EARNINGS PRESS RELEASE

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Millennium bcp earnings release as at 31 December 2019

Profitability

Relevant improvement of net earnings, excluding specific items; stronger core income; lower impairment and provision charges

- **Net earnings of the Group of 302.0 million euros** in 2019, boosted by **stronger core income (+6.9%)** and **lower impairment and provision charges (-9.9%)** compared to the previous year.
- **Favorable evolution of net earnings of the Group,** excluding specific items, **showing a 11.7% growth** from the previous year.

Asset quality

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

- **Significant reduction of NPE* (-1.3 billion euros from the end of 2018),** determined by the activity in Portugal **(-1.6 billion euros)**.
- **Improvement in NPE* coverage by impairments to 58%** (52% as at 31 December 2018) and **overall coverage** ** **of 116%.**
- **Consistent reduction of cost of risk to 72 b.p.** (92 b.p. in 2018).

Capital

Strong capital, adjusted to business model

- **Estimated Fully-implemented Core Equity Tier 1 ratio stood at 12.2%*****, improving 21 b.p. from December 2018.
- **Estimated Total capital ratio stood at 15.6%*****, comfortably above SREP requirements. Organic capital generation and Additional Tier 1 (AT1) placement, in January 2019, and Tier 2 (T2) placement, in 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 **5.0** billion euros and total customer funds up by **7.7** billion euros, from the end of 2018.
- **Added 705,000 active Customers** from 31 December 2018 (+141,000 in Portugal), with an emphasis on mobile Customers (+34% in Portugal). More than 1.1 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**.

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

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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
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FINANCIAL HIGHLIGHTS (1)

Euro million

	31 Dec. 19	31 Dec. 18	Change 19/18
BALANCE SHEET			
Total assets	81,643	75,923	7.5%
Loans to customers (net)	52,275	48,123	8.6%
Total customer funds	81,675	74,023	10.3%
Balance sheet customer funds	62,607	56,585	10.6%
Deposits and other resources from customers	60,847	55,248	10.1%
Loans to customers (net) / Deposits and other resources from customers (2)	85.9%	87.1%	
Loans to customers (net) / Balance sheet customer funds	83.5%	85.0%	
RESULTS			
Net interest income	1,548.5	1,423.6	8.8%
Net operating revenues	2,338.4	2,186.5	6.9%
Operating costs	1,169.5	1,027.2	13.8%
Operating costs excluding specific items (3)	1,103.1	997.8	10.6%
Loan impairment charges (net of recoveries)	390.2	464.6	-16.0%
Other impairment and provisions	151.4	136.5	11.0%
Income taxes	239.3	138.0	73.4%
Net income	302.0	301.1	0.3%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.9%	3.0%	
Return on average assets (ROA)	0.5%	0.6%	
Income before tax and non-controlling interests / Average net assets (2)	0.8%	0.8%	
Return on average equity (ROE)	5.1%	5.2%	
Income before tax and non-controlling interests / Average equity (2)	8.9%	8.1%	
Net interest margin	2.2%	2.2%	
Cost to income (2) (3)	47.2%	45.6%	
Cost to income (Portugal activity) (2) (3)	47.5%	46.6%	
Staff costs / Net operating revenues (2) (3)	26.9%	25.9%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	72	92	
Non-Performing Exposures / Loans to customers	7.7%	10.9%	
Total impairment (balance sheet) / NPE	58.2%	52.4%	
Restructured loans / Loans to customers	5.7%	7.1%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	216%	218%	
Net Stable Funding Ratio (NSFR)	135%	133%	
CAPITAL (4)			
Common equity tier I phased-in ratio	12.2%	12.1%	
Common equity tier I fully-implemented ratio	12.2%	12.0%	
BRANCHES			
Portugal activity	505	546	-7.5%
Foreign activity	1,031	555	85.8%
EMPLOYEES			
Portugal activity	7,204	7,095	1.5%
Foreign activity (5)	11,381	8,972	26.9%

(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 Euro Bank 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 66.4 million euros in 2019, of which 40.1 million euros related to restructuring costs and compensation for temporary salary cuts recognized as staff costs in the activity in Portugal and 26.3 million euros related to acquisition, merger and integration of Euro Bank S.A., manly recognized as other administrative costs in the Polish subsidiary. In 2018, the impact was also negative, in the amonut of 29.4 million euros, mainly related to restructuring costs, recognized as staff costs in the activity in Portugal. In the profitability and efficiency indicators of 2019, the specific items included in the net operating revenues, of non material amount, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary are also not considered.

(4) As of 31 December 2019 and 31 December 2018, ratios include the positive cumulative net income of each period. Ratios as of 31 December 2019 are estimated and non-audited.

(5) Of which, in Poland: 8,615 employees as at 31 December 2019 (corresponding to 8,464 FTE - Full-time equivalent) and 6,270 employees as at 31 December 2018 (corresponding to 6,132 FTE - Full-time equivalent).

RESULTS AND ACTIVITY IN 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.

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.

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..

RESULTS

In 2019, the consolidated **net income** of Millennium bcp achieved 302.0 million euros. Excluding specific items, net income totalled 369.1 million euros, showing an increase of 11.7% compared to the 330.5 million euros posted in 2018.

The net income of 2019 includes the negative impact of 66.4 million euros considered as specific items, related to restructuring costs and compensation for temporary salary cuts recognized in the activity in Portugal and the costs related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary. In 2018, the also negative impact of specific items, totalled 29.4 million euros, related to restructuring costs and the ongoing digital transformation project, both in the activity in Portugal.

In the activity in Portugal*, net income of 2019 achieved 144.8 million euros, showing an increase of 25.4% compared to 115.5 million euros accounted in 2018, strongly influenced by the significant decrease in provisioning needs, especially in credit, also benefiting, albeit less significantly, from the increase in net trading income. This favorable evolution of net income in the activity in Portugal was offset by the increase in operating costs and fiscal impact essentially associated with the interest rate scenario.

* Not considering income arising from operations accounted as discontinued operations, amounting to 13.4 million euros in 2019 and a negative amount of 1.3 million euros in 2018.

In the international activity, net income totalled 143.8 million euros in 2019. Excluding specific items, related to the previously mentioned acquisition, merger and integration of Euro Bank S.A., core net income of international activity grew 15.3%, from 443.1 million euros in 2018 to 510.8 million euros in 2019, benefiting from a very positive evolution in core income, mostly in net interest income, which largely surpassed the increase in operating costs.

The performance of international activity, in 2019, was determined by the lower contribution of the Polish operation, affected by the impact resulting from the costs associated with the integration of Euro Bank S.A.. The integration of Euro Bank S.A. led, on the one hand, to a higher level of operating costs, and, on the other hand, to the increase in loan impairments as a result of additional impairments at the time of the initial recognition of the loan portfolio of the operation, acquired in May 2019. Additionally, the contribution of the Bank Millennium Group was also influenced by an extraordinary provision booked for claims related to mortgage loans granted in Swiss francs. The appropriation of the results of Banco Millennium Atlântico, in 2019, also proved to be lower than the amount determined in the previous year, influenced, both by the increased risk coverage by impairment and provisions, and the impact associated with the end of the application of IAS 29.

At the same time, the gain of 13.5 million euros, resulting from the sale of the Planfipsa Group in February 2019, reflected as discontinued operations, contributed positively to the good performance showed by the Group.

In the evolution of the consolidated net income of the Group, we should highlight the growth of net interest income and of net trading income on the one hand, and the reduction of loans impairment on the other, despite the increase in operating costs and the income tax impact caused by low rates scenario in 2019.

Net interest income showed a favorable evolution, by increasing 8.8% compared to the 1,423.6 million euros recorded in 2018, reaching 1,548.5 million euros in 2019. This evolution was determined by the good performance of the international activity, namely by the dynamics of the Polish operation, partially offset by the performance of the activity in Portugal.

In the activity in Portugal, net interest income totalled 789.2 million euros in 2019, that compares to 803.3 million euros recorded in the previous year. Although the evolution of net interest income in the activity in Portugal benefited from the reduction in the cost of funding, this positive effect was not enough to offset the decrease resulting from the lower yield generated by the securities portfolio and by the loan portfolio.

In the international activity, net interest income showed a very favorable behavior, increasing 22.4% compared to the 620.3 million euros recorded in 2018, achieving 759.3 million euros in 2019. This evolution was mainly driven by the Polish subsidiary, where growth in net interest income resulted, on the one hand, from the strong organic growth, and on the other, from the integration of the commercial business of Euro Bank S.A..

In 2019, net interest margin of the Group remained in line with the rate obtained in the previous year, standing at 2.2%. Net interest margin in Portugal, although under pressure due to the negative interest rates, remained at 1.7% at the end of the year, reflecting only a slight decrease compared to the 1.8% posted in the previous year. In the international activity, net interest rate increased from 3.1% in 2018 to 3.2% in 2019, benefiting from the effect of the acquisition of Euro Bank S.A. from May 2019.

AVERAGE BALANCES

Euro million

	31 Dec. 19		31 Dec. 18	
	Amount	Yield %	Amount	Yield %
Deposits in banks	4,033	1.0	2,702	1.0
Financial assets	15,400	1.7	13,250	2.2
Loans and advances to customers	50,674	3.2	47,620	3.2
INTEREST EARNING ASSETS	70,107	2.8	63,572	2.9
Non-interest earning assets	9,484		9,847	
	79,590		73,419	
Amounts owed to credit institutions	8,066	0.2	7,397	0.1
Deposits and other resources from customers	57,228	0.5	53,258	0.6
Debt issued	3,271	1.2	2,787	1.6
Subordinated debt	1,364	4.4	1,116	5.5
INTEREST BEARING LIABILITIES	69,930	0.6	64,558	0.7
Non-interest bearing liabilities	2,089		1,944	
Shareholders' equity and non-controlling interests	7,571		6,917	
	79,590		73,419	
Net interest margin		2.2		2.2

Note: Interest related to hedge derivatives was allocated, in December 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 43.8 million euros in 2019, compared to 89.8 million euros in the previous year, conditioned by the lower contribution of equity accounted earnings from both the activity in Portugal and the international activity.

In the activity in Portugal, the evolution of equity accounted earnings, from 55.1 million euros in 2018 to 40.5 million euros in 2019, was determined by the 6.9 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 recognized in June. The results generated by stake held in SIBS and Unicre also contributed to the decrease, since together showed a reduction of 6.2 million euros in the same period.

The evolution of equity accounted earnings in the international activity was due to the lower appropriation of the results generated by Banco Millennium Atlântico, that stood at 2.5 million euros compared to 34.1 million euros posted in the previous year. This reduction was justified both by the impact of increased risk coverage by impairment and provisions in the results of Banco Millennium Atlântico and by the effect associated with the end of the application of IAS 29, with effect from 1 January 2019.

In 2019, **net commissions** achieved 703.5 million euros, showing a growth of 2.8% compared to 684.0 million euros recorded in the previous year, benefiting from the good performance of both the activity in Portugal and the international activity.

In consolidated terms, it is worth noting the favorable evolution of banking-related commissions, which increased 5.9% from the 564.7 million euros recorded in 2018, reaching 597.8 million euros in 2019.

This increase reflected the performance observed both in the activity in Portugal and in the international activity, with growth rates of 5.0% and 8.3%, respectively.

In the activity in Portugal, net commissions reached 483.2 million euros in 2019, representing an increase of 1.7% compared to the 475.2 million euros recorded in 2018, determined by the favorable behavior of banking commissions, which grew by 20.4 million euros. In the same period, market related commissions decreased by 12.4 million euros, influenced by the impact of the actual market context in this type of commissions.

In the international activity, net commissions grew 5.5% compared to 208.8 million euros recorded in 2018, reaching 220.3 million euros in 2019, mainly due to the performance of the Polish subsidiary, influenced by the impact of the acquisition of Euro Bank S.A., but also, albeit on a smaller scale, due to the greater contribution of subsidiaries in Mozambique and Switzerland.

In 2019, **net trading income** amounted to 143.3 million euros, showing a very considerable growth of 82.5% compared to the 78.5 million euros recorded in 2018, which reflects both the performance of the activity in Portugal, and the international activity, in this case, specifically of Poland and Mozambique.

The growth of net trading income, in the activity in Portugal, was boosted by the gains recognized with the sale of Portuguese public debt securities that amounted to 69.4 million euros in 2019, compared to 14.9 million euros recorded in the previous year. It should also be noted that, despite the pace of NPE reduction during 2019, the level of costs incurred with sales of this type of exposures was lower than the one recognized in the previous year, as it totalled 29.1 million euros, compared to the 49.4 million euros accounted in 2018.

In the international activity, net trading income was mainly influenced by the evolution of the Polish subsidiary, boosted by the gain, 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. In the operation in Mozambique, net trading income was also higher than in the previous year, mainly from gains generated by 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 100.7 million euros in 2019*, that compares to an also negative amount of 89.5 million euros recorded in the previous year, due to the performance shown by the international activity, despite the improvement in the activity in Portugal compared to the previous year.

In the activity in Portugal, other net operating income showed a favourable evolution from the negative 32.3 million euros recognized in 2018 to an also negative amount of 30.2 million euros in 2019, with an emphasis, with a positive effect, the increase in results from the sale of other assets and the lower losses recognized with the sale of investment properties and, with a negative effect, the reduction in gains associated with the sale of financial holdings and non-current assets held for sale. Costs incurred with the mandatory contributions totalled 66.6 million euros in 2019, remaining in line with the amount recorded in 2018.

In the international activity, other net operating income, including the abovementioned specific items, stood at a negative amount of 70.5 million euros in 2019, compared to the also negative amount of 57.2 million euros recorded in 2018, penalized by the increase in mandatory contributions supported by the Polish subsidiary, which stood at 15.2 million euros above the amount accounted in the previous year.

*In 2019, included 0.8 million euros of costs related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary and considered specific items.

OTHER NET INCOME

Euro million

	2019	2018	Change 19/18
DIVIDENDS FROM EQUITY INSTRUMENTS	0.8	0.6	25.4%
NET COMMISSIONS	703.5	684.0	2.8%
Banking commissions	597.8	564.7	5.9%
Cards and transfers	169.9	166.6	2.0%
Credit and guarantees	169.6	163.8	3.6%
Bancassurance	118.3	105.2	12.4%
Current account related	119.0	105.9	12.4%
Other commissions	21.1	23.3	-9.6%
Market related commissions	105.6	119.3	-11.4%
Securities	65.7	76.9	-14.6%
Asset management	40.0	42.4	-5.6%
NET TRADING INCOME	143.3	78.5	82.5%
OTHER NET OPERATING INCOME	(100.7)	(89.5)	-12.6%
EQUITY ACCOUNTED EARNINGS	43.0	89.2	-51.8%
TOTAL OTHER NET INCOME	789.9	762.9	3.5%
Other net income / Net operating revenues	33.8%	34.9%	

Operating costs, excluding the effect of specific items*, totalled 1,103.1 million euros in 2019, recording an increase of 10.6% compared to 997.8 million euros accounted in the previous year. This evolution results, mostly, from the increase in the international activity, but also, albeit in a smaller scale, from the activity in Portugal.

In the activity in Portugal, operating costs, not considering the effect of the specific items abovementioned, totalled 634.2 million euros in 2019, standing 3.7% above the 611.8 million euros accounted in the previous year, mainly reflecting the increase in 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 22.2 million euros from 2018, and depreciations, which grew 32.6 million euros in the same period.

In the international activity, operating costs, excluding the effect of specific items, stood at 468.9 million euros in 2019, showing an increase of 21.5% compared to the 386.0 million euros recorded in the previous year, that mainly reflects the performance of the Polish subsidiary, justified at the same time by the impact resulting from the consolidation of Euro Bank S.A. and by the organic growth of the subsidiary itself, boosted by the greater dynamism of prices and wages in the Polish economy.

* Negative impact of 66.4 million euros in 2019, of which 40.1 million euros related to restructuring costs and compensation for temporary salary cuts, both recognized as staff costs in the activity in Portugal and 26.3 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary, mainly as other administrative costs. In 2018, there was also a negative impact of 29.4 million euros, mainly related to restructuring costs, recognized as staff costs in the activity in Portugal.

Staff costs, not considering the effect of specific items, recognized almost entirely in the domestic activity, totalled 628.1 million euros in 2019, reflecting an increase of 11.0% compared to 566.1 million euros in 2018, mainly due to the evolution in the international activity. In the activity in Portugal, staff costs were also higher than those recorded in the previous year.

In the activity in Portugal, staff costs stood at 371.3 million euros in 2019, growing 3.3% compared to 359.3 million euros in 2018. These figures do not consider the impact of specific items, which amounted to 40.1 million euros in 2019 related to restructuring costs and compensation for the temporary salary cuts. In 2018, specific items totalled 26.7 million euros, related to restructuring costs including, among others, costs accounted with early retirements.

The growth in staff costs in the activity in Portugal reflects, partially, the increase in the number of employees, from 7,095 at the end of December 2018 to 7,204 employees on 31 December 2019, showing the impact of the internalization of outsourcers and the reinforcement of the necessary skills for the implementation of the ongoing digital transformation project.

In the international activity, not considering the impact, in this case insignificant, of the specific items, staf costs stood at 256.8 million euros in 2019, increasing 24.2% compared to the 206.8 million euros recognized in the previous year, mainly due to the performance of the Polish subsidiary, conditioned by the growth in the number of employees that increased from 6,270 (6,132 FTE - full-time equivalent) on 31 December 2018 to 8,615 employees (8,464 FTE - full-time equivalent) at the end of 2019. This increase was mainly due to the inclusion of 2,425 employees, coming from Euro Bank S.A., in May 2019.

The total number of employees in the international activity increased from 8,972 as at 31 December 2018 to 11,381 employees at the end of 2019.

Other administrative costs showed a drop of 6.3% compared to the 374.0 million euros recorded in 2018, totalling 350.4 million euros in 2019. This evolution reflects the impact of the entry into force on 1 January 2019, of IFRS 16 - Leases, both in activity in Portugal and in the international activity and does not consider the effect of specific items, in the amount of 26.0 million euros, related to costs incurred with the acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary in 2019 and 2.7 million euros associated with the ongoing digital transformation project recognized in 2018 in the activity in Portugal.

In the activity in Portugal, other administrative costs stood at 194.0 million euros in 2019, down 10.3% compared to the 216.2 million euros (excluding specific items) accounted in the previous year, mostly explained by the aforementioned impact of IFRS 16 - Leases. The resizing of distribution network, which went from 546 on 31 December 2018 to 505 at the end of 2019, together with the disciplined management of recurrent costs that has been followed, allowed savings in items such as advertising, legal expenses and communications, among others with less expression, despite the increase essentially in costs associated with the strengthening of control functions.

In the international activity other administrative costs, not considering the impact of specific items in the amount of 26.0 million euros, directly related to the acquisition, merger and integration of Euro Bank S.A., stood at 156.5 million euros in 2019, slightly below the 157.9 million euros posted in the previous year, benefiting largely from the favorable impact of the entry into force of IFRS 16 - Leases. Excluding this impact, other administrative costs were higher than in the previous year, both at the subsidiary in Mozambique and at the Polish subsidiary, the latter essencially reflecting the impact of the acquisition of Euro Bank S.A.. The acquisition of Euro Bank S.A. also influenced the number of branches of the international activity, which increased from 555 at the end of 2018 to 1,031 on 31 December 2019, with the organic growth of the subsidiary in Poland being responsible for the increase of 10 branches and the subsidiary in Mozambique registering an additional 7 branches compared to the end of 2018.

Depreciations, excluding specific items recognized by Bank Millennium, S.A. in the scope of the acquisition of Euro Bank S.A., which in this case are not significant, totalled 124.6 million euros in 2019, more than doubling compared to the 57.7 million euros recorded in the previous year. This evolution was enhanced by the impact of the entry into force, on 1 January 2019, of IFRS 16 - Leases, both in the activity in Portugal and in the international activity.

In the activity in Portugal, depreciations amounted to 68.9 million euros in 2019, which compares to 36.4 million euros recorded in 2018, mainly reflecting the impact of IFRS 16 - Leases. Excluding this impact, the growth in depreciations was determined by the increase in investment related to software and IT equipment, reflecting the commitment of the Bank to technological innovation and the ongoing digital transformation. On the contrary, depreciations related to real estate fell, compared to the previous year.

In the international activity, depreciations totalled 55.7 million euros in 2019, with the increase of 34.3 million euros compared to the 21.4 million euros recognized in 2018, being mostly justified by the impact of IFRS 16 - Leases. Excluding this impact, the main increases in depreciations in the international activity, compared to the previous year, are also justified by the commitment of international operations to digital transformation and technological innovation, both in the Polish subsidiary and in the subsidiary in Mozambique. It should be noted that the evolution observed in the Polish subsidiary also reflects the impact of the acquisition of Euro Bank S.A..

OPERATING COSTS

Euro million

	2019	2018	Change 19/18
Staff costs	628.1	566.1	11.0%
Other administrative costs	350.4	374.0	-6.3%
Depreciation	124.6	57.7	115.8%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	1,103.1	997.8	10.6%
OPERATING COSTS	1,169.5	1,027.2	13.8%
Of which:			
Portugal activity (1)	634.2	611.8	3.7%
Foreign activity	468.9	386.0	21.5%

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) stood at 390.2 million euros in 2019, maintaining the favorable evolution of the recent years, showing a reduction of 16.0% compared to the 464.6 million euros posted in 2018, which resulted from the contribution of the activity in Portugal, which was partially offset by the increase in impairment for loan losses (net of recoveries) in the international activity.

In the activity in Portugal, the downward trend in impairment for loan losses, resulted in a 28.3% reduction compared to the 389.3 million euros accounted in 2018, totalling 279.2 million euros in 2019. In this evolution, it is worth noting the sharp pace of NPE reduction during the year.

In the international activity, loans impairment (net of recoveries) showed an increase of 47.2% from the 75.4 million euros recorded in 2018, standing at 111.0 million euros in 2019. This evolution was determined by the performance of the Polish subsidiary, affected by the impact of the acquisition of Euro Bank S.A., which includes the impairment for credit performing mandatorily booked upon the initial recognition of the acquired portfolio, as per the applicable accounting standard. On the other hand, the operation in Mozambique partially offset this impact, with a lower level of impairment compared to 2018.

The cost of risk of the Group, including the impact of the acquisition of Euro Bank S.A., stood at 72 basis points in 2019, compared to 92 base points in the previous year, confirming its trend of gradual decline.

In 2019, **other impairment and provisions** totalled 151.4 million euros, 11.0% higher than the 136.5 million euros recognized in 2018. This evolution results from two opposite effects, since the good performance of the activity in Portugal was completely absorbed by the higher provisioning needs in the international activity.

In the activity in Portugal, other impairment and provisions stood 30.0 million euros below the 121.9 million euros accounted in 2018, standing at 91.9 million euros in 2019, determined by the lower needs for provisions, mainly for guarantees and other commitments, despite the reinforcement of impairments for non-current assets held for sale, compared to the amounts recognized in 2018.

In the international activity, other impairment and provisions amounted to 59.6 million euros in 2019, showing an increase of 45.0 million euros compared to the 14.6 million euros recognized in 2018. The amount posted in 2019 includes the booking of an extraordinary provision to mortgage loans granted in Swiss francs, by the Polish subsidiary, in the amount of 51.9 million euros. In addition to this provision, the accounts of the Polish subsidiary were also penalized by the booking of a provision to cover the reimbursement of commissions charged to its customers, following a decision taken by the European Court of Justice. The evolution of other impairment and provisions was also influenced by the amount of impairment for the investment in Banco Millennium Atlântico, which had been recognized in 2018, following the application of IAS29.

Income tax (current and deferred) amounted to 239.3 million euros in 2019, which compares to 138.0 million euros obtained in the previous year.

The recognized taxes include, in 2019, current tax of 100.9 million euros (105.6 million euros in 2018) and deferred tax of 138.4 million euros (32.5 million euros in 2018).

The increase in deferred tax expense in 2019 versus 2018, resulted primarily from the write-off of deferred tax assets, due to the scenario of persistent low interest rates, and to the actuarial losses from the pension fund.

BALANCE SHEET

Total assets of the consolidated balance sheet of Millennium bcp stood at 81,643 million euros as at 31 December 2019, showing an 7.5% increase from 75,923 million euros recorded at the end of 2018, due to the performance of both the activity in Portugal, and mainly the international activity, namely in what respect the Polish subsidiary.

The growth in total assets of the operation in Poland, as compared to 31 December 2018, was necessarily influenced by the impact of the acquisition of Euro Bank S.A., which was mainly felt in the loan portfolio, although it also benefited from the organic growth of the business generated by Bank Millennium.

In the activity in Portugal, the main increases in total assets in 2019, compared to the end of 2018, were in cash at Central Banks. Other assets and loan portfolio also evolved favorably, showing, however, less expressive increases. In the same period there was a reduction in the securities portfolio, namely in public debt, and in the real estate properties received as payment portfolio.

Consolidated **loans to customers** (gross) of Millennium bcp, as defined in the glossary stood at 54,724 million euros as at 31 December 2019, up 7.2% from 51,032 million euros at the end of the previous year, determined by the evolution of international activity, which was driven by the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary.

In the activity in Portugal, loans to customers (gross) stood at 36,715 million euros as at 31 December 2019, 1.3% below the 37,187 million euros at the end of 2018. It should be noted that this evolution was determined by the reduction of 1,551 million euros in NPE, which went from 4,797 million euros as at 31 December 2018, to 3,246 million euros at the end of 2019, reflecting the divestment strategy in this type of assets implemented by the Bank in recent years. On the contrary, the good performance of the performing loan portfolio, which grew by 1,078 million euros in the same period, should be noted.

In the international activity, there was an increase of 30.1% in loans to customers (gross) compared to the 13,845 million euros as at 31 December 2018, reaching 18,009 million euros at the end of 2019, due to the performance of the Polish operation, which reflects not only the impact of the acquisition of Euro Bank S.A., but also the recurring activity of the subsidiary.

Consolidated loans to customers (gross) maintained a balanced level of diversification, with the relative weight of loans to individuals in the total portfolio slightly increasing, from 54.5% at the end of 2018 to 58.3% as at 31 December 2019. The weight of loans to companies stood at 41.7% at the end of 2019, compared to the 45.5% recorded as at 31 December 2018.

The **quality of the credit portfolio** has benefited from the focus on selectivity and monitoring of credit risk control processes and initiatives carried out by the commercial and credit recovery areas, in order to recover exposures in default, over the recent years.

The improvement in the quality of the loan portfolio can be seen through the favorable evolution of the respective indicators, highlighting the NPE ratio as a percentage of the total loan portfolio, which declined from 10.9% at the end of 2018 to 7.7% as at 31 December 2019, essentially reflecting the performance of the domestic loan portfolio, with NPE ratio showing a reduction from 12.9% to 8.8%.

At the same time, it should also be noted the generalized increase in the coverage by impairments, namely the reinforcement in the coverage of NPE by impairment, which, increased from 52.4% on 31 December 2018 to 58.2% at the end of 2019. In the activity in Portugal, the favorable evolution of this indicator was even more significant, as coverage of NPE by impairment stood at 57.8% as at 31 December 2019, compared to 49.7% at the end of the previous year.

LOANS TO CUSTOMERS (GROSS)

Euro million

	31 Dec. 19	31 Dec. 18	Change 19/18
INDIVIDUALS	31,910	27,798	14.8%
Mortgage	25,894	23,781	8.9%
Personnal Loans	6,016	4,017	49.8%
COMPANIES	22,814	23,234	-1.8%
Services	8,578	8,762	-2.1%
Commerce	3,487	3,504	-0.5%
Construction	1,702	1,961	-13.2%
Others	9,047	9,008	0.4%
TOTAL	54,724	51,032	7.2%
Of which:			
Portugal activity	36,715	37,187	-1.3%
Foreign activity	18,009	13,845	30.1%

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	Dec. 19	Dec. 18	Chg. % 19/18	Dec. 19	Dec. 18	Chg. % 19/18
STOCK						
Loans to customers (gross)	54,724	51,032	7.2%	36,715	37,187	-1.3%
Overdue loans > 90 days	1,486	1,964	-24.3%	1,088	1,681	-35.2%
Overdue loans	1,605	2,084	-23.0%	1,117	1,733	-35.5%
Restructured loans	3,097	3,598	-13.9%	2,529	3,062	-17.4%
Non-performing loans (NPL) > 90 days	2,261	3,105	-27.2%	1,689	2,651	-36.3%
Non-performing exposures (NPE)	4,206	5,547	-24.2%	3,246	4,797	-32.3%
Loans impairment (Balance sheet)	2,449	2,909	-15.8%	1,877	2,383	-21.2%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	2.7%	3.8%		3.0%	4.5%	
Overdue loans / Loans to customers (gross)	2.9%	4.1%		3.0%	4.7%	
Restructured loans / Loans to customers (gross)	5.7%	7.1%		6.9%	8.2%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	4.1%	6.1%		4.6%	7.1%	
Non-performing exposures (NPE) / Loans to customers (gross)	7.7%	10.9%		8.8%	12.9%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	164.8%	148.1%		172.5%	141.8%	
Coverage of overdue loans	152.6%	139.6%		168.1%	137.6%	
Coverage of *Non-performing loans* (NPL) > 90 days	108.3%	93.7%		111.1%	89.9%	
Coverage of *Non-performing exposures* (NPE)	58.2%	52.4%		57.8%	49.7%	

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

Total customer funds, as at 31 December 2019, amounted to 81,675 million euros, showing a very favorable evolution, by increasing 10.3% from the 74,023 million euros obtained on the same date of the previous year. This increase, in the amount of 7,652 million euros, was possible thanks to the good performance of both the activity in Portugal and the international activity, which grew by 3,506 million euros and 4,146 million euros respectively. The evolution of total customer funds, in consolidated terms, reflects the good performance recorded in all items, with emphasis on the increase in balance sheet customer funds and more specifically in deposits and other resources from customers, which grew 5,599 million euros, compared to the amount posted on 31 December 2018.

In the activity in Portugal, total customer funds also benefited from the good evolution recorded in all items, reaching 56,767 million euros on 31 December 2019, which compares to 53,261 million euros recorded on the same date of the previous year, highlighting the increase of 1,724 million euros in deposits and other resources from customers in the same period.

In the international activity, total customer funds grew by 20.0% compared to 20,763 million euros recorded on 31 December 2018, reaching 24,909 million euros at the end of 2019. This evolution stemmed from the increase in deposits and other resources from customers of the Polish subsidiary, which resulted not only from the impact of the acquisition of Euro Bank S.A., but also from the current activity of the subsidiary itself.

On 31 December 2019, balance sheet customer funds represented 77% 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 86% on 31 December 2019, with the same ratio, considering on-balance sheet customers' funds, standing at 83%. Both ratios show values in line with those obtained on 31 December 2018 (87% and 85%, respectively).

TOTAL CUSTOMER FUNDS

Euro million

	31 Dec. 19	31 Dec. 18	Change 19/18
BALANCE SHEET CUSTOMER FUNDS	62,607	56,585	10.6%
Deposits and other resources from customers	60,847	55,248	10.1%
Debt securities	1,760	1,337	31.6%
OFF-BALANCE SHEET CUSTOMER FUNDS	19,069	17,438	9.4%
Assets under management	5,745	5,018	14.5%
Assets placed with customers	4,312	3,793	13.7%
Insurance products (savings and investment)	9,011	8,627	4.5%
TOTAL	81,675	74,023	10.3%
Of which:			
Portugal Activity	56,767	53,261	6.6%
Foreign activity	24,909	20,763	20.0%

The **securities portfolio**, as defined in the glossary, amounted to 15,671 million euros, on 31 December 2019, which compares to 16,380 million euros on the same date of the previous year, now representing 19.2% of total assets compared to 21.6% at the end of 2018. The performance of the Group's securities portfolio was determined by the reduction showed by the portfolio of the activity in Portugal, largely due to the sale of Portuguese sovereign debt securities.

LIQUIDITY MANAGEMENT

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 216% at the end of December 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, remaining at identical coverage levels compared to the same date of the previous year (218%).

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 31 December 2019 to stand at 135% (133% as at 31 December 2018).

In 2019, net wholesale financing needs decreased by 2.3 billion euros in 2019 in consolidated terms, attributable to a decrease of 2.7 billion euros in the Portuguese operation and an increase of 393 million euros in Bank Millennium, in this case mainly as a result of the acquisition of Euro Bank S.A.. In Portugal, the change was due, by decreasing order of materiality, to the reductions in the commercial gap and investments in sovereign debt, cash flow from operations, sale of other assets and reduction of the corporate securities portfolio.

From a funding structure perspective, the reduction in the liquidity needs of the operation in Portugal was carried out through decreases in the use to net funding from the ECB (2.4 billion euros, to 283 million euros) and money market instruments (1.25 billion euros, split between interbank market and repos, in this case to a zero balance) against a reinforcement totalling 850 million euros of its medium-term component eligible for MREL, already foreseen in the Group Liquidity Plan to 2019. Thus, in January BCP placed an issue of Additional Tier 1 worth 400 million euros and returned to the market in September with a new issue of 450 million euros of subordinated debt securities eligible as Tier 2, with the operation placed on a very diverse set of European institutional investors. Bank Millennium, in turn, issued 830 million zlotys subordinated bonds to strengthen its financial structure for the acquisition of Euro Bank S.A., also assuming long-term liabilities originating in that entity in the amount of 878 million zlotys. The overall amount of debt placed on the market by the Group amounts to 2.6 billion euros at the end of 2019. The medium-long-term funding component was further strengthened by an increase of 131 million euros of the balance of loan agreements, to 1.9 billion euros, split between Bank Millennium (89 million euros) and BCP (42 million euros).

The value of collateralized borrowings with the ECB remained at 4.0 billion euros, corresponding to the balance of targeted longer-term refinancing operations, called TLTRO, which will mature in 2020. Net debt with the ECB, which deducts from the value of the gross borrowings the liquidity deposited with the Bank of Portugal and other liquidity denominated in euros in excess of the minimum cash reserves, reached the lowest value since the Bank borrows from the central bank at 283 million euros, a reduction of 2.4 billion euros over the previous year. The evolution of the central bank’s liquidity buffers held by the three main operations of the Group showed a favorable evolution throughout 2019, assuming in any case a very comfortable dimension in relation to total customer deposits, an indicator internally used by the Group to assess the resilience of the liquidity buffer to a scenario of financial stress.

In Portugal, the combined evolution of central bank liquidity investments and the portfolio of eligible assets with the ECB has substantially increased the Eurosystem's liquidity buffer by 2.5 billion euros, to16.8 billion euros.

Although Bank Millennium's liquidity buffer with the Central Bank of Poland was reduced by 1.1 billion euros at the end of May, to pay for the acquisition of Euro Bank S.A., the balance at the end of 2019 was similar to that observed one year earlier (5.1 billion euros).

Throughout 2019, Millennium bim maintained a strong liquidity position, with the central bank buffer increasing at year end by 79 million euros versus 2018, to a total of 800 million euros.

On a consolidated basis and considering the implementation of the 2020 Liquidity Plan issuance plan, future refinancing needs will remain at low materiality levels over the next five years, save for the reimbursement of a 1 billion euro covered bond issuance, which at maturity will release pledged collateral for discount with the ECB, thus having a minor loss of liquidity.

CAPITAL

The estimated Core Equity Tier 1 ratio as at 31 December 2019 stood at 12.2% both phased-in and fully-implemented, +18 and +21 basis points, respectively, compared to the 12.1% phased-in ratio and 12.0% fully-implemented ratio recorded in the same date of 2018, above the minimum ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2019 (phased-in: CET1 9.625%, T1 11.125% and Total 13.125%).

The CET1 fully-implemented ratio favorable 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, in June and December 2019 (from 2.1% to 1.6% and from 1.6% to 1.4%, respectively), 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, S.A., with the favorable 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, S.A in September 2019, amounting to 830 million zlotys and 450 million euros, respectively.

SOLVENCY RATIOS

Euro million

	31 Dec. 19	31 Dec. 18
FULLY-IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,496	5,024
Tier 1 (T1)	6,000	5,102
Total Capital	7,028	5,663
Risk weighted assets	44,972	41,819
Solvency ratios		
CET1	12.2%	12.0%
Tier 1	13.3%	12.2%
Total capital	15.6%	13.5%
PHASED-IN		
CET1	12.2%	12.1%

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

SIGNIFICANT EVENTS IN 2019

In 2019, Millennium bcp continued to implement its Strategic Plan 2018-2021. Highlights during this period include, in chronological order:

- Issue of perpetual subordinated notes intended to qualify as Additional Tier 1, in the amount of 400 million euros and with no defined tenor, with a call option from the end of the fifth year and an interest rate of 9.25% per year during the first 5 years;

- Upgrade by one notch of the long-term deposits ratings by DBRS, reflecting the introduction in Portugal of full depositor preference in bank insolvency and resolution proceedings with the implementation of Law No. 23/2019 from 13 March 2019;

- Upgrades of deposit ratings to Ba1 and senior debt rating to Ba2 made by Moody's on April 1;

- Completion of the Annual General Meeting of Shareholders, on May 22, with 64.59% of the share capital represented, being highlighted the following resolutions: approval of the individual and consolidated annual report, balance sheet and financial statements of 2018, including the Corporate Governance Report and the proposal for the appropriation of profits for the 2018 financial year; approval of the cooptation of Fernando Costa Lima as member of the Board of Directors and of the Audit Committee for the exercise of functions in the term-of-office ending in 2021; appointment of Cidália Maria da Mota Lopes as Chairperson of the Audit Committee to exercise functions during the term-of-office ending in 2021; election of Nuno Maria Pestana de Almeida Alves as member of the Remunerations and Welfare Board; election of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A., that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, as the Single Auditor, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the two-year term-of-office 2019/2020; selection of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, SA to perform functions of External Auditor in the 2019/2020 two-year period;

- Bank Millennium S.A., a subsidiary in which BCP owns a 50.1% stake, announced on May 31 having completed the acquisition of shares representing 99.787% of the share capital of Euro Bank S.A.. The merger was completed in the 4th quarter of 2019;

- Upgrade of issuer rating to investment grade, made by DBRS, on June 3;

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

- 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;

- 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;

- Long-term issuer rating was affirmed by S&P at BB and the outlook was revised to positive from stable on 10 October 2019;

- Long-term issuer default rating was affirmed by Fitch at BB and the outlook was revised to positive from stable on 30 October 2019;

- Confirmation of Millennium bcp in the index of the 200 most sustainable companies in Europe, according to the sustainability index "Ethibel Sustainability Index (ESI) Excellence Europe";

- Decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from 1 January 2020, based on the results of the Supervisory Review and Evaluation Process (SREP) with the Pillar 2 requirement for BCP set at 2.25%, the same value as for 2019;

- Bank of Portugal informed on its capital buffer requirement as "other systemically important institution" (O-SII), 1.00%, to be complied with from 1 January 2022 (currently this requirement stands at 0.563%, being subject to a phased-in period);

- On 27 December 2019, was signed the merger deed of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of Banco Comercial Português, S.A., by incorporation into the latter.

MAIN AWARDS

Millennium bcp: Leadership in the "PME Excelência '18" and "PME Líder '18" programmes, with the largest number of submissions and awards among participating banks

Millennium bcp: Marketeer award, "Banking" category (3rd year in a row)

Millennium bcp: Closest to Customers; leader in Customer global satisfaction, in quality service, in satisfaction with products and services; most recommended bank (Basef Banca, Dec. 2019)

Millennium bcp: Best investment bank in Portugal

Millennium bcp: Best investment bank im Portugal

Millennium bcp: Market leader in factoring, confirming and leasing, according to the Portuguese association of leasing, factoring and renting companies

ActivoBank: "5 estrelas 2020" award, "Digital Banking" category

ActivoBank: "Right Choice" by Deco Proteste, "personal loans above 5,000 euros" category

ActivoBank: Best commercial bank, Best consumer digital Bank and Best mobile banking app in Portugal

Bank Millennium: Best bank in Poland

Bank Millennium: Best website design in Central and Eastern Europe

Bank Millennium : Best trade finance provider in Poland

Bank Millennium: Most recommended bank and leader in Customer satisfaction ("*Customer satisfaction monitor of retail banks ARC Rynek i Opinia*")

Millennium bim: Best bank in Mozambique (10th year in a row)

Millennium bim: Bank of the year in Mozambique

Millennium bim: Best Information Security and Fraud Management in Mozambique

Millennium bim: Best trade finance provider in Mozambique

Millennium bim: Global Finance Innovators 2019 award, "Payments" category, for the "Millennium IZI" service

Millennium bcp
Best consumer digital bank in Portugal; Best Information Security and Fraud Management in Portugal

Millennium bcp
Main bank for companies; most appropriate products; most innovating; closest to Customers

ActivoBank
Consumer choice 2020, "Digital Banks" category

Millennium bcp
Best private bank in Portugal

COMMITMENT TO PEOPLE AND SOCIETY

Sustainability


“Millennium Festival ao Largo” bringing free-for-all classical music shows to the streets


Reconstruction of the “3rd of February” elementary school, in Mozambique, with funds raised through a Millennium bim campaign

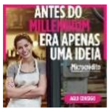

The 5th edition of **Bank Millennium’s “Financial ABC” financial literacy program** in Poland trained >10,000 students

Inclusion in the **Bloomberg 2020 Gender-Equality Index**, together with a group of 325 global companies that stand out in the implementation of gender equality policies

Commitments


Subscription of the **Charter of Commitment to Sustainable Financing in Portugal**


Signing of the **Lisbon Business Mobility Pact** and of the **Compromisso Lisboa Capital Verde Europeia 2020**, for climate action



Signing of 22 **agreements for cooperation, entrepreneurship and promotion of microcredit**


Support to the Portuguese **Food Bank** to fight hunger, involving several employees of the Bank as voluntaries


Millennium bcp has published its firts **Plan for gender-equality**, including several actions and practices to foster diversity and inclusion

Millennium bcp foundation


Restoration of the **Panels of St. Vincent** of the National Museum of Ancient Art (2020-2022)


Restoration of the D. João IV Room, at the National Palace of Ajuda

Renovation of a wing of the **National Museum of Contemporary Art** to hold temporary exhibitions based on the Bank’s and the Museum's collection


Archaeological Centre of Rua dos Correeiros: renovation of museography, a project by Atelier Bruckner. Re-opening scheduled for June 2020

Money Lab: financial literacy program for young students

MACROECONOMIC ENVIRONMENT

According to the International Monetary Fund (IMF) in 2019 the world's economy should have slowed down significantly (from 3.6% to 2.9%) in result of disturbances in the external trade, the intensification of geopolitical tensions and the loss of vigour of some important emerging markets. For 2020, the IMF envisages a scenario of recovery of the global economic activity, which is nevertheless subject to downward risks related to, namely, the worsening of the international political landscape.

The evolution of the financial markets in 2019 was decisively influenced by the unexpected reversion of the trend of normalisation of the global monetary policy, especially in the USA, where the process of rising interest rates was more advanced. In effect, the decision by the Federal Reserve and the European Central Bank (ECB) to reduce their respective key rates and to reopen the programs of debt securities purchases led to a substantial appreciation of most of the asset classes, including equities, sovereign and corporate bonds and gold. In the foreign exchange front, it was observed a pattern of relative stability among the currencies of the developed countries alongside a generalized depreciation of emerging market currencies.

The weakening of global economic growth and the intensification of the accommodative stance of the monetary policy of the main central banks triggered a widespread movement of falling interest rates throughout 2019. In the euro area, the reduction of the ECB's deposit rate to even more negative values favoured the persistence of the whole Euribor curve below the zero level. In this respect, the introduction of a system of tiering in the remuneration of banks' deposits at the ECB proved to have only a moderate impact in upholding the Euro's short-term interest rates. In this environment, the good performance of Portugal's economy in terms of growth and fiscal consolidation led to a very expressive compression of its sovereign bonds' yields.

In the first nine months of 2019, the Portuguese economy grew 2.0%, which came above the expectations of a more moderate expansion pace amid the global economic slowdown, particularly in Germany. The evolution of the Portuguese economy benefited from the dynamism of private consumption, in an environment of improving labour market conditions, and from the acceleration of fixed investment, which was spurred by the construction sector. This favourable performance of the domestic demand contrasted with the deceleration of exports. The improvement of the economic situation together with the reduction of the funding costs of the Republic of Portugal have been contributing to strengthen the process of consolidation of the public finances. In 2019 the overall fiscal balance is likely to have been very close to zero and the public debt ratio, which in 2014 reached an historical high of 132.9% of GDP, should have retraced to values below 120% of GDP. However, in terms of the external accounts, the weakening of export growth probably translated into a negative current account balance, after six years of consecutive surpluses. For 2020, the European Commission (EC) forecasts a slight deceleration of the Portuguese GDP (from 2.0% to 1.7%), in a context of a stabilising domestic demand, following the elevated levels of growth witnessed in the previous years, and the significant uncertainty regarding the evolution of the world's economy.

In Poland, GDP grew 4.0% in 2019, bolstered by private consumption, which has been benefiting from fiscal stimulus measures and the improvement of the labour market, with real wages rising at an annual pace around 6%. In contrast, investment and exports have been denoting an increasing moderation. In 2020 as the effects of the fiscal policy fade and the labour market stabilises it is likely that GDP starts to show growth rates closer to 3%, according to the forecast of the EC. Notwithstanding the quite strong performance of economic activity, the Zloty depreciated in the year as a whole, reflecting the rise of the volatility levels in the international financial markets, particularly in the second half of the year.

The IMF forecasts a recovery of economic activity in Mozambique in 2020, stimulated by the on-going reconstruction process following the hurricanes that hit the country in March 2019 and also by the activity related to the exploration of gas. During 2019, the Metical stood relatively stable against the Euro, with its value oscillating around 70 Metical per Euro. In Angola, despite the important set of economic reforms that have been being implemented under the IMF's assistance program, the economic situation remained fragile. In this context, in 2019 the Kwanza depreciated against the major international currencies, having fallen 40% vis-a-vis the Euro.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal (1)			International activity		
	Dec. 19	Dec. 18	Change 19/18	Dec. 19	Dec. 18	Change 19/18	Dec. 19	Dec. 18	Change 19/18
INCOME STATEMENT									
Net interest income	1,548.5	1,423.6	8.8%	789.2	803.3	-1.8%	759.3	620.3	22.4%
Dividends from equity instruments	0.8	0.6	25.4%	–	(0.0)	100.0%	0.8	0.6	25.1%
Net fees and commission income	703.5	684.0	2.8%	483.2	475.2	1.7%	220.3	208.8	5.5%
Net trading income	143.3	78.5	82.5%	51.5	12.3	>200%	91.8	66.3	38.6%
Other net operating income	(100.7)	(89.5)	-12.6%	(30.2)	(32.3)	6.3%	(70.5)	(57.2)	-23.3%
Equity accounted earnings	43.0	89.2	-51.8%	40.5	55.1	-26.6%	2.5	34.1	-92.6%
Net operating revenues	**2,338.4**	**2,186.5**	**6.9%**	**1,334.1**	**1,313.6**	**1.6%**	**1,004.3**	**872.9**	**15.1%**
Staff costs	668.2	592.8	12.7%	411.4	386.0	6.6%	256.8	206.8	24.2%
Other administrative costs	376.5	376.7	-0.1%	194.0	218.8	-11.4%	182.5	157.9	15.6%
Depreciation	124.8	57.7	116.1%	68.9	36.4	89.5%	55.8	21.4	161.3%
Operating costs	**1,169.5**	**1,027.2**	**13.8%**	**674.3**	**641.2**	**5.2%**	**495.2**	**386.0**	**28.3%**
Operating costs excluding specific items	1,103.1	997.8	10.6%	634.2	611.8	3.7%	468.9	386.0	21.5%
Profit before impairment and provisions	**1,168.9**	**1,159.3**	**0.8%**	**659.8**	**672.4**	**-1.9%**	**509.1**	**486.9**	**4.6%**
Loans impairment (net of recoveries)	390.2	464.6	-16.0%	279.2	389.3	-28.3%	111.0	75.4	47.2%
Other impairment and provisions	151.4	136.5	11.0%	91.9	121.9	-24.6%	59.6	14.6	>200%
Profit before income tax	**627.3**	**558.2**	**12.4%**	**288.7**	**161.3**	**79.0%**	**338.6**	**396.9**	**-14.7%**
Income tax	239.3	138.0	73.4%	144.2	50.3	186.5%	95.1	87.7	8.4%
Current	100.9	105.6	-4.4%	(7.2)	8.5	-185.0%	108.1	97.1	11.4%
Deferred	138.4	32.5	>200%	151.4	41.9	>200%	(13.0)	(9.4)	-38.7%
Income after income tax from continuing operations	**388.0**	**420.2**	**-7.7%**	**144.5**	**111.0**	**30.2%**	**243.5**	**309.2**	**-21.3%**
Income arising from discontinued operations	13.4	(1.3)	>200%	–	–	-	–	–	-
Non-controlling interests	99.4	117.8	-15.6%	(0.4)	(4.6)	92.1%	99.8	122.4	-18.5%
Net income	**302.0**	**301.1**	**0.3%**	**144.8**	**115.5**	**25.4%**	**143.8**	**186.9**	**-23.1%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	81,643	75,923	7.5%	55,134	53,929	2.2%	26,510	21,994	20.5%
Total customer funds	**81,675**	**74,023**	**10.3%**	**56,767**	**53,261**	**6.6%**	**24,909**	**20,763**	**20.0%**
Balance sheet customer funds	**62,607**	**56,585**	**10.6%**	**41,016**	**38,900**	**5.4%**	**21,591**	**17,685**	**22.1%**
Deposits and other resources from customers	60,847	55,248	10.1%	39,405	37,681	4.6%	21,442	17,567	22.1%
Debt securities	1,760	1,337	31.6%	1,611	1,219	32.2%	148	118	25.6%
Off-balance sheet customer funds	**19,069**	**17,438**	**9.4%**	**15,751**	**14,361**	**9.7%**	**3,318**	**3,077**	**7.8%**
Assets under management	5,745	5,018	14.5%	3,393	2,901	17.0%	2,352	2,117	11.1%
Assets placed with customers	4,312	3,793	13.7%	3,828	3,317	15.4%	484	476	1.8%
Insurance products (savings and investment)	9,011	8,627	4.5%	8,529	8,142	4.8%	482	485	-0.5%
Loans to customers (gross)	**54,724**	**51,032**	**7.2%**	**36,715**	**37,187**	**-1.3%**	**18,009**	**13,845**	**30.1%**
Individuals	**31,910**	**27,798**	**14.8%**	**19,399**	**19,171**	**1.2%**	**12,511**	**8,627**	**45.0%**
Mortgage	25,894	23,781	8.9%	17,281	17,179	0.6%	8,612	6,602	30.5%
Personnel Loans	6,016	4,017	49.8%	2,118	1,992	6.3%	3,898	2,026	92.4%
Companies	**22,814**	**23,234**	**-1.8%**	**17,316**	**18,017**	**-3.9%**	**5,499**	**5,217**	**5.4%**
CREDIT QUALITY									
Total overdue loans	1,605	2,084	-23.0%	1,117	1,733	-35.5%	488	352	38.7%
Overdue loans by more than 90 days	1,486	1,964	-24.3%	1,088	1,681	-35.2%	398	283	40.4%
Overdue loans by more than 90 days / Loans to customers	2.7%	3.8%		3.0%	4.5%		2.2%	2.0%	
Total impairment (balance sheet)	2,449	2,909	-15.8%	1,877	2,383	-21.2%	572	525	8.9%
Total impairment (balance sheet) / Loans to customers	4.5%	5.7%		5.1%	6.4%		3.2%	3.8%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	164.8%	148.1%		172.5%	141.8%		143.9%	185.4%	
Non-Performing Exposures	4,206	5,547	-24.2%	3,246	4,797	-32.3%	960	750	27.9%
Non-Performing Exposures / Loans to customers	7.7%	10.9%		8.8%	12.9%		5.3%	5.4%	
Restructured loans	3,097	3,598	-13.9%	2,529	3,062	-17.4%	568	537	5.9%
Restructured loans / Loans to customers	5.7%	7.1%		6.9%	8.2%		3.2%	3.9%	
Cost of risk (net of recoveries, in b.p.)	72	92		76	105		63	56	
Total impairment (balance sheet) / NPE	58.2%	52.4%		57.8%	49.7%		59.6%	70.0%	

(1) Not considering income arising from operations accounted as discontinued operations, in the amount of 13.4 million euros in 2019 and a negative amount of 1.3 million euros in 2018.

BANCO COMERCIAL PORTUGUÊS
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	2019	2018
Interest and similar income	1,991,445	1,889,739
Interest expense and similar charges	(442,917)	(466,108)
NET INTEREST INCOME	1,548,528	1,423,631
Dividends from equity instruments	798	636
Net fees and commissions income	703,497	684,019
Net gains / (losses) from financial operations at fair value through profit or loss	4,837	1,400
Net gains / (losses) from foreign exchange	69,391	75,355
Net gains / (losses) from hedge accounting operations	(5,682)	2,552
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(24,909)	(50,194)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	99,676	49,435
Net gains / (losses) from insurance activity	11,752	8,477
Other operating income / (losses)	(144,400)	(135,878)
TOTAL OPERATING INCOME	2,263,488	2,059,433
Staff costs	668,232	592,792
Other administrative costs	376,455	376,676
Amortisations and depreciations	124,785	57,745
TOTAL OPERATING EXPENSES	1,169,472	1,027,213
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,094,016	1,032,220
Impairment for financial assets at amortised cost	(390,308)	(465,468)
Impairment for financial assets at fair value through other comprehensive income	2,180	1,092
Impairment for other assets	(96,034)	(79,037)
Other provisions	(57,484)	(57,689)
NET OPERATING INCOME	552,370	431,118
Share of profit of associates under the equity method	42,989	89,175
Gains / (losses) arising from sales of subsidiaries and other assets	31,907	37,916
NET INCOME BEFORE INCOME TAXES	627,266	558,209
Income taxes		
Current	(100,908)	(105,559)
Deferred	(138,370)	(32,458)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	387,988	420,192
Income arising from discontinued or discontinuing operations	13,412	(1,318)
NET INCOME AFTER INCOME TAXES	401,400	418,874
Net income for the year attributable to:		
Bank's Shareholders	302,003	301,065
Non-controlling interests	99,397	117,809
NET INCOME FOR THE YEAR	401,400	418,874
Earnings per share (in Euros)		
Basic	0.018	0.020
Diluted	0.018	0.020

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	2019	2018
ASSETS		
Cash and deposits at Central Banks	5,166,551	2,753,839
Loans and advances to credit institutions repayable on demand	320,857	326,707
Financial assets at amortised cost		
Loans and advances to credit institutions	892,995	890,033
Loans and advances to customers	49,847,829	45,560,926
Debt securities	3,185,876	3,375,014
Financial assets at fair value through profit or loss		
Financial assets held for trading	878,334	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,405,513	1,404,684
Financial assets designated at fair value through profit or loss	31,496	33,034
Financial assets at fair value through other comprehensive income	13,216,701	13,845,625
Assets with repurchase agreement	-	58,252
Hedging derivatives	45,141	123,054
Investments in associated companies	400,391	405,082
Non-current assets held for sale	1,279,841	1,868,458
Investment property	13,291	11,058
Other tangible assets	729,442	461,276
Goodwill and intangible assets	242,630	174,395
Current tax assets	26,738	32,712
Deferred tax assets	2,720,648	2,916,630
Other assets	1,239,134	811,816
TOTAL ASSETS	81,643,408	75,923,049
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	6,366,958	7,752,796
Resources from customers	59,127,005	52,664,687
Non subordinated debt securities issued	1,594,724	1,686,087
Subordinated debt	1,577,706	1,072,105
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	343,933	327,008
Financial liabilities at fair value through profit or loss	3,201,309	3,603,647
Hedging derivatives	229,923	177,900
Provisions	345,312	350,832
Current tax liabilities	21,990	18,547
Deferred tax liabilities	11,069	5,460
Other liabilities	1,442,225	1,300,074
TOTAL LIABILITIES	74,262,154	68,959,143
EQUITY		
Share capital	4,725,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	2,922
Legal and statutory reserves	240,535	264,608
Treasury shares	(102)	(74)
Reserves and retained earnings	435,823	470,481
Net income for the year attributable to Bank's Shareholders	302,003	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,119,730	5,780,473
Non-controlling interests	1,261,524	1,183,433
TOTAL EQUITY	7,381,254	6,963,906
TOTAL LIABILITIES AND EQUITY	81,643,408	75,923,049

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

		31 Dec. 19	31 Dec. 18
Loans to customers (net) (1)		52,275	48,123
Balance sheet customer funds (2)		62,607	56,585
	(1) / (2)	83.5%	85.0%

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

		2019	2018
Net income (1)		302	301
Non-controlling interests (2)		99	118
Average total assets (3)		79,590	73,419
	[(1) + (2), annualised] / (3)	0.5%	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

		2019	2018
Net income (1)		302	301
Average equity (2)		5,970	5,753
	[(1), annualised] / (2)	5.1%	5.2%

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

		2019	2018
Operating costs (1)		1,169	1,027
Specific items (2)		66	29
Net operating revenues (3)*		2,339	2,187
	[(1) - (2)] / (3)	47.2%	45.6%

* Excludes the specific items, in the amount of 0.8 million euros, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary.

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

		2019	2018
Loans to customers at amortised cost, before impairment (1)		54,352	50,724
Loan impairment charges (net of recoveries) (2)		390	465
	[(2), annualised] / (1)	72	92

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

		31 Dec. 19	31 Dec. 18
Non-Performing Exposures (1)		4,206	5,547
Loans to customers (gross) (2)		54,724	51,032
	(1) / (2)	7.7%	10.9%

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

		31 Dec. 19	31 Dec. 18
Non-Performing Exposures (1)		4,206	5,547
Loans impairments (balance sheet) (2)		2,449	2,909
	(2) / (1)	**58.2%**	**52.4%**

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

Loans to customers

Euro million

	31 Dec. 19	31 Dec. 18
Loans to customers at amortised cost (accounting Balance Sheet)	49,848	45,561
Debt instruments at amortised cost associated to credit operations	2,075	2,271
Balance sheet amount of loans to customers at fair value through profit or loss	352	291
Loan to customers (net) considering management criteria	52,275	48,123
Balance sheet impairment related to loans to customers at amortised cost	2,417	2,852
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	12	40
Fair value adjustments related to loans to customers at fair value through profit or loss	20	17
Loan to customers (gross) considering management criteria	54,724	51,032

Loans impairment (P&L)

Euro million

	2019	2018
Impairment of financial assets at amortised cost (accounting P&L) (1)	390	465
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	-1	1
Impairment of financial assets at amortised cost not associated with credit operations (3)	1	0
Loans impairment considering management criteria (1)-(2)-(3)	390	465

Balance sheet customer funds

Euro million

	31 Dec. 19	31 Dec. 18
Financial liabilities at fair value through profit or loss (accounting Balance sheet)	3,201	3,604
Debt securities at fair value through profit or loss and certificates	-1,481	-1,020
Customer deposits at fair value through profit or loss considering management criteria	**1,720**	**2,584**
Resources from customers at amortised cost (accounting Balance sheet)	59,127	52,665
Deposits and other resources from customers considering management criteria (1)	**60,847**	**55,248**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet)	1,595	1,686
Debt securities at fair value through profit or loss and certificates	1,481	1,020
Non subordinated debt securities placed with institucional customers	-1,316	-1,369
Debt securities placed with customers considering management criteria (2)	**1,760**	**1,337**
Balance sheet customer funds considering management criteria (1)+(2)	**62,607**	**56,585**

Securities portfolio

Euro million

	31 Dec. 19	31 Dec. 18
Debt instruments at amortised cost (accounting Balance sheet)	3,186	3,375
Debt instruments at amortised cost associated to credit operations net of impairment	-2,075	-2,271
Debt instruments at amortised cost considering management criteria (1)	**1,111**	**1,104**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet)	1,406	1,405
Balance sheet amount of loans to customers at fair value through profit or loss	-352	-291
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (2)	**1,053**	**1,114**
Financial assets held for trading (accounting Balance sheet) (3)	878	870
of which: trading derivatives (4)	620	645
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (5)	31	33
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (6)	13,217	13,846
Assets with repurchase agreement (accounting Balance sheet) (7)	0	58
Securities portfolio considering management criteria (1)+(2)+(3)-(4)+(5)+(6)+(7)	**15,671**	**16,380**

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 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 2019 were not audited.