EARNINGS PRESS RELEASE

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9 November 2016

Millennium bcp earnings release as at 30 September 2016

Summary

- **Earnings excluding non-usual items* improves by Euro 67.9 million, efficiency improves by 3pp and balance sheet strengthens, with NPE total coverage** now at 99%**; total earnings significantly affected by non-usual impairment charges related to the legacy portfolio, aimed at reinforcing credit coverage.

Profitability and efficiency

Continued improvement of recurring earnings

- **Core net income*** up 8.4% to Euro 665.8 million**, resulting in **cost to core income*** improving 52.0%** (cost to income of 46.0%).
- **Earnings excluding non-usual items* improved to Euro 74.5 million** (Euro 6.5 million in the same period of 2015). **Total results were negative due to the impact of non-usual impairment charges: Euro -53.8 million in the 3rd quarter of 2016**, Euro -251.1 million in the first 9 months of 2016.

Asset quality

Coverage reinforced significantly

- **NPL>90d ratio fell** to 11.0% as at 30 September 2016 from 11.5% as at the same date of 2015; **NPL>90d total coverage** strengthened** to 119.3% (**coverage by loan-loss reserves: 65.5%**).
- **Booking of Euro 100 million of additional impairment charges in Portugal in 3Q16** (Euro 400 million in 9M16), resulting in **NPE total coverage** strengthening to 99%** (91% as at 30 September 2015), supporting the **target of <Euro 7.5 billion NPE for December 2017**.

Business performance

Healthy balance sheet

- **Commercial gap improved** further, with net loans as a percentage of on-balance sheet customers funds **now standing at 97%**.
- **ECB funding usage down to Euro 4.9 billion** (Euro 4.0 billion of which TLTRO) from Euro 5.9 billion as at 30 September 2015.
- **5.4 million customers, up 6.0%** from 30 September 2015.

Capital

Adequate position

- **Common equity tier 1 ratio of 12.2%** according to regulatory phased-in criteria and of **9.5% under a fully implemented basis** (estimates).

* Non-usual items in 9M16: gains on Visa transaction, devaluation of corporate restructuring funds and additional impairment charges in excess of 120bp cost of risk, to reinforce NPE coverage; non-usual items in 9M15: capital gains on Portuguese sovereign debt and devaluation of corporate restructuring funds. ** By loan-loss reserves, expected loss gap and collaterals. *** Core income = net interest income + net fees and commission income; Core net income = core income – operating costs. Note: The business figures presented exclude the former Banco Millennium in Angola.

BANCO COMERCIAL PORTUGUÊS, S.A.,
a public company (sociedade aberta)
having its registered office at Praça D. João I, 28, Oporto,
registered at the Commercial Registry of Oporto,
with the single commercial and tax identification number
501 525 882
and the share capital of EUR 4,094,235,361.88

INVESTOR RELATIONS
Rui Coimbra
Phone +351 211 131 084
investors@millenniumbcp.pt
rui.coimbrafernandes@millenniumbcp.pt
lmonteiro@millenniumbcp.pt

MEDIA CONTACT
Erik T. Burns
Phone +351 211 131 242
Mobile +351 917 265 020
erik.burns@millenniumbcp.pt
cintia.barbas@millenniumbcp.pt

Financial Highlights

Euro million

	30 Sep. 16	30 Sep. 15	Change 16 / 15
Balance sheet			
Total assets (1)	73,042	74,072	-1.4%
Loans to customers (gross) (1)	52,610	55,137	-4.6%
Total customer funds (1)	63,354	63,757	-0.6%
Balance sheet customer funds (1)	50,576	51,486	-1.8%
Customer deposits (1)	48,937	49,164	-0.5%
Loans to customers, net / Customer deposits (2)	101%	104%	
Loans to customers, net / Balance sheet customer funds (3)	97%	99%	
Results			
Net income	(251.1)	264.5	
Net interest income	907.0	876.6	3.5%
Net operating revenues	1,571.9	1,855.6	-15.3%
Operating costs	722.4	760.5	-5.0%
Loan impairment charges (net of recoveries)	870.2	613.6	41.8%
Other impairment and provisions	242.8	117.0	107.5%
Income taxes			
Current	76.5	62.9	
Deferred	(144.7)	4.3	
Profitability			
Net operating revenues / Average net assets (2)	2.8%	3.2%	
Return on average assets (ROA) (4)	-0.3%	0.6%	
Income before tax and non-controlling interests / Average net assets (2)	-0.4%	0.8%	
Return on average equity (ROE)	-7.7%	8.1%	
Income before tax and non-controlling interests / Average equity (2)	-5.5%	10.9%	
Credit quality			
Overdue loans and doubtful loans / Total loans (2)	9.3%	9.7%	
Overdue loans and doubtful loans, net / Total loans, net (2)	2.3%	3.6%	
Credit at risk / Total loans (2)	11.4%	11.9%	
Credit at risk, net / Total loans, net (2)	4.5%	5.9%	
Impairment for loan losses / Overdue loans by more than 90 days (1)	100.9%	85.6%	
Efficiency ratios (2) (5)			
Operating costs / Net operating revenues	45.8%	41.0%	
Operating costs / Net operating revenues (Portugal)	47.0%	38.0%	
Staff costs / Net operating revenues	26.0%	23.2%	
Capital (6)			
Common equity tier I phased-in	12.2%	13.2%	
Common equity tier I fully implemented	9.5%	10.0%	
Branches (3)			
Portugal activity	634	679	-6.6%
Foreign activity	555	668	-16.9%
Employees (3)			
Portugal activity	7,429	7,555	-1.7%
Foreign activity	8,452	9,719	-13.0%

(1) Adjusted from the effect related to the classification of Banco Millennium in Angola as discontinued operation in 2015.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version. Given the booking of Banco Millennium Angola as a discontinued operation between March and May 2016 and the restatement of the consolidated 2015 accounts accordingly, the consolidated balance sheet includes Banco Millennium Angola until its derecognition, determined by the completion of the merger with Banco Privado Atlântico, in May 2016, while the respective contribution to consolidated result is reflected in income from discontinued operations and non-controlling interests during that period, including 2015 restated, not influencing the remaining items of the consolidated income statement.
(3) Includes discontinued operations in 2015.
(4) Considering net income before non-controlling interests.
(5) Excludes the impact of specific items: restructuring costs (Euro 1.7 million in 2016).
(6) According with CRD IV/CRR. Setember 2015 figures include the cumulative net income recorded in the 3 quarter of 2015 and the minimum capital requirements established by the ECB for 2016.

RESULTS AND ACTIVITY IN THE FIRST NINE MONTHS OF 2016

Considering the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp) regarding the Bank's Restructuring Plan, in particular the implementation of a new approach to the asset management business, and in accordance with IFRS 5, the activity of Millennium bcp Gestão de Activos was classified as discontinued operations during 2013.

From this date onwards, the impact on results of these operations was presented on a separate line item in the profit and loss account, defined as "income arising from discontinued operations" with no change at balance sheet level from the criteria as that of the financial statements considered in 2015. Following the sale of the total shareholding in Millennium bcp Gestão de Activos, in May 2015, its assets and liabilities are no longer considered from this date onwards.

Similarly, in the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, Banco Millennium in Angola was also considered as a discontinued operation in March 2016 and its financial statements of the same period of 2015 restated.

After the completion of the merger, in May 2016, the assets and liabilities of Banco Millennium in Angola stopped being considered in the consolidated balance sheet and the investment of 22.5 % in Banco Millennium Atlântico, the new merged entity, started being consolidated using the equity method, while its contribution to the Group's results have been recognized in the consolidated accounts from May 2016 onwards.

RESULTS

The **core income** of Millennium bcp amounted to Euro 665.8 million in the first nine months of 2016, showing an increase of 8.4% from the Euro 614.1 million registered in the same period of 2015, in spite of the adverse exchange rate impacts affecting the contribution of the international activity. Core income's positive performance determined the improvement of cost to core income by 3 percentage points between 30 September 2015 and 2016, reaching 52.0% in that period.

Net income in the first nine months of 2016 totalled Euro -251.1 million, conditioned by the impact of non-usual items. Excluding this effect, net income would have been positive at Euro 74.5 million in the first nine months of 2016, compared to Euro 6.5 million recorded in the same period of 2015.

Non-usual items, net of tax, include the gains on the sale of Portuguese sovereign debt securities of Euro 272.9 million in the first nine months of 2015, with no correspondence in the same period of 2016, the booking of additional impairment charges of EUR 282.0 million to increase coverage, the devaluation of corporate restructuring funds, which was higher by Euro 75.7 million compared with the same period of 2015, partially offset by gains related with the purchase of Visa Europe by Visa Inc., in the Bank in Portugal and in Bank Millennium in Poland, amounting to Euro 47.1 million.

In the international activity, net income stood at Euro 134.8 million in the first nine months of 2016, compared with Euro 149.3 million posted in the same period of 2015, hindered by the exchange rate impact related with the depreciation of the local currencies in most geographies, namely the metical, together with higher mandatory contributions in Poland, despite the gain booked in the subsidiary in Poland associated with the purchase of Visa Europe by Visa Inc.

Net interest income amounted to Euro 907.0 million in the first nine months of 2016, a year-on-year increase of 3.5% from the Euro 876.6 million registered in the same period of 2015, boosted by the positive performance of both Portugal and international activity.

Net interest income in the activity in Portugal reached Euro 543.0 million in the first nine months of 2016, an increase of 5.7% from the Euro 513.7 million recorded in the same date of 2015, benefiting from the favourable performance of the commercial margin, supported by the sustained reduction of term deposits cost, which stood at 70 basis points compared with the first nine months of 2015, offsetting the penalizing effect of the decrease of the yield of loans and debt portfolios related with interest rates trend.

In the international activity, and excluding the exchange rate impact, net interest income increase by 17.5% from the first nine months of 2015, supported by loans to customers and deposits volume increases in the subsidiaries in Mozambique and Poland.

Net interest margin in the first nine months of 2016 stood at 1.88%, compared to 1.75% in the same period of 2015. Excluding the impact from the cost of CoCos, net interest margin reached 1.98% in the first nine months of 2016 and 1.85% in the same period of 2015.

AVERAGE BALANCES

Euro million

	30 Sep.16		30 Sep.15	
	Amount	Yield %	Amount	Yield %
Deposits in banks	3,208	0.58	3,090	0.89
Financial assets	10,540	2.07	10,280	2.65
Loans and advances to customers	49,750	3.22	52,692	3.43
Interest earning assets	**63,498**	**2.90**	**66,062**	**3.19**
Discontinued operations (1)	977		1,986	
Non-interest earning assets	9,962		9,606	
	74,437		**77,654**	
Amounts owed to credit institutions	10,624	0.30	11,278	0.57
Amounts owed to customers	49,090	0.73	48,741	1.19
Debt issued	4,301	3.24	5,458	3.41
Subordinated debt	1,654	7.31	1,895	6.51
Interest bearing liabilities	**65,669**	**0.99**	**67,372**	**1.41**
Discontinued operations (1)	914		1,778	
Non-interest bearing liabilities	2,457		3,015	
Shareholders' equity and non-controlling interests	5,397		5,489	
	74,437		**77,654**	
Net interest margin		1.88		1.75
Net interest margin (excl. cost of CoCos)		1.98		1.85

Note: Interest related to hedge derivatives were allocated, in September 2016 and 2015, to the respective balance sheet item.
(1) Includes the activity of the subsidiary in Angola and of Millennium bcp Gestão de Ativos (in 2015), as well as the respective consolidation adjustments.

Net commissions totalled Euro 481.1 million in the first nine months of 2016 and Euro 498.0 million in the same period of 2015, reflecting the performance of the international activity that, excluding exchange rate effects, decreased by 4.6% and offset the 2.8% year-on-year increase registered in the activity in Portugal, which amounted to Euro 343.2 million in the first nine months of 2016.

The performance of net commissions in the first nine months of 2016 is influenced by the 2.7% decrease in commissions associated with the banking business, driven by the lower level of commissions in the international activity, despite higher current account-related commissions in the activity in Portugal, and the 6.2% reduction in commissions related to financial markets, mainly influenced by the lower level of securities transactions in international activity.

Net trading income reached Euro 212.5 million in the first nine months of 2016, compared to Euro 505.9 million booked in the same period of 2015, essentially reflecting the gains related to Portuguese sovereign debt securities in 2015 in the amount of Euro 387.1, which was partially offset by the gain of Euro 91.0 million associated with the purchase, by Visa Inc., of the shareholdings held by the Bank in Portugal and Bank Millennium in Poland in Visa Europe in the second quarter of 2016.

Other net operating income was negative by Euro 96.3 million in the first nine months of 2016 from Euro 53.5 million in the same period of 2015.

In the activity in Portugal, this heading includes the contributions for the banking sector, for the Deposit Guarantee Fund, for the Resolution Fund and for the Single Resolution Fund, with the latter only being registered in the fourth quarter of 2015, compared with the booking of Euro 21.2 million in the second quarter of 2016. In the international activity, other net operating performance was hindered by the introduction of a new banking tax on the banking sector in Poland in 2016.

Dividends from equity instruments, which comprises dividends received from investments in financial assets available for sale, and **equity accounted earnings**, jointly stood at Euro 67.6 million in the first nine months of 2016, showing an increase of Euro 39.0 million from the Euro 28.6 million posted in the same period of 2015, determined by higher gains from UNICRE, influenced by the transaction of its shareholding in Visa Europe, together with the results from the shareholding in Banco Millennium Atlântico, the new entity that resulted from the merger of Banco Millennium in Angola with Banco Privado Atlântico, from May 2016 onwards.

OTHER NET INCOME

Euro million

	30 Sep. 16	30 Sep. 15	Change 16/15
Net commissions	**481.1**	**498.0**	**-3.4%**
Banking commissions	391.7	402.5	-2.7%
Cards and transfers	107.8	119.6	-9.8%
Credit and guarantees	119.8	122.1	-1.9%
Bancassurance	57.9	56.5	2.5%
Current account related	68.1	62.2	9.5%
Other commissions	38.0	42.1	-9.6%
Market related commissions	89.5	95.4	-6.2%
Securities	61.2	65.5	-6.6%
Asset management	28.3	29.9	-5.4%
Net trading income	**212.5**	**505.9**	-58.0%
Other net operating income	**(96.3)**	**(53.5)**	-
Dividends from equity instruments	**7.0**	**3.5**	**99.6%**
Equity accounted earnings	**60.6**	**25.1**	**141.6%**
Total other net income	**664.9**	**979.0**	**-32.1%**
Other net income / Net operating revenues	42.3%	52.8%	

Operating costs, excluding the effect of specific items related with restructuring costs, amounted to Euro 720.6 million in the first nine months of 2016, a year-on-year decrease of 5.2% compared with Euro 760.5 million in the same period of 2015, materialising the targets set in the Strategic Plan, namely in terms of cost savings in Portugal.

In the first nine months of 2016, operating costs in the activity in Portugal, excluding specific items, decreased 2.9% compared with the same period of 2015, standing at Euro 462.9 million, grounded on the initiatives focusing on cost rationalisation and containment that have been implemented, namely staff cost savings, driven by the reduction of the number of employees, and other administrative costs.

Operating costs in the international activity showed a year-on-year decrease of 9.2%; however, excluding the exchange rate effect, operating costs increased 5.9% compared to the first nine months of 2015, mainly influenced by the subsidiaries in Mozambique and in Poland.

Staff costs, excluding the impact of the above-mentioned specific items, totalled Euro 408.7 million in the first nine months of 2016, a 5.0% reduction from the same period of 2015, benefiting from the 2.7% decrease recorded in the activity in Portugal, boosted by the reduction of 126 employees compared to the first nine months of 2015, in spite of the 4.1% increase in the international activity, excluding exchange rate effects.

Other administrative costs decreased 5.0% to stand at Euro 274.9 million in the first nine months of 2016, compared to Euro 289.3 million posted in the same period of 2015, reflecting the impact of the operational efficiency improvement initiatives set in the Strategic Plan, namely the resizing of the distribution network in Portugal, from 679 branches in the first nine months of 2015 to 634 in the same period of 2016. In the international activity, other administrative costs increased 7.7% over the first nine months of 2015, excluding exchange rate effects.

Depreciation costs amounted to Euro 37.0 million in the first nine months of 2016, -9.7% compared to the Euro 41.0 million registered in the same period of 2015, driven by the 7.4% reduction observed in the activity in Portugal, determined by lower real estate and software-related depreciation costs. In the international activity, depreciation costs increased, excluding the exchange rate impact, 10.5% compared to the first nine months of 2015, induced by the subsidiaries in Poland and Mozambique.

OPERATING COSTS *Euro million*

	30 Sep. 16	30 Sep. 15	Change 16/15
Staff costs	408.7	430.2	-5.0%
Other administrative costs	274.9	289.3	-5.0%
Depreciation	37.0	41.0	-9.7%
Subtotal (1)	**720.6**	**760.5**	-5.2%
Specific items			
Restructuring costs	1.7	-	
Operating costs	**722.4**	**760.5**	**-5.0%**
Of which:			
Portugal activity (1)	462.9	476.8	-2.9%
Foreign activity	257.7	283.7	-9.2%

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

Impairment for loan losses (net of recoveries) totalled Euro 870.2 million in the first nine months of 2016, compared to Euro 613.6 million accounted in the same date of 2015, reflecting the booking of Euro 400 million of additional impairment charges, of which Euro 100 million in the third quarter of 2016, that enabled the strengthening of the overdue loans coverage ratio for more than 90 days per impairments, adjusted for the effect of discontinued operations, from 85.6% as at 30 September 2015 to 100.9% in the same period of 2016.

Other impairment and provisions amounted to Euro 242.8 million in the first nine months of 2016, compared to Euro 117.0 million in the same period of 2015, as a result of the devaluation of corporate restructuring funds by Euro 107.4 million from the first nine months of 2015, mitigated by the lower level of provisions for repossessed assets and for other liabilities and charges.

Income tax (current and deferred) amounted to Euro -68.2 million in the first nine months of 2016, compared with Euro 67.1 million posted in the same period of 2015.

These taxes include current tax costs of Euro 76.5 million (Euro 62.9 million in the first nine months of 2015) net of deferred tax income of Euro 144.7 million (tax costs of Euro 4.3 million in the same period of 2015).

BALANCE SHEET

Total assets, excluding the impact of Banco Millennium in Angola, reached Euro 73,042 million as at 30 September 2016, compared with Euro 74,072 million as at 30 September 2015, influenced by loans to customers' portfolio retraction, together with the decrease in the securities portfolio, mainly related with Portuguese sovereign debt securities.

Loans to customers (gross), excluding discontinued operations, totalled Euro 52,610 million as at 30 September 2016, compared with Euro 55,137 million posted in the same date of 2015 and Euro 54,443 million as at 31 December 2015 (excluding Euro 996 million associated with Banco Millennium Angola), induced, in both cases, by the decrease in the activity in Portugal, in spite of the increase recorded in the international activity, excluding the exchange rate effect.

Loans to customers in the activity in Portugal decreased by 4.7% compared to 30 September 2015, driven by the performance of both mortgage loan and loans to companies, hindered by the lower dynamism of economic activity, in spite of the continued effort to support companies and individuals.

Excluding the impact of the loan portfolio associated with the operation in Angola, classified as discontinued operation, and exchange rate effect, loans to customers in the international activity increased 2.2% compared to 30 September 2015, grounded on the increase in loans to companies mainly in the subsidiary in Mozambique.

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Sep. 16	30 Sep. 15	Change 16/15
Individuals	**28,346**	**29,186**	**-2.9%**
Mortgage	24,273	25,289	-4.0%
Consumer and others	4,074	3,897	4.5%
Companies	**24,263**	**25,951**	**-6.5%**
Services	9,474	10,212	-7.2%
Commerce	3,136	3,151	-0.5%
Construction	3,063	3,667	-16.5%
Other	8,590	8,920	-3.7%
Subtotal	**52,610**	**55,137**	**-4.6%**
Discontinued operations	--	907	
Total	**52,610**	**56,044**	**-6.1%**
Of which [1]:			
Portugal activity	40,291	42,265	-4.7%
Foreign activity	12,319	12,872	-4.3%

(1) Excludes the impact from discontinued operations (Banco Millennium in Angola) in 2015.

The structure of the loans to customers' portfolio showed identical and stable levels of diversification between the end of September 2015 and 2016, with loans to companies representing 46% of total loans to customers as at 30 September 2016.

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 30 SEPTEMBER 2016

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	**801**	**759**	**2.8%**	**94.8%**
Mortgage	292	346	1.2%	118.5%
Consumer and others	509	413	12.5%	81.2%
Companies	**2,969**	**3,044**	**12.2%**	**102.5%**
Services	1,105	1,495	11.7%	135.3%
Commerce	295	264	9.4%	89.6%
Construction	956	659	31.2%	69.0%
Other	613	626	7.1%	102.1%
Total	**3,770**	**3,804**	**7.2%**	**100.9%**

Credit quality, determined by loans overdue by more than 90 days as a percentage of total loans, adjusted for discontinued operations, improved from 7.4% as at 30 September 2015 to 7.2% as at the same period of 2016, while the corresponding coverage ratio for loans overdue by more than 90 days improved from 85.6% as at 30 September 2015 to 100.9% as at 30 September 2016.

The credit at risk ratio stood at 11.4% of total loans as at 30 September 2016, which compares with 11.9% as at the same period of 2015. As at 30 September 2016, the restructured loans ratio reached 10.1% of total loans, a favourable performance from the 10.3% registered at the end of September 2015 and the restructured loans not included in the credit at risk ratio stood at 6.0% of total loans as at 30 September 2016 (6.5% as at 30 September 2015).

Total customer funds, excluding the impact associated with discontinued operations, amounted to Euro 63,354 million as at 30 September 2016, a decrease from the Euro 63,757 million posted on the same date of 2015 and Euro 64,485 million as at 31 December 2015 (excluding Euro 1,692 million associated with Banco Millennium Angola.

Total customers funds in the activity in Portugal totalled Euro 47,301 million as at 30 September 2016, from Euro 47,550 million in the same date of 2015, reflecting the Euro 688 million and Euro 146 million decreases in debt securities owed to customers and in customer deposits, respectively, in spite of the performance of both assets under management and capitalisation products, which increased Euro 369 million and Euro 215 million compared with 30 September 2015.

In the international activity, total customer funds, excluding the impact associated with discontinued operations, decreased 0.9% compared to 30 September 2015, standing at Euro 16,054 million, conditioned by the depreciation of the zloty and the metical against the euro. Excluding exchange rate effect, total customer funds increased 5.8% compared to 30 September 2015, supported by customer deposits' 6.7% increase, on the back of the performance in the subsidiaries in Poland and Mozambique.

As at 30 September 2016, excluding discontinued operations, balance sheet customer funds represented 80% of total customer funds, with customer deposits representing 77% of total customer funds.

According to Bank of Portugal Instruction No. 16/2004, which includes Banco Millennium Angola in balance sheet headings in 2015, the Euro 2.0 million reduction of the commercial gap compared to 30 September 2015 enabled the improvement of the loan to deposits ratio from 104% as at 30 September 2015 to 101% as at the same period of 2016. The same ratio, considering total balance sheet customer funds, reached 97% (99% as at 30 September 2015).

TOTAL CUSTOMER FUNDS (1)

Euro million

	30 Sep. 16	30 Sep. 15	Change 16/15
Balance sheet customer funds	**50,576**	**51,486**	**-1.8%**
Deposits	48,937	49,164	-0.5%
Debt securities	1,638	2,322	-29.4%
Off-balance sheet customer funds	**12,779**	**12,271**	**4.1%**
Assets under management	4,078	3,741	9.0%
Capitalisation products	8,701	8,530	2.0%
Total	**63,354**	**63,757**	**-0.6%**

(1) Excludes the impact from discontinued operations (Banco Millennium in Angola) in the amount of Euro 1,480 million in September 2015.

The **securities portfolio**, excluding discontinued operations, amounted to Euro 12,352 million as at 30 September 2016, compared with Euro 12,994 million in the same period of 2015 (Euro 12,016 million as at 31 December 2015), representing 16.9% of total assets as at 30 September 2016, lower than the 17.5% recorded as at 30 September 2015.

LIQUIDITY MANAGEMENT

During the first nine months of 2016 the net consolidated wholesale funding of the Bank increased by Euro 0.4 billion, mainly due to the reinforcement of both the portfolios of Portuguese public and private debt, which impact was mitigated by the decrease of the commercial gap in Portugal.

With the refinancing of medium-long term debt limited to Euro 0.4 billion, the increase of funding needs was enabled through the growth of the balance of repos in Portugal by Euro 1.3 billion at the end of 2015 to Euro 2.2 billion as at 30 September 2016, given the decrease of the net funding with the Eurosystem by Euro 0.4 billion in the same period.

It should be underlined that the diversification of the funding instruments, included in the Liquidity Plan for 2016, was pursued with the realization of the first repos collateralized by covered bonds and securitized assets, supplementary to the customary use of Portuguese sovereign debt.

In June 2016, the Bank carried out the early redemption of the EUR 1.5 billion tranche of the first series of the targeted longer-term refinancing operation (TLTRO), changing the profile of its debt with the ECB by simultaneously borrowing a EUR 3.5 billion tranche at the new programme TLTRO II, announced by the ECB on March 2016. This amount was reinforced in September with an additional tranche of Euro 0.5 billion to a total Euro 4.0 billion at the end of the 3Q 2016. The remaining funding needs were assured through the main weekly and 3-month refinancing operations.

The net funding with the Eurosystem continued to decrease standing at Euro 4.9 billion in September 2016, from Euro 5.3 billion posted in December 2015, while the liquidity buffer remained at a comfortable level above Euro 8.0 billion.

CAPITAL

On 26 June 2013, the European Parliament and Council approved Directive 2013/36/EU and Regulation (EU) no. 575/2013 (Capital Requirements Directive IV / Capital Requirements Regulation - CRD IV/CRR) that established new and more demanding capital requirements for credit institutions, with effects from 1 January 2014 onwards.

These stricter requirements result from more narrowly defined capital and risk weighted assets, together with the establishment of minimum ratios, including a capital conservation buffer, of 7% for Common Equity Tier 1 (CET1), 8.5% for Tier 1 and 10.5% for Total Capital. The CRD IV/CRR also stipulates a transitional period (phased-in) in which institutions may accommodate the new requirements, both in terms of own funds and compliance with minimum capital ratios.

According to our interpretation of CRD IV/CRR to date, CET1 phased-in estimated ratio reached 12.2% as at 30 September 2016 compared to 12.3% posted as at 30 June 2016 (13.3% as at 31 December 2015).

The performance of the phased-in CET1 ratio in the third quarter of 2016 mainly reflects the unfavourable effects of the net income recorded in this period and the negative foreign exchange differences, mainly of the metical, which were offset by the reduction of capital requirements, mostly for market risk. The fully implemented CET1 ratio was also affected by the exclusion of the transitional adjustments, namely the impact of the devaluation of sovereign debt held for sale.

SOLVENCY RATIOS (CRD IV/CRR)

Euro million

	30 Sep. 16	30 Jun. 16
	PHASED-IN	
Own funds		
Common equity tier 1 (CET1)	4,669	4,719
Tier 1	4,669	4,719
Total Capital	**5,052**	**5,133**
Risk weighted assets	**38,287**	**38,415**
Solvency ratios		
CET1	12.2%	12.3%
Tier 1	12.2%	12.3%
Total capital	13.2%	13.4%
	FULLY IMPLEMENTED	
CET1 ratio	9.5%	9.7%

SIGNIFICANT EVENTS

Continued implementation of the Bank's strategic plan, enhancing the efficiency and profitability of its business, with the quarter marked also by initiatives aiming at fulfilling the conditions for investment by Fosun.

Highlights during this period include:

- Decision of proceeding with the regrouping, without decrease of the share capital, of the shares representing the Bank's share capital, following the publication on 26 September 2016, the Decree-Law No. 63-A/2016 of 23 September, confirming the terms of the resolution of the general meeting of shareholders convened on 21 April 2016, that the legal framework set in the above mentioned Decree-Law, is in accordance with the company's corporate interest and declaring subsequently the production of its effects, on the date of 27 September 2016;
- Acknowledged the substantial progress in the negotiations with Fosun Industrial Holdings Limited referred in BCP's announcement dated September 14, 2016, with the Board of Directors also acknowledging the progress made to fulfill several of the conditions to which the proposed investment is subject to, conditions yet to be fulfilled for the proposal include approvals by banking supervision authorities;
- Decision to mandate the Executive Committee to proceed with, and to complete with exclusivity, the negotiations with Fosun, and to present the results thereon for approval on a coming meeting of the Board of Directors;
- Financial magazine Global Finance announced the winners of its "World's Best Digital Banks 2016" prizes for Western Europe, and Millennium bcp was named the winner for Portugal;
- International financial magazine World Finance awarded ActivoBank "Best Commercial Bank in Portugal", for the fifth year in a row;
- ActivoBank was best rated in the CSI –Internet Banking 2016 survey by Marktest;
- Millennium bim was a winner in this year's edition of the VISA Global Service Quality Awards, in the "Efficiency" category;
- Millennium bcp released a new version of its App Millennium, available for iOS and Android. This version is, like the previous ones, simple yet innovative and includes additional features that aim to make our customers' everyday management easier.

MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) estimates that the world economy will continue to record modest growth levels in 2016 (3.1%) due to a slowdown in the developed economies amid a stabilization of growth in the emerging countries at levels below the average of recent years, and the persistence of a high degree of uncertainty stemming from non-economic factors related to terrorism, the geostrategic impact of the likely withdrawal of the United Kingdom from the European Union and the proliferation of signs of increasing protectionism among the main economic blocs. To these factors accrue the limitation of monetary policy as a lever to economic growth, in a world of near-zero interest rates, the vulnerability of the world's financial system and the still elevated levels of public and private indebtedness.

Steady growth of the Euro Area economy at levels not too distant from its potential, together with the inflection of the inflation rate downward trend and the concomitant reduction of deflationary risks amid recovering commodity prices, stabilizing emerging economies and the absence of shocks emanating from international financial markets led the European Central Bank (ECB) to a adopt a more contemplative stance, after the significant accommodation introduced in the first half of 2016. In the US, the convergence of the inflation and unemployment rates towards the statutory goals of the Federal Reserve (Fed) triggered an intensification of the expectations of gradual normalization of the key interest rates.

After the uncertainty caused by the weakness of the emerging economies – in the first quarter - and by the result of the referendum on United Kingdom's permanence in the European Union (EU) – in the second quarter -, between July and September the levels of volatility in financial markets decreased considerably, notwithstanding the equity depreciation of the European banking sector as well as the increased probability of a new rate hike by the Fed. The improvement in investor sentiment translated into, namely, an appreciation of the main American equity index (S&P 500) to a new record high. This environment of greater optimism reduced the demand for safe-haven assets, which caused a fall in the prices of precious metals and the increase in the yields on the government debt of Germany and the US. On the foreign exchange side, the keynote in the third quarter was the strong depreciation of the Pound Sterling. Regarding the euro interbank monetary market, the fading investors' expectations regarding the strengthening of the expansionary stance of the ECB's monetary policy led to a stabilization of Euribor rates, which nevertheless remained negative at all maturities.

According to Statistics Portugal, in the first two quarters of 2016, the Portuguese GDP grew 0.9% in annual terms, which compares with an expansion of 1.6% in the previous quarter. The slower pace of the recovery of the economic activity was the result of a slowdown of investment along with a slackening of exports, whilst private consumption remained resilient, benefiting from low interest rates and energy costs, and from the restitution of civil servants' salaries. In this less dynamic context, the IMF predicts that the growth of the Portuguese economy will be 1.0% for the whole year. Regarding the evolution of the Portuguese assets, the climate of uncertainty surrounding the economic and financial situation of Portugal was reflected in the rise of the yields of the government bonds and in moderate gains in the Portuguese stock index during the third quarter.

The deceleration of Polish economy in the first two quarters of the year prompted a downward revision of the GDP growth rate forecast by the IMF for the whole year, from 3.5% to 3.1%. However, the growth pace remains robust, thereby contributing to the maintenance of the monetary policy by the central bank despite the negative values of the inflation rate. Regarding the evolution of the Zloty against the Euro, the highlight is its greater stability, after the significant depreciating movements and subsequent correction during the first half of the year, with the exchange rate currently staying around 4.30, a value similar to that observed at the end of 2015. In Mozambique, the economic climate has become challenging. In the second quarter, the annual growth rate of GDP was 3.7%, which corresponds to the lowest of the last eight years, the inflation rate remained on an uptrend, and the depreciating trajectory of the metical worsened, leading to a fall against the US dollar of 66% in the first nine months of the year. In this environment, monetary policy has become more restrictive and Mozambican authorities have started negotiations with the IMF in order to improve the macroeconomic situation. In Angola, the IMF forecasts a stagnation of activity in 2016, following the economic and financial difficulties caused by the fall in oil prices.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Sep 16	Sep 15	Change	Sep 16	Sep 15	Change	Sep 16	Sep 15	Change
Income statement									
Net interest income	907,0	876,6	3,5%	543,0	513,7	5,7%	364,0	362,9	0,3%
Dividends from equity instruments	7,0	3,5	99,6%	6,5	2,9	123,7%	0,5	0,6	
Net fees and commission income	481,1	498,0	-3,4%	343,2	333,7	2,8%	138,0	164,3	-16,0%
Other operating income	(96,3)	(53,5)	-	(47,0)	(52,1)	-	(49,4)	(1,4)	-
Net trading income	212,5	505,9	-58,0%	88,4	431,6	-79,5%	124,1	74,3	66,9%
Equity accounted earnings	60,6	25,1	141,6%	50,6	25,4	98,9%	10,0	(0,3)	-
Net operating revenues	**1.571,9**	**1.855,6**	**-15,3%**	**984,6**	**1.255,2**	**-21,6%**	**587,2**	**600,4**	**-2,2%**
Staff costs	410,4	430,2	-4,6%	273,9	279,7	-2,1%	136,5	150,5	-9,3%
Other administrative costs	274,9	289,3	-5,0%	169,5	174,2	-2,7%	105,4	115,1	-8,4%
Depreciation	37,0	41,0	-9,7%	21,2	22,9	-7,4%	15,8	18,0	-12,6%
Operating costs	**722,4**	**760,5**	**-5,0%**	**464,7**	**476,8**	**-2,5%**	**257,7**	**283,7**	**-9,2%**
Operating profit before impairment and provisions	**849,5**	**1.095,1**	**-22,4%**	**520,0**	**778,4**	**-33,2%**	**329,6**	**316,7**	**4,1%**
Loans impairment (net of recoveries)	870,2	613,6	41,8%	816,7	545,4	49,7%	53,4	68,2	-21,7%
Other impairment and provisions	242,8	117,0	107,5%	234,2	114,1	105,3%	8,6	3,0	-
Profit before income tax	**(263,5)**	**364,4**	**172,3%**	**(531,0)**	**118,9**	**-**	**267,5**	**245,5**	**9,0%**
Income tax	(68,2)	67,1	>200%	(136,4)	18,8	-	68,2	48,3	41,1%
Income after income tax from continuing operations	**(195,3)**	**297,3**	**165,7%**	**(394,6)**	**100,1**	**>200%**	**199,3**	**197,2**	**1,1%**
Income arising from discontinued operations	45,2	72,2	-37,4%	-	-	-	36,8	57,4	-35,9%
Non-controlling interests	101,0	105,0	-3,7%	(0,3)	(0,4)	-	101,3	105,3	-3,8%
Net income	**(251,1)**	**264,5**	**194,9%**	**(394,3)**	**100,5**	**-**	**134,8**	**149,3**	**-9,7%**
Balance sheet and activity indicators									
Total assets	**73.042**	**75.985**	**-3,9%**	**54.410**	**55.189**	**-1,4%**	**18.632**	**20.796**	**-10,4%**
Total customer funds [(1)]	**63.354**	**63.757**	**-0,6%**	**47.301**	**47.550**	**-0,5%**	**16.054**	**16.206**	**-0,9%**
Balance sheet customer funds [(1)]	**50.576**	**51.486**	**-1,8%**	**35.873**	**36.706**	**-2,3%**	**14.703**	**14.780**	**-0,5%**
Deposits	48.937	49.164	-0,5%	34.334	34.480	-0,4%	14.603	14.684	-0,5%
Debt securities	1.638	2.322	-29,4%	1.539	2.226	-30,9%	100	96	4,0%
Off-balance sheet customer funds [(1)]	**12.779**	**12.271**	**4,1%**	**11.428**	**10.844**	**5,4%**	**1.351**	**1.427**	**-5,3%**
Assets under management	4.078	3.741	9,0%	3.174	2.805	13,2%	904	936	-3,5%
Capitalisation products	8.701	8.530	2,0%	8.254	8.039	2,7%	447	490	-8,9%
Discontinued operations	**-**	**1.480**	**-100,0%**	**-**	**-**		**-**	**1.480**	**-100,0%**
Loans to customers (gross) [(1)]	**52.610**	**55.137**	**-4,6%**	**40.291**	**42.265**	**-4,7%**	**12.319**	**12.872**	**-4,3%**
Individuals [(1)]	**28.346**	**29.186**	**-2,9%**	**20.375**	**20.989**	**-2,9%**	**7.971**	**8.197**	**-2,8%**
Mortgage	24.273	25.289	-4,0%	17.902	18.692	-4,2%	6.371	6.597	-3,4%
Consumer and others	4.074	3.897	4,5%	2.473	2.297	7,7%	1.600	1.600	0,0%
Companies [(1)]	**24.263**	**25.951**	**-6,5%**	**19.916**	**21.276**	**-6,4%**	**4.347**	**4.675**	**-7,0%**
Services	9.474	10.212	-7,2%	8.641	9.298	-7,1%	833	914	-8,9%
Commerce	3.136	3.151	-0,5%	2.164	2.109	2,6%	973	1.042	-6,7%
Construction	3.063	3.667	-16,5%	2.756	3.199	-13,9%	307	468	-34,4%
Other	8.590	8.920	-3,7%	6.356	6.669	-4,7%	2.235	2.251	-0,7%
Discontinued operations	**-**	**907**	**-100,0%**	**-**	**-**	**-**	**-**	**907**	**-100,0%**
Credit quality									
Total overdue loans [(1)]	3.914	4.489	-12,8%	3.615	4.172	-13,4%	299	316	-5,4%
Overdue loans by more than 90 days [(1)]	3.770	4.103	-8,1%	3.517	3.832	-8,2%	253	271	-6,7%
Overdue loans by more than 90 days /Total loans [(1)]	7,2%	7,4%		8,7%	9,1%		2,1%	2,1%	
Total impairment (balance sheet) [(1)]	3.804	3.514	8,2%	3.408	3.091	10,3%	396	423	-6,5%
Total impairment (balance sheet) /Total loans [(1)]	7,2%	6,4%		8,5%	7,3%		3,2%	3,3%	
Total impairment (balance sheet) /Overdue loans by more than 90 days [(1)]	100,9%	85,6%		96,9%	80,7%		156,5%	156,1%	
Cost of risk (net of recoveries, in b.p.) [(1)]	221	148		270	172		58	71	
Restructured loans / Total loans [(2)]	10,1%	10,3%							
Restructured loans not included in the credit at risk / Total loans [(2)]	6,0%	6,5%							
Cost-to-income [(3)]	45,8%	41,0%		47,0%	38,0%		43,9%	47,3%	

(1) Adjusted from the effect related to operations classified under the line item of discontinued operations in 2015.

(2) According to Instruction from the Bank of Portugal no. 32/2013, as the currently existing version, including Banco Millennium in Angola.

(3) Excludes the impact of specific itens.

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Income Statement
for the nine month period ended 30 September 2016 and 2015

	30 September 2016	30 September 2015 (restated)
	(Thousands of Euros)	
Interest and similar income	1,429,522	1,630,587
Interest expense and similar charges	(522,534)	(753,984)
Net interest income	906,988	876,603
Dividends from equity instruments	6,961	3,487
Net fees and commission income	481,146	497,965
Net gains / losses arising from trading and hedging activities	85,719	99,601
Net gains / losses arising from available for sale financial assets	126,794	406,336
Net gains from insurance activity	2,499	7,580
Other operating income	(94,586)	(37,113)
Total operating income	1,515,521	1,854,459
Staff costs	410,409	430,208
Other administrative costs	274,946	289,282
Depreciation	37,001	40,978
Operating costs	722,356	760,468
Operating net income before provisions and impairments	793,165	1,093,991
Loans impairment	(870,188)	(613,634)
Other financial assets impairment	(178,650)	(37,307)
Other assets impairment	(35,145)	(63,783)
Goodwill impairment	(10,097)	-
Other provisions	(18,937)	(15,953)
Operating net income	(319,852)	363,314
Share of profit of associates under the equity method	60,608	25,084
Gains / (losses) from the sale of subsidiaries and other assets	(4,243)	(23,980)
Net (loss) / income before income tax	(263,487)	364,418
Income tax		
Current	(76,537)	(62,856)
Deferred	144,750	(4,272)
Net (loss) / income after income tax from continuing operati	(195,274)	297,290
Income arising from discontinued operations	45,227	72,200
Net income after income tax	(150,047)	369,490
Attributable to:		
Shareholders of the Bank	(251,080)	264,536
Non-controlling interests	101,033	104,954
Net income for the period	(150,047)	369,490
Earnings per share (in euros)		
Basic	(0.006)	0.007
Diluted	(0.006)	0.007

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 September, 2016 and 2015 and 31 December, 2015

	30 September 2016	31 December 2015	30 September 2015
		(Thousands of Euros)	
Assets			
Cash and deposits at central banks	2,618,275	1,840,317	1,514,453
Loans and advances to credit institutions			
Repayable on demand	421,850	776,413	984,037
Other loans and advances	1,628,151	921,648	976,054
Loans and advances to customers	48,805,818	51,970,159	52,478,248
Financial assets held for trading	1,090,767	1,188,805	1,481,053
Other financial assets held for trading at fair value through profit or loss	145,605	152,018	-
Financial assets available for sale	10,680,030	10,779,030	11,556,620
Assets with repurchase agreement	19,983	-	10,545
Hedging derivatives	106,115	73,127	85,114
Financial assets held to maturity	415,611	494,891	432,941
Investments in associated companies	574,626	315,729	313,914
Non current assets held for sale	2,112,762	1,765,382	1,674,469
Investment property	61,929	146,280	147,639
Property and equipment	463,459	670,871	673,474
Goodwill and intangible assets	188,823	210,916	206,271
Current tax assets	35,011	43,559	39,931
Deferred tax assets	2,790,693	2,561,506	2,505,379
Other assets	882,088	974,228	904,891
	73,041,596	74,884,879	75,985,033
Liabilities			
Amounts owed to credit institutions	11,302,736	8,591,045	10,288,944
Amounts owed to customers	48,937,144	51,538,583	50,643,751
Debt securities	3,919,170	4,768,269	4,909,742
Financial liabilities held for trading	610,479	723,228	828,378
Hedging derivatives	383,149	541,230	548,975
Provisions for liabilities and charges	279,997	284,810	300,768
Subordinated debt	1,682,860	1,645,371	1,683,817
Current income tax liabilities	5,508	22,287	7,268
Deferred income tax liabilities	2,151	14,810	16,736
Other liabilities	970,040	1,074,675	1,020,107
Total Liabilities	68,093,234	69,204,308	70,248,486
Equity			
Share capital	4,094,235	4,094,235	4,094,235
Treasury stock	(3,106)	(1,187)	(1,089)
Share premium	16,471	16,471	16,471
Preference shares	59,910	59,910	59,910
Other capital instruments	2,922	2,922	2,922
Legal and statutory reserves	245,875	223,270	223,270
Fair value reserves	(66,067)	23,250	9,003
Reserves and retained earnings	(22,820)	(31,046)	50,783
Net income for the period attributable to Shareholders	(251,080)	235,344	264,536
Total Equity attributable to Shareholders of the Bank	4,076,340	4,623,169	4,720,041
Non-controlling interests	872,022	1,057,402	1,016,506
Total Equity	4,948,362	5,680,571	5,736,547
	73,041,596	74,884,879	75,985,033

GLOSSARY

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

Commercial gap – total loans to customers net of BS impairments accumulated minus on-balance sheet customer funds.

Cost of risk, gross (expressed in bp) - ratio of impairment charges accounted in the period to customer loans (gross).

Cost of risk, net (expressed in bp) - ratio of impairment charges (net of recoveries) accounted to customer loans (gross).

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

Cost to core income - operating costs divided by the net interest income and net fees and commission income.

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

Core net income - corresponding to net interest income plus net commissions deducted from operating costs.

Coverage of credit at risk by balance sheet impairments – total BS impairments accumulated for risks of credit divided by credit at risk (gross).

Coverage of credit at risk by balance sheet impairments and real/financial guarantees – total BS impairments accumulated for risks of credit plus real and financial guarantees divided by credit at risk (gross).

Coverage of non-performing loans by balance sheet impairments – total BS impairments accumulated for risks of credit divided by NPL.

Credit at risk – definition broader than the non performing loans which includes also restructured loans whose changes from initial terms have resulted in the bank being in a higher risk position than previously; restructured loans which have resulted in the bank becoming in a lower risk position (e.g. reinforced collateral) are not included in credit at risk.

Credit at risk (net) – credit at risk deducted from BS impairments accumulated for risks of credit.

Customer spread – Difference between the spread on the loans to customers book over 3 months Euribor and the spread on the customers' deposits portfolio over 3 months Euribor.

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

Dividends from equity instruments - dividends received from investments in financial assets held for trading and 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.

Loan book spread - average spread on the loan portfolio over 3 months Euribor.

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

Loan to Deposits ratio (LTD) – Total loans to customers net of accumulated BS impairments for risks of credit to total customer deposits.

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

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, 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.

Non-performing loans – Overdue loans more than 90 days including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Non-performing loans ratio (net) – Loans more than 90 days overdue and doubtful loans reclassified as overdue for provisioning purposes less BS impairments accumulated for credit risk divided by total loans (gross).

Non-performing loans coverage ratio – total BS impairments accumulated for credit risk divided by overdue and doubtful loans divided.

Loans more than 90 days overdue coverage - total BS impairments accumulated for risk of credit divided by total amount of loans overdue with installments of capital and interest overdue more than 90 days.

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 loans - loans in arrears, not including the non-overdue remaining principal.

Overdue loans coverage ratio – total BS impairments accumulated for risks of credit divided by total amount of loans overdue with installments of capital and interest overdue.

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

Return on equity (ROE) – Net income (including the minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments.

Return on average assets (ROA) – Net income (including minority interests) divided by the average total assets.

Securities portfolio - financial assets held for trading, financial assets available for sale, assets with repurchase agreement, financial assets held to maturity and other financial assets held for trading at fair value through net income.

Spread on term deposits portfolio – average spread on terms deposits portfolio over 3 months Euribor.

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

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

Disclaimer

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

The interim condensed consolidated financial statements, for the nine month period ended 30 September 2016, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

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

First nine months figures for 2015 and 2016 were not audited or review.

Assumes maintenance of the framework regulating the limits to the deductions of credit impairment effective as at 31 December 2015.