
Share capital increase through the issue of 12,500,000 new shares (note 42)	500,000	500,000	-	-	-	-	-	-	-	-	-
Costs related to the share capital increase	(16,793)	-	-	-	-	-	-	-	(16,793)	-	-
Tax related to costs arising from the share capital increase	4,198	-	-	-	-	-	-	-	4,198	-	-
Actuarial losses for the period	3,326	-	-	-	-	-	-	3,326	-	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(422,747)	-	-	-	-	-	-	-	(422,747)	-	-
Net (loss) / income for the period attributable to non-controlling interests (note 46)	26,218	-	-	-	-	-	-	-	-	-	26,218
Treasury stock	(247)	-	-	-	-	-	-	-	-	(247)	-
Gains and losses on sale of treasury stock	(489)	-	-	-	-	-	-	-	(489)	-	-
Tax related on gains and losses on sale of treasury stock	122	-	-	-	-	-	-	-	122	-	-
Exchange differences arising on consolidation	(17,305)	-	-	-	-	-	-	(12,284)	-	-	(5,021)
Fair value reserves (note 44)	91,428	-	-	-	-	-	89,903	-	-	-	1,525
Other reserves arising on consolidation (note 44)	149	-	-	-	-	-	-	-	192	-	(43)
Balance on 31 December, 2012	4,000,188	3,500,000	171,175	9,853	71,722	630,000	2,668	(1,936,907)	937,875	(14,212)	628,014
Transfers to reserves (note 44):											
Share premium	-	-	-	-	(71,722)	-	-	-	71,722	-	-
Legal reserve	-	-	-	-	-	(406,730)	-	-	406,730	-	-
Costs related to the share capital increase	1,574	-	-	-	-	-	-	-	1,574	-	-
Tax related to costs arising from the share capital increase	(394)	-	-	-	-	-	-	-	(394)	-	-
Actuarial losses for the period	(45,613)	-	-	-	-	-	-	-	(45,613)	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(597,326)	-	-	-	-	-	-	-	(597,326)	-	-
Net (loss) / income for the period attributable to non-controlling interests (note 46)	67,340	-	-	-	-	-	-	-	-	-	67,340
Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.	(8,979)	-	-	-	-	-	-	-	-	-	(8,979)
Treasury stock	(765)	-	-	-	-	-	-	-	-	(765)	-
Exchange differences arising on consolidation	(48,799)	-	-	-	-	-	-	(24,783)	-	-	(24,016)
Fair value reserves (note 44)	9,464	-	-	-	-	-	10,628	-	-	-	(1,164)
Other reserves arising on consolidation (note 44)	(487)	-	-	-	-	-	-	-	(369)	-	(118)
Balance on 30 September, 2013	3,376,203	3,500,000	171,175	9,853	-	223,270	13,296	(1,961,690)	774,199	(14,977)	661,077

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Statement of Comprehensive income
for the nine month period ended 30 September, 2013 and 2012

	30 September 2013	30 September 2012
	(Thousands of Euros)	
Items that may be reclassified to the income statement		
Fair value reserves	(18,227)	362,049
Taxes	27,691	(76,306)
	9,464	285,743
Exchange differences arising on consolidation	(48,799)	59,195
	(39,335)	344,938
Items that will not be reclassified to the income statement		
Actuarial losses for the period		
Gross value	(46,865)	(156,744)
Taxes	1,252	19,685
	(45,613)	(137,059)
Comprehensive income recognised directly in Equity after taxes	(84,948)	207,879
Net loss for the period	(529,986)	(740,680)
Total Comprehensive income for the period	(614,934)	(532,801)
Attributable to:		
Shareholders of the Bank	(657,094)	(593,773)
Non-controlling interests		
Fair value reserves	(1,359)	(19,986)
Taxes	195	3,504
	(1,164)	(16,482)
Exchange differences arising on consolidation	(24,016)	21,828
Net income for the period	67,340	55,626
	42,160	60,972
Total Comprehensive income for the period	(614,934)	(532,801)

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Statement of Comprehensive income
for the three month period between 1 July and 30 September, 2013 and 2012

	Third quarter 2013	Third quarter 2012
	(Thousands of Euros)	
Items that may be reclassified to the income statement		
Fair value reserves	43,777	131,266
Taxes	8,582	(27,817)
	52,359	103,449
Exchange differences arising on consolidation	(2,267)	16,762
	50,092	120,211
Items that will not be reclassified to the income statement		
Actuarial losses for the period		
Gross value	-	(1,836)
Taxes	(5,743)	7,804
	(5,743)	5,968
Comprehensive income recognised directly in Equity after taxes	44,349	126,179
Net (loss) / income for the period	(85,754)	(235,891)
Total Comprehensive income for the period	(41,405)	(109,712)
Attributable to:		
Shareholders of the Bank	(71,086)	(123,231)
Non-controlling interests		
Fair value reserves	6,001	(10,273)
Taxes	(1,279)	2,001
	4,722	(8,272)
Exchange differences arising on consolidation	1,606	5,655
Net income for the period	23,353	16,136
	29,681	13,519
Total Comprehensive income for the period	(41,405)	(109,712)

See accompanying notes to the interim consolidated financial statements

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 month period ended 30 September, 2013 and 2012.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002, 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 4 November 2013 by the Bank's Executive Committee. The financial statements are presented in thousands of euros, rounded to the nearest thousand.

All the references in this document related to any normative always report to current version.

The consolidated financial statements for the nine months ended 30 September, 2013 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 2013 with comparative figures for the third quarter of last year. The financial statements for the nine month period ended 30 September 2013 do not include all the information to be published in the annual financial statements. As referred in note 48, during the first semester of 2013, the Group sold 100% of the investment in Millennium Bank, Societé Anonyme (Greece), and therefore the referred investment ceased to be consolidated in the financial statements of the Group. This fact should be considered for comparative analyses.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January, 2013.

The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period, except for the adoption and amendments to the following standards:

- IFRS 13 Fair value measurement

IFRS 13 provides a guidance about fair value measurement and replacing guidance that was scattered in several standards. The standard defines fair value as the price for which an orderly transaction to sell an asset or to transfer a liability would be realized between market participants at the measurement date. The standard has been applied prospectively by the Group, without significant impacts in the measurement of its assets and liabilities.

- IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income

The amendments to IAS 1 only had impact on the presentation of the Consolidated Statement of Comprehensive Income, which presents now the separation of the items that may be reclassified to the income statement and the items that will not be reclassified to the income statement.

The Group's financial statements are prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and 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 and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or for which assumptions and estimates are considered to be significant, are presented in note 1 ad).

b) Basis of consolidation

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

Investments in subsidiaries

The 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 exceeded 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 from 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 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 the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred in a legal obligation to assume those losses on behalf of an associate.

Goodwill

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

Business combinations that occurred after 1 January 2004 are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed 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.

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

Until 31 December 2009, the contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes 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, or in equity, when applicable.

Purchases and dilution of non-controlling interests

Until 31 December, 2009, when an investment in a subsidiary was disposed of, without a loss in control, the difference between the sale price and the book value of the equity allocated to the proportion of capital to be sold 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 investment in a subsidiary decreased without any sale of interest in that subsidiary, for example, when the Group did not participate proportionally in a 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 acquisition value and the fair value of the non-controlling interests acquired was accounted against goodwill. The acquisitions of non-controlling interests through written put options related to 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. Any 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 against goodwill and the effect of the financial discount of the liability (unwinding) was recognised in the 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 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 Group in the income statement.

Similarly, 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 acquisition value, is accounted against reserves.

Special Purpose Entities ('SPEs')

The Group fully consolidates SPEs resulting from securitization operations of assets from Group entities (as referred in note 22) and from operations regarding the sale of 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. Besides these SPEs resulting from securitization and sale of loans operations, 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 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 it 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).

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 under the full consolidation, proportional 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 - exchange differences. The exchange differences from hedging instruments related to 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.

Transactions eliminated on consolidation

The balances and transactions between Group's companies, or any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's investment in 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 costumers.

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

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, being presented in the balance sheet net of impairment losses.

Impairment

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

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

According to IAS 39, there are two 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 costumer's rating;
- The assets available on liquidation or insolvency situations;
- The ranking of all creditors claims;
- The amount and timing of expected receipts and recoveries.

Impairment losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, with its current carrying value, being the amount of any loss charged in the income statement. The carrying amount of impaired loans is 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.

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
- losses which have been incurred but have not yet been reported (IBNR) on loans for which no objective evidence of impairment is identified (see last paragraph (i)).

The collective impairment loss is determined considering the following factors:

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

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

Loans for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allows the Group's recognition of losses whose identification in terms individual only occur in future periods.

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 net interest income.

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

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 to 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 to 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.

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. On disposal 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, for which 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 disposal 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

At each balance sheet date, an assessment of the existence of objective evidence of impairment, is made. A financial asset or group of financial assets are impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quoted price, and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reasonably. According to the Group's policies, a 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Recovery of impairment losses on equity instruments classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (if there are no reversal in the income statement).

(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.

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 is 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

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.

The Group adopted this possibility for a group of financial assets.

Transfers of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables - Loans represented by securities and to Financial assets held-to-maturity are allowed, in determined and specific circumstances.

Transfers from and to 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) cannot change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability. Financial liabilities are measured at amortised cost through the effective interest rate method. The interests are recognised in Net interest income.

j) *Securities borrowing and repurchase agreement transactions*

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

k) *Non-current assets held for sale and discontinued 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 and when 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, which are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term, are consolidated until the 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 selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

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

At the lessee's perspective, finance lease transactions are recorded as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

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 in net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related 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 based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

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

- 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, 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:

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

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 period 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.

The Group performs impairment tests 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:

	Number of years
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 loans and advances to credit institutions.

Cash and cash equivalents exclude restricted balances with Central Banks.

u) Offsetting

Financial assets and liabilities are offset and the net amount is recorded 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).

Until 2011, along with the benefits provided in two planes above, the Group had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September, 2006 (Complementary Plan). The Group at the end of 2012 decided to extinguish ("cut") the benefit of old age Complementary Plan. As at 14 December 2012, the ISP (Portuguese Insurance Institute) formally approved this change benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Group also proceed to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System ('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, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related with pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the '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.

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

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 Pension Plan's assets.

The income / cost of interests with the pension plan is calculated, by the Group, multiplying the net asset / liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income / cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the remeasurement, namely (i) gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under other comprehensive income.

The Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements corresponds to the increase in liabilities due to the employee's retirement before reaching the age of 65.

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

The contributions to the funds are made annually by each Group company according to a certain plan contributions to ensure the solvency of the fund. The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

Defined contribution plan

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

As at 30 September 2013, the Group has two defined contribution plans. One plan that covers employees who were hired before July 1, 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) exist distributable profits or reserves in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after July 1, 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees.

Share based compensation plan

As at 30 September 2013 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.

This variable remuneration is charged to income statement in the year to which it relates.

x) Income taxes

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

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

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

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

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

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

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

y) Segmental reporting

The Group adopted the IFRS 8 - Operating Segments for the purpose of disclosure financial information by operating segments. A business segment is a group of assets and operations that are subject to risks and returns different from other business segments. The results of the operating segments are periodically reviewed by the management with the aim of taking decisions. The Group prepares regular financial information concerning these segments, which is reported to Management. A geographical segment is a group of assets and operations located within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Group controls its activity through the following major operating segments:

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

Foreign activity
- Poland;
- Angola:
- Mozambique.

Following the completion of the sale of the entire share capital of Millennium bank in Greece, on 19 June 2013, as duly announced on general conditions and in accordance with IFRS 5, the Millennium bank in Greece was classified as a discontinued operation, with the impact on results presented on a separate line named as income arising from discontinued operations. The income statement with reference to 30 September, 2012 was restated for comparative purposes. In terms of the consolidated balance sheet, the assets and liabilities of Millennium bank in Greece are no longer disclosed for the subsequent periods starting on 30 June 2013.

Others

The aggregate Others includes the activity not allocated to the segments mentioned above, namely the developed by subsidiaries in Romania, Switzerland *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 the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

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

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

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.

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) Insurance or reinsurance mediation services

The Banco Comercial Português and Banco ActivoBank are entities authorized by the Insurance Institute of Portugal to practice the activity of insurance mediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree-Law n. º 144/2006, of July 31, developing the activity of insurance intermediation in life and non-life.

Within the insurance mediation services, the banks perform the sale of insurance contracts. As compensation for services rendered for insurance mediation, the Banks receive commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements / protocols established between the Banks and the Insurance Companies.

Commissions received by insurance mediation are recognised in accordance with the principle of accrual, so the commissions which payment occurs at different time period to which it relates, are subject to registration as an amount receivable under Other Assets.

ad) 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. According to the Group's policies, a 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

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

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

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 (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their 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 23, the following SPEs resulting from securitization transactions were included in the consolidation perimeter: NovaFinance n.4, Magellan n.2 and 3, 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 n.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, which 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

The goodwill recoverable amount recognised as a Group's asset, 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.

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 2013 Euros '000	Sep 2012 Euros '000
Net interest income	625,903	758,474
Net gains/(losses) from trading and hedging assets	113,916	346,505
Net gains/(losses) from financial assets available for sale	40,924	(5,869)
Net gains/(losses) from financial assets held to maturity	(278)	(22)
	780,465	1,099,088

3. Net interest income

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Interest and similar income		
Interest on loans and advances	1,666,073	2,050,693
Interest on trading securities	15,994	23,122
Interest on available for sale financial assets	243,635	242,850
Interest on held to maturity financial assets	91,201	95,862
Interest on hedging derivatives	102,991	152,031
Interest on derivatives associated to financial instruments through profit and loss account	2,982	4,404
Interest on deposits and other investments	46,864	72,523
	2,169,740	2,641,485
Interest expense and similar charges		
Interest on deposits and inter-bank funding	908,065	1,288,247
Interest on securities sold under repurchase agreement	11,410	10,499
Interest on securities issued	594,814	555,977
Interest on hedging derivatives	15,193	11,897
Interest on derivatives associated to financial instruments through profit and loss account	4,935	1,073
Interest on other financial liabilities valued at fair value through profit and loss account	9,420	15,318
	1,543,837	1,883,011
	625,903	758,474

The balance Interest on securities issued includes as at 30 September 2013, the amount of Euros 201,104,000 related to interest of the hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State.

The balance Interest on loans and advances includes the amount of Euros 52,541,000 (30 September 2012: Euros 50,360,000) related to commissions and other gains which are accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

4. Dividends from equity instruments

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Dividends from financial assets available for sale	1,655	3,812
Other	1	2
	1,656	3,814

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 2013 Euros '000	Sep 2012 Euros '000
Fees and commissions received		
From guarantees	72,896	79,571
From credit and commitments	777	170
From banking services	381,158	388,072
From insurance activity	1,017	999
From other services	190,392	171,339
	646,240	640,151
Fees and commissions paid		
From guarantees	52,938	56,423
From banking services	71,119	63,114
From insurance activity	1,074	1,057
From other services	17,526	21,108
	142,657	141,702
	503,583	498,449

As at 30 September 2013, the caption Fees and commissions expenses - from guarantees includes the amount of Euros 47,774,000 (30 September 2013: 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.

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

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Gains arising on trading and hedging activities		
Foreign exchange activity	911,984	1,258,859
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	18,296	60,208
Variable income	721	9,899
Certificates and structured securities issued	31,988	7,639
Derivatives associated to financial instruments through profit and loss account	24,095	33,835
Other financial instruments derivatives	1,210,206	1,516,423
Other financial instruments through profit and loss account	8,064	8,198
Repurchase of own issues	5,306	356,293
Hedging accounting		
Hedging derivatives	64,455	115,639
Hedged item	31,578	10,945
Other activity	25,622	8,490
	2,332,315	3,386,428
Losses arising on trading and hedging activities		
Foreign exchange activity	827,658	1,198,725
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	20,665	5,423
Variable income	2,511	10,122
Certificates and structured securities issued	47,791	17,307
Derivatives associated to financial instruments through profit and loss account	19,941	10,233
Other financial instruments derivatives	1,095,586	1,442,712
Other financial instruments through profit and loss account	9,443	95,602
Repurchase of own issues	5,303	56,894
Hedging accounting		
Hedging derivatives	97,736	59,605
Hedged item	5,153	105,685
Other activity	86,612	37,615
	2,218,399	3,039,923
	113,916	346,505

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

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Gains arising from financial assets available for sale		
Fixed income	62,697	8,196
Variable income	257	770
Losses arising from financial assets available for sale		
Fixed income	(7,018)	(14,422)
Variable income	(15,012)	(413)
	40,924	(5,869)

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

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Losses arising from financial assets held to maturity	(278)	(22)
	(278)	(22)

9. Other operating income

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Operating income		
Income from services	22,745	26,725
Cheques and others	11,003	11,576
Other operating income	3,846	9,227
	37,594	47,528
Operating costs		
Indirect taxes	16,884	24,267
Donations and quotizations	3,226	3,576
Specific contribution for the banking sector	25,419	25,402
Specific contribution for the resolution fund	8,671	-
Other operating expenses	27,477	30,129
	81,677	83,374
	(44,083)	(35,846)

10. Staff costs

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Salaries and remunerations	395,136	431,722
Mandatory social security charges	81,054	42,722
Voluntary social security charges	26,813	33,945
Other staff costs	12,031	6,003
	515,034	514,392

11. Other administrative costs

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Water, electricity and fuel	15,386	17,265
Consumables	4,269	5,079
Rents	97,972	101,898
Communications	22,629	29,272
Travel, hotel and representation costs	6,932	8,247
Advertising	19,255	23,078
Maintenance and related services	24,459	28,251
Credit cards and mortgage	3,523	7,519
Advisory services	11,299	10,057
Information technology services	14,774	17,026
Outsourcing	57,836	60,683
Other specialised services	22,304	25,049
Training costs	999	1,626
Insurance	4,099	5,443
Legal expenses	5,502	5,808
Transportation	8,049	7,828
Other supplies and services	27,080	30,115
	346,367	384,244

12. Depreciation

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Intangible assets:		
Software	11,823	10,112
Other intangible assets	120	351
	11,943	10,463
Property, plant and equipment:		
Land and buildings	18,153	22,778
Equipment		
Furniture	1,901	2,447
Office equipment	1,871	1,988
Computer equipment	8,422	10,324
Interior installations	1,969	2,875
Motor vehicles	2,522	2,246
Security equipment	1,734	1,820
Other equipment	1,886	1,818
Other tangible assets	1	1
	38,459	46,297
	50,402	56,760

13. Loans impairment

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Loans and advances to credit institutions:		
For overdue loans and credit risks		
Impairment for the period	18	-
Write-back for the period	-	(5)
	18	(5)
Loans and advances to customers:		
For overdue loans and credit risks		
Charge for the period	1,376,522	1,466,811
Write-back for the period	(744,395)	(762,717)
Recovery of loans and interest charged-off	(9,467)	(10,970)
	622,660	693,124
	622,678	693,119

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 described in note 1 c).

14. Other financial assets impairment

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Impairment for financial assets available for sale		
Charge for the period	97,361	29,588
Write-back for the period	-	(65)
	97,361	29,523
Impairment for financial assets held to maturity		
Charge for the period	-	119
	-	119
	97,361	29,642

15. Other provisions

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Provision for guarantees and other commitments		
Charge for the period	67,640	33,427
Write-back for the period	(11,095)	(10,836)
	56,545	22,591
Other provisions for liabilities and charges		
Charge for the period	106,311	11,182
Write-back for the period	(1,193)	(1,361)
	105,118	9,821
	161,663	32,412

16. Share of profit of associates under the equity method

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

	Sep 2013 Euros '000	Sep 2012 Euros '000
Millenniumbcp Ageas Group	38,429	44,101
Other companies	8,011	(1,180)
	46,440	42,921

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

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Partial disposal of the investment held in Banque BCP (Luxembourg), S.A.	859	-
Other assets	(22,431)	(15,986)
	(21,572)	(15,986)

The caption Partial disposal of the investment held in Banque BCP (Luxembourg) S.A. corresponds to the gain generated on the sale of 10% of the investment held in the associated company, which occurred in June 2013. The Group now holds 9.9% of the share capital of the company.

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 arising from discontinued operations

The amount of this account is comprised of:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Net income of the Millennium Bank (Greece)	(63,097)	(104,387)
Impairment of the loans portfolio	-	(427,205)
Gain arising from the sale of the investment	32,125	-
Others	(10,422)	(14,488)
	(41,394)	(546,080)

19. Earnings per share

The earnings per share are calculated as follows:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Adjusted net income / (loss) from continuing operations	(555,932)	(250,226)
Income / (loss) arising from discontinued operations	(41,394)	(546,080)
Adjusted net income / (loss)	(597,326)	(796,306)
Average number of shares	19,707,167,060	9,895,365,032
Basic earnings per share (Euros):		
from continuing operations	(0.04)	(0.03)
from discontinued operations	-	(0.07)
	(0.04)	(0.10)
Diluted earnings per share (Euros)		
from continuing operations	(0.04)	(0.03)
from discontinued operations	-	(0.07)
	(0.04)	(0.10)

Under the Bank’s Capitalisation Plan, the share capital increase was successfully completed, following the issue of ordinary shares in the amount of Euros 500,000,000, through subscription reserved for shareholders exercising their legal preference right, of 12,500,000,000 new shares. The share capital of the Bank, as at 30 September 2013, amounts to Euros 3,500,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, which is fully paid. The average number of shares on 30 September 2012 was adjusted, reflecting the effect of the share capital increase conclued in September 2012.

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 changing 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 available that may be qualified, under the regulatory provisions, as distributable.

20. Cash and deposits at Central Banks

This balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Cash	615,784	732,616
Central Banks	1,429,117	2,847,930
	2,044,901	3,580,546

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 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

21. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Credit institutions in Portugal	3,770	3,298
Credit institutions abroad	754,925	581,165
Amounts due for collection	244,860	245,221
	1,003,555	829,684

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 2013 Euros '000	Dec 2012 Euros '000
Central Banks	120,542	242,238
Inter-bank Money Market	200,003	150,004
Credit institutions in Portugal	39,068	52,029
Credit institutions abroad	1,196,090	1,443,681
	1,555,703	1,887,952
Overdue loans - Over 90 days	-	1,795
	1,555,703	1,889,747
Impairment for other loans and advances to credit institutions	(234)	(2,358)
	1,555,469	1,887,389

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

	Sep 2013 Euros '000	Sep 2012 Euros '000
Balance on 1 January	2,358	2,416
Transfers	(310)	(129)
Impairment for the period	18	-
Loans charged-off	(1,811)	-
Exchange rate differences	(21)	-
Balance on 30 September	234	2,282

23. Loans and advances to customers

This balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Public sector	994,850	775,391
Asset-backed loans	35,693,118	40,770,529
Personal guaranteed loans	9,957,468	9,472,942
Unsecured loans	2,628,828	3,321,467
Foreign loans	2,672,185	3,402,736
Factoring	847,007	1,053,784
Finance leases	3,391,829	3,702,467
	56,185,285	62,499,316
Overdue loans - less than 90 days	128,635	187,056
Overdue loans - Over 90 days	4,273,603	4,174,588
	60,587,523	66,860,960
Impairment for credit risk	(3,480,804)	(4,242,725)
	57,106,719	62,618,235

As at 30 September 2013, the balance Loans and advances to customers includes the amount of Euros 13,179,280,000 (31 December 2012: Euros 12,920,510,000) regarding mortgage loans which are allocated as a collateral for seven asset-back securities, issued by the Group.

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 2013 Euros '000	Dec 2012 Euros '000
Loans not represented by securities		
Discounted bills	348,468	350,573
Current account credits	2,748,402	3,228,798
Overdrafts	1,750,458	1,619,125
Loans	17,025,366	18,531,143
Mortgage loans	27,621,000	30,730,140
Factoring	847,007	1,053,784
Finance leases	3,391,829	3,702,467
	53,732,530	59,216,030
Loans represented by securities		
Commercial paper	1,993,480	1,813,334
Bonds	459,275	1,469,952
	2,452,755	3,283,286
	56,185,285	62,499,316
Overdue loans - less than 90 days	128,635	187,056
Overdue loans - Over 90 days	4,273,603	4,174,588
	60,587,523	66,860,960
Impairment for credit risk	(3,480,804)	(4,242,725)
	57,106,719	62,618,235

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

	Sep 2013 Euros '000	Dec 2012 Euros '000
Agriculture	408,174	502,924
Mining	125,260	153,658
Food, beverage and tobacco	492,161	579,558
Textiles	455,472	448,794
Wood and cork	208,850	229,348
Printing and publishing	223,880	315,798
Chemicals	581,804	633,198
Engineering	999,284	1,005,529
Electricity, water and gas	1,261,876	1,183,313
Construction	4,842,644	5,283,486
Retail business	1,184,414	1,281,158
Wholesale business	2,165,908	2,209,240
Restaurants and hotels	1,303,524	1,379,669
Transports and communications	2,306,765	2,595,673
Services	12,256,609	13,234,685
Consumer credit	3,546,115	4,248,312
Mortgage credit	26,734,552	29,508,762
Other domestic activities	28,688	33,273
Other international activities	1,461,543	2,034,582
	60,587,523	66,860,960
Impairment for credit risk	(3,480,804)	(4,242,725)
	57,106,719	62,618,235

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 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 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 2013 Euros '000	Dec 2012 Euros '000
Mortgage loans	712,876	2,226,012
Consumer loans	134,405	231,944
Leases	556,020	709,032
Corporate loans	2,269,509	3,128,165
	3,672,810	6,295,153

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

	Sep 2013 Euros '000	Dec 2012 Euros '000
Gross amount	3,934,578	4,346,984
Interest not yet due	(542,749)	(644,517)
Net book value	3,391,829	3,702,467

The loans to customers portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may result in a reinforce of guarantees and / or liquidation of part of the credit and involve an extension of maturities or an interest rate change. The analysis of restructured loans by sector of activity is as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Agriculture	2,750	24,341
Mining	76	205
Food, beverage and tobacco	2,937	3,165
Textiles	715	3,422
Wood and cork	10,582	20,718
Printing and publishing	883	2,245
Chemicals	967	6,105
Engineering	32,537	15,994
Electricity, water and gas	1,390	3,330
Construction	17,431	47,135
Retail business	3,727	20,713
Wholesale business	27,020	62,959
Restaurants and hotels	1,812	6,026
Transports and communications	14,678	11,445
Services	185,402	303,242
Consumer credit	134,829	208,357
Mortgage credit	48,138	382,617
Other domestic activities	87	198
Other international activities	928	2,543
	486,889	1,124,760

The reestruturated loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

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

	Sep 2013 Euros '000	Dec 2012 Euros '000
Agriculture	24,974	29,951
Mining	10,995	10,744
Food, beverage and tobacco	39,249	48,165
Textiles	49,289	48,427
Wood and cork	36,121	43,676
Printing and publishing	26,050	19,051
Chemicals	18,596	20,257
Engineering	122,162	100,112
Electricity, water and gas	12,228	2,634
Construction	1,332,581	1,258,792
Retail business	153,547	150,756
Wholesale business	302,251	332,611
Restaurants and hotels	193,027	168,971
Transports and communications	77,387	90,961
Services	1,082,147	871,583
Consumer credit	637,132	824,155
Mortgage credit	245,081	290,763
Other domestic activities	28,667	35,473
Other international activities	10,754	14,562
	4,402,238	4,361,644

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

	Sep 2013 Euros '000	Sep 2012 Euros '000
Impairment for overdue loans and for other credit risks:		
Balance on 1 January	4,242,725	3,487,542
Transfers resulting from changes in the Group's structure	(895,096)	543,519
Other transfers	(31,846)	(6,387)
Impairment for the period	1,376,522	1,466,811
Write-back for the period	(744,395)	(762,717)
Loans charged-off	(451,824)	(635,722)
Exchange rate differences	(15,282)	15,592
Balance on 30 September	3,480,804	4,108,638

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

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

	Sep 2013 Euros '000	Dec 2012 Euros '000
Agriculture	50,294	57,199
Mining	7,481	10,958
Food, beverage and tobacco	23,646	40,164
Textiles	21,587	25,423
Wood and cork	31,471	35,658
Printing and publishing	46,155	39,784
Chemicals	14,796	34,883
Engineering	61,615	86,963
Electricity, water and gas	5,666	34,542
Construction	717,906	751,142
Retail business	81,924	118,597
Wholesale business	185,248	262,646
Restaurants and hotels	112,078	125,659
Transports and communications	61,569	271,998
Services	1,224,459	1,225,651
Consumer credit	428,444	639,968
Mortgage credit	287,810	295,724
Other domestic activities	14,338	16,753
Other international activities	104,317	169,013
	3,480,804	4,242,725

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

	Sep 2013 Euros '000	Sep 2012 Euros '000
Agriculture	420	34,546
Mining	254	2,822
Food, beverage and tobacco	1,597	48,690
Textiles	5,403	11,829
Wood and cork	12,241	2,918
Printing and publishing	540	776
Chemicals	19,345	1,398
Engineering	36,836	12,967
Electricity, water and gas	63	1,250
Construction	53,584	40,617
Retail business	4,481	17,221
Wholesale business	28,321	67,452
Restaurants and hotels	5,510	2,131
Transports and communications	7,746	2,602
Services	157,353	103,014
Consumer credit	56,558	105,799
Mortgage credit	720	6,317
Other domestic activities	784	1,739
Other international activities	60,068	171,634
	451,824	635,722

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 2013 and 2012, by sector of activity, is as follows:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Agriculture	5	161
Mining	-	145
Food, beverage and tobacco	69	63
Textiles	135	446
Wood and cork	186	310
Printing and publishing	393	125
Chemicals	120	47
Engineering	57	332
Electricity, water and gas	-	10
Construction	2,603	528
Retail business	152	598
Wholesale business	915	4,080
Restaurants and hotels	169	25
Transports and communications	56	112
Services	235	858
Consumer credit	3,408	2,709
Mortgage credit	735	18
Other domestic activities	217	161
Other international activities	12	242
	9,467	10,970

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 2013 Euros '000	Dec 2012 Euros '000
Bonds and other fixed income securities		
Issued by public entities	7,702,325	6,013,872
Issued by other entities	1,767,036	2,590,110
	9,469,361	8,603,982
Overdue securities	4,926	4,929
Impairment for overdue securities	(4,925)	(4,925)
	9,469,362	8,603,986
Shares and other variable income securities	1,451,336	962,186
	10,920,698	9,566,172
Trading derivatives	1,092,245	1,348,165
	12,012,943	10,914,337

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

	Sep 2013			Dec 2012		
	Securities			Securities		
	Trading Euros '000	Available for sale Euros '000	Total Euros '000	Trading Euros '000	Available for sale Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	161,567	1,848,084	2,009,651	162,878	1,468,522	1,631,400
Foreign issuers	186,857	1,471,890	1,658,747	48,188	966,782	1,014,970
Bonds issued by other entities						
Portuguese issuers	1,084	394,741	395,825	12,621	465,585	478,206
Foreign issuers	81,662	643,705	725,367	84,541	580,030	664,571
Treasury bills and other						
Government bonds	-	4,033,927	4,033,927	24,259	3,343,243	3,367,502
Commercial paper	-	650,770	650,770	-	1,452,262	1,452,262
	431,170	9,043,117	9,474,287	332,487	8,276,424	8,608,911
Impairment for overdue securities	-	(4,925)	(4,925)	-	(4,925)	(4,925)
	431,170	9,038,192	9,469,362	332,487	8,271,499	8,603,986
Variable income:						
Shares in Portuguese companies	262	63,843	64,105	335	69,138	69,473
Shares in foreign companies	463	276,479	276,942	7,302	23,905	31,207
Investment fund units	1,399	1,107,186	1,108,585	1,613	858,869	860,482
Other securities	1,704	-	1,704	1,024	-	1,024
	3,828	1,447,508	1,451,336	10,274	951,912	962,186
Trading derivatives	1,092,245	-	1,092,245	1,348,165	-	1,348,165
	1,527,243	10,485,700	12,012,943	1,690,926	9,223,411	10,914,337

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. As at 31 December 2012, the negative amount of fair value reserves of Euros 45,582,000 (31 December 2012: Euros 68,877,000) is presented net of impairment losses in the amount of Euros 155,605,000 (31 December 2012: Euros 130,945,000).

The analysis of financial assets held for trading and available for sale by maturity as at 30 September 2013 is as follows:

	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Total Euros '000
Food, beverage and tobacco	-	-	-	1	1
Wood and cork	-	501	-	361	862
Printing and publishing	12,392	33	-	998	13,423
Chemicals	-	2	-	-	2
Engineering	-	5	-	-	5
Electricity, water and gas	-	6	-	-	6
Construction	-	1,656	-	2,560	4,216
Retail business	-	427	-	-	427
Wholesale business	-	898	-	475	1,373
Restaurants and hotels	-	74	-	-	74
Transport and communications	153,091	7,515	-	529	161,135
Services	1,601,178	329,929	1,108,583	2	3,039,692
Other domestic activities	375	-	-	-	375
Other international activities	-	1	1,706	-	1,707
	1,767,036	341,047	1,110,289	4,926	3,223,298
Government and Public securities	3,668,398	-	4,033,927	-	7,702,325
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	5,435,434	341,047	5,144,216	1	10,920,698

The analysis of financial assets held for trading and available for sale by maturity as at 31 December 2012 is as follows:

	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Total Euros '000
Food, beverage and tobacco	-	-	-	4	4
Wood and cork	-	501	-	361	862
Printing and publishing	-	33	-	998	1,031
Chemicals	-	2	-	-	2
Engineering	-	6	-	-	6
Electricity, water and gas	150,567	-	-	-	150,567
Construction	-	1,804	-	2,560	4,364
Wholesale business	-	898	-	475	1,373
Restaurants and hotels	-	74	-	-	74
Transport and communications	42,746	7,020	-	529	50,295
Services	2,396,011	90,262	856,354	2	3,342,629
Other domestic activities	786	16	5,152	-	5,954
Other international activities	-	64	-	-	64
	2,590,110	100,680	861,506	4,929	3,557,225
Government and Public securities	2,646,370	-	3,367,502	-	6,013,872
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	5,236,480	100,680	4,229,008	4	9,566,172

25. Hedging derivatives

This balance is analysed as follows:

	Sep 2013		Dec 2012	
	Assets Euros '000	Liabilities Euros '000	Assets Euros '000	Liabilities Euros '000
Hedging instruments				
Swaps	136,935	274,593	186,032	301,315
	136,935	274,593	186,032	301,315

26. Financial assets held to maturity

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

	Sep 2013 Euros '000	Dec 2012 Euros '000
Bonds and other fixed income securities		
Issued by Government and public entities	2,136,487	2,093,921
Issued by other entities	1,029,162	1,475,045
	3,165,649	3,568,966

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

	Sep 2013 Euros '000	Dec 2012 Euros '000
Transport and communications	173,716	170,845
Services	855,446	1,304,200
	1,029,162	1,475,045
Government and Public securities	2,136,487	2,093,921
	3,165,649	3,568,966

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 were the Group operates, which include fixed income securities.

27. Investments in associated companies

This balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Portuguese credit institutions	27,365	25,408
Foreign credit institutions	26,386	26,364
Other Portuguese companies	482,274	455,444
Other foreign companies	9,047	9,764
	545,072	516,980

The balance Investments in associated companies is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Banque BCP, S.A.S.	24,116	21,734
Banque BCP (Luxembourg), S.A.	2,270	4,630
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	465,707	439,595
SIBS, S.G.P.S, S.A.	14,995	14,612
Unicre - Instituição Financeira de Crédito, S.A.	27,365	25,408
Other	10,619	11,001
	545,072	516,980

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's companies included in the consolidation perimeter are presented in note 50.

28. Non current assets held for sale

This balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Subsidiaries acquired exclusively with the purpose of short-term sale	48,930	49,119
Investments, properties and other assets arising from recovered loans	1,525,147	1,554,470
Other properties	22,652	-
	1,596,729	1,603,589
Impairment	(331,169)	(319,463)
	1,265,560	1,284,126

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

The balance Investments, properties and other assets arising from recovered loans includes assets resulting from (i) foreclosure, with an option to repurchase or leaseback, which are accounted following the establishment of the contract or the promise of contract and the respective irrevocable power of attorney issued by the client on behalf of the Bank, or (ii) judicial foreclosure as a result of the judicial process of execution of collaterals, accounted for with the title of adjudication or following the adjudication request after the record of the first pledge.

These assets are available for sale in a period less than one year and the Bank 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 strategy of alienation results in an active search of buyers, with the Bank having a website that advertises these properties, contracts with intermediaries for sales promotion and sales initiatives in real estate auctions. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The referred balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euros 93,973,000 (31 December 2012: Euros 103,063,000).

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.

29. Investment property

The balance Investment property includes the amount of Euros 695,719,000 (31 December 2012: Euros 544,142,000) 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", "Fundo Especial de Investimento Imobiliário Fechado Intercapital", "Funsita - Fundo Especial de Investimento Imobiliário Fechado", "Imoport - Fundo de Investimento Imobiliário Fechado" and "Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado", which are consolidated under the full consolidation method as referred in the accounting policy presented in note 1 b).

The buildings are evaluated in accordance with the accounting policy presented in note 1 r), based on independent assessments and compliance with legal requirements.

30. Property and equipment

This balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Land and buildings	849,749	971,143
Equipment		
Furniture	89,223	98,415
Machines	55,458	56,540
Computer equipment	294,909	316,939
Interior installations	143,110	148,097
Motor vehicles	21,779	20,584
Security equipment	84,426	84,180
Other equipment	33,005	44,886
Work in progress	98,407	115,786
Other tangible assets	446	455
	1,670,512	1,857,025
Accumulated depreciation		
Charge for the period	(38,459)	(62,292)
Accumulated charge for the previous periods	(1,102,920)	(1,168,335)
	(1,141,379)	(1,230,627)
	529,133	626,398

31. Goodwill and intangible assets

This balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Intangible assets		
Software	116,371	151,956
Other intangible assets	55,310	58,129
	171,681	210,085
Accumulated depreciation		
Charge for the period	(11,943)	(15,773)
Accumulated charge for the previous periods	(124,065)	(149,644)
	(136,008)	(165,417)
	35,673	44,668
Goodwill		
Millennium Bank, Societé Anonyme (Greece)	-	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	23,301	15,570
	235,636	522,165
Impairment		
Millennium Bank, Societé Anonyme (Greece)	-	(294,260)
Others	(21,241)	(13,519)
	(21,241)	(307,779)
	214,395	214,386
	250,068	259,054

32. Income Tax

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

	Sep 2013			Dec 2012		
	Assets Euros '000	Liabilities Euros '000	Net Euros '000	Assets Euros '000	Liabilities Euros '000	Net Euros '000
Intangible assets	58	-	58	58	-	58
Other tangible assets	6,671	3,870	2,801	5,633	3,851	1,782
Impairment losses	647,953	2,310	645,643	775,176	4,750	770,426
Benefits to employees	543,952	-	543,952	565,917	-	565,917
Financial assets available for sale	8,243	10,580	(2,337)	9,433	37,559	(28,126)
Derivatives	-	1,816	(1,816)	-	2,784	(2,784)
Allocation of profits	145,090	-	145,090	68,634	-	68,634
Tax losses carried forward	624,489	-	624,489	448,681	-	448,681
Others	31,205	101,186	(69,981)	31,687	103,732	(72,045)
Total deferred taxes	2,007,661	119,762	1,887,899	1,905,219	152,676	1,752,543
Offset between deferred tax assets and deferred tax liabilities	(115,305)	(115,305)	-	(149,808)	(149,808)	-
Net deferred taxes	1,892,356	4,457	1,887,899	1,755,411	2,868	1,752,543

The impact of income taxes in Net (loss) / income and other captions of equity of the Group, as at 30 September 2013, is analysed as follows:

	Sep 2013			
	Net (loss) / income Euros '000	Reserves and retained earnings Euros '000	Exchange differences Euros '000	Discontinued operations Euros '000
Deferred taxes				
Intangible assets	1,099	-	(80)	-
Other tangible assets	(90,137)	-	(2,758)	(31,888)
Impairment losses	(17,327)	(3,099)	(384)	(1,154)
Benefits to employees	-	25,714	(130)	206
Allocation of profits	76,456	-	-	-
Derivatives	867	-	101	-
Tax losses carried forward	222,384	3,334	1,426	(51,336)
Others	3,268	(594)	142	(753)
	196,610	25,355	(1,683)	(84,925)
Current taxes				
Actual period	(53,899)	84	-	-
Correction of previous periods estimate	(3,156)	-	-	-
	(57,055)	84	-	-
	139,555	25,439	(1,683)	(84,925)

The impact of income taxes in Net (loss) / income and other captions of equity of the Group, as at 31 December 2012, is analysed as follows:

	Dec 2012			
	Net (loss) / income Euros '000	Reserves and retained earnings Euros '000	Exchange differences Euros '000	Discontinued operations Euros '000
Deferred taxes				
Intangible assets	(1)	-	-	-
Other tangible assets	1,385	-	196	-
Impairment losses	156,291	(20,746)	3,136	8,627
Benefits to employees	(42,559)	1,515	533	401
Financial assets available for sale	-	(97,339)	484	(375)
Allocation of profits	(10,126)	-	-	-
Derivatives	821	-	(292)	-
Tax losses carried forward	139,945	21,513	4,629	29,427
Others	(33,268)	-	(5,481)	31,675
	212,488	(95,057)	3,205	69,755
Current taxes				
Actual period	(71,539)	2	-	-
Correction of previous periods estimate	(10,157)	-	-	-
	(81,696)	2	-	-
	130,792	(95,055)	3,205	69,755

The reconciliation of the effective tax rate, arising from the permanent effects referred above, is analysed as follows:

	Sep 2013		Sep 2012	
	%	Euros '000	%	Euros '000
Net loss before income taxes	0.0%	(628,147)	0.0%	(224,418)
Current tax rate	29.0%	182,163	29.0%	65,081
Foreign tax rate effect and in "Zona Franca da Madeira" (i)	1.5%	9,319	6.7%	15,042
Accruals for the calculation of taxable income (ii)	-12.6%	(79,338)	-21.4%	(47,982)
Deductions for the calculation of taxable income (ii)	10.4%	65,607	19.0%	42,633
Fiscal incentives (iii)	1.6%	9,751	2.7%	6,102
Effect of the tax losses used / recognised	-2.2%	(14,126)	-2.6%	(5,868)
Effect of deferred tax losses not recognised previously	0.7%	4,625	-3.3%	(7,323)
Tax rate effect (iv)	-6.2%	(38,864)	-18.0%	(40,491)
Previous periods corrections	0.3%	1,746	1.8%	4,137
(Autonomous tax) / tax credits	-0.2%	(1,328)	-0.7%	(1,513)
	22.3%	139,555	13.2%	29,818

33. Other assets

This balance is analysed as follows:

	Sep 2013	Dec 2012
	Euros '000	Euros '000
Debtors	165,519	301,878
Supplementary capital contributions	131,447	137,230
Amounts due for collection	15,736	20,671
Recoverable tax	52,292	122,851
Recoverable government subsidies on interest on mortgage loans	15,432	17,272
Associated companies	1,128	1,896
Interest and other amounts receivable	37,631	28,374
Prepayments and deferred costs	38,528	26,178
Amounts receivable on trading activity	56,707	209,924
Amounts due from customers	124,483	136,815
Reinsurance technical provision	5,336	3,164
Sundry assets	279,686	278,116
	923,925	1,284,369
Impairment for other assets	(169,712)	(160,046)
	754,213	1,124,323

34. Deposits from credit institutions

This balance is analysed as follows:

	Sep 2013	Dec 2012
	Euros '000	Euros '000
Central Banks	13,114,610	12,400,010
Credit institutions in Portugal	133,387	156,831
Credit institutions abroad	2,135,564	2,708,919
	15,383,561	15,265,760

35. Deposits from customers

This balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Deposits from customers:		
Repayable on demand	14,837,159	14,411,462
Term deposits	29,957,079	32,906,076
Saving accounts	1,699,667	1,750,451
Treasury bills and other assets sold under repurchase agreement	70,094	43,707
Others	290,036	278,170
	46,854,035	49,389,866

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 2013 Euros '000	Dec 2012 Euros '000
Bonds	9,385,665	13,441,773
Others	248,071	106,490
	9,633,736	13,548,263

37. Financial liabilities held for trading

The balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Derivatives		
FRA	1,245	1,432
Swaps	902,131	1,169,446
Options	126,381	155,449
Embedded derivatives	948	693
Forwards	3,265	4,821
Others	-	61,353
	1,033,970	1,393,194

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

The balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Deposits from customers	570,523	14,532
Bonds	278,803	314,735
	849,326	329,267

Other financial liabilities at fair value through profit or loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 7, these instruments are classified in level 2.

The balance Other financial liabilities at fair value through profit or loss account is revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 30 June 2013, a loss in the amount of Euros 7,529,000 was recognised (31 December 2012: loss of Euros 30,047,000) related to the fair value changes resulting from variations in the credit risk of the Group.

39. Provisions for liabilities and charges

This balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Provision for guarantees and other commitments	158,179	107,470
Technical provision for the insurance activity:		
For direct insurance and reinsurance accepted:		
Unearned premium / reserve	14,450	11,403
Life insurance	50,441	50,814
Bonuses and rebates	2,239	2,286
Other technical provisions	10,888	9,962
Provision for pension costs	-	4,440
Other provisions for liabilities and charges	169,844	66,953
	406,041	253,328

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

	Sep 2013 Euros '000	Sep 2012 Euros '000
Balance on 1 January	107,470	100,708
Transfers resulting from changes in the Group's structure	(7,721)	-
Other transfers	2,348	4,919
Charge for the period	67,640	33,427
Write-back for the period	(11,095)	(10,836)
Exchange rate differences	(463)	53
Balance on 30 September	158,179	128,271

40. Subordinated debt

This balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Bonds	4,408,290	4,298,773
	4,408,290	4,298,773

The caption Subordinated debt - Bonds includes the amount of Euros 3,000,000,000 related to the issue of hybrids subordinated debt instruments that qualify as Core Tier I Capital (CoCo's), in 29 June 2012 by Banco Comercial Português, S.A. and fully subscribed by the Portuguese State. The instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances such as delinquency or lack of payment, are susceptible of being convert in Bank's ordinary shares.

The referred instruments were issued under the scope of the recapitalisation program of the bank, using the Euros 12,000,000,000 line made available by the Portuguese State, under the scope of the IMF intervention program, in accordance with the Law no. 150-A/2012. These instruments are eligible for prudential effects as Core Tier I, allowing the Bank to fulfil the 10% limit of the Core Tier I ratio as at 31 December 2012. However, under the IAS 32 - Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability, according with its characteristics, namely: (i) mandatory obligation 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 the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank.

The operation has an increasing interest rate beginning in 8.5% and ending at the maturity at 10% in 2017.

As at 30 September 2013, 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
Non Perpetual Bonds					
Banco Comercial Português:					
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018	See reference (i)	251,440	251,440
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018	See reference (i)	70,802	70,802
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020	See reference (ii)	87,178	89,702
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020	See reference (iii)	53,298	55,688
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	See reference (iv)	114,000	114,000
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	See reference (iv)	64,100	64,100
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	See reference (iv)	35,000	35,000
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate of 6.383%	7,500	7,955
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate of 9.310%	50,000	47,204
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate of 8.519%	40,000	35,956
Bcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate of 7.150%	26,600	22,324
Mill Bcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate of 7.010%	14,000	11,143
Mbcp Subord Feb2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9.000%	23,000	19,811
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.150%	51,000	44,331
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate of 9.000%	25,000	21,562
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate of 9.000%	26,250	21,716
Bank Millennium:					
Bank Millennium 2007	December, 2007	December, 2017	Euribor 6M + 2%	149,557	149,557
Banco de Investimento Imobiliário:					
BII 2004	December, 2004	December, 2014	See reference (v)	15,000	14,993
BCP Finance Bank:					
BCP Fin Bank Ltd EMTN - 295	December, 2006	December, 2016	See reference (vi)	71,209	71,191
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate of 13.000%	98,850	70,918
Magellan No. 3:					
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44
					1,219,437
Perpetual Bonds					
BCP - Euro 200 millions	June, 2002	-	See reference (vii)	87	50
TOPS BPSM 1997	December, 1997	-	Euribor 6M + 0.900%	22,341	22,834
BCP Leasing 2001	December, 2001	-	See reference (viii)	5,150	5,150
					28,034
CoCo's					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (ix)	3,000,000	3,021,900
					3,021,900
Accruals					138,919
					4,408,290

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 2013 Euros '000	Dec 2012 Euros '000
Creditors:		
Suppliers	39,990	50,388
From factoring operations	7,976	6,444
Associated companies	4	160
Other creditors	216,369	239,974
Public sector	70,980	86,934
Interests and other amounts payable	104,021	98,381
Deferred income	7,106	7,097
Holiday pay and subsidies	81,982	69,370
Other administrative costs payable	1,122	1,313
Amounts payable on trading activity	19,516	35,999
Other liabilities	341,620	349,569
	890,686	945,629

42. Share capital, preference shares and other capital instruments

The share capital of the Bank, amounts to Euros 3,500,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, which is fully paid.

Under the Bank's Capitalisation Plan, the share capital increase was successfully completed, following the issue of ordinary shares in the amount of Euros 500,000,000, through subscription reserved for shareholders exercising their legal preference right, of 12,500,000,000 new shares.

In accordance with the Shareholders General Meeting in 31 May of 2012, the bank reduced 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.

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 approved in the General Shareholders Meeting held on 20 May 2013, the Bank reversed its legal reserve in the amount of Euros 406,730,000 to cover part of the negative balance of Retained Earnings.

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 2013 Euros '000	Dec 2012 Euros '000
Actuarial losses (net of taxes)	(1,889,361)	(1,843,748)
Exchange differences arising on consolidation	(117,942)	(93,159)
Fair value reserves		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	100,141	135,787
Fair value hedge adjustments	(140)	(2,222)
Loans represented by securities (*)	(27)	(30)
Financial assets held to maturity (*)	5,593	5,863
In associated companies and others	(59,985)	(70,521)
Cash-flow hedge	(26,697)	(33,124)
	18,885	35,753
Tax		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	(9,062)	(38,331)
Fair value hedge adjustments	41	644
Loans represented by securities	8	9
Financial assets held to maturity	(1,622)	(1,700)
Cash-flow hedge	5,046	6,293
	(5,589)	(33,085)
	(1,994,007)	(1,934,239)
Other reserves and retained earnings:		
Legal reserve	193,270	600,000
Statutory reserve	30,000	30,000
Other reserves and retained earnings	1,585,829	2,325,250
Other reserves arising on consolidation	(168,691)	(168,322)
	1,640,408	2,786,928

(*) Refers to the amount not accrued the fair value reserve at the date of reclassification for securities subject to reclassification.

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

45. Treasury stock

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares		Other treasury stock	Total
Sep 2013				
Net book value (Euros '000)	7,385		7,592	14,977
Number of securities	76,921,204	(*)		
Average book value (Euros)	0.10			
Dec 2012				
Net book value (Euros '000)	6,377		7,835	14,212
Number of securities	85,018,572	(*)		
Average book value (Euros)	0.08			

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 2013, this balance includes 76,921,204 shares (31 December 2012: 85,018,572 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

The balance Non-controlling interests is analysed as follows:

	Balance Sheet		Income Statement	
	Sep 2013 Euros '000	Dec 2012 Euros '000	Sep 2013 Euros '000	Sep 2012 Euros '000
Bank Millennium, S.A.	423,850	408,371	32,181	25,182
BIM - Banco Internacional de Moçambique, SA	123,069	114,583	21,307	23,239
Banco Millennium Angola, S.A.	118,287	109,198	13,744	11,939
Other subsidiaries	(4,129)	(4,138)	108	(4,734)
	661,077	628,014	67,340	55,626

47. Guarantees and other commitments

This balance is analysed as follows:

	Sep 2013 Euros '000	Dec 2012 Euros '000
Guarantees granted	5,780,852	6,421,332
Guarantees received	29,121,468	29,223,557
Commitments to third parties	7,791,449	8,548,959
Commitments from third parties	16,020,798	16,079,980
Securities and other items held for safekeeping on behalf of customers	104,876,208	109,900,993
Securities and other items held under custody by the Securities Depository Authority	127,494,226	135,503,962
Other off balance sheet accounts	165,603,474	163,375,235

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

	Sep 2013 Euros '000	Dec 2012 Euros '000
Guarantees granted:		
Guarantees	4,533,100	5,065,783
Stand-by letter of credit	83,547	196,457
Open documentary credits	293,452	220,991
Bails and indemnities	870,754	938,101
	5,780,853	6,421,332
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	196,083	4,328
Irrevocable credit lines	2,024,638	2,078,741
Other irrevocable commitments	268,336	308,493
Revocable commitments		
Revocable credit lines	3,937,862	4,889,877
Bank overdraft facilities	1,196,095	1,137,876
Other revocable commitments	168,199	129,644
	7,791,449	8,548,959

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 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 2013

Banco Comercial Português informs about the conclusion of the sale of Millennium Bank in Greece

As at 19 June 2013, the Banco Comercial Português S.A concluded the sale of entire share capital of Millennium Bank Greece to Piraeus Bank which includes: (i) the sale of the entire share capital of Millennium Bank (Greece) ("MBG") and, (ii) the investment by BCP in the forthcoming capital increase of Piraeus Bank. This agreement falls within the framework that has been defined by the Bank of Greece and the Hellenic Financial Stability Fund ("HFSF") aiming at the restructuring of the Greek banking system and strengthening its financial stability. The terms and conditions of the transactions have been approved by the HFSF.

Prior to the completion of the acquisition, BCP has recapitalised MBG in the total amount of Euros 413,000,000, which is covered by the Euros 427,000,000 provision created in 2012 for potential losses at MBG.

BCP is also going to subscribe for Piraeus Bank ordinary shares in the amount of Euros 400,000,000 in the ongoing capitalisation process. As referred in note 21, this amount is accounted for in the balance Loans and advances to credit institutions repayable on demand - Credit institutions abroad. Considering the risk associated to the investment, the subscription price and the evolution of the quoted price of Piraeus bank, it was accounted for, as referred in note 39, an impairment of Euros 80,000,000 was accounted for associated with this investment.

With the conclusion of this disposal, the Group ceases to consolidate the Greek's subsidiaries, whose balance sheet as at 31 December, 2012, that were incorporated in the Group's consolidated accounts, are analysed as follows:

	Balance sheet 2012 Euros '000
Cash and deposits at credit institutions	162,853
Loans and advances to credit institutions	45,403
Loans and advances to customers	4,235,542
Securities and trading derivatives	149,117
Other assets	238,474
Total assets	4,831,389
Deposits from Central Banks	255,564
Deposits from other credit institutions	1,046,749
Deposits from customers	2,912,143
Debt securities issued	112,160
Financial liabilities held for trading	75,524
Other liabilities	231,643
Total Liabilities	4,633,783
Share capital	219,479
Share premium	481,637
Reserves and retained earnings	(503,608)
Non-controlling interests	98
Total Equity	197,606
Total Equity and liabilities	4,831,389

General Meeting in 20 May 2013

On 20 May, 2012, the Annual General Meeting of the Bank was held with 46.7% of the share capital represented. In this meeting the following resolutions were taken: (i) Approval of the individual and consolidated annual report, balance sheet and financial statements of 2012; (ii) Approval of the proposal to transfer the losses recorded in the 2012 individual balance sheet, to Retained Earnings and covering of the negative amount of this balance against Other reserves, Share Premium and part of the Legal reserves; (iii) Approval of a vote of support and praise addressed to the Board of Directors, including its Executive Committee and Audit Committee and to each one of their members, as well to the Statutory Auditor; (iv) Approval of the proposal for the election of one member to the Remuneration and Welfare Board, increasing the number of members in the 2012/2014 term-of-office to 5; (v) Approval of the remuneration policy for the members of the Board of Directors, including the Executive Committee and approval of the remuneration policy for heads of function, senior executives and other employees; (vi) Approval of the proposal of acquisition and sale of own shares and bonds.

Synthetic securitization operation

Conclusion, on 28 June 2013 of a synthetic securitization transaction with placement in the capital markets with the aim of releasing regulatory capital associated to a SME and Entrepreneurs through effective risk transference in the amount of Euros 2.381.248.000.

Repurchase and cancelation of Euros 1,750,000,000 floating rate notes issue

As at 28 June 2013, BCP proceeded a repurchase and full cancelation of an Euros 1,750,000,000 floating rate notes issue guaranteed by the Portuguese Republic under the State Special Guarantee Framework of the Portuguese Republic, which was placed in BII.

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; and (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 Euros 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, 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 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.

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. Following the request submitted by the Bank, the Bank of Portugal 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 Roll-Out Plan for the calculation of capital requirements for credit and counterparty risk, the Bank of Portugal authorised the extension of that methodology to the subclasses of risk “Renewable Retail Positions” and “Other Retail Positions” in Portugal with effect as from 31 December 2011. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for exposures of the class of risk “Corporates” in Portugal and the adoption of IRB methodologies for “Loans secured by residential real estate” and “Renewable positions” of the Retail portfolio in Poland.

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, for the first nine months of 2012 and for the first nine months of 2013, 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 the first nine months of 2012 is presented on a comparable basis with the information related to the first nine months of 2013, 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.

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 2013.

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, 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); 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, indicated within the geographical segment reporting, 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.

Following the conclusion on 19 June 2013 of the sale of the entire share capital of Millennium bank in Greece, in accordance with the general conditions announced, and according to IFRS 5, Millennium bank in Greece is now classified as a discontinued operation, with the impact on results presented on a separate line item in the profit and loss account, defined as income arising from discontinued operations for comparison, the income statement was restated as at 30 September 2012. In terms of the consolidated balance sheet, the assets and liabilities of Millennium bank in Greece are no longer disclosed for the subsequent periods starting on 30 June 2013.

As at 30 September, 2013, the net contribution of the major business segments is analysed as follows:

	Commercial Banking			Companies Banking					
	Retail in Portugal	Foreign Business (***)	Total	Companies in Portugal	Corporate and Investment Banking in Portugal	Total	Asset Management and Private Banking	Other	Consolidated
Income statement									
Interest income	473,533	708,985	1,182,518	262,587	669,846	932,433	97,040	(42,251)	2,169,740
Interest expense	(383,214)	(351,516)	(734,730)	(141,883)	(479,971)	(621,854)	(63,564)	(123,689)	(1,543,837)
Net interest income	90,319	357,469	447,788	120,704	189,875	310,579	33,476	(165,940)	625,903
Commissions and other income	284,223	221,578	505,801	62,535	128,138	190,673	46,096	(23,284)	719,286
Commissions and other costs	(10,418)	(53,841)	(64,259)	(3,318)	(8,595)	(11,913)	(10,765)	(155,736)	(242,673)
Net commissions and other income	273,805	167,737	441,542	59,217	119,543	178,760	35,331	(179,020)	476,613
Net gains arising from trading activity	(19)	84,100	84,081	-	(1,722)	(1,722)	1,153	71,050	154,562
Staff costs and administrative costs	374,707	313,884	688,591	46,556	48,008	94,564	29,584	48,662	861,401
Depreciations	1,507	24,087	25,594	192	93	285	215	24,308	50,402
Operating costs	376,214	337,971	714,185	46,748	48,101	94,849	29,799	72,970	911,803
Impairment and provisions	(128,813)	(60,977)	(189,790)	(205,575)	(278,081)	(483,656)	(6,124)	(318,720)	(998,290)
Share of profit of associates under the equity method	-	312	312	-	-	-	-	46,128	46,440
Net gain from the sale of other assets	-	7,553	7,553	-	-	-	3	(29,128)	(21,572)
Net income before income tax	(140,922)	218,223	77,301	(72,402)	(18,486)	(90,888)	34,040	(648,600)	(628,147)
Income tax	40,646	(43,087)	(2,441)	21,014	5,361	26,375	(6,603)	122,224	139,555
Income after income tax from continuing operations	(100,276)	175,136	74,860	(51,388)	(13,125)	(64,513)	27,437	(526,376)	(488,592)
Income arising from discontinued operations	-	(41,394)	(41,394)	-	-	-	-	-	(41,394)
Net (loss) / income after income tax	(100,276)	133,742	33,466	(51,388)	(13,125)	(64,513)	27,437	(526,376)	(529,986)
Non-controlling interests	-	(64,485)	(64,485)	-	-	-	-	(2,855)	(67,340)
Net (loss) / income after income tax	(100,276)	69,257	(31,019)	(51,388)	(13,125)	(64,513)	27,437	(529,231)	(597,326)
Income between segments	7,426	-	7,426	(2,543)	(1,344)	(3,887)	(3,539)	-	-
Balance sheet									
Cash and Loans and advances to credit institutions	2,328,551	2,204,441	4,532,992	1,199,759	12,459,109	13,658,868	2,613,557	(16,201,492)	4,603,925
Loans and advances to customers	25,063,250	11,982,487	37,045,737	9,096,582	12,640,843	21,737,425	1,021,717	(2,698,160)	57,106,719
Financial assets (*)	178,135	2,896,046	3,074,181	-	7,756,853	7,756,853	24,784	4,459,709	15,315,527
Other assets	87,923	681,352	769,275	10,175	69,959	80,134	16,666	5,229,159	6,095,234
Total Assets	27,657,859	17,764,326	45,422,185	10,306,516	32,926,764	43,233,280	3,676,724	(9,210,784)	83,121,405
Deposits from other credit institutions	5,202,938	2,053,308	7,256,246	6,322,260	13,487,193	19,809,453	875,260	(12,557,398)	15,383,561
Deposits from customers	20,668,718	13,626,157	34,294,875	1,629,104	7,870,214	9,499,318	2,597,608	462,234	46,854,035
Debt securities issued	807,829	204,697	1,012,526	1,262,399	8,367,429	9,629,828	6,904	(1,015,522)	9,633,736
Other financial liabilities held for trading at fair value through profit or loss	126,152	208,944	335,096	197,138	1,306,669	1,503,807	22,581	21,812	1,883,296
Other financial liabilities (**)	60,632	342,875	403,507	63,873	140,491	204,364	12,135	4,062,877	4,682,883
Other liabilities	13,434	356,404	369,838	11,997	47,320	59,317	6,498	872,038	1,307,691
Total Liabilities	26,879,703	16,792,385	43,672,088	9,486,771	31,219,316	40,706,087	3,520,986	(8,153,959)	79,745,202
Equity and non-controlling interests	778,156	971,941	1,750,097	819,745	1,707,448	2,527,193	155,738	(1,056,825)	3,376,203
Total Liabilities, Equity and non-controlling interests	27,657,859	17,764,326	45,422,185	10,306,516	32,926,764	43,233,280	3,676,724	(9,210,784)	83,121,405

(*) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale and hedging derivatives;
(**) Includes subordinated liabilities and hedging derivatives;
(***) The Foreign Business segment includes the Millennium Bank in Greece which is now classified as a discontinued operation. The impact on results is presented on a separate line called Income arising from discontinued operations. The assets and liabilities are no longer presented in the balance sheet from 30 June 2013.

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

	Commercial Banking			Companies Banking					
	Retail in Portugal	Foreign Business (***)	Total	Companies in Portugal	Corporate and Investment Banking in Portugal	Total	Asset Management and Private Banking	Other	Consolidated
Income statement									
Interest income	704,234	807,589	1,511,823	376,646	618,129	994,775	157,626	(22,739)	2,641,485
Interest expense	(515,769)	(442,672)	(958,441)	(190,087)	(383,225)	(573,312)	(115,196)	(236,062)	(1,883,011)
Net interest income	188,465	364,917	553,382	186,559	234,904	421,463	42,430	(258,801)	758,474
Commissions and other income	290,005	206,700	496,705	70,869	158,797	229,666	40,337	(35,705)	731,003
Commissions and other costs	(11,430)	(52,625)	(64,055)	(2,401)	(7,886)	(10,287)	(11,444)	(163,344)	(249,130)
Net commissions and other income	278,575	154,075	432,650	68,468	150,911	219,379	28,893	(199,049)	481,873
Net gains arising from trading activity	(7)	82,247	82,240	-	(5,724)	(5,724)	1,373	262,725	340,614
Staff costs and administrative costs	449,974	323,202	773,176	48,593	54,834	103,427	37,252	(15,219)	898,636
Depreciations	1,394	25,463	26,857	202	101	303	321	29,279	56,760
Operating costs	451,368	348,665	800,033	48,795	54,935	103,730	37,573	14,060	955,396
Impairment and provisions	(75,881)	(61,934)	(137,815)	(255,807)	(351,677)	(607,484)	(17,112)	(114,507)	(876,918)
Share of profit of associates under the equity method	-	1,757	1,757	-	-	-	-	41,164	42,921
Net gain from the sale of other assets	-	-	-	-	-	-	-	(15,986)	(15,986)
Net income before income tax	(60,216)	192,397	132,181	(49,575)	(26,521)	(76,096)	18,011	(298,514)	(224,418)
Income tax	14,736	(36,168)	(21,432)	14,427	7,691	22,118	(2,746)	31,878	29,818
Income after income tax from continuing operations	(45,480)	156,229	110,749	(35,148)	(18,830)	(53,978)	15,265	(266,636)	(194,600)
Income arising from discontinued operations	-	(546,080)	(546,080)	-	-	-	-	-	(546,080)
Net (loss) / income after income tax	(45,480)	(389,851)	(435,331)	(35,148)	(18,830)	(53,978)	15,265	(266,636)	(740,680)
Non-controlling interests	-	(59,750)	(59,750)	-	-	-	-	4,124	(55,626)
Net (loss) / income after income tax	(45,480)	(449,601)	(495,081)	(35,148)	(18,830)	(53,978)	15,265	(262,512)	(796,306)
Income between segments	22,792	-	22,792	(3,955)	(15,862)	(19,817)	(2,975)	-	-
Balance sheet									
Cash and Loans and advances to credit institutions	2,271,567	2,153,785	4,425,352	1,095,571	9,908,463	11,004,034	3,992,779	(13,631,490)	5,790,675
Loans and advances to customers	26,733,272	16,025,670	42,758,942	10,019,271	13,071,236	23,090,507	1,323,591	(2,212,594)	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	112,692	752,741	865,433	13,181	37,501	50,682	20,892	4,631,993	5,569,000
Total Assets	29,119,447	21,605,296	50,724,743	11,128,023	28,772,172	39,900,195	5,379,899	(6,730,818)	89,274,019
Deposits from other credit institutions	4,460,643	2,674,820	7,135,463	4,643,677	10,695,783	15,339,460	1,907,435	(8,288,431)	16,093,927
Deposits from customers	19,094,870	15,475,576	34,570,446	1,654,439	6,405,885	8,060,324	2,953,051	1,687,527	47,271,348
Debt securities issued	3,001,422	298,951	3,300,373	3,161,493	7,940,994	11,102,487	38,258	(173,131)	14,267,987
Other financial liabilities held for trading at fair value through profit or loss	279,377	190,641	470,018	294,276	739,159	1,033,435	43,966	34,424	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	1,348,966	1,315,227	2,664,193	460,404	1,204,023	1,664,427	216,355	(2,949,035)	1,595,940
Total Liabilities	28,194,626	20,256,491	48,451,117	10,223,432	27,018,577	37,242,009	5,161,275	(5,412,710)	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	29,119,447	21,605,296	50,724,743	11,128,023	28,772,172	39,900,195	5,379,899	(6,730,818)	89,274,019

(*) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale and hedging derivatives;
(**) Includes subordinated liabilities and hedging derivatives;
(***) The Foreign Business segment includes the Millennium Bank in Greece which is now classified as a discontinued operation. The impact on results is presented on a separate line called Income arising from discontinued operations. In terms of balance, there was no change, maintaining the criterion considered in previous periods.

As at 30 September, 2013, the net contribution of the major geographic segments is analysed as follows:

	Portugal											
	Retail Banking	Companies	Asset Management and Private Banking	Corporate and Investment Banking	Other	Total	Poland	Greece (***)	Angola	Mozambique	Other	Consolidated
Income statement												
Interest income	473,533	262,587	65,230	669,846	(42,251)	1,428,945	480,036	-	67,068	135,260	58,431	2,169,740
Interest expense	(383,214)	(141,883)	(47,636)	(479,971)	(123,689)	(1,176,393)	(276,232)	-	(18,173)	(43,612)	(29,427)	(1,543,837)
Net interest income	90,319	120,704	17,594	189,875	(165,940)	252,552	203,804	-	48,895	91,648	29,004	625,903
Commissions and other income	284,223	62,535	26,882	128,138	(23,284)	478,494	130,191	-	25,090	60,597	24,914	719,286
Commissions and other costs	(10,418)	(3,318)	(6,352)	(8,595)	(155,736)	(184,419)	(29,638)	-	(3,136)	(19,624)	(5,856)	(242,673)
Net commissions and other income	273,805	59,217	20,530	119,543	(179,020)	294,075	100,553	-	21,954	40,973	19,058	476,613
Net gains arising from trading activity	(19)	-	-	(1,722)	71,050	69,309	39,185	-	25,127	16,432	4,509	154,562
Staff costs and administrative costs	374,707	46,556	14,488	48,008	48,662	532,421	181,671	-	48,662	63,076	35,571	861,401
Depreciations	1,507	192	3	93	24,308	26,103	9,893	-	5,552	6,961	1,893	50,402
Operating costs	376,214	46,748	14,491	48,101	72,970	558,524	191,564	-	54,214	70,037	37,464	911,803
Impairment and provisions	(128,813)	(205,575)	(5,796)	(278,081)	(318,720)	(936,985)	(40,469)	-	(6,259)	(10,025)	(4,552)	(998,290)
Share of profit of associates under the equity method	-	-	-	-	46,128	46,128	312	-	-	-	-	46,440
Net gain from the sale of other assets	-	-	-	-	(29,128)	(29,128)	1,823	-	47	5,699	(13)	(21,572)
Net income before income tax	(140,922)	(72,402)	17,837	(18,486)	(648,600)	(862,573)	113,644	-	35,550	74,690	10,542	(628,147)
Income tax	40,646	21,014	(5,071)	5,361	122,224	184,174	(23,475)	-	(8,457)	(12,889)	202	139,555
Income after income tax from continuing operations	(100,276)	(51,388)	12,766	(13,125)	(526,376)	(678,399)	90,169	-	27,093	61,801	10,744	(488,592)
Income arising from discontinued operations	-	-	-	-	-	-	-	(41,394)	-	-	-	(41,394)
Net (loss) / income after income tax	(100,276)	(51,388)	12,766	(13,125)	(526,376)	(678,399)	90,169	(41,394)	27,093	61,801	10,744	(529,986)
Non-controlling interests	-	-	-	-	(2,855)	(2,855)	(31,099)	-	(12,805)	(20,581)	-	(67,340)
Net income after income tax	(100,276)	(51,388)	12,766	(13,125)	(529,231)	(681,254)	59,070	(41,394)	14,288	41,220	10,744	(597,326)
Income between segments	7,426	(2,543)	(3,539)	(1,344)	-	-	-	-	-	-	-	-
Balance sheet												
Cash and Loans and advances to credit institutions	2,328,551	1,199,759	1,082,813	12,459,109	(16,201,492)	868,740	1,331,624	-	382,040	389,875	1,631,646	4,603,925
Loans and advances to customers	25,063,250	9,096,582	717,548	12,640,843	(2,698,160)	44,820,063	9,865,093	-	541,811	1,128,036	751,716	57,106,719
Financial assets (*)	178,135	-	1,620	7,756,853	4,459,709	12,396,317	2,208,487	-	264,693	358,992	87,038	15,315,527
Other assets	87,923	10,175	4,575	69,959	5,229,159	5,401,791	278,820	-	209,729	167,572	37,322	6,095,234
Total Assets	27,657,859	10,306,516	1,806,556	32,926,764	(9,210,784)	63,486,911	13,684,024	-	1,398,273	2,044,475	2,507,722	83,121,405
Deposits from other credit institutions	5,202,938	6,322,260	127,736	13,487,193	(12,557,398)	12,582,729	1,385,850	-	228,557	189,329	997,096	15,383,561
Deposits from customers	20,668,718	1,629,104	1,615,068	7,870,214	462,234	32,245,338	10,763,157	-	1,002,929	1,519,548	1,323,063	46,854,035
Debt securities issued	807,829	1,262,399	6,904	8,367,429	(1,015,522)	9,429,039	179,237	-	-	25,460	-	9,633,736
Other financial liabilities held for trading at fair value through profit or loss	126,152	197,138	1,078	1,306,669	21,812	1,652,849	208,120	-	-	-	22,327	1,883,296
Other financial liabilities (**)	60,632	63,873	3,787	140,491	4,062,877	4,331,660	315,501	-	9,114	12,781	13,827	4,682,883
Other liabilities	13,434	11,997	3,387	47,320	872,038	948,176	179,503	-	40,701	133,330	5,981	1,307,691
Total Liabilities	26,879,703	9,486,771	1,757,960	31,219,316	(8,153,959)	61,189,791	13,031,368	-	1,281,301	1,880,448	2,362,294	79,745,202
Equity and non-controlling interests	778,156	819,745	48,596	1,707,448	(1,056,825)	2,297,120	652,656	-	116,972	164,027	145,428	3,376,203
Total Liabilities, Equity and non-controlling interests	27,657,859	10,306,516	1,806,556	32,926,764	(9,210,784)	63,486,911	13,684,024	-	1,398,273	2,044,475	2,507,722	83,121,405

(*) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale and hedging derivatives;
(**) Includes subordinated liabilities and hedging derivatives;
(***) The Millennium Bank in Greece is now classified as a discontinued operation, and the impact on results is presented on a separate line called Income arising from discontinued operations. The assets and liabilities are no longer presented in the balance sheet from 30 June 2013.

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

	Portugal											
	Retail Banking	Companies	Asset Management and Private Banking	Corporate and Investment Banking	Other	Total	Poland	Greece (***)	Angola	Mozambique	Other	Consolidated
Income statement												
Interest income	704,234	376,646	107,203	618,129	(22,739)	1,783,473	552,851	-	72,058	157,689	75,414	2,641,485
Interest expense	(515,769)	(190,087)	(80,014)	(383,225)	(236,062)	(1,405,157)	(350,286)	-	(22,166)	(55,154)	(50,248)	(1,883,011)
Net interest income	188,465	186,559	27,189	234,904	(258,801)	378,316	202,565	-	49,892	102,535	25,166	758,474
Commissions and other income	290,005	70,869	25,092	158,797	(35,705)	509,058	129,327	-	18,732	53,600	20,286	731,003
Commissions and other costs	(11,430)	(2,401)	(7,043)	(7,886)	(163,344)	(192,104)	(31,943)	-	(2,069)	(17,195)	(5,819)	(249,130)
Net commissions and other income	278,575	68,468	18,049	150,911	(199,049)	316,954	97,384	-	16,663	36,405	14,467	481,873
Net gains arising from trading activity	(7)	-	-	(5,724)	262,725	256,994	33,778	-	23,056	22,437	4,349	340,614
Staff costs and administrative costs	449,974	48,593	20,750	54,834	(15,219)	558,932	187,477	-	47,150	65,461	39,616	898,636
Depreciations	1,394	202	3	101	29,279	30,979	9,933	-	6,993	6,614	2,241	56,760
Operating costs	451,368	48,795	20,753	54,935	14,060	589,911	197,410	-	54,143	72,075	41,857	955,396
Impairment and provisions	(75,881)	(255,807)	(15,992)	(351,677)	(114,507)	(813,864)	(40,745)	-	(7,242)	(9,928)	(5,139)	(876,918)
Share of profit of associates under the equity method	-	-	-	-	41,164	41,164	905	-	-	852	-	42,921
Net gain from the sale of other assets	-	-	-	-	(15,986)	(15,986)	-	-	-	-	-	(15,986)
Net income before income tax	(60,216)	(49,575)	8,493	(26,521)	(298,514)	(426,333)	96,477	-	28,226	80,226	(3,014)	(224,418)
Income tax	14,736	14,427	(2,358)	7,691	31,878	66,374	(19,574)	-	(4,606)	(13,970)	1,594	29,818
Income after income tax from continuing operations	(45,480)	(35,148)	6,135	(18,830)	(266,636)	(359,959)	76,903	-	23,620	66,256	(1,420)	(194,600)
Income arising from discontinued operations	-	-	-	-	-	-	-	(546,080)	-	-	-	(546,080)
Net (loss) / income after income tax	(45,480)	(35,148)	6,135	(18,830)	(266,636)	(359,959)	76,903	(546,080)	23,620	66,256	(1,420)	(740,680)
Non-controlling interests	-	-	-	-	4,124	4,124	(26,524)	-	(11,163)	(22,063)	-	(55,626)
Net income after income tax	(45,480)	(35,148)	6,135	(18,830)	(262,512)	(355,835)	50,379	(546,080)	12,457	44,193	(1,420)	(796,306)
Income between segments	22,792	(3,955)	(2,975)	(15,862)	-	-	-	-	-	-	-	-
Balance sheet												
Cash and Loans and advances to credit institutions	2,271,567	1,095,571	1,204,816	9,908,463	(13,631,490)	848,927	923,027	344,396	302,613	522,655	2,849,057	5,790,675
Loans and advances to customers	26,733,272	10,019,271	857,956	13,071,236	(2,212,594)	48,469,141	9,802,523	4,431,628	490,343	918,109	848,702	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	244,643	140,939	12,953,898
Other assets	112,692	13,181	5,650	37,501	4,631,993	4,801,017	179,235	209,360	170,682	164,468	44,238	5,569,000
Total Assets	29,119,447	11,128,023	2,070,118	28,772,172	(6,730,818)	64,358,942	12,697,083	5,139,347	1,345,836	1,849,875	3,882,936	89,274,019
Deposits from other credit institutions	4,460,643	4,643,677	20,877	10,695,783	(8,288,431)	11,532,549	806,142	1,354,826	256,628	100,967	2,042,815	16,093,927
Deposits from customers	19,094,870	1,654,439	1,808,693	6,405,885	1,687,527	30,651,414	10,152,968	2,815,629	848,627	1,345,763	1,456,947	47,271,348
Debt securities issued	3,001,422	3,161,493	38,258	7,940,994	(173,131)	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	279,377	294,276	3,561	739,159	34,424	1,350,797	104,866	83,591	-	-	42,589	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	1,348,966	460,404	140,974	1,204,023	(2,949,035)	205,332	548,858	329,338	134,673	239,585	138,154	1,595,940
Total Liabilities	28,194,626	10,223,432	2,012,941	27,018,577	(5,412,710)	62,036,866	12,051,194	4,709,398	1,240,988	1,715,421	3,687,824	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	29,119,447	11,128,023	2,070,118	28,772,172	(6,730,818)	64,358,942	12,697,083	5,139,347	1,345,836	1,849,875	3,882,936	89,274,019

(*) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale and hedging derivatives;
(**) Includes subordinated liabilities and hedging derivatives;
(***) The Millennium Bank in Greece is now classified as a discontinued operation, and the impact on results is presented on a separate line called Income arising from discontinued operations. In terms of balance, there was no change, maintaining the criterion considered in previous periods.

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

Description of the relevant items of reconciliation:

	Sep 2013 Euros '000	Sep 2012 Euros '000
Net contribution (excluding minority interest effect)		
Retail Banking in Portugal	(100,276)	(45,480)
Companies	(51,388)	(35,148)
Corporate and Investment Banking	(13,125)	(18,830)
Asset Management and Private Banking	12,766	6,135
Foreign Business	148,413	(380,721)
of which: continuing operations	189,807	165,359
of which: discontinued operations	(41,394)	(546,080)
	(3,610)	(474,044)
Impact on the Net interest income of the allocation of capital (1)	(3,750)	(6,003)
	140	(468,041)
Amounts included in the aggregate Others (not allocated to segments):		
Non-controlling interests (2)	(67,340)	(55,626)
Operating expenses (3)	(72,970)	(14,060)
Impairment and other provisions (4)	(318,720)	(114,507)
Equity accounted earnings	46,128	41,164
Own Credit Risk	(7,529)	(26,971)
Gains on repurchase of own issues (liability management)	-	184,300
Impact on net interest income of the liability management operations	(144,405)	(144,000)
Cost of debt issue with Stat Guarantee	(47,774)	(51,075)
Interests of hybrid instruments	(201,104)	(67,422)
Revaluation of the warrants of Piraeus Bank	79,059	-
Impact of exchange rate hedging of investments	2,168	(37,382)
Others (5)	135,021	(42,686)
Total not allocated to segments	(597,466)	(328,265)
Consolidated net (loss) / income	(597,326)	(796,306)

(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. In June 2012 includes a gain associated with the calculation of the death benefit of Euros 64,000,000.

(4) Includes provisions for property in kind, administrative infractions, various contingencies and other unallocated to commercial networks. The value of 2013 includes the amount of Euros 80,000,000 related to the investment in Piraeus Bank accounted for in the second quarter and Euros 80,000,000 to cover other risks and charges and various contingencies in the third quarter.

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

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

As at 30 September 2013 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 % control	Group % held	Bank % held
Banco de Investimento Imobiliário, S.A.	Lisbon	217,000,000	EUR	Banking	100.0	100.0	100.0
Banco ActivoBank, S.A.	Lisbon	41,000,000	EUR	Banking	100.0	100.0	–
Banca Millennium S.A.	Bucharest	303,195,000	RON	Banking	100.0	100.0	–
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
Banque Privée BCP (Suisse) S.A.	Geneve	70,000,000	CHF	Banking	100.0	100.0	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	202,176,140	EUR	Investment	100.0	15.3	–
Caracas Financial Services, Limited	George Town	25,000	USD	Financial Services	100.0	100.0	100.0
MB Finance AB	Stockholm	500,000	SEK	Investment	100.0	65.5	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	Sao Paulo	40,596,536	BRL	Financial Services	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	620,774,050	EUR	Holding company	100.0	100.0	100.0
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
BCP África, S.G.P.S., 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
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Lisbon	2,000,000	EUR	Venture capital	100.0	100.0	100.0
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	48.5	–
BII Investimentos International, S.A.	Luxembourg	150,000	EUR	Investment fund management	100.0	100.0	–
Enerparcela - Empreendimentos Imobiliários, S.A.	Alverca	8,850,000	EUR	Real-estate management	100.0	100.0	–
Imábida - Imobiliária da Arrábida, S.A. (*)	Oeiras	1,750,000	EUR	Real-estate management	100.0	100.0	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0	100.0	100.0
Millennium bcp - Prestação de Serviços, A. C. E.	Lisbon	331,000	EUR	Services	91.5	92.1	75.8
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100.0	65.5	–

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	65.5	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	65.5	–
Millennium Telecomunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	65.5	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	65.5	–
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
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotext services	100.0	100.0	100.0
MBCP REO I, LLC	Delaware	1,389,835	USD	Real-estate management	100.0	100.0	–
MBCP REO II, LLC	Delaware	3,017,129	USD	Real-estate management	100.0	100.0	–
Millennium bcp Imobiliária, S.A.	Lisbon	50,000	EUR	Real-estate management	99.9	99.9	99.9
Propaço- Sociedade Imobiliária De Paço D'Arcos, Lda	Oeiras	5,000	EUR	Real-estate company	52.7	52.7	52.7
QPR Investimentos, S.A. (*)	Lisbon	50,000	EUR	Advisory and services	100.0	100.0	100.0
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0
TBM Sp.z o.o.	Warsaw	500,000	PLN	Advisory and services	100.0	65.5	–

(*) - Companies classified as non-current assets held for sale

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", "Fundo de Investimento Imobiliário Fechado Gestimo", "M Inovação - Fundo de Capital de Risco BCP Capital", "Fundo Especial de Investimento Imobiliário Fechado Intercapital", "Millennium Fundo de Capitalização - Fundo de Capital de Risco", "Funsita - Fundo Especial de Investimento Imobiliário Fechado", "Imoport - Fundo de Investimento Imobiliário Fechado" and "Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado", as referred in the accounting policy presented in note 1 b).

As at 30 September 2013 the associated companies, were as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Banque BCP, S.A.S.	Paris	93,733,823	EUR	Banking	19.9	19.9	19.9
Banque BCP (Luxembourg), S.A.	Luxembourg	16,500,000	EUR	Banking	9.9	9.9	–
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	–
Beira Nave	Beira	2,849,640	MZN	Naval shipyards	22.8	13.7	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.0	–
Luanda Waterfront Corporation	George Town	10,810,000	USD	Services	10.0	10.0	–

Associated companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
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	Tourism	31.3	31.3	31.3
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	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	5,000	EUR	Long term rental	50.0	50.0	–

As at 30 September 2013 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 % control	Group % held	Bank % held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0	100.0	100.0
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	147,500,000	MZN	Insurance	89.9	60.0	–

Associated companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Millenniumbcp 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	–

During the first nine months of 2013, it was included in the consolidated perimeter the funds "Millennium Fundo de Capitalização - Fundo de Capital de Risco", "Funsita - Fundo Especial de Investimento Imobiliário Fechado", "Imoport - Fundo de Investimento Imobiliário Fechado" and "Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado" and the entity Enerparcela - Empreendimentos Imobiliários, S.A.

The Group held a set of securitization transactions regarding mortgage loans, consumer loans, leases, commercial paper and corporate loans which were set through specifically created SPE. As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of SIC 12.

Report and Accounts for the 3rd Quarter of 2013

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Banco Comercial Português, S.A.,
Public Company

Head Office:
Praça D. João I, 28
4000-295 Porto

Share Capital:
3,500,000,000 Euros

Registered at
Porto Commercial Registry
under the Same Registration and
Tax Identification number 501 525 882

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