EARNINGS PRESS RELEASE

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Millennium bcp earnings release as at 30 September 2019

Profitability

Improvement of profitability of the Group; stronger core income; lower impairment and provision charges

- **Net profit of the Group of 270.3 million euros** in the first nine months of 2019, boosted by **stronger core income (+7.0%)** and **lower impairment and provision charges (-12.1%)** compared to the same period of the previous year.

Asset quality

Continuous improvement of asset quality; significant NPE and cost of risk reduction, with coverage improvement

- **Significant reduction of NPE* (-1.7 billion from 30 September 2018),** determined by the activity in Portugal.
- **Improvement in NPE* coverage by impairments to 55%** (51% as at 30 September 2018) and **overall coverage** of 107%.**
- **Progressive reduction of cost of risk to 73 b.p.** (88 b.p. in the first nine months of 2018).

Capital

Strong capital, adjusted to business model

- **Estimated Fully-implemented Core Equity Tier 1 ratio stood at 12.3%*****, improving 50 b.p. from September 2018.
- **Estimated Total capital ratio stood at 15.7%*****, comfortably above SREP requirements (13.1%). Organic capital generation and Additional Tier 1 (AT1) placement, on January 2019, and Tier 2 (T2) placement, on September 2019, more than compensate the impacts of the acquisition of Euro Bank S.A. and of the reduction of the pension fund discount rate.

Business performance

Continuous business dynamics with resources from customers and loan portfolio growth; growing active customer base

- **Increasing business volumes**, with performing loans up by **5.2** billion euros and total customer funds up by **7.4** billion euros, from 30 September 2018.
- **Added 246,000 active Customers** from 30 September 2018 (+141,000 in Portugal), with an emphasis on mobile Customers. More than a million digital Customers in Portugal, with a significant increase following the launch of the new app.

Rating upgrade

- Recognition of the improvement of Millennium bcp over the last years, with **recent rating upgrades**, namely the attribution of **investment grade**, made by DBRS (senior debt rating) and most recently by Moody's (deposits rating). In October, S&P and Fitch Ratings improved their outlook from stable to positive.

* NPE include loans to customers only, as defined in the glossary.
** By loan-loss reserves, expected loss gap and collaterals.
*** Including non-audited net income of the first nine months of 2019 and 2018 and the impact of IFRS16.

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registered at the Commercial Registry of Oporto,
with the single commercial and tax identification number
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FINANCIAL HIGHLIGHTS (1)

Euro million

	30 Sep. 19	30 Sep. 18	Change 19/18
BALANCE SHEET			
Total assets	81,359	73,745	10.3%
Loans to customers (net)	52,123	47,944	8.7%
Total customer funds	80,166	72,786	10.1%
Balance sheet customer funds	61,296	54,922	11.6%
Deposits and other resources from customers	59,559	53,624	11.1%
Loans to customers (net) / Deposits and other resources from customers (2)	87.5%	89.4%	
Loans to customers (net) / Balance sheet customer funds	85.0%	87.3%	
RESULTS			
Net interest income	1,153.0	1,052.8	9.5%
Net operating revenues	1,743.0	1,636.5	6.5%
Operating costs	847.3	754.2	12.3%
Operating costs excluding specific items (3)	808.0	742.2	8.9%
Loan impairment charges (net of recoveries)	299.0	336.7	-11.2%
Other impairment and provisions	78.1	92.2	-15.4%
Income taxes	174.0	109.5	58.9%
Net income	270.3	257.5	5.0%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	3.0%	3.0%	
Return on average assets (ROA)	0.6%	0.6%	
Income before tax and non-controlling interests / Average net assets (2)	0.9%	0.8%	
Return on average equity (ROE)	6.0%	6.0%	
Income before tax and non-controlling interests / Average equity (2)	9.9%	8.9%	
Net interest margin	2.2%	2.2%	
Cost to income (2) (3)	46.4%	45.4%	
Cost to income (Portugal activity) (2) (3)	47.2%	46.2%	
Staff costs / Net operating revenues (2) (3)	26.6%	25.9%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	73	88	
Non-Performing Exposures / Loans to customers	8.4%	12.3%	
Total impairment (balance sheet) / NPE	55.1%	50.8%	
Restructured loans / Loans to customers	5.9%	7.7%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	223%	182%	
Net Stable Funding Ratio (NSFR)	138%	128%	
CAPITAL (4)			
Common equity tier I phased-in ratio	12.3%	11.8%	
Common equity tier I fully-implemented ratio	12.3%	11.8%	
BRANCHES			
Portugal activity	526	568	-7.4%
Foreign activity	1,029	548	87.8%
EMPLOYEES			
Portugal activity	7,259	7,130	1.8%
Foreign activity (5)	11,464	8,786	30.5%

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at "Alternative Performance Measures" chapter, being reconciled with the accounting values published in the consolidated financial statements. From 31 May 2019, financial statements of the Group reflect the consolidation of Eurobank S.A., the entity acquired by Bank Millennium S.A..

(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.

(3) Excludes specific items: negative impact of 39.3 million euros in the first nine months of 2019, of which 24.4 million euros related to restructuring costs and compensation for temporary salary cuts recognized as staff costs in the activity in Portugal and 14.9 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized as other administrative costs in the Polish subsidiary. In the same period of 2018, there was a negative impact of 12.0 million euros, related to restructuring costs, recognized as staff costs in the activity in Portugal.

(4) As of 30 September 2019 and 30 September 2018, ratios include the positive cumulative net income, non-audited, of each period. Ratios as of 30 September 2019 are estimated.

(5) Of which, in Poland: 8,710 employees as at 30 September 2019 (corresponding to 8,564 FTE - Full-time equivalent) and 6,080 employees as at 30 September 2018 (corresponding to 5,950 FTE - Full-time equivalent).

RESULTS AND ACTIVITY IN THE FIRST NINE MONTHS OF 2019

In the context of the entry into force, on 1 January 2018, of IFRS 9 Financial Instruments and the consequent impact on the structure of the Millennium bcp financial statements compared to prior periods, some indicators were defined according to management criteria aiming to help the comparability with financial information then presented. Following the guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA), the relevant indicators that allow a full understanding of the evolution of the Group's economic and financial position are detailed at the end of this document, being reconciled with the accounting values published in the consolidated financial statements.

In May 2019, Bank Millennium, SA, a subsidiary owned 50.1% by Banco Comercial Português, S.A., has completed the acquisition of 99.787% stake in Euro Bank S.A. from SG Financial Services Holdings, a subsidiary fully held by Société Générale, S.A.. On the settlement date of the transaction, the acquisition method set out in IFRS 3 - Business Combinations establishes that the acquired assets and the liabilities assumed shall be recognized based on their fair value at the acquisition date. It should be noted that, at this stage, the settlement process is not yet concluded and may result in additional adjustments to the purchase price. In accordance with IFRS 3, the effective settlement will be completed no later than one year from the control acquisition date which occurred on 31 May 2019. From this date, financial statements of the Group reflect the consolidation of Euro Bank S.A..

The Group has ceased to apply IAS 29 – Financial reporting in hyperinflationary economies to the financial statements of Banco Millennium Atlântico with effect from 1 January 2019, since Angola no longer meets the requirements to be considered a hyperinflationary economy. From the beginning of 2019, the financial statements of Banco Millennium Atlântico considered for the purpose of integration into the Group's accounts started to consider the amortization of the impact arising from the updating of the balance sheet value of non-monetary assets and liabilities until the end of their lifespan.

On 1 January 2019, the IFRS 16 - Leases entered into force, replacing IAS 17 - Leases and establishing the new requirements regarding the scope, classification, recognition and measurement of leases. The Group applied the principles set out in this standard retrospectively with the impacts of the transition being recognized on 1 January 2019. In what concerns the income statement, the adoption of IFRS 16 led to changes in amortizations and depreciations, other administrative costs and net interest income, but on a net basis, the amounts recorded are not material.

RESULTS

The consolidated **net income** of Millennium bcp achieved 270.3 million euros in the first nine months of 2019, showing an increase of 5.0% compared to the 257.5 million euros posted in the same period of the previous year. The good performance of the activity in Portugal was decisive for the evolution of the net income of the Group, since the contribution of international activity in the first nine months of the year was lower than in the same period of 2018. Consolidated net income until the end of the third quarter of 2019 includes a 13.5 million euros gain, resulting from the sale of Planfipsa Group in February 2019, reflected as discontinued operations.

In the activity in Portugal, net income increased 7.1% compared to the 117.1 million euros reached in the first nine months of 2018, standing at 125.5 million euros* in the same period of 2019. This growth benefited from the favourable evolution of most of the items, except for operating costs and equity accounted earnings. The biggest contributor for that evolution was the lower level of loans impairment charges.

In the international activity, accumulated net income at the end of the third quarter of 2019 totalled 131.4 million euros, compared to 140.8 million euros obtained in the same period of 2018. Despite core income growing 16.4%, this growth was not sufficient to offset the lower appropriation of the results generated by Banco Millennium Atlântico, influenced by the end of the application of IAS 29, and the performance of the operation in Poland, conditioned by the non-recurring impacts resulting from the integration and the inicial recognition of loans portfolio of Euro Bank S.A., which was acquired in May 2019.

* Not considering income arising from operations accounted as discontinued operations, amounting to 13.4 million euros, in the first nine months of 2019 (a negative amount of 0.4 million euros in the same period of the previous year).

Net interest income showed a 9.5% increase compared to 1,052.8 million euros recorded in the first nine months of 2018, reaching 1,153.0 million euros in the same period of 2019, mainly boosted by the favourable performance of the international activity, but also benefiting from the positive evolution of the activity in Portugal.

In the first nine months of 2019, net interest income in the activity in Portugal, amounted to 600.1 million euros, that compares to 595.8 million euros in the same period of previous year, reflecting the reduction in the cost of funding, namely the reduction of the cost of debt issued, together with the reduction in the costs incurred with term deposits. The growth of the performing loan portfolio also contributed favourably to the evolution of net interest income. However, net interest income was penalized by the contribution of the securities portfolio, which was lower than in the first nine months of 2018, reflecting the persistence of a market scenario characterized by low interest rates.

Net interest income in the international activity stood 21.0% above the 457.0 million euros recorded in the first nine months of 2018, reaching 552.8 million euros in the same period of 2019, mainly due to the increase in income from the loan portfolio of the Polish subsidiary which results on the one hand from the strong organic growth and, on the other, from the integration of Euro Bank S.A..

The net interest margin of the Group, in the first nine months of 2019, stood at 2.2%, broadly stable compared to the same period of the previous year. In Portugal, the low level of interest rates has been compressing the net interest margin which decreased from 1.8% in the first nine months of 2018 to 1.7% in the same period of 2019. However, the adverse impact of the interest rate scenario has been largely offset by the growth in average volumes of loan and securities portfolios. In the international activity, net interest margin showed a favourable evolution from 3.1% in the frst nine months of 2018 to 3.2% in the same period of 2019.

AVERAGE BALANCES

Euro million

	30 Sep. 19		30 Sep. 18	
	Amount	Yield %	Amount	Yield %
Deposits in banks	3,696	1.1	2,611	0.9
Financial assets	15,627	1.7	13,013	2.2
Loans and advances to customers	50,134	3.2	47,498	3.2
INTEREST EARNING ASSETS	69,457	2.8	63,122	2.9
Non-interest earning assets	9,529		9,943	
	78,987		73,065	
Amounts owed to credit institutions	8,171	0.2	7,414	0.1
Deposits and other resources from customers	56,659	0.5	52,852	0.6
Debt issued	3,241	1.2	2,820	1.8
Subordinated debt	1,275	4.4	1,135	5.9
INTEREST BEARING LIABILITIES	69,347	0.6	64,221	0.7
Non-interest bearing liabilities	2,067		1,955	
Shareholders' equity and non-controlling interests	7,573		6,889	
	78,987		73,065	
Net interest margin		2.2		2.2

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

Dividends from equity instruments, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, together with **equity accounted earnings**, totalled 39.7 million euros in the first nine months of 2019, compared to 72.5 million euros in the same period of the previous year, penalized by the lower contribution of equity accounted earnings from both the activity in Portugal and the international activity.

The decrease of equity accounted earnings in the activity in Portugal from 43.1 million euros accumulated till 30 September of 2018, to 27.9 million euros at the end of the third quarter of 2019 was driven by the 7.7 million euros reduction from the results generated by the participation in Millennium Ageas, essentially reflecting the negative impact from the scenario of lower interest rates in the insurance sector. The results generated by stake held in SIBS and Unicre also contributed to the decrease, since showed a combined reduction of 7.0 million euros compared to the first nine months of 2018.

In the international activity, the reduction of equity accounted earnings was due to the lower appropriation of the results generated by Banco Millennium Atlântico, that stood at 11.1 million euros in the first nine months of 2019, compared to 28.7 million euros posted in the same period of previous year. This reduction was largely justified by the end of the application of IAS 29, with effect from 1 January 2019. Excluding the impact of IAS 29 in both periods, the appropriation of the results generated by Banco Millennium Atlântico recorded a reduction of only 3.0 million euros.

Net commissions recorded a positive evolution compared to 510.1 million euros achieved in the first nine months of 2018, standing at 519.1 million euros in the same period of 2019, due to the good performance of both the activity in Portugal and the international activity, where net commissions increased respectively by 1.2% and 3.0% in this period.

Net commissions, in consolidated terms, continue to reflect distinct dynamics with respect to commissions traditionally linked to banking commissions and commissions generated by operations related to the financial and capital markets.

In consolidated terms, banking commissions presented a favourable performance materialized in a growth of 23.2 million euros in the first nine months of 2019 compared to the figures recorded in the same period of the previous year. The activity in Portugal and the international activity contributed both to such performance, with banking commissions increasing by 5.3% and 6.1%, respectively.

Market related commissions continue to show a downward trend as they were 14.1 million euros lower than the amount of commissions generated in the same period of the previous year. The current market context has contributed to this evolution, leading to a downward adjustment of the commissions raised.

Net trading income presented a favourably evolution, showing an increase of 33.0% compared to the 89.6 million euros reached in the first nine months of 2018, standing at 119.1 million euros in the same period of 2019. This evolution benefited from the good performance of both the activity in Portugal and international activity, which grew by 15.5% and 48.1% respectively, compared to the first nine months of 2018.

The growth in the activity in Portugal, was boosted by the gains recognized with the sale of Portuguese public debt securities that totalized 58.5 million euros in the first nine months of 2019, compared to 16.0 million euros recorded in the same period of the previous year. Inversaly, the costs related to loan sales were above the 21.6 million euros accounted in the same period of the previous year, reaching 27.4 million euros in the first nine months of 2019, largely due to the impacts associated with sales of loans, classified as NPE, in the third quarter of 2019.

Net trading income of the international activity were mainly influenced by the evolution of the Polish subsidiary, boosted by the income, in the amount of 10.5 million euros, recognized from the revaluation of PSP - Polish Payment Standard shares following the agreement for the entry of Mastercard in the capital of that entity. The operation in Mozambique, in turn, also had higher results in financial operations than in the same period of the previous year, mainly from foreign exchange operations.

Other net operating income, which, among others, includes the costs associated with mandatory contributions as well as with the resolution and the deposit guarantee funds, totalled a negative amount of 87.9 million euros in the first nine months of 2019, in line with the amount recorded in the same period of 2018, reflecting the evolution in the activity in Portugal offseting the evolution in the international activity.

In the activity in Portugal, other net operating income showed a favourable evolution from the negative 43.7 million euros recognized at the end of the third quarter of 2018, to an also negative amount of 35.4 million euros in the same period of 2019, with an emphasis on the increase in income generated by the sale of non-current assets held for sale. Costs incurred with the mandatory contributions remained in line with the figure recorded in the first nine months of 2018, standing at 66.6 million euros in the first nine months of 2019.

In the international activity, other net operating income increased from negative 44.7 million euros in the first nine months of 2018 to also negative 52.5 million euros in the same period of this year, partly due to the increase in the mandatory contributions of the Polish operation, from 55.5 million euros in the first nine months of 2018, to 67.1 million euros recognized in the same period of 2019.

OTHER NET INCOME

Euro million

	9M19	9M18	Change 19/18
DIVIDENDS FROM EQUITY INSTRUMENTS	0.7	0.6	24.0%
NET COMMISSIONS	519.1	510.1	1.8%
Banking commissions	441.5	418.3	5.5%
Cards and transfers	124.8	122.3	2.0%
Credit and guarantees	125.0	119.2	4.9%
Bancassurance	88.0	79.2	11.1%
Current account related	88.0	79.1	11.3%
Other commissions	15.7	18.6	-15.3%
Market related commissions	77.6	91.8	-15.4%
Securities	48.1	59.0	-18.4%
Asset management	29.5	32.8	-10.1%
NET TRADING INCOME	119.1	89.6	33.0%
OTHER NET OPERATING INCOME	(87.9)	(88.4)	0.6%
EQUITY ACCOUNTED EARNINGS	39.0	71.9	-45.7%
TOTAL OTHER NET INCOME	590.0	583.7	1.1%
Other net income / Net operating revenues	33.9%	35.7%	

Note: In 2018, some of the amounts recorded by the subsidiary in Poland under the items "Credit and guarantees", "Bancassurance" and "Other commissions" were reclassified in order to improve the integration of the information reported on a consolidated basis. The total amount of net commissions as at 30 September 2018 did not change.

Operating costs, excluding the effect of specific items*, totaled 808.0 million euros in the first nine months of 2019, compared to 742.2 million euros accounted in the same period of the previous year. This evolution mainly reflects the increase in the international activity, although in a smaller scale, the activity in Portugal also showed an increase in operating costs compared to the same period of the previous year.

In the activity in Portugal, operating costs, not considering the effect of the specific items, increased by 2.9% over the 456.9 million euros recorded in the first nine months of 2018, to 470.4 million euros in the same period of 2019, mainly driven by higher staff costs. The entry into force on 1 January 2019 of IFRS 16 - Leases largely justified the offsetting changes in other administrative costs, which decreased by 18.8 million euros, and depreciation, which grew 24.1 million euros compared to the first nine months of 2018.

In the international activity, operating costs, excluding the effect of specific items, totaled 337.6 million euros in the first nine months of 2019, showing an increase of 18.3% compared to the 285.3 million euros recorded in the same period of the previous year. This increase was mainly due to the evolution of the Polish subsidiary, whose performance was influenced, on the one hand, by the impact of the consolidation of Euro Bank S.A., and, on the other, by the cost growth associated with the organic growth of Bank Millennium and the greater dynamism of prices and wages in the Polish economy. At the same time, to a lesser extent, operating costs accounted for by the subsidiary in Mozambique were also higher than in the same period last year.

At a consolidated level, **staff costs**, not considering the effect of specific items related to the activity in Portugal, stood at 463.6 million euros in the first nine months of 2019, reflecting a 9.5% growth compared to 423.6 million euros accounted in the same period of the previous year, mainly justified by the rise in the international activity.

In the activity in Portugal, staff costs, increased 3.0% from 269.2 million euros recorded in the first nine months of the previous year, standing at 277.4 million euros till September 2019. These figures exclude the negative impact of specific items which totaled 24.4 million euros in the first nine months of 2019 and 12.0 million euros in the same period of 2018, both related to restructuring costs, and in 2019 also related to the compensation for temporary salary cuts.

The evolution of staff costs in the activity in Portugal was partially due to the increase in the number of employees from 7,130 as at 30 September 2018 to 7,259 on the same date of 2019, reflecting the reinforcement of digital transformation skills and the outsourcers internalization.

In the international activity, staff costs increased 20.6% from 154.4 million euros recognized in the first nine months of 2018, standing at 186.2 million euros in the same period of 2019. Although staff costs in the Mozambican subsidiary increased from the same period of the previous year, it was the Polish subsidiary that saw the largest increase, driven by the growth in the number of employees during this period. As at 30 September 2019, the number of employees at the Polish subsidiary was 8,710 (8,564 FTE - full-time equivalent) compared to 6,080 (5,950 FTE - full-time equivalent) as at 30 September 2018. This increase was mainly justified by the inclusion of 2,425 employees, as a result of the acquisition of Euro Bank S.A. in May 2019, and also by the impact of employees from the Skok Piast Credit Union, an entity acquired by Bank Millennium in November 2018.

Other administrative costs, excluding the effect of specific items, fully recognized in the international activity, stood at 254.6 million euros in the first nine months of 2019, reducing 7.7% from 275.8 million euros recorded in the same period of 2018, reflecting the impact of the entry into force, on 1 January 2019, of IFRS 16 – Leases, in both the activity in Portugal and the international activity.

* Negative impact of 39.3 million euros in the first nine months of 2019, of which 24.4 million euros related to restructuring costs and compensation for temporary salary cuts recognized as staff costs in the activity in Portugal and 14.9 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized as other administrative costs in the Polish subsidiary. In the same period of 2018, there was also a negative impact of 12.0 million euros, related to restructuring costs, recognized as staff costs in the activity in Portugal.

In the activity in Portugal, other administrative costs stood 11.7% below the 160.6 million euros accounted in the first nine months of 2018, standing at 141.9 million euros in the same period of 2019.

Excluding the impact of IFRS 16 and the increase in costs related to the ongoing digital transformation process, other administrative costs would show an overall reduction when compared to the amounts recognized in the first nine months of 2018, reflecting a disciplined recurring costs evolution, partly as a consequence of the ongoing effort in resizing the distribution network, which decreased from 568 branches on 30 September 2018 to 526 branches on the same date of 2019.

In the international activity other administrative costs, not considering the effect of specific items directly related to the acquisition, merger and integration of Euro Bank S.A., stood at 112.7 million euros in the first nine months of 2019, 2.1% below the 115.1 million euros posted in the same period of the previous year. Excluding the favourable impact of the entry into force of IFRS 16 – Leases, other administrative costs were higher than in the same period of 2018, in both the subsidiary in Mozambique and the Polish subsidiary, in this case, reflecting the impact of the acquisition of Euro Bank S.A..

The effect of the acquisition of Euro Bank S.A. also influenced the number of branches of international activity, as they increased from 548 as at 30 September 2018 to 1.029 at the end of September 2019. Excluding the effect of the consolidation of this new entity, the number of branches in the international activity would have increased to 569 as at 30 September of 2019, mainly due to the activity of the subsidiary in Poland, also including the effect of the integration of Skok Piast at the end of 2018. In the subsidiary in Mozambique there was an increase of 4 branches compared to 30 September 2018.

Depreciations totalled 89.8 million euros in the first nine months of 2019, with the increase of 46.9 million euros over the same period last year being mainly justified by the impact of the entry into force of IFRS 16.

Excluding this impact, the evolution of depreciation costs was driven by the increase in investment related to software and IT equipment, both in the activity in Portugal and in the international activity, reflecting the ongoing digital transformation and the investment of the Group in technological innovation.

OPERATING COSTS

Euro million

	9M19	9M18	Change 19/18
Staff costs	463.6	423.6	9.5%
Other administrative costs	254.6	275.8	-7.7%
Depreciation	89.8	42.9	109.4%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	**808.0**	742.2	8.9%
OPERATING COSTS	**847.3**	754.2	12.3%
Of which:			
Portugal activity (1)	470.4	456.9	2.9%
Foreign activity	337.6	285.3	18.3%

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) decreased 11.2% from 336.7 million euros recorded in the first nine months of 2018, amounting to 299.0 million euros in the same period of 2019, with the favourable evolution of the activity in Portugal being offset by the increase in the international activity, namely in the Polish subsidiary, conditioned by the impact of the acquisition of Euro Bank S.A..

In the activity in Portugal, impairment for loan losses continued to show a downward trend, resulting in a drop of 28.4% compared to the 288.2 million euros recorded in the first nine months of 2018, standing at 206.3 million euros in the same period of 2019.

In the international activity, loans impairment increased from 48.6 million euros in the first nine months of 2018 to 92.7 million euros in the same period of 2019. This evolution was driven by the performance of the Polish subsidiary, mostly reflecting the impact of the acquisition of Euro Bank S.A., namely the impairments for credit performing mandatorily booked upon the initial recognition of the acquired portfolio, as per the applicable accounting standard.

The cost of risk (net of recoveries) of the Group, including the impact of the acquisition of Euro Bank S.A., stood at 73 basis points in the first nine months of 2019, compared favourably to 88 basis points in the same period of the previous year.

Other impairment and provisions stood at 78.1 million euros in the first nine months of 2019, showing a reduction from 92.2 million euros recognized in the first nine months of 2018, benefiting from lower provisioning needs both in Portugal and in the international activity.

In the activity in Portugal, other impairment and provisions decreased 10.8% from 76.6 million euros recorded in the first nine months of 2018, totalling 68.3 million euros in the same period of 2019, mainly reflecting lower needs for provisions for guarantees and commitments and impairments for real estate properties received as payment, partially offset by the reinforcement of impairments for financial assets.

Other impairment and provisions in the international activity stood at 9.8 million euros, showing a decrease of 37.5% compared to 15.7 million euros in the same period of the previous year, mainly explained by the amount of impairment for the investment in Banco Millennium Atlântico that had been recognized in the first nine months of 2018, following the application of IAS29.

Income tax (current and deferred) amounted to 174.0 million euros in the first nine months of 2019, which compares to 109.5 million euros obtained in the same period of 2018.

These taxes include, in the first nine months of 2019, current tax of 75.2 million euros (77.6 million euros in the same period of 2018) and deferred tax of 98.8 million euros (32.0 million euros in the same period of 2018).

The increase in deferred tax expense in the first nine months of 2019 versus the same period of 2018, resulted mainly from the write-off of the deferred tax assets due to the change in expectations regarding the future evolution in market interest rates, with a scenario of persistent low interest rates, and to the actuarial losses from the pension fund, resulting from the reduction in the discount rate, which results from the reduction in the level of the reference market interest rates.

BALANCE SHEET

Total assets of the balance sheet of Millennium bcp stood at 81,359 million euros as at 30 September 2019, showing an 10.3% increase from 73,745 million euros recorded on the same date of the previous year, mainly influenced by the performance of the Polish subsidiary, but also, to a lesser extent by the evolution of the activity in Portugal.

The growth in the total assets of the operation in Poland, as compared to 30 September 2018, was largely due to the impact of the acquisition of Euro Bank S.A., which was mainly felt in the loan portfolio, which also benefited from the organic growth of the business generated by Bank Millennium. Total assets of the Polish subsidiary as at 30 September 2019 also reflect the increase in the volume of the securities portfolio in the period under review.

In the activity in Portugal, the main increases in total assets compared to 30 September 2018 were in cash at Central Banks and securities portfolio, with the reinforcement of eligible assets, namely with regard to the Portuguese public debt. On the other hand, non-current assets held for sale recorded the most significant decrease compared to 30 September 2018, reflecting the reduction of the portfolio of real estate properties received as payment.

Consolidated **loans to customers** (gross) of Millennium bcp, as defined in the glossary stood at 54,658 million euros as at 30 September 2019, up 6.9% from 51,150 million euros on the same date of the previous year, determined by the evolution of international activity.

In the activity in Portugal, loans to customers (gross) stood at 37,203 million euros as at 30 September 2019, slightly below the 37,629 million euros at the same date of 2018, highlighting the decisive impact of the 1,855 million euros reduction in NPE.

The 29.1% increase in the international activity was due to the performance of Bank Millennium in Poland, reflecting not only the impact of the acquisition of Euro Bank S.A., but also the recurring activity of the subsidiary excluding the effect of the integration of the acquired entity. As at 30 September 2019, loans to customers (gross) from international activity amounted to 17,455 million euros, compared to 13,521 million euros on the same date of the previous year.

Consolidated loans to customers (gross) maintained a balanced level of diversification in the period of time comprised between 30 September 2018 and 30 September 2019, with loans to individuals and loans to companies representing respectively 58% (54% as at 30 September 2018) and 42% (46% as at 30 September 2018) of the total amount of loans to customers.

The **quality of the credit portfolio** continued to improve favourably reflecting the focus on selectivity and monitoring of the credit risk control processes, as well as from the initiatives carried out by the commercial areas and credit recovery areas towards the recovery of operations in default.

Credit quality indicators reflect this improvement, namely regarding the evolution of the NPE ratio, which declined from 12.3% on 30 September 2018 to 8.4% on the same date of 2019. It should also be noted the generalized increase in the coverage by impairments, reflecting the reduction of the implicit risks in the loan portfolio of the Group. Therefore, it is worth mentioning the reinforcement in the coverage of NPE by impairment, which, in consolidated terms, increased from 50.8% on 30 September 2018 to 55.1% as at 30 September 2019. In the activity in Portugal, the positive evolution of this indicator was even more significant, as coverage of NPE by impairment stood at 54.1% as at 30 September 2019, compared to 48.4% on the same date of the previous year.

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Sep. 19	30 Sep. 18	Change 19/18
INDIVIDUALS	31,496	27,604	14.1%
Mortgage	25,632	23,640	8.4%
Personnal Loans	5,865	3,965	47.9%
COMPANIES	23,161	23,546	-1.6%
Services	8,690	8,882	-2.2%
Commerce	3,521	3,511	0.3%
Construction	1,878	2,208	-14.9%
Others	9,072	8,945	1.4%
TOTAL	54,658	51,150	6.9%
Of which:			
Portugal activity	37,203	37,629	-1.1%
Foreign activity	17,455	13,521	29.1%

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	Sep. 19	Sep. 18	Chg. % 19/18	Sep. 19	Sep. 18	Chg. % 19/18
STOCK						
Loans to customers (gross)	54,658	51,150	6.9%	37,203	37,629	-1.1%
Overdue loans > 90 days	1,595	2,462	-35.2%	1,200	2,175	-44.8%
Overdue loans	1,751	2,566	-31.8%	1,231	2,213	-44.4%
Restructured loans	3,243	3,938	-17.7%	2,697	3,390	-20.4%
Non-performing loans (NPL) > 90 days	2,568	3,795	-32.3%	2,020	3,324	-39.2%
Non-performing exposures (NPE)	4,599	6,307	-27.1%	3,691	5,546	-33.4%
Loans impairment (Balance sheet)	2,534	3,206	-21.0%	1,996	2,684	-25.6%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	2.9%	4.8%		3.2%	5.8%	
Overdue loans / Loans to customers (gross)	3.2%	5.0%		3.3%	5.9%	
Restructured loans / Loans to customers (gross)	5.9%	7.7%		7.2%	9.0%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	4.7%	7.4%		5.4%	8.8%	
Non-performing exposures (NPE) / Loans to customers (gross)	8.4%	12.3%		9.9%	14.7%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	158.9%	130.3%		166.4%	123.4%	
Coverage of overdue loans	144.8%	125.0%		162.1%	121.3%	
Coverage of *Non-performing loans* (NPL) > 90 days	98.7%	84.5%		98.8%	80.8%	
Coverage of *Non-performing exposures* (NPE)	55.1%	50.8%		54.1%	48.4%	

Note: NPE include loans to customers only, as defined in the glossary.

Total customer funds increased 10.1% compared to 72,786 million euros recorded on 30 September 2018, reaching 80,166 million euros at the same date of 2019, due to the good performance of both the activity in Portugal and the international activity. This 7,381 million euros growth in consolidated terms benefited mostly from the evolution of balance sheet customer funds, namely deposits and other resources from customers, which increased by 5,934 million euros in the same period. Off-balance sheet customer funds also evolved favourably, reflecting a growth of 1,007 million euros between September 2018 and September 2019.

In the activity in Portugal, total customer funds stood at 56,177 million euros on 30 September 2019, reflecting an increase of 5.7% compared to the 53,171 million euros posted on the same date of the previous year. This evolution was due to the performance of both balance sheet customer funds, which grew by 1,890 million euros in this period, and off-balance sheet customer funds, which increased by 1,116 million euros, based respectively on the growth in deposits and other resources from customers and insurance products (savings and investment).

In the international activity, total customer funds showed an 22.3% increase from the 19,614 million euros posted on 30 September 2018, totalling 23,989 million euros at the end of September 2019. This evolution essentially reflects the higher volume of deposits and other resources from customers recorded by the Polish subsidiary, reflecting both the impact of the consolidation of Euro Bank S.A., and the current activity of Bank Millennium.

On 30 September 2019, balance sheet customer funds represented 76% of total customer funds, with deposits and other resources from customers representing 74% of total customer funds.

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 88% on 30 September 2019, with the same ratio, considering on-balance sheet customers' funds, standing at 85%. Both ratios show values in line with those obtained on 30 September 2018 (89% and 87%, respectively).

TOTAL CUSTOMER FUNDS

Euro million

	30 Sep. 19	30 Sep. 18	Change 19/18
BALANCE SHEET CUSTOMER FUNDS	61,296	54,922	11.6%
Deposits and other resources from customers	59,559	53,624	11.1%
Debt securities	1,738	1,298	33.9%
OFF-BALANCE SHEET CUSTOMER FUNDS	18,870	17,863	5.6%
Assets under management	5,549	5,291	4.9%
Assets placed with customers	3,955	4,151	-4.7%
Insurance products (savings and investment)	9,366	8,421	11.2%
TOTAL	80,166	72,786	10.1%
Of which:			
Portugal Activity	56,177	53,171	5.7%
Foreign activity	23,989	19,614	22.3%

On 30 September 2019, the **securities portfolio** reached 16,625 million euros, standing 13.6% above the 14,640 million euros recorded on the same date of the previous year and representing 20.4% of total assets (19.9% on 30 September 2018). Both activity in Portugal and international activity had their securities portfolios expanded compared to the same date of the previous year.

In the activity in Portugal, the expansion occurred in the portfolio of eligible assets, namely that of Portuguese sovereign debt, and in international activity, the evolution was mainly due to the larger public debt portfolio held by the Polish subsidiary.

LIQUIDITY MANAGEMENT

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 223% at the end of September 2019, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity, having evolved favourably from the same date of the previous year (182%).

At the same time, the Group has a strong and stable financing base, characterized by the large share of customer deposits in the funding structure, collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (Net Stable Funding Ratio or NSFR) as at 30 September 2019 to stand at 138% (128% as at 30 September 2018).

Between September 2018 and September 2019, wholesale funding did not change significantly from a consolidated standpoint, as the decrease of the commercial gap narrowed, the proceeds from issuance activity in the markets and the cash flow from the activity financed the overall growth of the portfolios of Portuguese and foreign public debt and an increase in central bank placements.

In January 2019, complying with the objectives defined in the Group Liquidity Plan, BCP placed an issue of Additional Tier 1, eligible for MREL, in the amount of 400 million euros while Bank Millennium issued subordinated bonds in the amount of 830 million zlotys to strengthen its financial structure in view of the acquisition of Euro Bank S.A.. BCP returned to the market in September with a new issuance of 450 million euros of subordinated debt securities eligible as tier 2 equity, with the transaction being placed with a very diverse set of European institutional investors. The amount of debt placed on the market now amounts to 2.7 billion euros.

The wholesale financing structure was also strengthened in its medium-long term component through an increase of the balance of bank loans by 115 million euros, to 1.9 billion euros.

In Portugal, the liquidity generated by the aforementioned factors reduced the amount of repo financing by 834 million euros, while its application in Banco de Portugal and in public debt eligible for discount at the ECB reduced the net debt with the Eurosystem by 1.3 billion euros, to 1.9 billion euros, and allowed a reinforcement of 4.0 billion euros of the liquidity buffer, to 16.5 billion euros. The buffer of Bank Millennium with its central bank was reduced at the end of May 2019 by circa 1.2 billion euros, as a result of the acquisition of Euro Bank S.A., but it nevertheless reached a comfortable level of 4.4 billion euros on September 2019, up by 0.4 billion euros from a year earlier.

CAPITAL

The estimated Core Equity Tier 1 ratio as at 30 September 2019 stood at 12.3% both phased-in and fully-implemented, +46 and +50 basis points, respectively, compared to the 11.8% ratios phased-in and fully-implemented recorded in the same period of 2018 and above the minimum ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2019 (CET1 9.625%, T1 11.125% and Total 13.125%).

The CET1 fully-implemented ratio favourable evolution was mainly determined by the organic generation of capital, despite the impacts of the acquisition of Euro Bank S.A. by Bank Millennium in Poland, that took place in May 2019 and the reduction of the pension fund's discount rate, on June 2019 (from 2.1% to 1.6%), as a consequence of the decrease in interest rate. Additionally, the Tier 1 Ratio and the Total Ratio benefited from the Additional Tier 1 placement of 400 million euros by Banco Comercial Português, SA, with the favourable evolution of the Total Ratio also being explained by the impact of the Tier 2 placement carried out by the Polish subsidiary in January 2019 and by Banco Comercial Português, SA in September 2019, amounting to 830 million zlotys and 450 million euros, respectively.

SOLVENCY RATIOS

Euro million

	30 Sep. 19	30 Sep. 18
FULLY-IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,503	4,954
Tier 1 (T1)	6,007	5,034
Total Capital	7,057	5,622
Risk weighted assets	44,879	42,108
Solvency ratios		
CET1	12.3%	11.8%
Tier 1	13.4%	12.0%
Total capital	15.7%	13.4%
PHASED-IN		
CET1	12.3%	11.8%

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

SIGNIFICANT EVENTS

Millennium bcp continued to implement its Strategic Plan 2018-2021. Highlights during this period include:

- New issue of medium term subordinated notes in the amount of 450 million euros, with a tenor of 10.5 years, with the option of early redemption by the Bank at the end of 5.5 year, and an annual interest rate of 3.871 per cent. during the first 5.5 years (corresponding to a spread of 4.231 per cent over the 5.5 year mid-swap rate), being part of the Millennium bcp's strategy of optimizing its capital structure and of reinforcing its presence in the international capital markets;

- Pursuant to the negotiation process with the unions that subscribed to the collective bargaining agreements of the BCP Group for the revision of the salary tables and other cash clauses for 2018 and 2019, it has reached an agreement with the "Sindicato dos Bancários do Sul e Ilhas" and the "Sindicato dos Bancários do Centro";

- Agreement reached as regards the mediation proposal presented by the "Direção-Geral do Emprego e das Relações de Trabalho", resulting on the update of the 2018 salary tables and cash clauses of the employees affiliated with the "Sindicato dos Bancários do Norte", the "Sindicato Nacional dos Quadros Técnicos Bancários" and the "Sindicato Independente da Banca", being the agreement for the revision of the 2019 salary tables and cash clauses still pending with these unions;

- Notification by the Portuguese Competition Authority of the decision to impose a fine in proceedings related to alleged restrictive competition practices regarding the sharing of sensitive commercial information between credit institutions, in the mortgage lending, consumer lending and corporate credit segments with the fine imposed on BCP amounting to 60 million euros;

- Upgrade of deposits rating to investment grade, made by Moody's;

- Launching of an innovative new service in Portugal that allows to open accounts using only the Portuguese Citizen ID Card;

- For the second year in a row, Millennium bcp was considered the "Best Bank for Companies in Portugal 2019", and also the most referred to as the "Main Bank of Companies in Portugal", with the "Most Suitable Products for Companies", "Globally Most Innovative" and "Closest to Customers", according to a study by DATA E;

- Approval of the merger of Bank Millennium S.A. with Euro Bank S.A., on 27 August 2019, on the Extraordinary General Meeting of Bank Millennium S.A., in which 216 shareholders participated, representing 78.53% shares in the Bank's shareholders' equity;

- Approval of the merger of Bank Millennium S.A. with Euro Bank S.A. by the Polish supervisor (KNF);

- The legal merger of Bank Millennium S.A., with Euro Bank S.A. has been completed on 1 October 2019;

- Millennium bim has been named "Best Bank for Information Security and Fraud Management" in Africa by financial magazine Global Finance;

- As part of its Sustainability strategy, Millennium bcp has signed the "CEO Guide for Human Rights", an initiative of the World Business Council for Sustainable Development and the Business Council for Sustainable Development (Portugal).

MAIN AWARDS

- Election of Millennium bim as Best Bank in the 'Payments' category in 2019 by Global Finance, recognizing the bank for the innovative solution Millennium IZI in the scope of interoperability.
- Bank Millennium was hailed as the Best Bank in Poland in the annual Best Bank Awards competition organized by Global Finance Magazine.
- Bank Millennium, for the fifth time in a row, has received the CSR Silver Leaf, award that is given to companies which implement the most stringent standards of corporate social responsibility in their day-to-day activity.

SUBSEQUENT EVENTS

- Long-term issuer rating was affirmed by S&P at BB and the outlook was revised to positive from stable;
- Long-term issuer default rating was affirmed by Fitch at BB and the outlook was revised to positive from stable.

MACROECONOMIC ENVIRONMENT

The strong slowdown of the manufacturing activity and international trade, in a context of intensifying trade disputes and rising geopolitical tensions, led the International Monetary Fund (IMF) to revise downwards the forecast for the World economy in 2019, from 3.2% to 3.0%, which corresponds to the lowest value of the last decade and also to an expressive deceleration vis-à-vis the growth observed in 2018 (3.6%). For 2020, the IMF puts forward a scenario of recovery of the global economic activity, tough subject to important downward risks, namely related to the possibility of a correction in the international financial markets.

The loss of dynamism of the global economy and the uncertainty caused by the so-called trade wars are already translating into a slowdown of the American economy, which led the Federal Reserve to reduce its key rate in September for the second time this year (to 2.00%) as well as to terminate the plan of unwinding the stock of debt securities accumulated onto its balance sheet under the previous quantitative easing programs. The fall of inflation and the flagging of the Eurozone's economy motivated the European Central Bank (ECB) to implemented a large set of monetary policy measures, including the cut of the deposit facility rate (to -0.50%), the restart of the program of purchase of public and private debt and the introduction of a mechanism of partial exemption from the negative interest rate applied to the deposits of commercial banks at the central bank (tiering).

The perspective of greater monetary policy accommodation, in particular in the US, favoured the stabilisation of the US Dollar and of long term interest rates, along with a soothing of the financial situation of emerging markets and the recovery of the key global equity indices. The expansionary nature of the ECB measures together with the good economic and fiscal performance of Portugal translated into an additional fall of the yields of the Portuguese government bonds. The negative impact of the cut of the ECB's deposit rate on the Euribor rates by 10 b.p. ended up partially offset by the positive effect resulting from the introduction of the tiering system.

The revision of the national accounts published by Statistics Portugal (INE) in September resulted in a steeper growth profile of the Portuguese economy in the period of 2017-2018, with the annual rate of change of GDP pertaining to 2017 revised upwards from 2.8% to 3.5% and that of 2018 from 2.1% to 2.4%. As a consequence of these revisions, the expansion pace of GDP in the first half of 2019 was 2.0%, above the value initially advanced (1.8%). In this environment, the IMF revised its forecast for the growth of the Portuguese economy in 2019 from 1.7% to 1.9%. The expectations of GDP growth around its potential along with the lowest unemployment rate of the last fifteen years (6.3%) and the improvement in the funding conditions in the wake of the ECB decisions constitute a favourable setting for the Portuguese economy. The main risks for the coming quarters relate to the possibility of a slowdown of the World economy and of a correction of the international financial markets.

In Poland, the economic conditions have remained robust, supported by the dynamism of the investment, which has been benefiting from the European Union's structural funds, and of private consumption, fostered by an expansionary fiscal policy and an improved labour market. However, the loss of vigour of the German economy (Poland's main trading partner) and the signals of deceleration of the World's GDP might penalise the evolution of the Polish exports in the coming quarters and lead to a growth pace closer to 4.0%, after the growth rate of 5.2% observed in 2018. On the foreign-exchange front, the Zloty depreciated against the Euro in the third quarter, reflecting the rise of the volatility levels in the international financial markets.

In Mozambique, the steady improvement of the inflation outlook has allowed the central bank to keep lowering the interest rates, with the MIMO rate currently standing at 12.75% after the 50 b.p. cut done at the August monetary policy meeting. In relation to the economic activity, in the second quarter GDP growth decelerated from 2.5% to 2.3%, a trajectory that according to the IMF should remain in the second half of the year. Still, the Metical appreciated against the Euro in the third quarter. For Angola, the IMF forecast a -0.3% contraction of GDP in 2019, which if materialized would mean an extension of the recessive environment that has persisted since 2016.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal (1)			International activity		
	Sep. 19	Sep. 18	Change 19/18	Sep. 19	Sep. 18	Change 19/18	Sep. 19	Sep. 18	Change 19/18
INCOME STATEMENT									
Net interest income	1,153.0	1,052.8	9.5%	600.1	595.8	0.7%	552.8	457.0	21.0%
Dividends from equity instruments	0.7	0.6	24.0%	–	(0.0)	100.0%	0.7	0.6	23.7%
Net fees and commission income	519.1	510.1	1.8%	356.9	352.5	1.2%	162.2	157.6	3.0%
Net trading income	119.1	89.6	33.0%	48.0	41.5	15.5%	71.1	48.0	48.1%
Other net operating income	(87.9)	(88.4)	0.6%	(35.4)	(43.7)	19.0%	(52.5)	(44.7)	-17.3%
Equity accounted earnings	39.0	71.9	-45.7%	27.9	43.1	-35.3%	11.1	28.7	-61.3%
Net operating revenues	**1,743.0**	**1,636.5**	**6.5%**	**997.5**	**989.3**	**0.8%**	**745.5**	**647.2**	**15.2%**
Staff costs	488.0	435.6	12.0%	301.8	281.2	7.3%	186.2	154.4	20.6%
Other administrative costs	269.5	275.8	-2.3%	141.9	160.6	-11.7%	127.6	115.1	10.8%
Depreciation	89.8	42.9	109.4%	51.2	27.1	88.8%	38.7	15.8	144.7%
Operating costs	**847.3**	**754.2**	**12.3%**	**494.8**	**468.9**	**5.5%**	**352.5**	**285.3**	**23.6%**
Operating costs excluding specific items	808.0	742.2	8.9%	470.4	456.9	2.9%	337.6	285.3	18.3%
Profit before impairment and provisions	**895.7**	**882.2**	**1.5%**	**502.6**	**520.4**	**-3.4%**	**393.0**	**361.9**	**8.6%**
Loans impairment (net of recoveries)	299.0	336.7	-11.2%	206.3	288.2	-28.4%	92.7	48.6	90.8%
Other impairment and provisions	78.1	92.2	-15.4%	68.3	76.6	-10.8%	9.8	15.7	-37.5%
Profit before income tax	**518.6**	**453.3**	**14.4%**	**228.0**	**155.6**	**46.5%**	**290.6**	**297.6**	**-2.4%**
Income tax	174.0	109.5	58.9%	103.0	42.8	140.8%	71.1	66.7	6.5%
Current	75.2	77.6	-3.0%	(6.6)	6.9	-196.2%	81.9	70.7	15.9%
Deferred	98.8	32.0	>200%	109.6	35.9	>200%	(10.8)	(3.9)	-176.1%
Income after income tax from continuing operations	**344.5**	**343.8**	**0.2%**	**125.0**	**112.8**	**10.8%**	**219.5**	**230.9**	**-4.9%**
Income arising from discontinued operations	13.4	(0.4)	>200%	–	–	-	–	–	-
Non-controlling interests	87.6	85.9	2.1%	(0.4)	(4.2)	89.9%	88.1	90.1	-2.3%
Net income	**270.3**	**257.5**	**5.0%**	**125.5**	**117.1**	**7.1%**	**131.4**	**140.8**	**-6.6%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	81,359	73,745	10.3%	55,493	53,364	4.0%	25,866	20,381	26.9%
Total customer funds	**80,166**	**72,786**	**10.1%**	**56,177**	**53,171**	**5.7%**	**23,989**	**19,614**	**22.3%**
Balance sheet customer funds	**61,296**	**54,922**	**11.6%**	**40,515**	**38,625**	**4.9%**	**20,782**	**16,297**	**27.5%**
Deposits and other resources from customers	59,559	53,624	11.1%	38,923	37,427	4.0%	20,635	16,198	27.4%
Debt securities	1,738	1,298	33.9%	1,592	1,198	32.9%	146	100	46.5%
Off-balance sheet customer funds	**18,870**	**17,863**	**5.6%**	**15,662**	**14,547**	**7.7%**	**3,207**	**3,317**	**-3.3%**
Assets under management	5,549	5,291	4.9%	3,253	3,058	6.4%	2,296	2,233	2.8%
Assets placed with customers	3,955	4,151	-4.7%	3,508	3,595	-2.4%	447	556	-19.5%
Insurance products (savings and investment)	9,366	8,421	11.2%	8,902	7,893	12.8%	464	528	-12.2%
Loans to customers (gross)	**54,658**	**51,150**	**6.9%**	**37,203**	**37,629**	**-1.1%**	**17,455**	**13,521**	**29.1%**
Individuals	**31,496**	**27,604**	**14.1%**	**19,339**	**19,148**	**1.0%**	**12,157**	**8,456**	**43.8%**
Mortgage	25,632	23,640	8.4%	17,253	17,141	0.7%	8,378	6,499	28.9%
Personnel Loans	5,865	3,965	47.9%	2,086	2,008	3.9%	3,779	1,957	93.1%
Companies	**23,161**	**23,546**	**-1.6%**	**17,864**	**18,481**	**-3.3%**	**5,298**	**5,066**	**4.6%**
CREDIT QUALITY									
Total overdue loans	1,751	2,566	-31.8%	1,231	2,213	-44.4%	520	352	47.4%
Overdue loans by more than 90 days	1,595	2,462	-35.2%	1,200	2,175	-44.8%	395	287	37.7%
Overdue loans by more than 90 days / Loans to customers	2.9%	4.8%		3.2%	5.8%		2.3%	2.1%	
Total impairment (balance sheet)	2,534	3,206	-21.0%	1,996	2,684	-25.6%	538	522	3.1%
Total impairment (balance sheet) / Loans to customers	4.6%	6.3%		5.4%	7.1%		3.1%	3.9%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	158.9%	130.3%		166.4%	123.4%		136.3%	182.1%	
Non-Performing Exposures	4,599	6,307	-27.1%	3,691	5,546	-33.4%	908	761	19.3%
Non-Performing Exposures / Loans to customers	8.4%	12.3%		9.9%	14.7%		5.2%	5.6%	
Restructured loans	3,243	3,938	-17.7%	2,697	3,390	-20.4%	546	549	-0.5%
Restructured loans / Loans to customers	5.9%	7.7%		7.2%	9.0%		3.1%	4.1%	
Cost of risk (net of recoveries, in b.p.)	73	88		74	102		72	49	
Total impairment (balance sheet) / NPE	55.1%	50.8%		54.1%	48.4%		59.3%	68.7%	

(1) Not considering income arising from operations accounted as discontinued operations, in the amount of 13.4 million euros in the first nine months of 2019 and the negaive amount of 0.4 million euros in the same period of 2018.

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2019 AND 2018

(Thousands of euros)

	30 September 2019	30 September 2018
Interest and similar income	1,477,773	1,407,861
Interest expense and similar charges	(324,816)	(355,056)
NET INTEREST INCOME	1,152,957	1,052,805
Dividends from equity instruments	734	592
Net fees and commissions income	519,092	510,068
Net gains / (losses) from financial operations at fair value through profit or loss	(2,560)	12,667
Net gains / (losses) from foreign exchange	65,022	53,846
Net gains / (losses) from hedge accounting operations	(4,720)	(1,547)
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(23,402)	(21,950)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	84,764	46,560
Net gains / (losses) from insurance activity	8,439	4,001
Other operating income / (losses)	(122,945)	(121,592)
TOTAL OPERATING INCOME	1,677,381	1,535,450
Staff costs	488,030	435,551
Other administrative costs	269,475	275,778
Amortisations and depreciations	89,815	42,896
TOTAL OPERATING EXPENSES	847,320	754,225
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	830,061	781,225
Impairment for financial assets at amortised cost	(299,907)	(335,668)
Impairment for financial assets at fair value through other comprehensive income	(327)	3,643
Impairment for other assets	(51,256)	(66,032)
Other provisions	(25,609)	(30,928)
NET OPERATING INCOME	452,962	352,240
Share of profit of associates under the equity method	39,002	71,868
Gains / (losses) arising from sales of subsidiaries and other assets	26,611	29,147
NET INCOME BEFORE INCOME TAXES	518,575	453,255
Income taxes		
Current	(75,247)	(77,550)
Deferred	(98,791)	(31,955)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	344,537	343,750
Income arising from discontinued or discontinuing operations	13,412	(422)
NET INCOME AFTER INCOME TAXES	357,949	343,328
Net income for the period attributable to:		
Bank's Shareholders	270,318	257,469
Non-controlling interests	87,631	85,859
NET INCOME FOR THE PERIOD	357,949	343,328
Earnings per share (in Euros)		
Basic	0.022	0.023
Diluted	0.022	0.023

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2019 AND 2018 AND 31 DECEMBER 2018

(Thousands of euros)

	30 September 2019	31 December 2018	30 September 2018
ASSETS			
Cash and deposits at Central Banks	3,766,327	2,753,839	2,192,517
Loans and advances to credit institutions repayable on demand	286,278	326,707	330,321
Financial assets at amortised cost			
Loans and advances to credit institutions	978,114	890,033	868,186
Loans and advances to customers	49,418,839	45,560,926	45,355,357
Debt securities	3,676,592	3,375,014	3,347,745
Financial assets at fair value through profit or loss			
Financial assets held for trading	930,767	870,454	1,024,778
Financial assets not held for trading mandatorily at fair value through profit or loss	1,420,438	1,404,684	1,405,460
Financial assets designated at fair value through profit or loss	31,550	33,034	32,921
Financial assets at fair value through other comprehensive income	13,972,254	13,845,625	12,063,815
Assets with repurchase agreement	-	58,252	15,531
Hedging derivatives	267,659	123,054	76,598
Investments in associated companies	429,173	405,082	488,175
Non-current assets held for sale	1,422,860	1,868,458	1,940,000
Investment property	10,011	11,058	12,020
Other tangible assets	723,099	461,276	484,236
Goodwill and intangible assets	219,907	174,395	168,745
Current tax assets	25,234	32,712	12,892
Deferred tax assets	2,720,442	2,916,630	2,945,304
Other assets	1,059,579	811,816	980,005
TOTAL ASSETS	81,359,123	75,923,049	73,744,606
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	6,502,817	7,752,796	7,563,524
Resources from customers	57,621,785	52,664,687	50,760,519
Non subordinated debt securities issued	1,751,766	1,686,087	1,707,696
Subordinated debt	1,685,663	1,072,105	1,097,692
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	333,089	327,008	310,597
Financial liabilities at fair value through profit or loss	3,379,088	3,603,647	3,831,932
Hedging derivatives	324,139	177,900	170,474
Provisions	332,409	350,832	331,896
Current tax liabilities	8,705	18,547	4,742
Deferred tax liabilities	11,355	5,460	4,993
Other liabilities	1,772,819	1,300,074	1,015,889
TOTAL LIABILITIES	73,723,635	68,959,143	66,799,954
EQUITY			
Share capital	4,725,000	4,725,000	5,600,738
Share premium	16,471	16,471	16,471
Preference shares	-	-	59,910
Other equity instruments	402,922	2,922	2,922
Legal and statutory reserves	240,535	264,608	264,608
Treasury shares	(97)	(74)	(291)
Reserves and retained earnings	750,603	470,481	(393,211)
Net income for the period attributable to Bank's Shareholders	270,318	301,065	257,469
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,405,752	5,780,473	5,808,616
Non-controlling interests	1,229,736	1,183,433	1,136,036
TOTAL EQUITY	7,635,488	6,963,906	6,944,652
TOTAL LIABILITIES AND EQUITY	81,359,123	75,923,049	73,744,606

ALTERNATIVE PERFORMANCE MEASURES

The BCP Group prepares financial information in accordance with International Financial Reporting Standards (IFRS) endorsed by European Union. As a complement to that information, the BCP Group uses a set of alternative performance measures that allow monitoring the evolution of its activity over the time. Following the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on October 2015 (ESMA/2015/1415), the BCP Group presents some indicators related to the assessment of profitability and efficiency and the quality of the credit portfolio, among others, which are intended to facilitate comprehension of the evolution of the economic and financial position of the Group. The information presented in this context has not been audited and does not, under any circumstance, replace the financial information prepared in accordance with IFRS. It should also be noted that the definitions and concepts used by the BCP Group for the calculation of these indicators may differ from those used by other entities in the determination of other similar measures and may therefore not be directly comparable. In accordance with the abovementioned guidelines, alternative performance measures, which are detailed below, are presented together with additional information that reconciles the accounting figures presented in the consolidated financial statements prepared in accordance with IFRS and financial information reflecting the management criteria adopted by the BCP Group. These indicators and their components are also described in more detail in the glossary.

1) Loans to customers (net) / Balance sheet customer funds

Relevance of the indicator: the loans-to-deposits ratio is an indicator of liquidity that allows the evaluation of the Group's retail funding structure.

Euro million

		30 Sep. 19	30 Sep. 18
Loans to customers (net) (1)		52,123	47,944
Balance sheet customer funds (2)		61,296	54,922
	(1) / (2)	85.0%	87.3%

2) Return on average assets (ROA)

Relevance of the indicator: allows measurement of the capacity of the Group to generate results with the volume of available assets.

Euro million

		9M19	9M18
Net income (1)		270	257
Non-controlling interests (2)		88	86
Average total assets (3)		78,987	73,065
	[(1) + (2), annualised] / (3)	0.6%	0.6%

3) **Return on average equity (ROE)**

Relevance of the indicator: allows assessment of the capacity of the Group to remunerate its shareholders, assessing the level of profitability generated by the funds invested by the shareholders in the Group.

Euro million

	9M19	9M18
Net income (1)	270	257
Average equity (2)	5,990	5,736
[(1), annualised] / (2)	6.0%	6.0%

4) **Cost to income**

Relevance of the indicator: it allows for the monitoring of the level of efficiency of the Group, evaluating the volume of operating costs (excluding specific items) to generate net operating revenues.

Euro million

	9M19	9M18
Operating costs (1)	847	754
Specific items (2)	39	12
Net operating revenues (3)	1,743	1,636
[(1) - (2)] / (3)	46.4%	45.4%

5) **Cost of risk, net of recoveries (expressed in basis points, annualised)**

Relevance of the indicator: allows assessment of the quality of the loan portfolio by evaluating the ratio between impairment charges (net of reversals and recoveries of credit and interest) recognised in the period and the stock of loans to customers at the end of that period.

Euro million

	9M19	9M18
Loans to customers at amortised cost, before impairment (1)	54,313	50,856
Loan impairment charges (net of recoveries) (2)	299	337
[(2), annualised] / (1)	73	88

6) **Non-performing exposures (NPE) / Loans to customers (gross)**

Relevance of the indicator: allows the assessment of the level of credit risk to which the Group is exposed based on the proportion of the NPE loan portfolio in the loans-to-customers portfolio (gross).

Euro million

		30 Sep. 19	30 Sep. 18
Non-Performing Exposures (1)		4,599	6,307
Loans to customers (gross) (2)		54,658	51,150
	(1) / (2)	8.4%	12.3%

7) **Coverage of non-performing exposures (NPE) by balance sheet impairment**

Relevance of the indicator: it allows the assessment of the level of coverage of the NPE portfolio by balance sheet impairment.

Euro million

		30 Sep. 19	30 Sep. 18
Non-Performing Exposures (1)		4,599	6,307
Loans impairments (balance sheet) (2)		2,534	3,206
	(2) / (1)	55.1%	50.8%

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

Loans to customers

Euro million

	30 Sep. 19	30 Sep. 18
Loans to customers at amortised cost (accounting Balance Sheet)	49,419	45,355
Debt instruments at amortised cost associated to credit operations	2,376	2,310
Balance sheet amount of loans to customers at fair value through profit or loss	328	279
Loan to customers (net) considering management criteria	52,123	47,944
Balance sheet impairment related to loans to customers at amortised cost	2,505	3,149
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	12	41
Fair value adjustments related to loans to customers at fair value through profit or loss	17	16
Loan to customers (gross) considering management criteria	54,658	51,150

Loans impairment (P&L)

Euro million

	9M19	9M18
Impairment of financial assets at amortised cost (accounting P&L) (1)	300	336
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	-1	0
Impairment of financial assets at amortised cost not associated with credit operations (3)	1	-1
Loans impairment considering management criteria (1)-(2)-(3)	299	337

Balance sheet customer funds

Euro million

	30 Sep. 19	30 Sep. 18
Financial liabilities at fair value through profit or loss (accounting Balance sheet)	3,379	3,832
Debt securities at fair value through profit or loss and certificates	-1,442	-968
Customer deposits at fair value through profit or loss considering management criteria	**1,937**	**2,864**
Resources from customers at amortised cost (accounting Balance sheet)	57,622	50,761
Deposits and other resources from customers considering management criteria (1)	**59,559**	**53,624**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet)	1,752	1,708
Debt securities at fair value through profit or loss and certificates	1,442	968
Non subordinated debt securities placed with institucional customers	-1,456	-1,378
Debt securities placed with customers considering management criteria (2)	**1,738**	**1,298**
Balance sheet customer funds considering management criteria (1)+(2)	**61,296**	**54,922**

Securities portfolio

Euro million

	30 Sep. 19	30 Sep. 18
Debt instruments at amortised cost (accounting Balance sheet)	3,677	3,348
Debt instruments at amortised cost associated to credit operations net of impairment	-2,376	-2,310
Debt instruments at amortised cost considering management criteria (1)	**1,301**	**1,038**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet)	1,420	1,405
Balance sheet amount of loans to customers at fair value through profit or loss	-328	-279
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (2)	**1,092**	**1,127**
Financial assets held for trading (accounting Balance sheet) (3)	931	1,025
of which: trading derivatives (4)	702	662
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (5)	32	33
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (6)	13,972	12,064
Assets with repurchase agreement (accounting Balance sheet) (7)	0	16
Securities portfolio considering management criteria (1)+(2)+(3)-(4)+(5)+(6)+(7)	**16,625**	**14,640**

GLOSSARY

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

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

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

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

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

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

Cost to core income - operating costs divided by core income.

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

Coverage of non-performing exposures by impairments – loans impairments (balance sheet) divided by the stock of NPE.

Coverage of non-performing loans by impairments – loans impairments (balance sheet) divided by the stock of NPL.

Coverage of overdue loans by impairments - loans impairments (balance sheet) divided by overdue loans.

Coverage of overdue loans by more than 90 days by impairments - loans impairments (balance sheet) divided by overdue loans by more than 90 days.

Debt instruments – non-subordinated debt instruments at amortised cost and financial liabilities measured at fair value through profit or loss (debt securities and certificates).

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

Deposits and other resources from customers – resources from customers at amortised cost and customer deposits at fair value through profit or loss.

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading.

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

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

Loans impairment (balance sheet) – balance sheet impairment related to loans to customers at amortised cost, balance sheet impairment associated with debt instruments at amortised cost related to credit operations and fair value adjustments related to loans to customers at fair value through profit or loss.

Loans impairment (P&L) – impairment (net of reversals and net of recoveries - principal and accrual) of financial assets at amortised cost for loans to customers and for debt instruments related to credit operations.

Loans to customers (gross) – loans to customers at amortised cost before impairment, debt instruments at amortised cost associated to credit operations before impairment and loans to customers at fair value through profit or loss before fair value adjustments.

Loans to customers (net) - loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

Loan to Deposits ratio (LTD) – loans to customers (net) divided by deposits and other resources from customers.

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

Net commissions - net fees and commissions income.

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

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

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive.

Non-performing exposures (NPE) – non-performing loans and advances to customers (loans to customers at amortised cost and loans to customers at fair value through profit or loss) more than 90 days past-due or unlikely to be paid without collateral realisation, if they recognised as defaulted or impaired.

Non-performing loans (NPL) – overdue loans (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss) more than 90 days past due including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Off-balance sheet customer funds – assets under management, assets placed with customers and insurance products (savings and investment) subscribed by customers.

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

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

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

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

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

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

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

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

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

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

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

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

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

Total customer funds - balance sheet customer funds and off-balance sheet customer fund.

Disclaimer

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

The information in this presentation is for information purposes only, and should be read in conjunction with all other information made public by the BCP Group.

The interim condensed consolidated financial statements, for the nine months period ended 30 September 2019, 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.

The figures for the first nine months of 2019 were not audited.