



Millennium  
bcp

FEBRUARY  
2020

Banco Comercial Português

# Disclaimer

- | The information in this presentation has been prepared under the scope of the International Financial Reporting Standards ('IFRS') of BCP Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002, as amended.
- | The figures presented do not constitute any form of commitment by BCP in regard to future earnings.
- | Figures for 2019 are not audited.
- | 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.

# AGENDA



Highlights

01

Group

- Profitability
- Business activity
- Capital

02

Portugal

03

International operations

04

Key figures

05



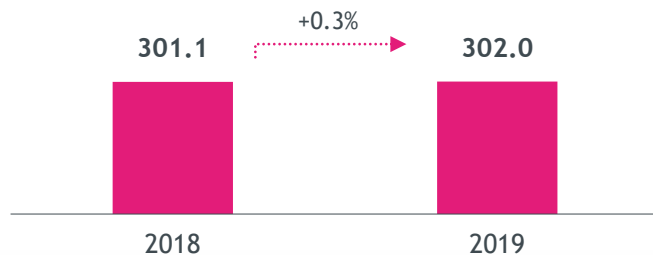
01

# Highlights

# Highlights

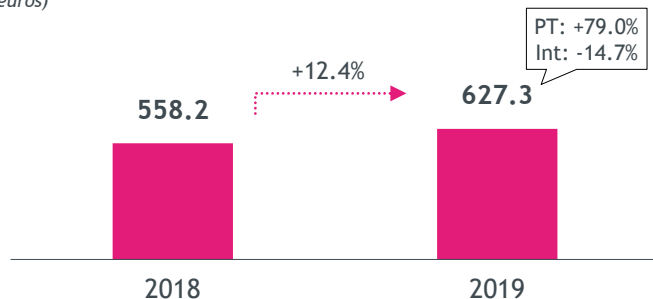
## Net income

(Million euros)



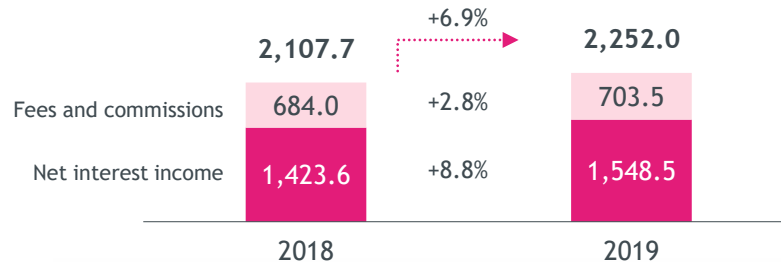
## Net income before income tax

(Million euros)



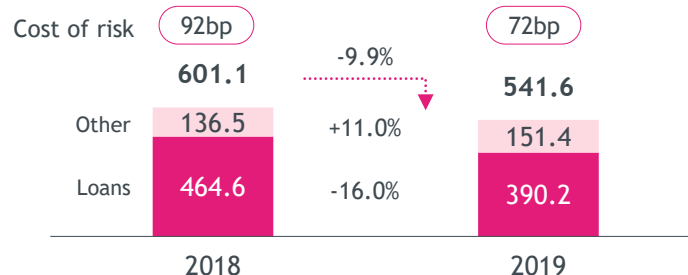
## Core income (net interest income + commissions)

(Million euros)



## Impairment and provisions

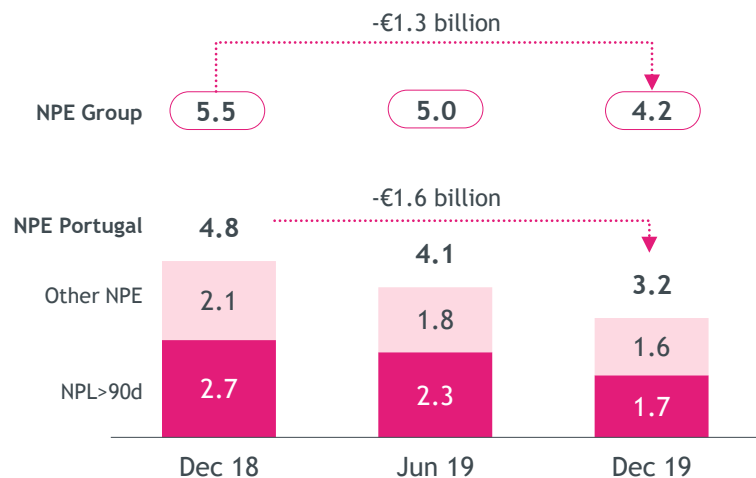
(Million euros)



# Highlights

## Improved asset quality

(Billion euros)



Significant decrease of NPEs (-€1.3 billion from end-2018) and of cost of risk (72bp in 2019); increased coverage (by loan-loss reserves and total)

\*By loan-loss reserves, expected loss gap and collaterals.  
NPE include loans to Customers only.

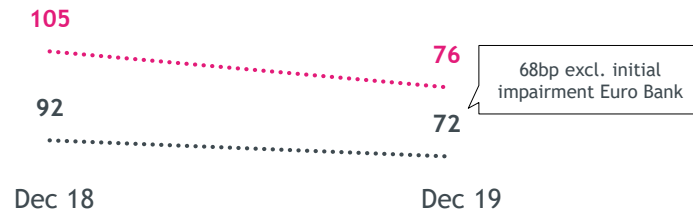
## Improved asset quality

● Total coverage\* ● Coverage by loan-loss reserves



## Lower cost of risk

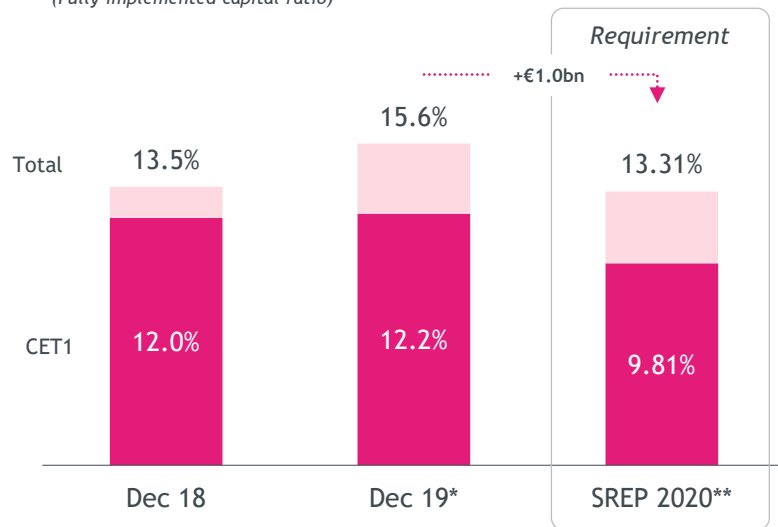
● Cost of risk PT, bp ● Cost of risk Group, bp



# Highlights

## Strong capital

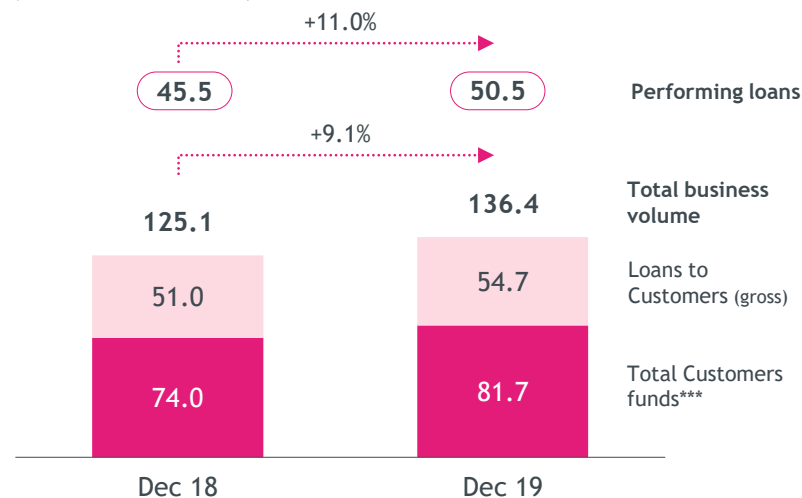
(Fully implemented capital ratio)



**Capital ratio of 15.6%\***, comfortably above SREP requirements. Organic capital generation and AT1+T2 issues (Jan.19 and Sep.19, respectively) more than compensate for the negative impacts of Euro Bank's acquisition and related to the pension fund

## Increasing business volumes

(Consolidated, billion euros)



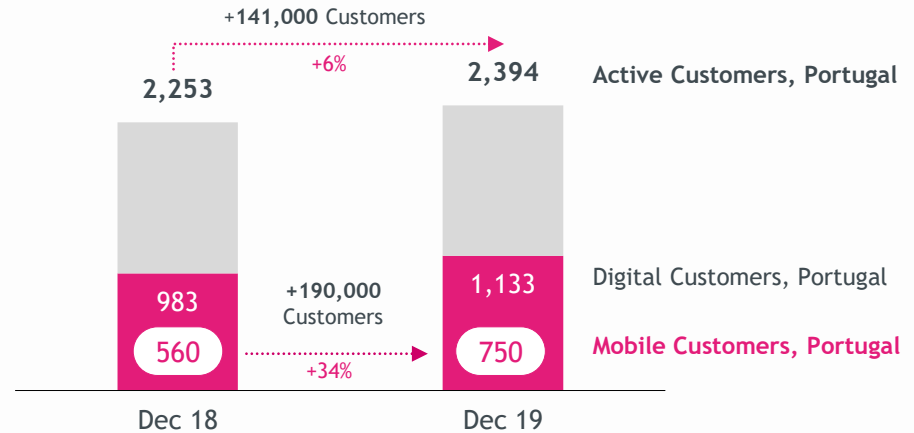
Increasing business volumes, with **performing loans up by €5.0 billion and total Customers funds up by €7.7 billion** from end-2018

\*Including unaudited earnings for 2019. | \*\*Minimum phased-in prudential requirements from January 1, 2020, as communicated to the market on December 17, 2019. | \*\*\*Deposits, debt securities, assets under management, assets placed with Customers and insurance products (savings and investments).



# Growing Customer base, mobile Customers standing out

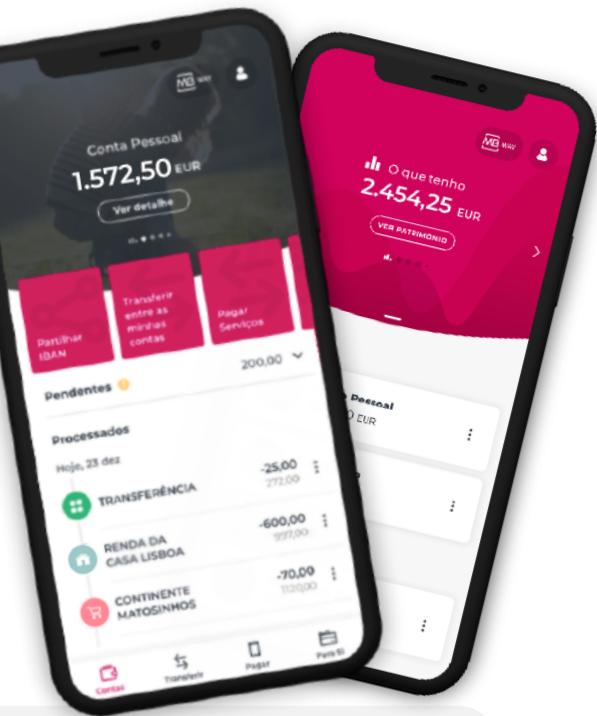
'000 Customers





# Millennium app: increasingly relevant in Customer relationship

Annual growth rates (2018-2019)

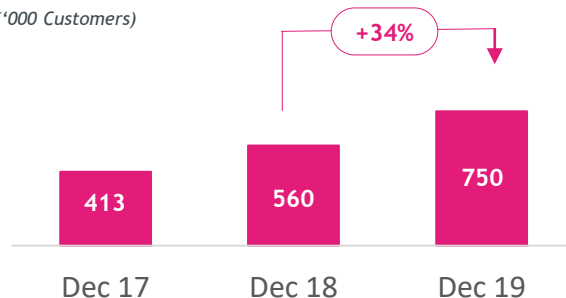


% digital Customers 47%

% mobile Customers 31%

## Mobile Customers

(\*'000 Customers)



## Strong growth in mobile

**+61%**  
Logins

**+66%**  
Payments

**+102%**  
Sales

**+87%**  
Transfers

## Mobile first: a catalyst for digital growth



- Superior convenience and speed of transactions, with new navigation and expanded payment services, including Mbway
- Redesigned experience on main Customer journeys (e.g. personal credit, savings) with end-to-end transformation of processes
- Customised offer and communication with advanced analytical models
- **Product innovation** with native digital component (e.g. On/off insurance)
- **Open banking** and management of other bank's accounts in the app
- **Safety** with convenience (e.g. biometrics in MbWay transactions) and privacy mode

# Bringing new technologies to processes and business model, with a positive impact on Customer relationship and on the Bank's efficiency



## Open banking and new Customer solutions



### Open banking “M Contabilidade”

More than 4,000 companies and accountants already benefit from payment integration, information collection and support to account reconciliation



## Operating efficiency



**Robotization and artificial intelligence for process automation at scale**, with competence centre equipped with new technologies and creation of a model for industrialization



**New service and operative model for the operations area with a strong technological component:** chatbot, new process management and analytics platform, dynamic allocation of tasks to operators to optimize quality and service level



**More technology at the service of Customers also at branches:** account-opening with an ID card, digital mobile key and ID card to formalize processes and reinforced self-assisted machines at branches with 24x7 operation

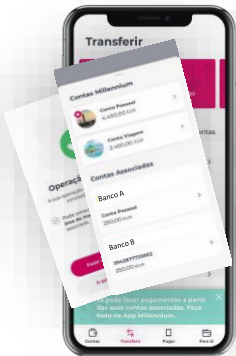


## New skills and ways of working

**Reinforcement of internal skills:** new technologies, customer experience and design, advanced analytics and AI, robotics

**Focus on the development of skills:** Millennium Digital Academy

**Multidisciplinary teams** focused on specific Customer needs; **iterative agile** methodology for greater speed and scale



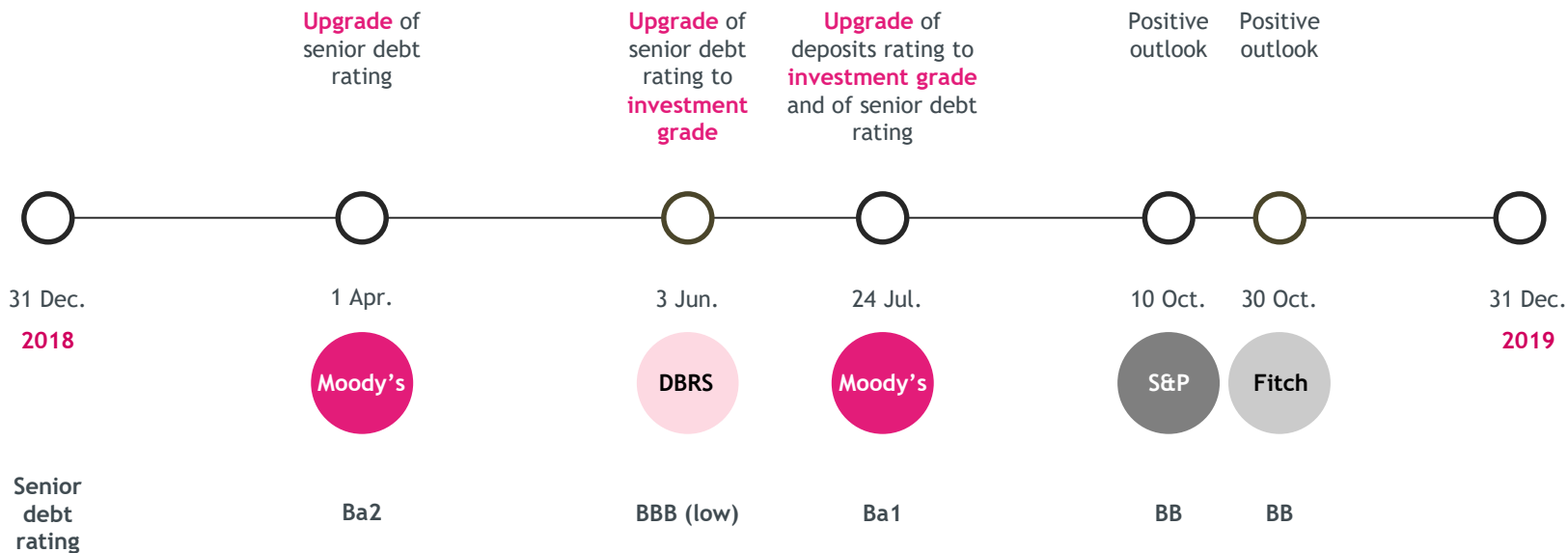
### Account aggregation

Customers can centralise information on their accounts on the Millennium bcp app, including those from other banks

# Highlights



Rating upgrades in 2019 recognise Millennium bcp's improved profitability, asset quality and business model





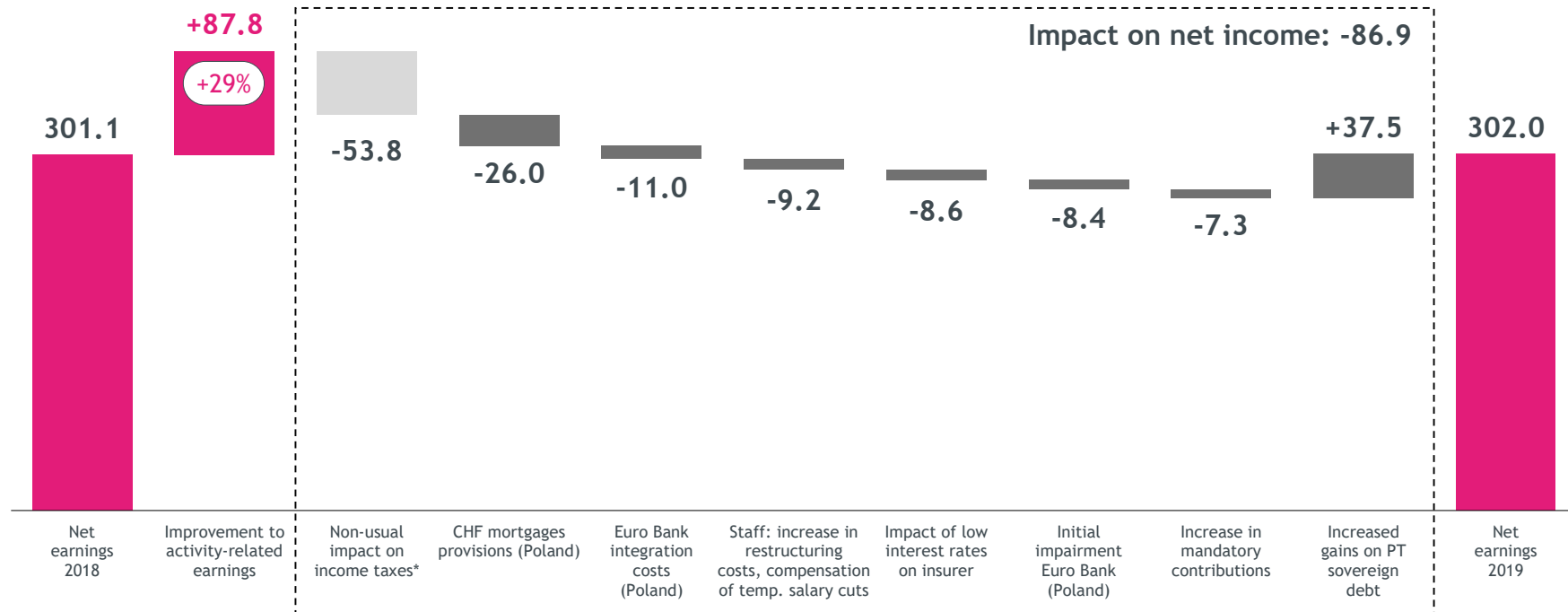
02

Group

Profitability

# Net earnings of €302.0 million, with a 29% improvement of activity-related earnings

(Million euros)



\*Non-usual impact on income taxes in excess of the marginal tax rate on the domestic activity, resulting from the derecognition of DTAs.  
No impact on capital ratio.

# Net earnings of €302.0 million in 2019

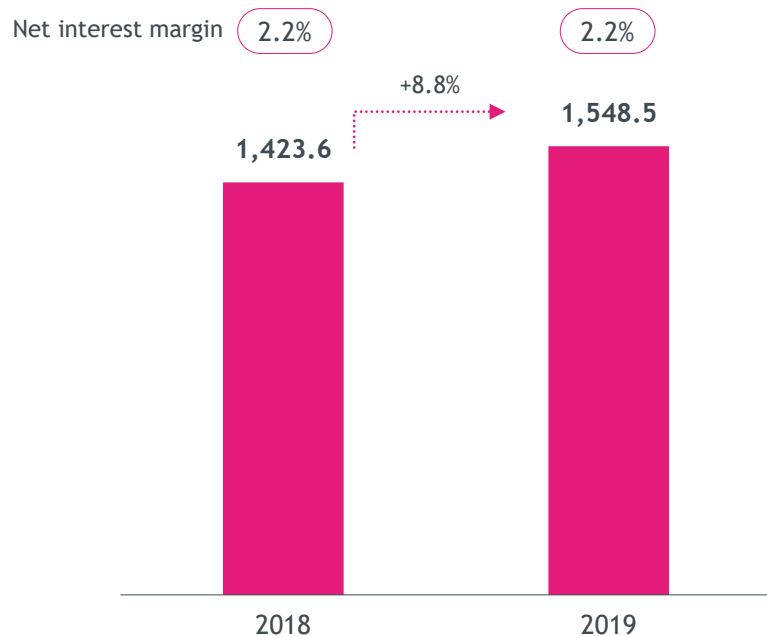
(Million euros)	2018	2019	YoY	Impact on earnings
Net interest income	1,423.6	1,548.5	+8.8%	+124.9
Commissions	684.0	703.5	+2.8%	+19.5
<b>Core income</b>	<b>2,107.7</b>	<b>2,252.0</b>	<b>+6.9%</b>	<b>+144.4</b>
Operating costs excluding non-usual items	-1,000.5	-1,103.1	+10.3%	-102.6
<b>Core earnings</b>	<b>1,107.2</b>	<b>1,148.9</b>	<b>+3.8%</b>	<b>+41.7</b>
Non-usual operating costs	-26.7	-66.4	+148.3%	-39.6
Compensation for temporary salary cuts, restructuring costs, Euro Bank integration				
Other income*	78.9	86.4	+9.5%	+7.5
<b>Operating net income</b>	<b>1,159.3</b>	<b>1,168.9</b>	<b>+0.8%</b>	<b>+9.6</b>
Impairment and provisions	-601.1	-541.6	-9.9%	+59.5
<b>Net income before income tax</b>	<b>558.2</b>	<b>627.3</b>	<b>+12.4%</b>	<b>+69.1</b>
Income taxes, non-controlling interests and discontinued operations	-257.1	-325.3	+26.5%	-68.1
<b>Net income</b>	<b>301.1</b>	<b>302.0</b>	<b>+0.3%</b>	<b>+0.9</b>

\*Includes dividends from equity instruments, other net operating income, net trading income and equity accounted earnings.

# Net interest income increases in spite of an adverse environment

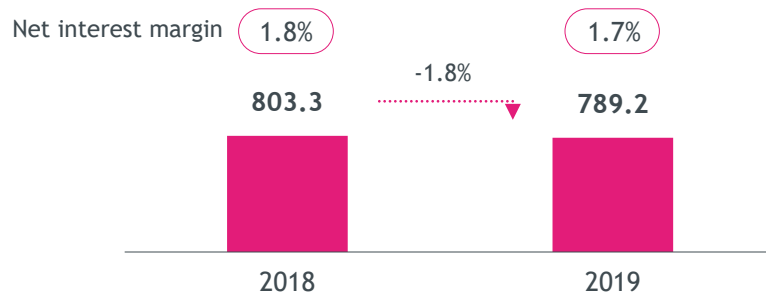
## Net interest income

(Consolidated, million euros)



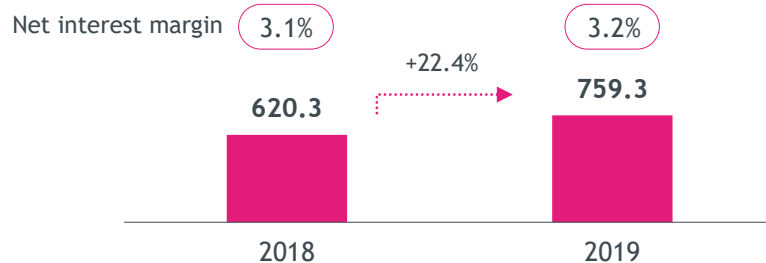
## Portugal

(Million euros)



## International operations

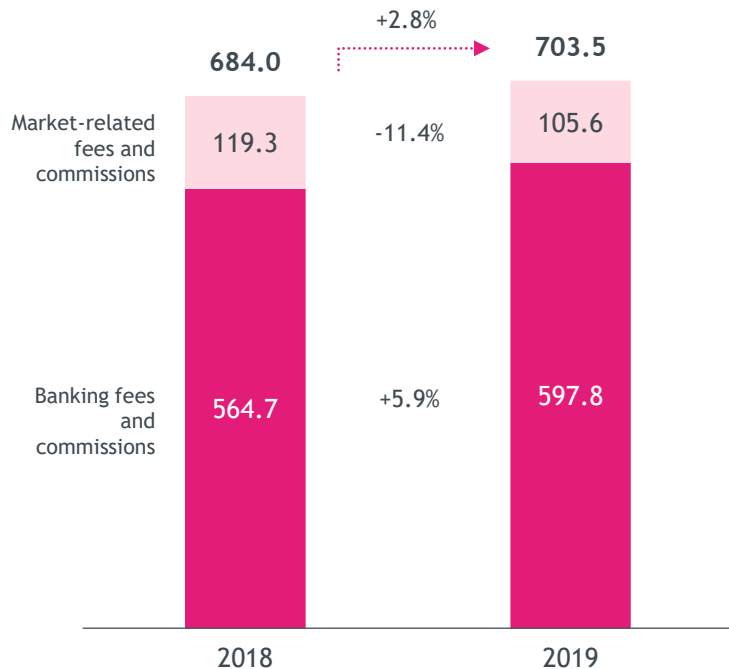
(Million euros)



# Stronger commissions, in spite of lower market-related fees

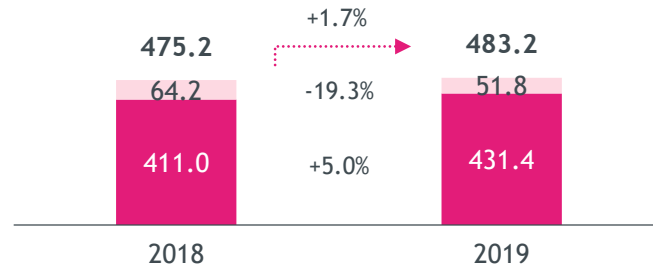
## Fees and commissions

(Consolidated, million euros)



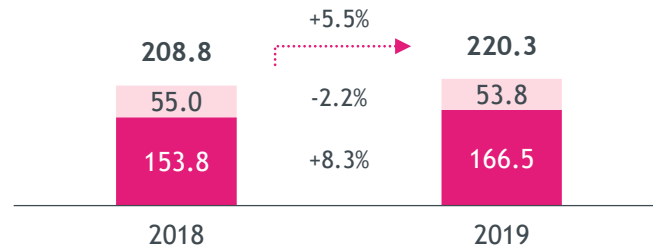
## Portugal

(Million euros)



## International operations

(Million euros)

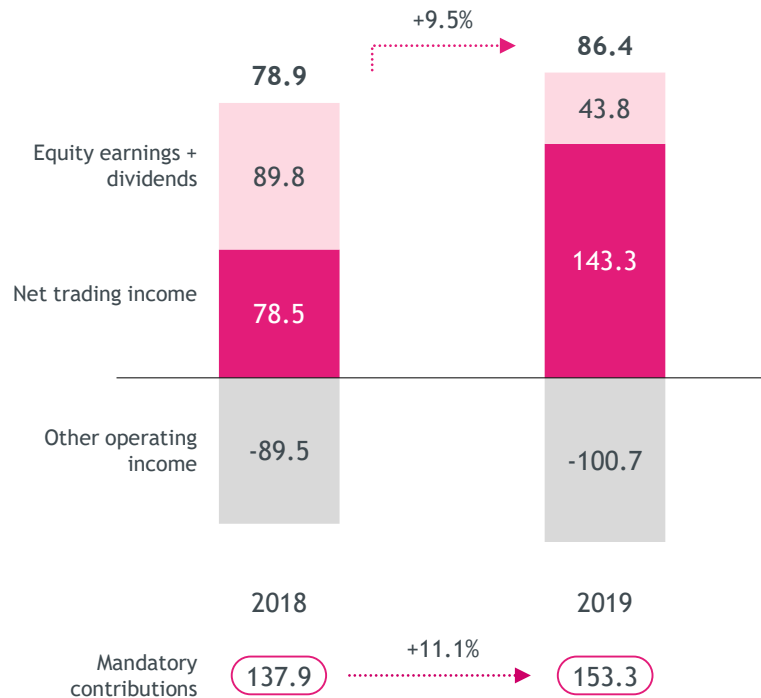




# Performance of other income reflects stronger trading gains

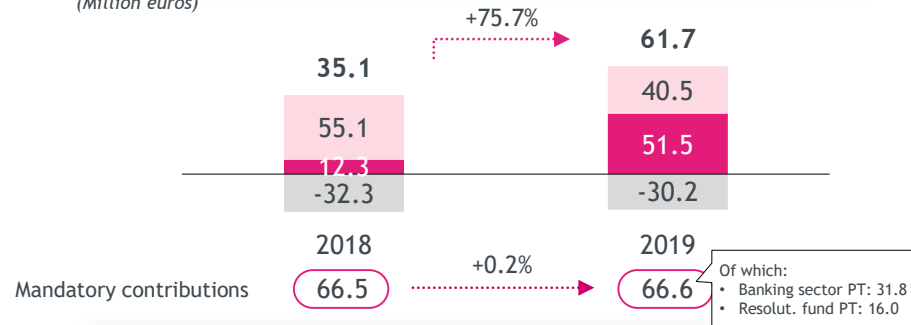
## Other income

(Consolidated, million euros)



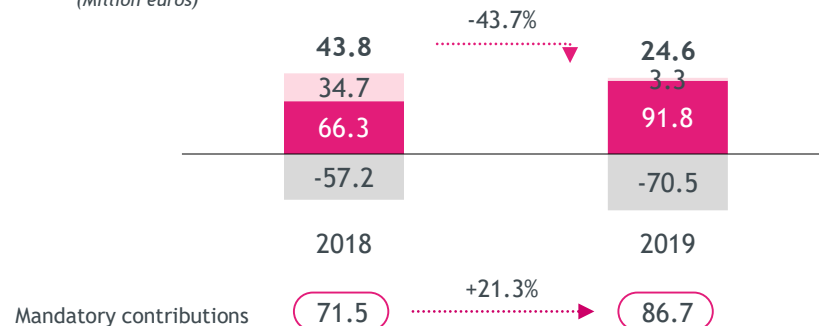
## Portugal

(Million euros)



## International operations

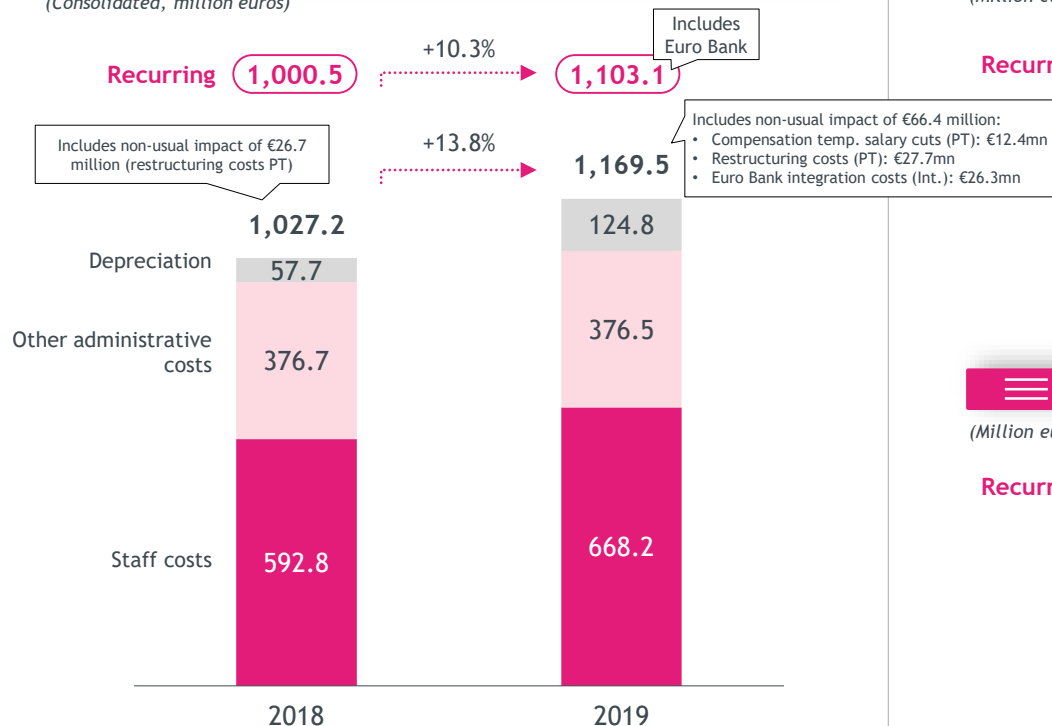
(Million euros)



# Recurring operating costs reflect growth strategy

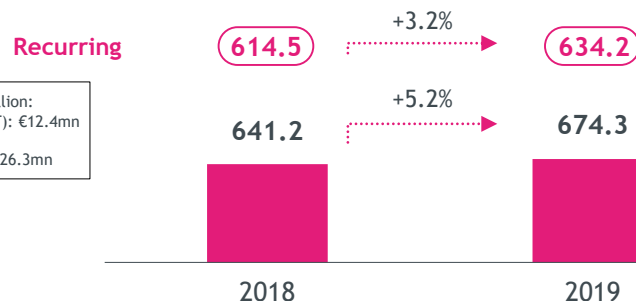
## Operating costs

(Consolidated, million euros)



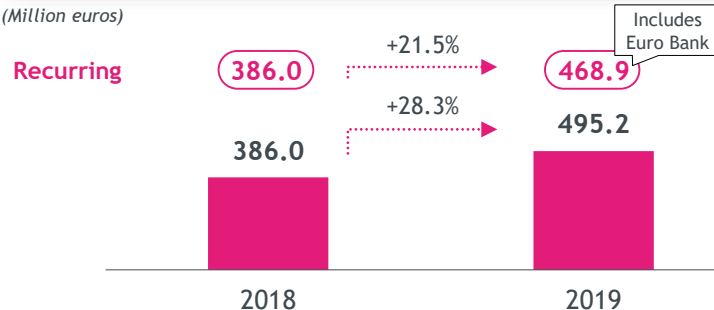
## Portugal

(Million euros)



## International operations

(Million euros)

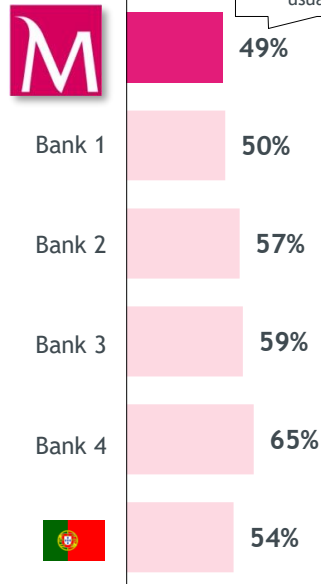


# Millennium bcp: one of the most efficient banks in the Eurozone

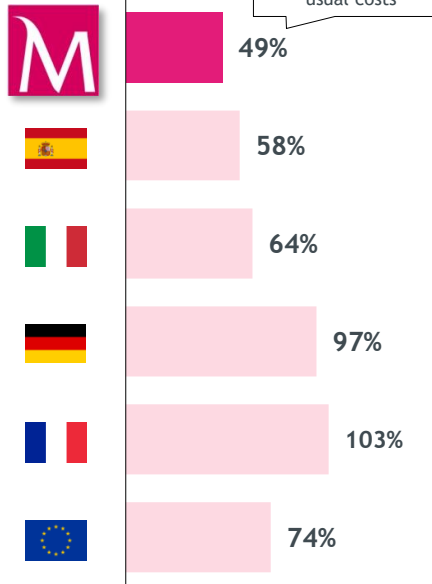
## Cost to core income\*

Latest available data

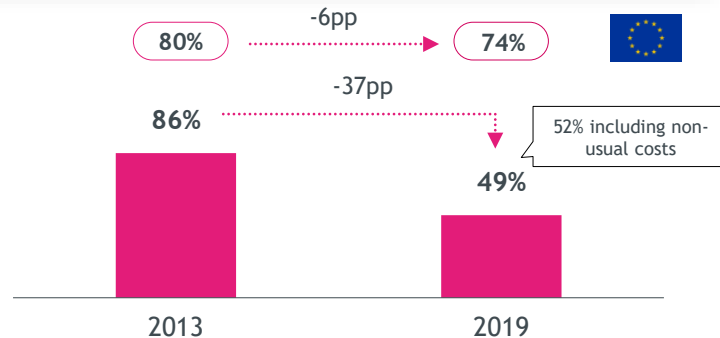
vs. peers in Portugal



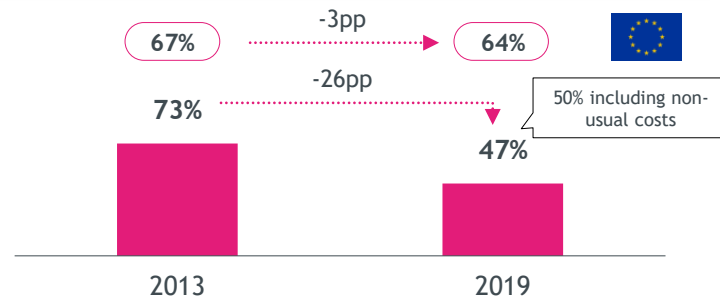
vs. Eurozone banks



## Cost to core income\*



## Cost to income

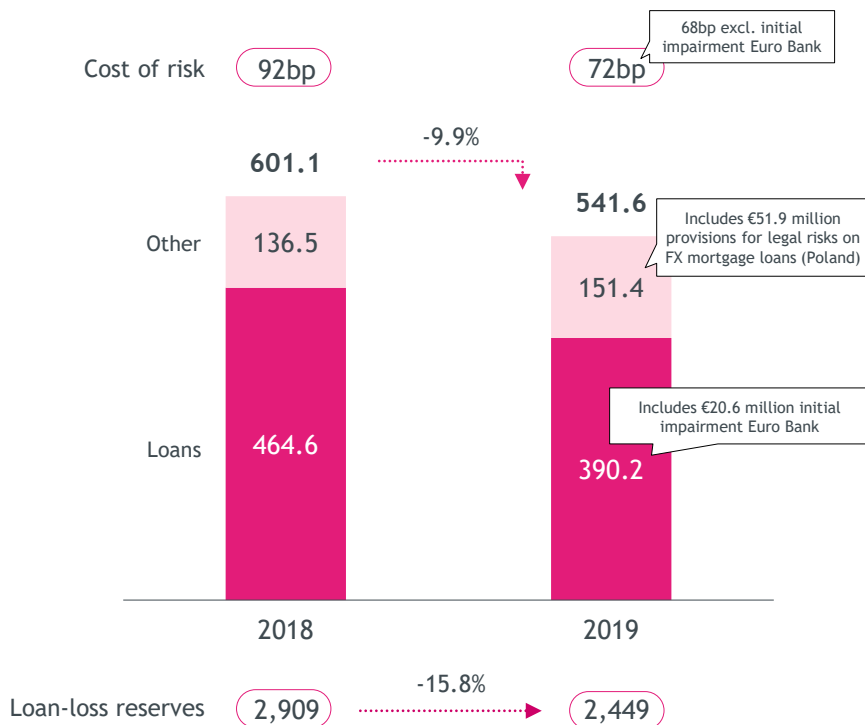


\*Core income = net interest income + net fees and commission income.

# Cost of risk continues trending to normalisation

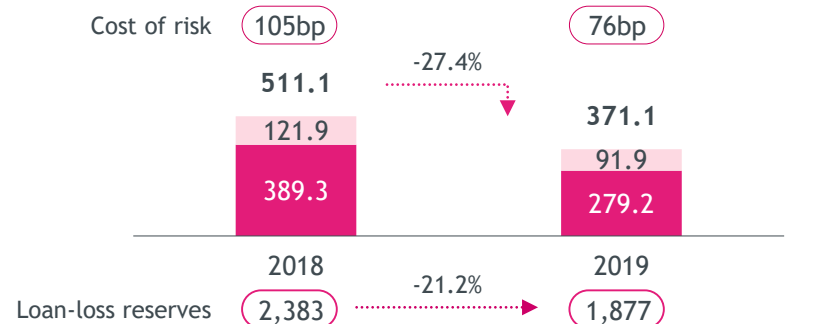
## Impairment and provision charges

(Consolidated, million euros)



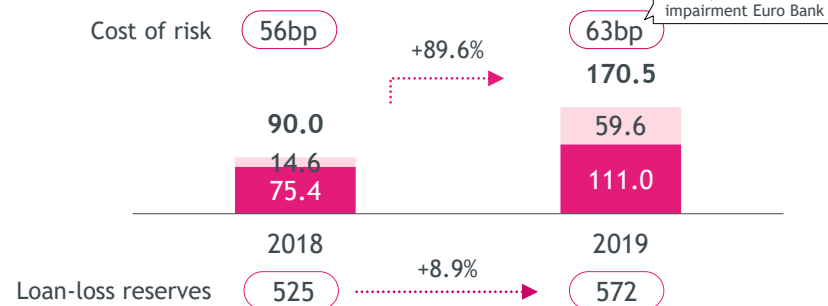
## Portugal

(Million euros)



## International operations

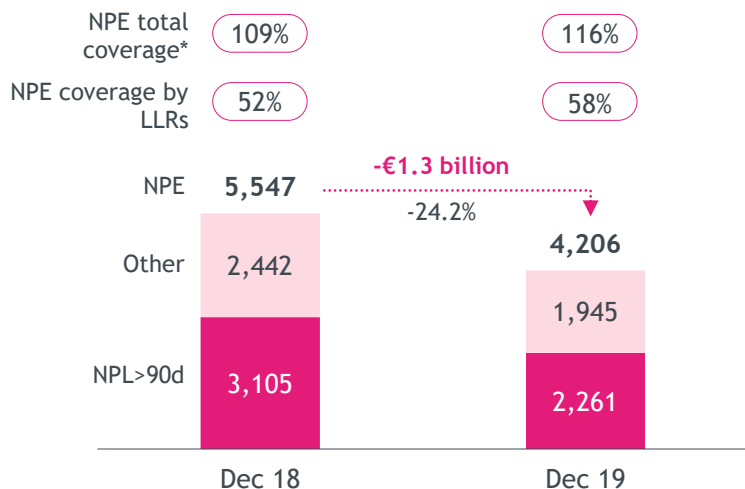
(Million euros)



# Lower NPEs and strengthened coverage

## Credit quality

(Consolidated, million euros)

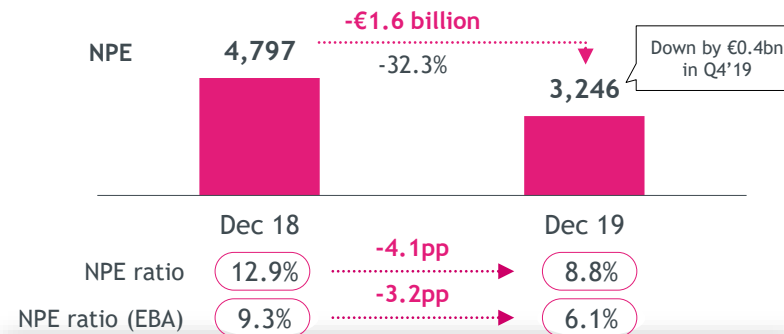


	Dec 18	Dec 19
NPL>90 days ratio	6.1%	4.1%
NPE ratio inc. securities and off-BS (EBA)	7.6%	5.3%
NPE ratio (loans only)	10.9%	7.7%

\*By loan-loss reserves, expected loss gap and collaterals.  
NPE include loans to Customers only, except if otherwise indicated.

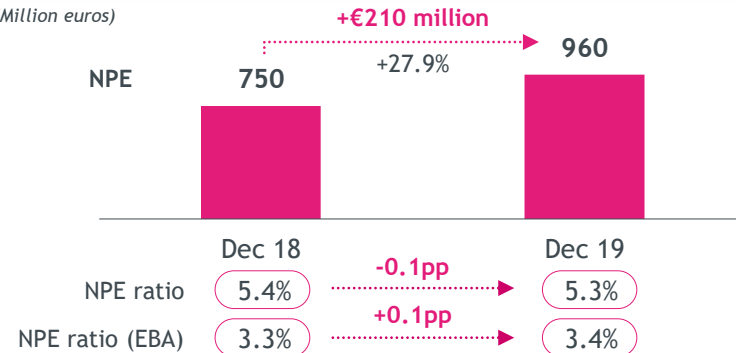
## Portugal

(Million euros)



## International operations

(Million euros)





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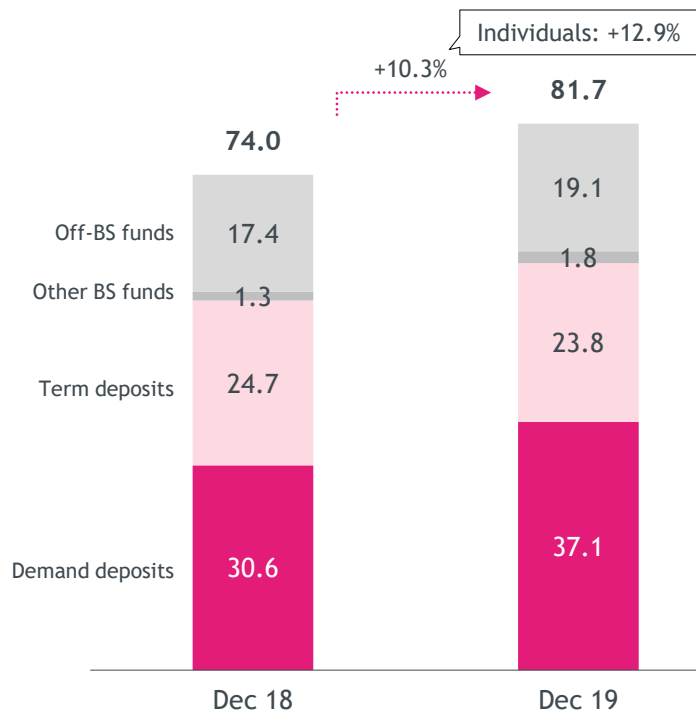
Group

Business activity

# Customer funds keep growing

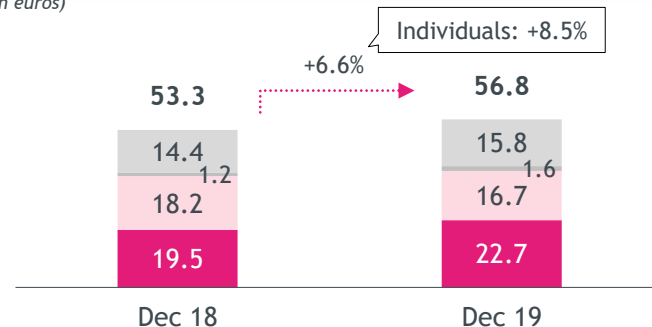
## ☰ Total Customers funds\*

(Consolidated, billion euros)



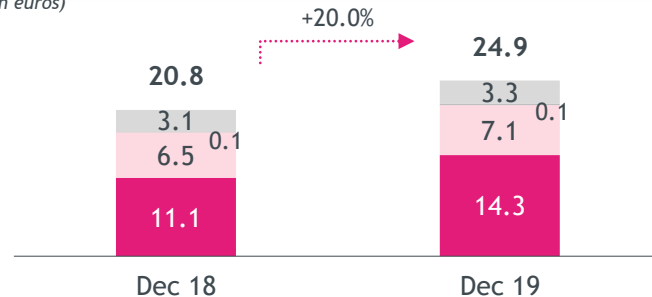
## ☰ Total Customers funds\* Portugal

(Billion euros)



## ☰ Total Customers funds\* international operations

(Billion euros)

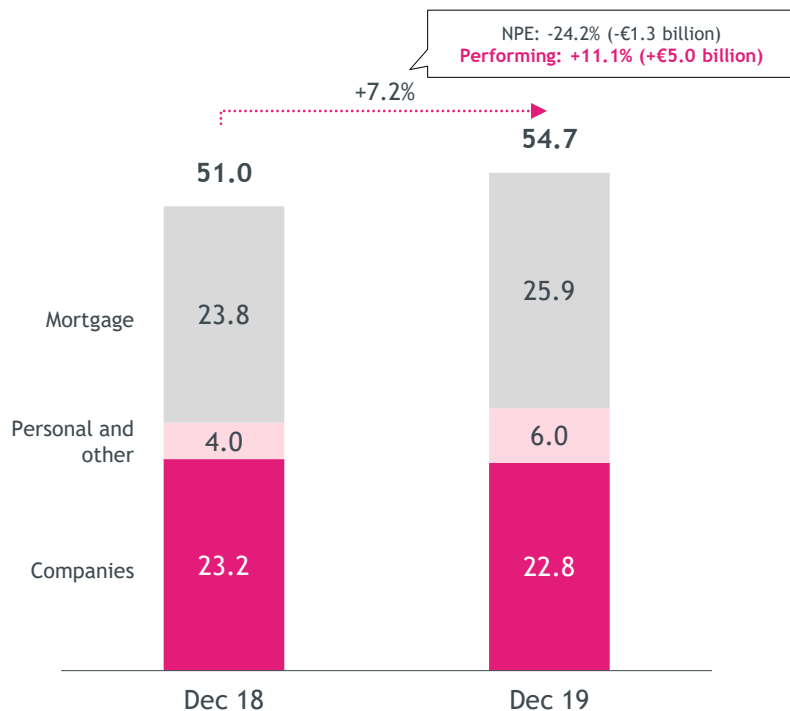


\*Deposits, debt securities, assets under management, assets placed with Customers and insurance products (savings and investments).

# Increasing loan portfolio

## Loans to Customers (gross)

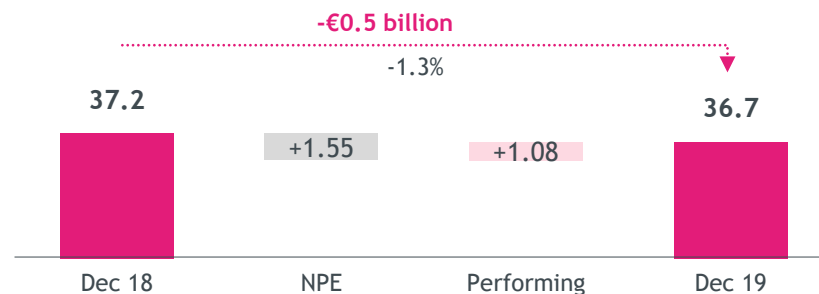
(Consolidated, billion euros)



NPE include loans to Customers only.

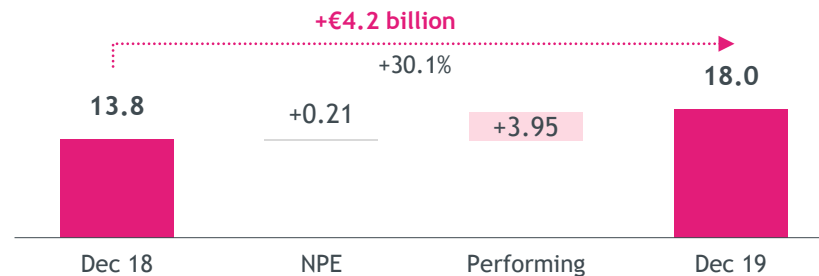
## Portugal

(Billion euros)



## International operations

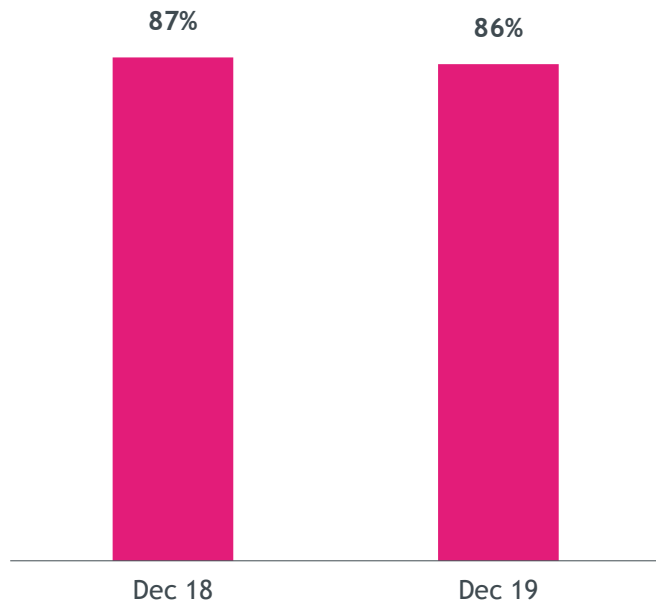
(Billion euros)





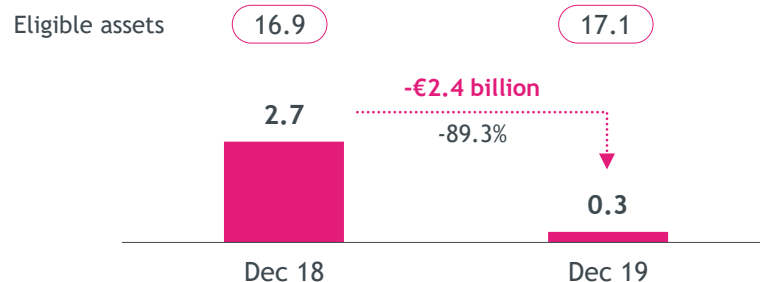
# Comfortable liquidity position

## Comfortable liquidity position

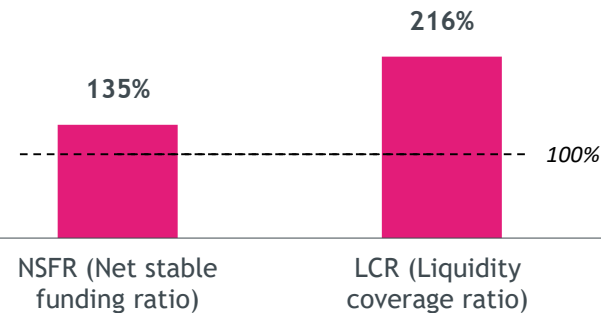


## ECB funding

(Billion euros)



## Liquidity ratios (CRD/CRR)





02

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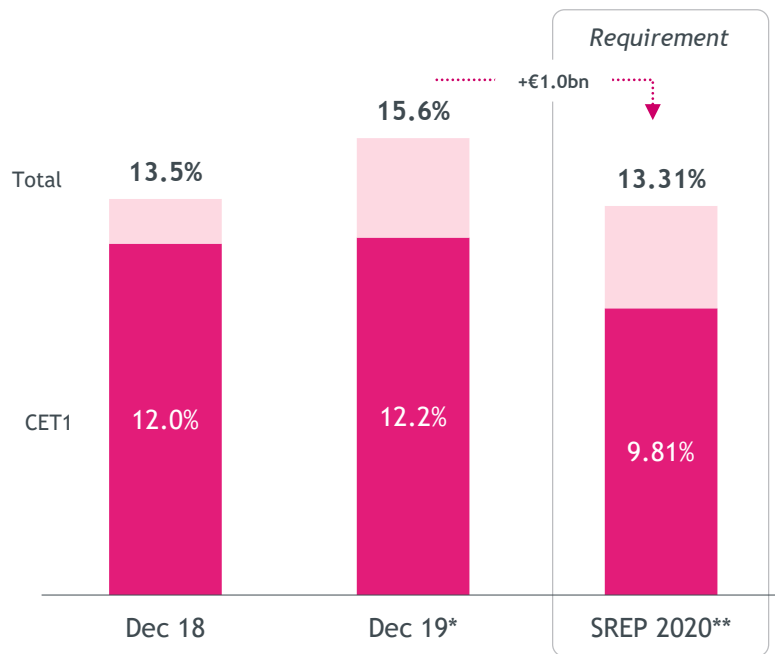
Group

Capital

# Capital levels adjusted to business model

## Capital ratio

(Fully implemented)



CET1 capital ratio of 12.2%\* (fully implemented) as of December 31, 2019



Increase from 12.0% as of December 31, 2018 reflects **capacity to generate capital organically**, more than compensating for the negative impacts of Euro Bank's acquisition and related to the pension fund



Total capital ratio of 15.6%\* (fully implemented) as of December 31, 2019, boosted by the AT1 issue completed in January 31, 2019, and by the T2 issue completed in September 20, 2019, and comfortably above SREP requirements

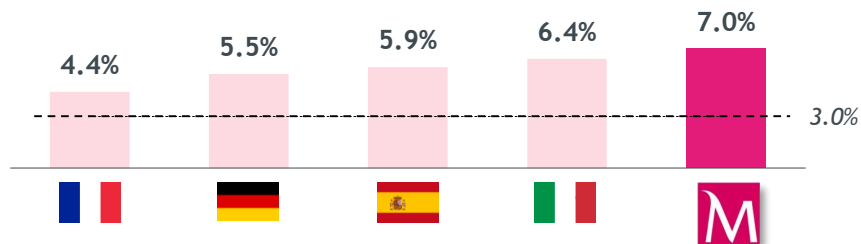
\*Including unaudited earnings for 2019.

\*\*Minimum phased-in prudential requirements from January 1, 2020, as communicated to the market on December 17, 2019.

# Capital at adequate levels

## Leverage ratio

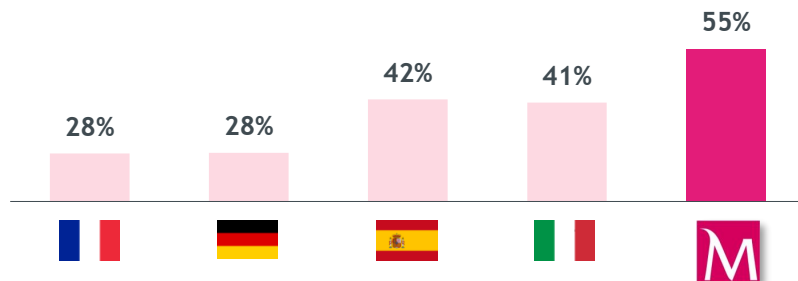
(Fully implemented, latest available data)



Leverage ratio at 7.0% as of December 31, 2019, a comfortable and comparatively strong figure in European banking

## RWA density

(RWAs as % of assets, latest available data)



High RWA density (55% as of December 31, 2019), comparing favourably to most European banking markets

# Pension fund

## Key figures

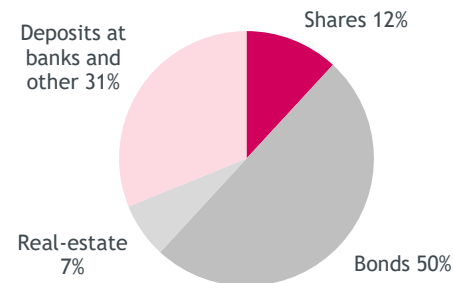
(Million euros)

	Dec 18	Jun 19	Dec 19
Pension liabilities	3,066	3,319	3,490
Pension fund	3,078	3,174	3,501
Liabilities' coverage	100%	96%	100%
Fund's profitability	+0.2%	+4.7%	+8.2%

## Assumptions

	Dec 18	Jun 19	Dec 19
Discount rate	2.10%	1.60%	1.40%
Salary growth rate	0.25% until 2019	0.25% until 2019	0.75%
	0.75% after 2019	0.75% after 2019	
Pensions growth rate	0.00% until 2019	0.00% until 2019	0.50%
	0.50% after 2019	0.50% after 2019	
Projected rate of return of fund as	2.10%	1.60%	1.40%
Mortality Tables			
Men	Tv 88/90	Tv 88/90	Tv 88/90
Women	Tv 88/90-3 years	Tv 88/90-3 years	Tv 88/90-3 years

## Pension fund



- Discount rate and projected rate of return revised downwards to 1.40%, mainly reflecting lower market rates
- Fully-covered (100%) liabilities



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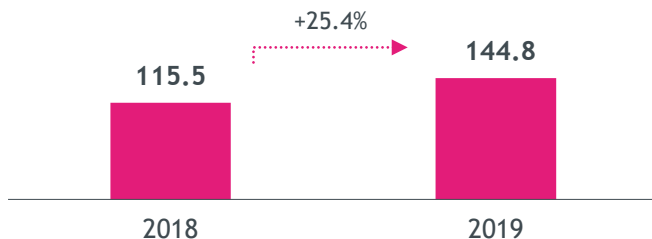
Portugal

# Increased net income



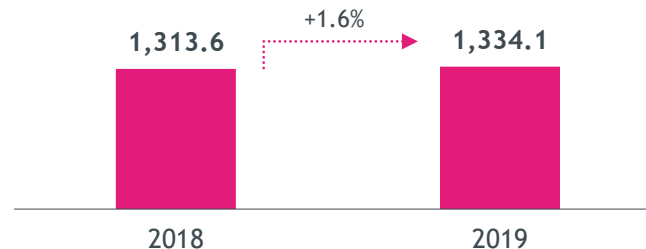
## Net income\*

(Million euros)



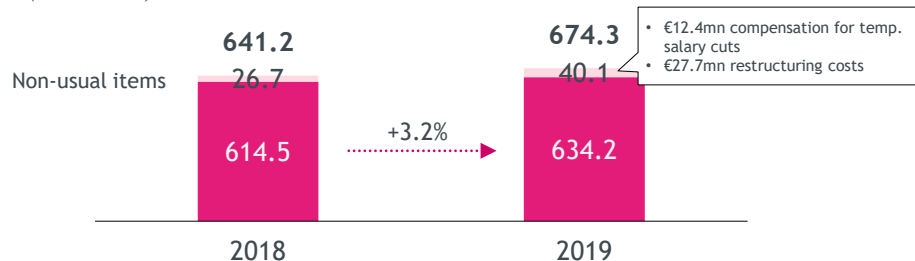
## Net operating revenue

(Million euros)



## Operating costs

(Million euros)



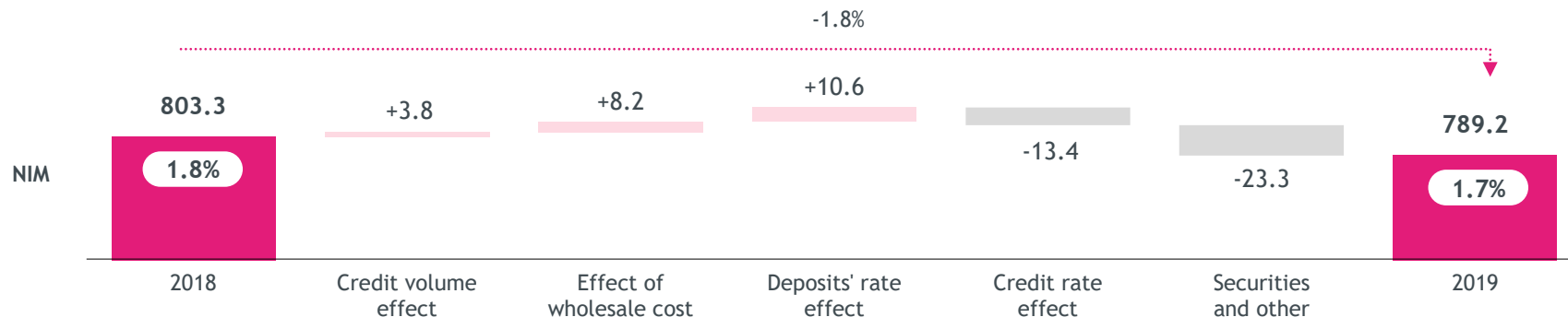
- Net earnings of €144.8 million in 2019, +25,4% compared to €115.5 million in the previous year
- Net earnings were driven by a significant reduction in credit-loss charges (-28.3%, with cost of risk decreasing to 76bp from 105bp)

\*Net income from activity in Portugal does not include earnings from operations booked as discontinued or to be discontinued.

# Net interest income



(Million euros)



Net interest income stood at €789.2 million in 2019, compared to €803.3 million in 2018. The favourable impacts of a lower wholesale funding cost, of the continued decline in the remuneration of time deposits and of a growing credit portfolio (as the expansion of the performing portfolio exceeded the decrease in NPEs) did not compensate the negative effects of lower credit yields, reflecting the normalisation of the macro-economic environment, and of a lower contribution from the securities portfolio, resulting from both a lower balance of Portuguese sovereign debt and from decreased yields thereon

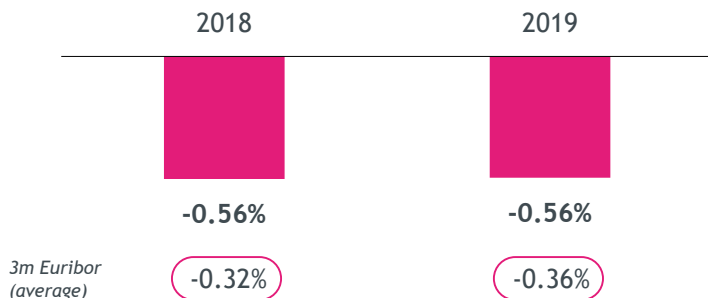


# Continued effort to reduce the cost of deposits

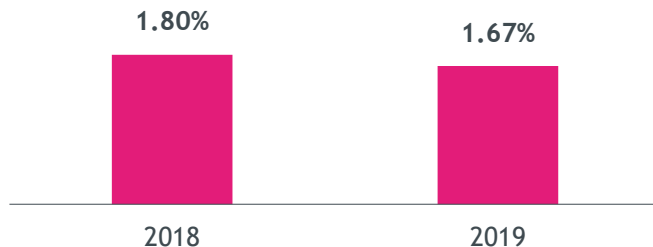


## Spread on the book of term deposits

(vs 3m Euribor)

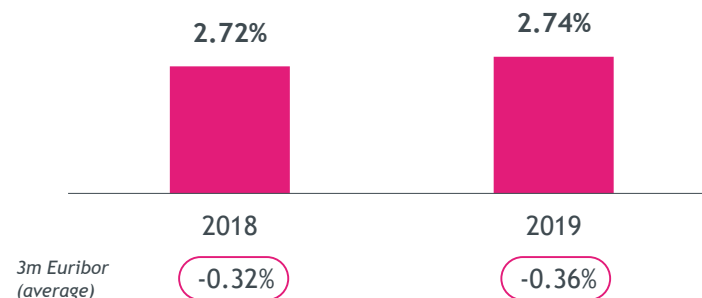


## NIM



## Spread on the performing loan book

(vs 3m Euribor)



- Spread on the book of term deposits of -0.56% in both 2018 and 2019; front book priced at an average spread of -40bp in 2019, still below the current back book's
- Spread on the performing loan portfolio stood at 2.74% in 2019, compared to 2.72% in 2018
- NIM stood at 1.67%

# Commissions and other income



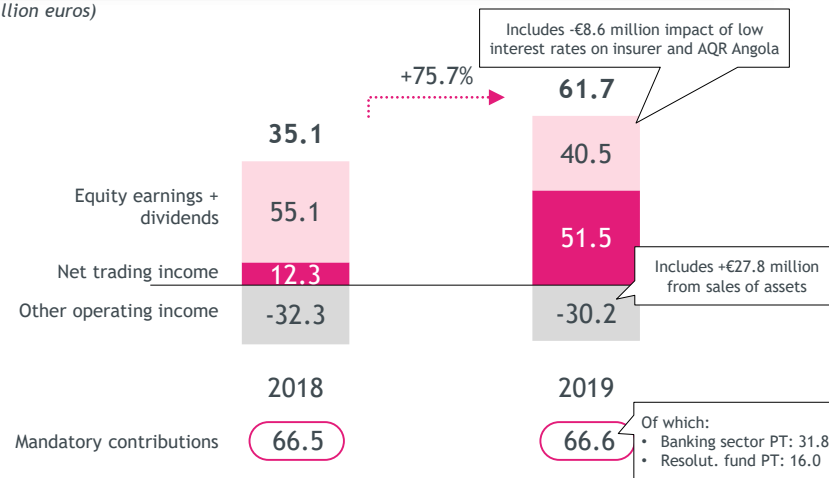
## Fees and commissions

(Million euros)

	2018	2019	YoY
<b>Banking fees and commissions</b>	<b>411.0</b>	<b>431.4</b>	<b>+5.0%</b>
Cards and transfers	111.3	111.2	-0.0%
Loans and guarantees	108.9	112.0	+2.8%
Bancassurance	81.2	86.7	+6.8%
Customer account related	94.8	105.2	+11.0%
Other fees and commissions	14.8	16.2	+9.8%
<b>Market related fees and commissions</b>	<b>64.2</b>	<b>51.8</b>	<b>-19.3%</b>
Securities operations	58.0	46.1	-20.4%
Asset management	6.3	5.7	-9.8%
<b>Total fees and commissions</b>	<b>475.2</b>	<b>483.2</b>	<b>+1.7%</b>

## Other income

(Million euros)



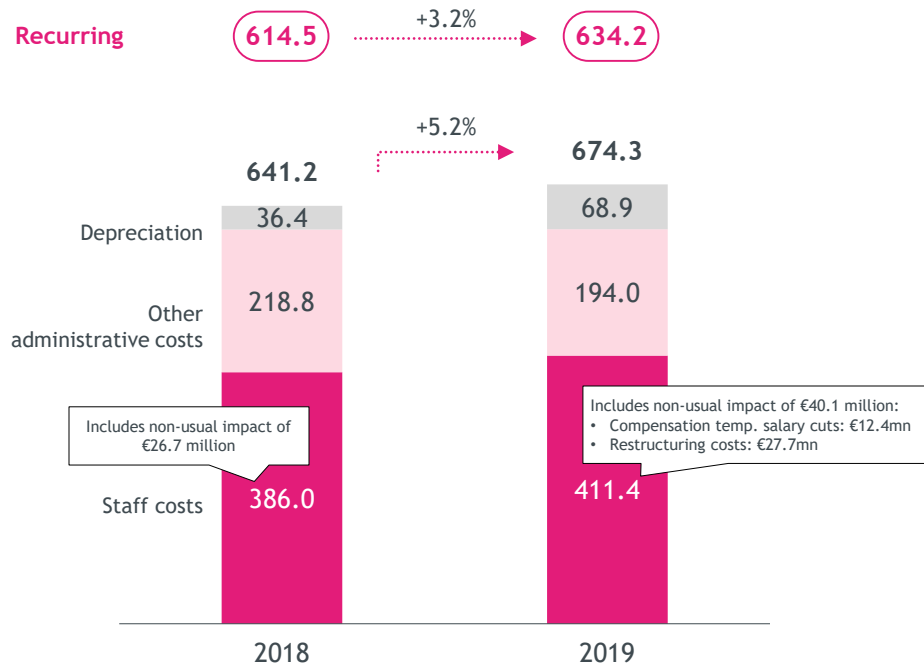
- Stable commissions in Portugal, despite the challenging context. Income related to bancassurance and to accounts stood out, more than compensating for lower market-related fees

# Controlled recurring operating costs

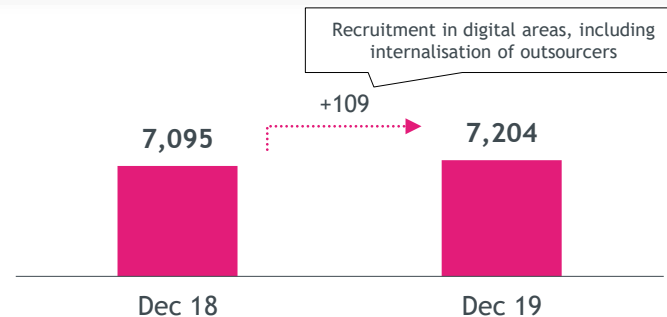


## Operating costs

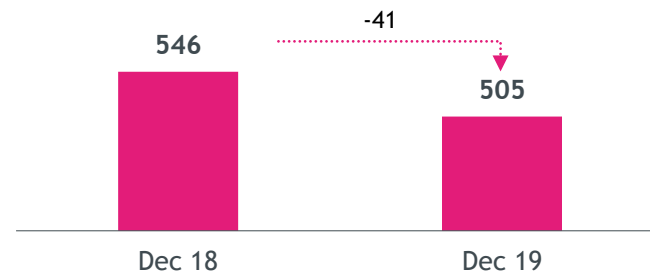
(Million euros)



## Employees



## Branches

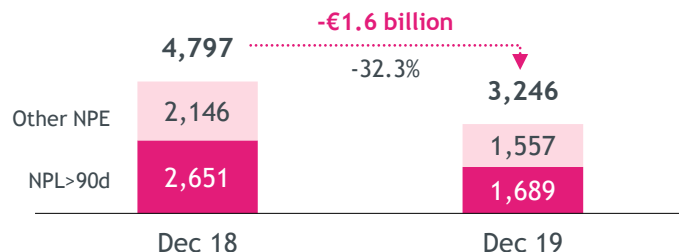


# Lower NPEs, with reinforced coverage



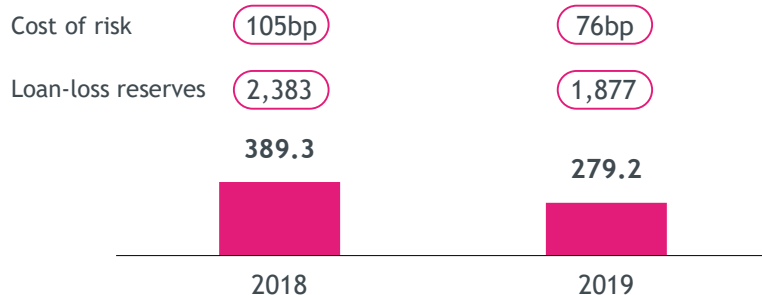
## Non-performing exposures (NPE)

(Million euros)



## Loan impairment (net of recoveries)

(Million euros)



NPE include loans to Customers only.

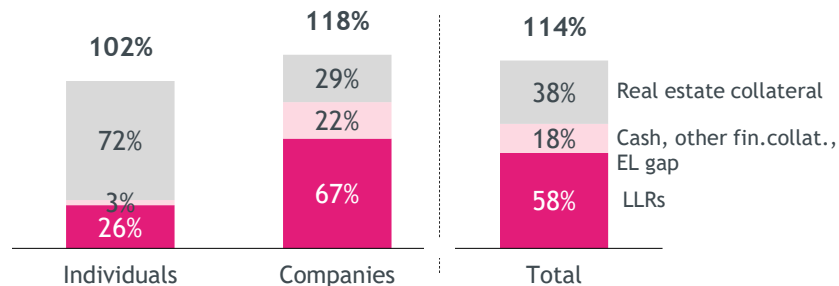
## NPE build-up

(Million euros)	Dec 19 vs. Dec 18	Dec 19 vs. Sep 19	Dec 19 vs. Jun 19
Opening balance	4,797	3,691	4,088
Net exits	-561	-223	-304
Write-offs	-521	-136	-200
Sales	-469	-86	-338
<b>Ending balance</b>	<b>3,246</b>	<b>3,246</b>	<b>3,246</b>

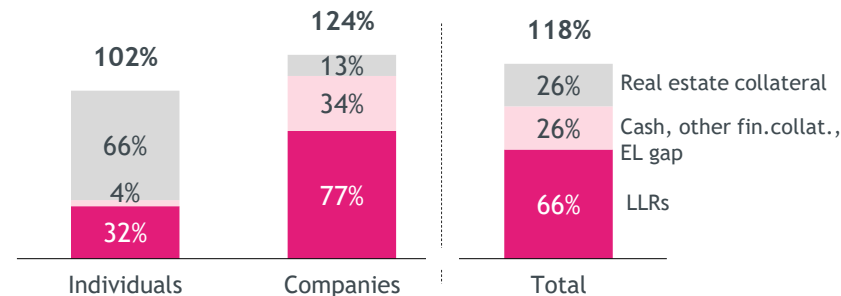
- NPEs in Portugal down by €1.6 billion, from €4.8 billion as at December 31, 2018 to €3.2 billion as at the same date of 2019
- This decrease results from net outflows of €0.6 billion, sales of €0.5 billion and write-offs of €0.5 billion
- The decrease of NPEs from December 31, 2018 is attributable to a €1.0 billion reduction of NPL>90d and to a €0.6 billion decrease of other NPEs
- Reduction of the cost of risk to 76bp in 2019 from 105bp in 2018, with a reinforcement of NPE coverage by loan-loss reserves to 58% from 50%, respectively



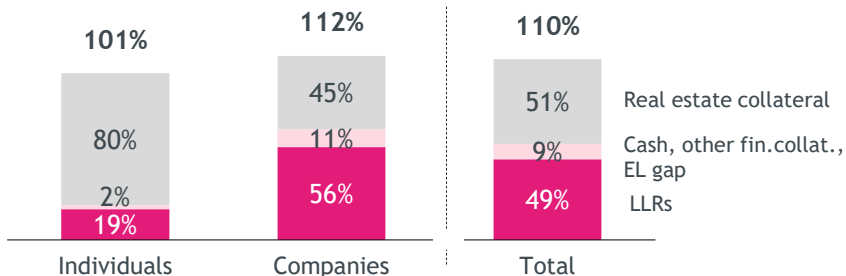
## NPE total coverage\*



## NPL>90d total coverage\*



## Other NPE total coverage\*



- Total coverage\*  $\geq 100\%$ , for both individuals and companies, and for both NPE categories (NPL>90d and other NPE)
- Coverage by loan-loss reserves is stronger in loans to companies, where real-estate collateral, usually more liquid and with a more predictable market value, accounts for a lower coverage than in loans to individuals: coverage by loan-losses was 67% for companies NPE as at December 31, 2019, reaching 77% for companies NPL>90d (89% and 111%, respectively, if cash, financial collateral and expected loss gap are included)

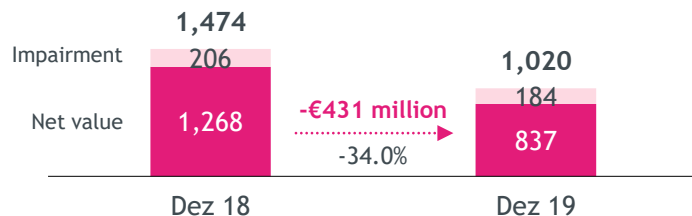
\*By loan-loss reserves, expected loss gap and collaterals.  
NPE include loans to Customers only.

# Foreclosed assets and corporate restructuring funds



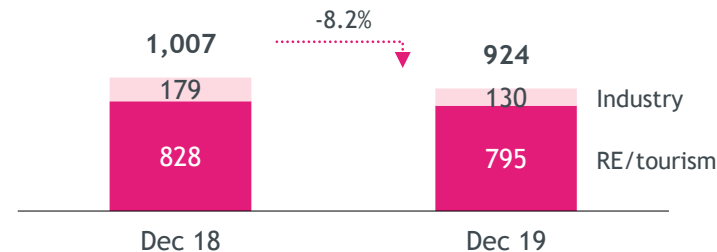
## Foreclosed assets

(Million euros)



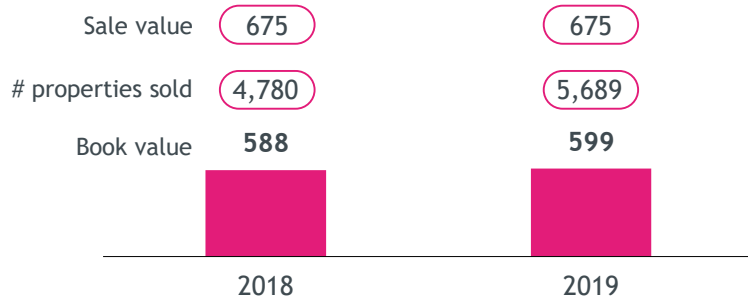
## Corporate restructuring funds

(Million euros)



## Sales of foreclosed assets

(Million euros)



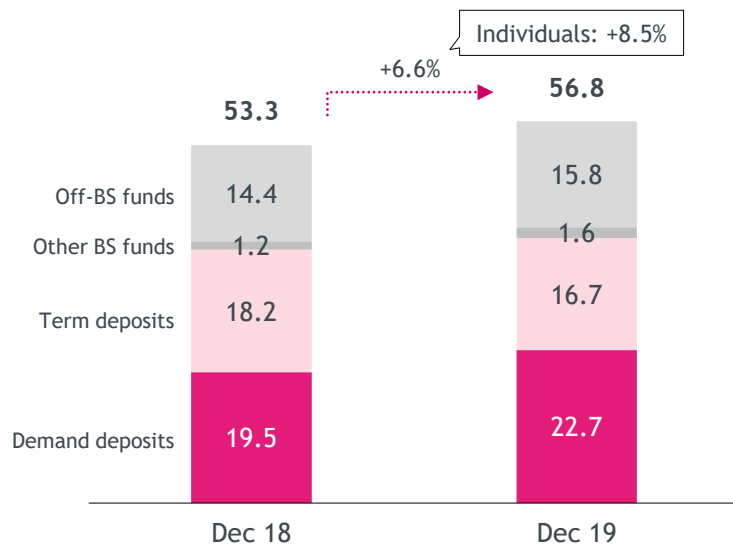
- Net foreclosed assets were down by 34.0% between December 31, 2018 and December 31, 2019. Valuation of foreclosed assets by independent providers exceeded book value by 26%
- 5,689 properties were sold during 2019 (4,780 properties in 2018), with sale values exceeding book values by €76 million
- Corporate restructuring funds decreased 8.2% to €924 million at December 31, 2019. The original credit exposure on these funds totals €2,006 million, with total reserves (original credit, plus restructuring funds) corresponding to a 54% coverage

# Growing customer funds and performing loans to Customers



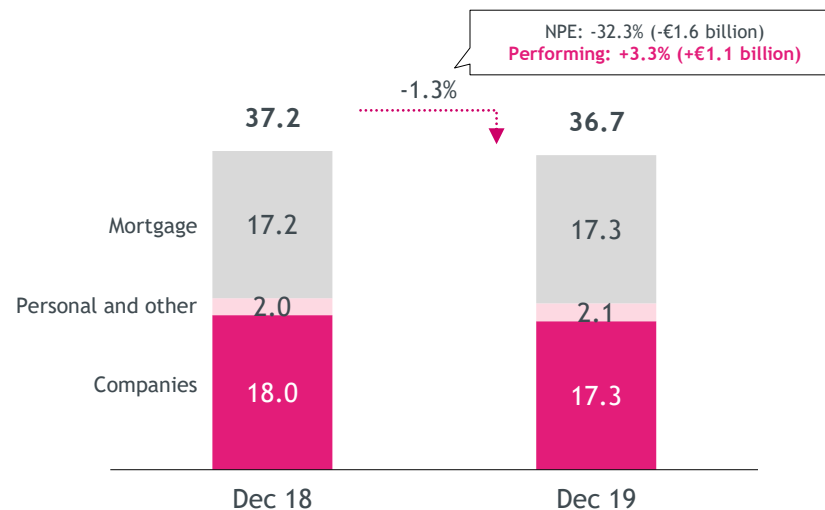
## Total Customers funds\*

(Billion euros)



## Loans to Customers (gross)

(Billion euros)



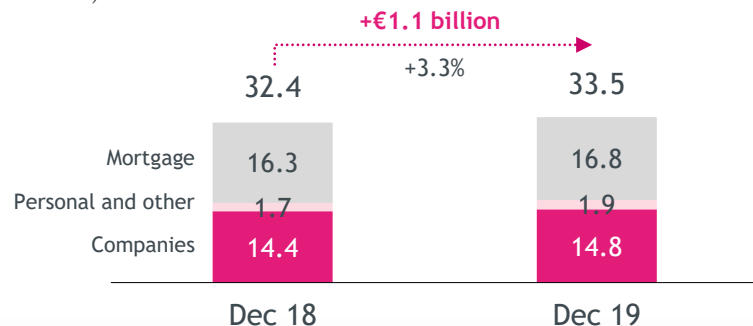
\*Deposits, debt securities, assets under management, assets placed with Customers and insurance products (savings and investments).

# Prudent and balanced growth of credit in Portugal



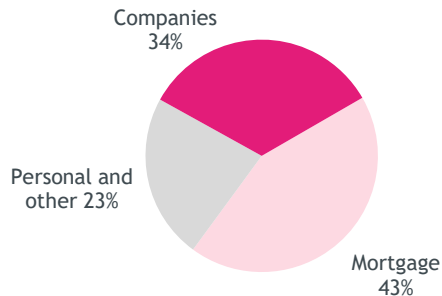
## Performing credit portfolio

(Billion euros)



## Breakdown of performing credit growth

(Million euros)



- Performing credit portfolio in Portugal up by €1.1 billion (+3.3%) from December 31, 2018
- Millennium bcp reinforced its role as the **Bank of Portuguese Companies**:
  - Strong performance of loans to companies, which accounted for 34% of the total performing loan growth from December 31, 2018. **Leading bank in specialised credit, with factoring invoicing up by 14% and new leasing business of €601 million**
  - Main bank for Portuguese companies (18.1% market share), closest to Customers, most appropriate products (BFin Data-E 2019)
  - Most innovating and most used bank in **NetBanking**, with a 26.9% market share (BFin Data-E 2019), with a strong focus on digital channels and on solutions that simplify companies' management





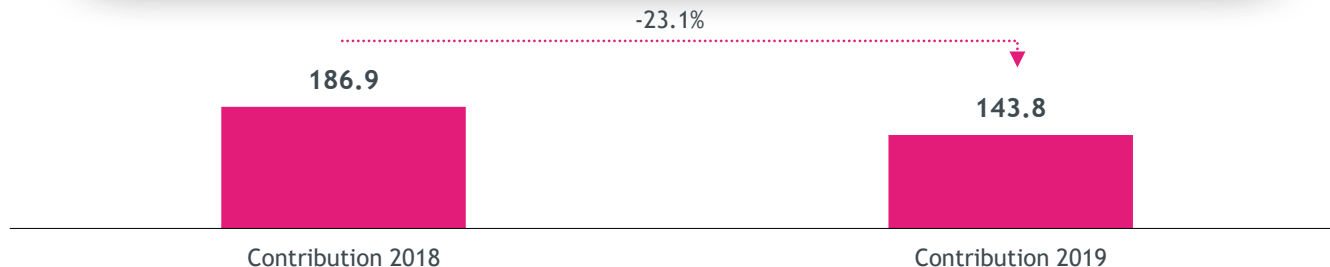
04

International operations

# Contribution from international operations to group earnings

(Million euros)

	2018	2019	Δ % local currency	Δ % euros
Poland	177.1	130.5	-26.3%	-26.8%
Poland, comparable*	177.1	207.0	+16.9%	+16.0%
Mozambique	96.4	99.5	+3.2%	+5.8%
Angola**				
Before IAS 29 impact	15.0	8.2		
IAS 29 impact***	0.5	-5.7		
Total Angola including IAS 29 impact	15.5	2.5		
Other	13.6	9.5		
<b>Net income</b>	<b>302.6</b>	<b>242.0</b>		
Non-controlling interests (Poland and Mozambique)	-120.5	-98.3		
Exchange rate effect	4.8	--		
<b>Contribution from international operations</b>	<b>186.9</b>	<b>143.8</b>		<b>-23.1%</b>



\*One-offs excluded in 2019: integration costs and initial provisions for Euro Bank, release of tax asset provision, positive revaluation of shares in PSP and provisions for FX mortgage legal risk. | \*\*Contribution of the Angolan operation. | \*\*\*Goodwill impairment (-€9.1 million) and contribution revaluation (+€9.7 million) in 2019; amortisation of the effect of the IAS 29 application calculated for December 31, 2018 (-€5.7 million) in 2019. Subsidiaries' net income presented for 2018 at the same exchange rate as of 2019 for comparison purposes.

# Net earnings affected by Euro Bank's acquisition



## Net income

(Million euros)

ROE

9.6%

177.1

2018

+16.9% excluding one-offs\*

-26.3%

6.4%\*

130.5

2019

Impact from one-offs\*: €76.4 million

## Operating costs

(Million euros)

Excluding Euro Bank integration costs

295.2

295.2

2018

+27.2%

+36.1%

375.6

401.8

2019

## Net operating revenue

(Million euros)

635.0

2018

+27.3%

808.2

2019

- Net earnings of €130.5 million, with ROE of 6.4%\*
- Net operating revenue up by 27.3%, driven by net interest income; operating costs impacted by a higher contribution to the resolution fund, by increased staff and integrations costs (Euro Bank) and by higher IT costs
- Business volumes impacted by Euro Bank's acquisition: Customer funds up by 20.8%, while loans to Customers increased by 42.3%, excluding FX-denominated mortgage loans
- CET1 ratio of 16.9% as of December 31, 2019, with total capital of 20.1%
- **Bank Millennium was considered best bank in Poland by Global Finance.** This magazine also voted its website as the best website design in Central and Eastern Europe. Bank Millennium is also the most recommended bank and leader in Customer satisfaction in Poland (according to the survey "Customer satisfaction monitor of retail banks ARC Rynek i Opinia")

# Well succeeded integration of Euro Bank, in all fronts



## Well succeeded integration of Euro Bank, in all fronts

Agreement	Closing	Legal merger	Operational merger
5 November 2018	31 May 2019	1 October 2019	11 November 2019
✓	✓	✓	✓
	<ul style="list-style-type: none"> <li>• One owner</li> <li>• Two legal entities</li> <li>• Two brands</li> <li>• Two systems</li> </ul>	<ul style="list-style-type: none"> <li>• One owner</li> <li>• Two legal entities</li> <li>• Two brands</li> <li>• Two systems</li> </ul>	<ul style="list-style-type: none"> <li>• One owner</li> <li>• Two legal entities</li> <li>• Two brands</li> <li>• Two systems</li> </ul>



## Euro Bank integration costs

(Million euros)	Q1'19	Q2'19	Q3'19	Q4'19	Total
Euro Bank integration costs	-0.4	-4.1	-10.3	-12.2	-27.1
Additional impairment Euro Bank	0.0	-18.8	-1.9	0.0	-20.6
<b>Total impact, pre-tax</b>	<b>-0.4</b>	<b>-22.9</b>	<b>-12.2</b>	<b>-12.2</b>	<b>-47.7</b>
<b>Total impact, net of taxes</b>	<b>-0.4</b>	<b>-18.6</b>	<b>-9.9</b>	<b>-9.8</b>	<b>-38.6</b>

- **Customers:** significant expansion of the Customer base
- **Operating model:** combining traditional and franchise approach
- **Geographical reach:** extended branch network covers additional 200 towns in Poland
- **Digital:** significant potential for growing digital sales and for reinforcing cross-selling
- **Companies:** potential for scaling-up micro companies business to new markets
- **Costs related to the integration** totalled €47.7 million in 2019 (€38.6 million net of taxes)
- **Integration costs estimates were revised downwards** to a total of €70 million (initial estimate of €81 million)
- Integration costs of €19 million expected in 2020, with synergies in excess of €23 million projected for the same year



## FX mortgage litigation

- 2,010 loan agreements of Bank Millennium under individual litigation as at the end of 2019.
- 19 cases resolved in 2nd instance courts, the vast majority of which (~90%) in favour of Bank Millennium.
- Bank Millennium has appealed non-favourable court decisions: there were no final unfavourable court decisions up to now.
- A class action involving 3,281 loan agreements was filed at the end of 2014.

## Provisions and capital for legal risk

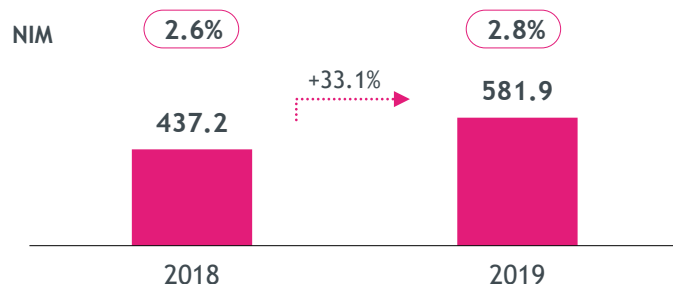
- Public advertising campaigns to encourage claims against banks may lead to an increase in the number of court disputes.
- Bank Millennium has created a PLN 223 million (€51.9 million) provision for legal risks connected with FX mortgage loans in Q4'2019.
- Bank Millennium has specific additional capital requirements related to FX mortgage risks: at the end of 2019, such requirements amounted to 4.95pp, equivalent to PLN 1.85 billion (€435 million).

# Increased net interest income



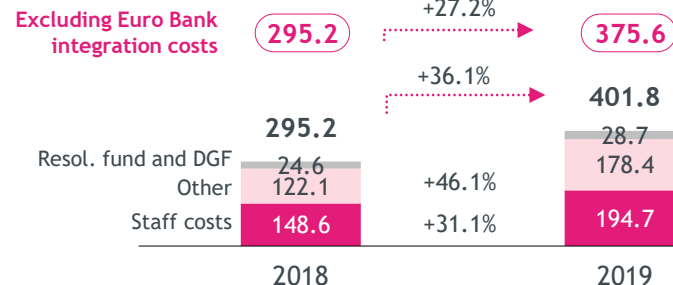
## Net interest income\*

(Million euros)



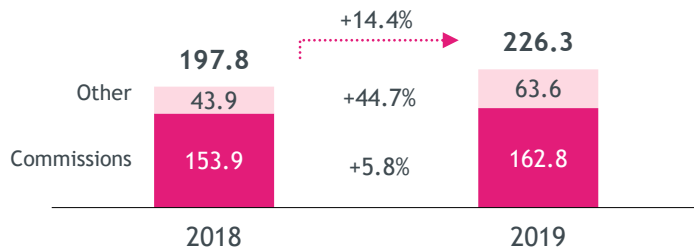
## Operating costs

(Million euros)



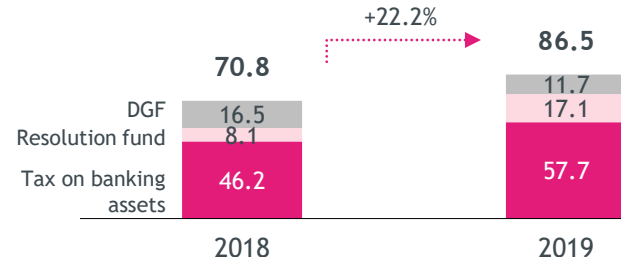
## Commissions and other income

(Million euros; does not include tax on assets and contributions to the resol. fund and to the DGF)



## Mandatory contributions

(Million euros)



\*Pro forma data. Margin from derivative products, including those from hedging FX denominated loan portfolio, is included in net interest income, whereas in accounting terms, part of this margin (€14.5 million in 2019 and €14.1 million in 2018) is presented in net trading income. FX effect excluded. €/Zloty constant at September 2019 levels: Income Statement 4.30; Balance Sheet 4.25.



## NPL>90d

(Million euros)

Credit ratio  
NPL>90d

2.5%

2.7%

322.9

450.3

Dec 18

Dec 19

## Loan-loss reserves

(Million euros)

Coverage ratio  
NPL>90d

133%

107%

430.8

481.2

Dec 18

Dec 19

## Loan impairment (net of recoveries)

(Million euros)

Cost of risk

48bp

70bp

57bp excl. initial  
impairment Euro Bank

55.0

101.9

2018

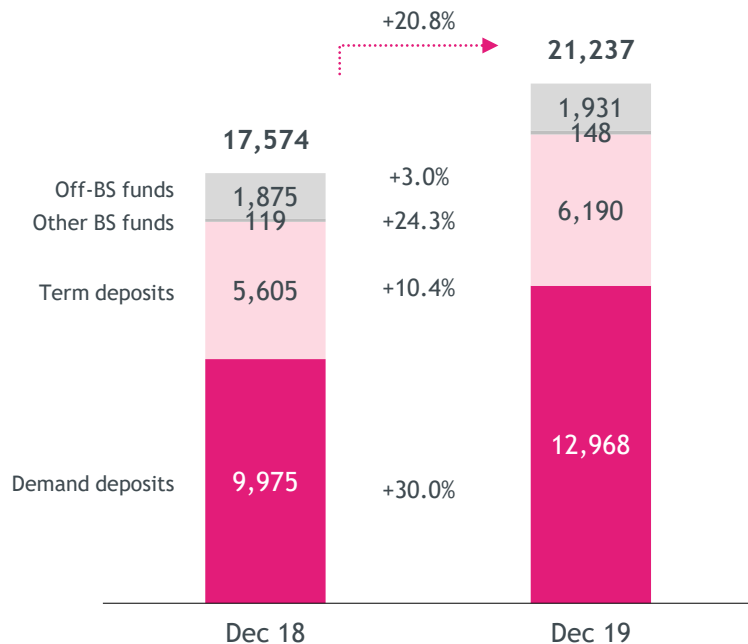
2019

- NPL>90d accounted for 2.7% of total credit as of December 31, 2019 (2.5% as of December 31, 2018)
- Coverage of NPL>90d by loan-loss reserves of 107% (133% as of December 31, 2018)
- Cost of risk of 70bp (48bp in 2018), 57bp if initial impairment related to the acquisition of Euro Bank is excluded



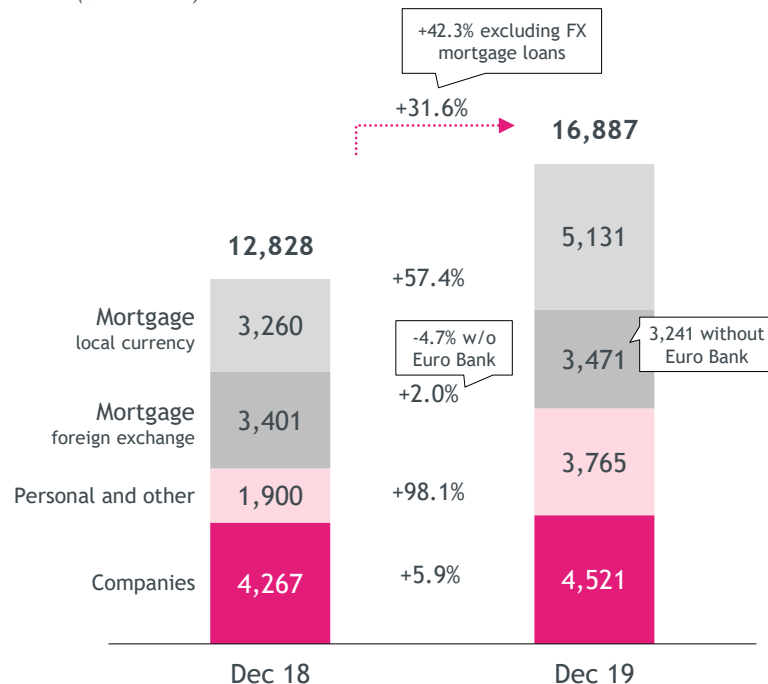
## Customer funds

(Million euros)



## Loans to Customers (gross)

(Million euros)





# Stable earnings, reflecting the normalisation of the interest rate environment



## Net income

(Million euros)

ROE

22.2%

+3.2%

20.3%

96.4

99.5

2018

2019

## Operating costs

(Million euros)

+4.5%

93.6

97.8

2018

2019

## Net operating revenue

(Million euros)

-0.1%

247.5

247.4

2018

2019

- Net earnings of €99.5 million, with ROE of 20.3%
- Customer funds grew 6.6%, with loan portfolio down by 11.1% reflecting a conservative approach under a challenging environment
- Capital ratio of 45.8%
- **Best bank in Mozambique by *Global Finance*, for the 10th year in a row, and Bank of the Year 2019, by The Banker**

# Net interest income reflects the normalisation of the interest rate environment



## Net interest income

(Million euros)

NIM

10.3%

9.5%

-3.0%

188.0

182.4

2018

2019

## Operating costs

(Million euros)

Cost to income

37.8%

39.5%

+4.5%

93.6

97.8

Other

53.2

+4.6%

55.7

Staff costs

40.4

+4.5%

42.2

2018

2019

## Commissions and other income

(Million euros)

+9.2%

59.5

65.0

Other

28.9

+13.9%

32.9

Commissions

30.7

+4.6%

32.1

2018

2019

## Employees\*

2,461

2,524

Dec 18

Dec 19

## Branches

193

200

Dec 18

Dec 19

\*Excludes employees from SIM (insurance company)

FX effect excluded. €/Metical constant at September 2019 levels: Income Statement 69.94; Balance Sheet 70.08.

# Credit quality performance influenced by challenging environment



## NPL>90d

(Million euros)

Credit ratio  
NPL>90d

16.4%

16.7%

132.3

119.8

Dec 18

Dec 19

## Loan-loss reserves

(Million euros)

Coverage ratio  
NPL>90d

69%

71%

91.1

85.1

Dec 18

Dec 19

## Loan impairment (net of recoveries)

(Million euros)

Cost of risk

431bp

277bp

34.8

19.9

2018

2019

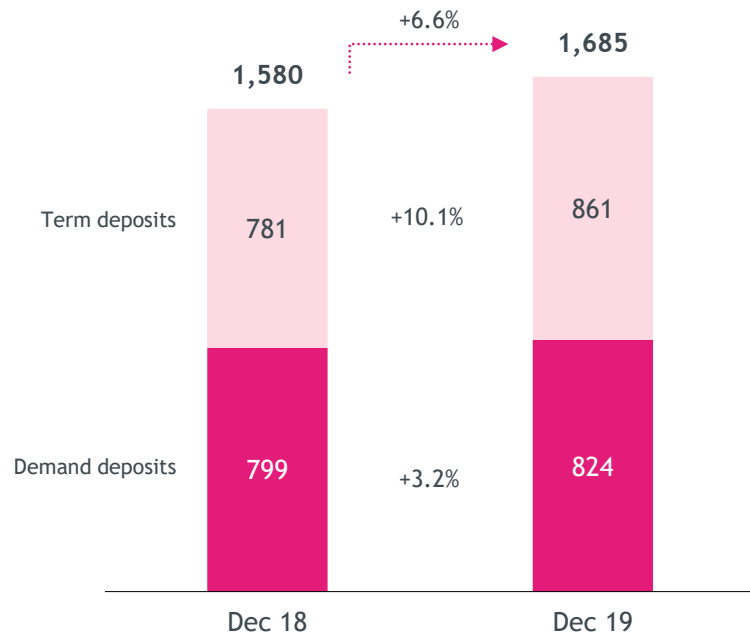
- NPL>90d ratio of 16.7% as of December 31, 2019, with coverage by loan-loss reserves of 71% on the same date
- Maintenance of a high provisioning effort, reflected in a cost of risk of 277bp (431bp in 2018)

# Business volumes reflect a conservative approach under a challenging environment



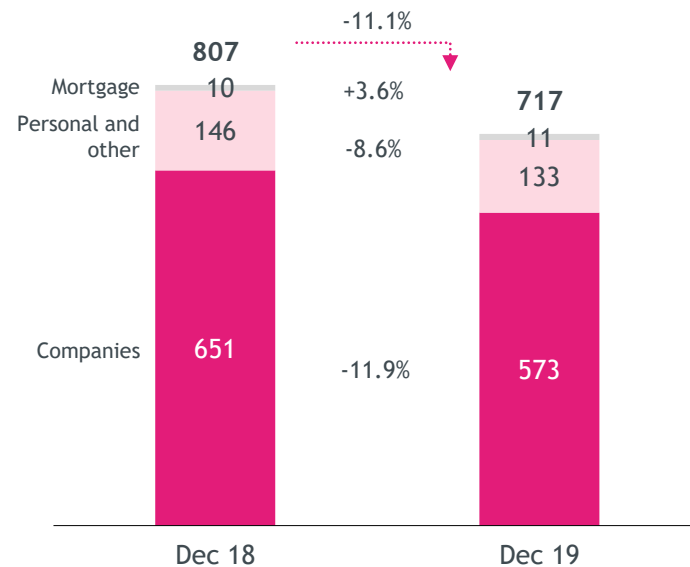
## Customer funds

(Million euros)



## Loans to Customers (gross)

(Million euros)





05

—



**Key figures**

# Strategic Plan 2021



## Franchise growth

	2018	2019	2021
Active Customers	4.9 million	5.6 million	>6 million

Digital Customers	55%	58%	>60%
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## Value creation

Mobile Customers	34%	40%	>45%
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Cost to income	47% (46% excluding non-usual costs)	50% (47% excluding non-usual costs)	≈40%
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RoE	5.2%	5.1%	≈10%
-----	------	------	------

CET1	12.0%	12.2%	≈12%
------	-------	-------	------

Loans-to-deposits	87%	86%	<100%
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## Asset quality

Dividend payout	10%		≈40%
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NPE stock	€5.5 billion	€4.2 billion	≈€3 billion Down ≈60% from 2017
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Cost of risk	92bp	72bp	<50bp
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# Commitment to People and Society



## Culture of Social Responsibility

Influence the Bank's long-term value proposition, in balance with the well-being of people, the company and communities, respecting natural resources, climate and the environment.

## Commitment to Create Social Value

Undertake actions for various Stakeholder groups aimed at contributing to the economic and social development of the countries where we are present.

## Dimensions of Millennium bcp intervention

The new Sustainability Master Plan 2021 will guide the implementation of **ESG** (Environmental, Social and Governance) policies and practices, in three areas of operation:



### *Environmental*

Implementation of measures that foster the fair and inclusive transition to a de-carbonised economic development model, including the incorporation of the environmental issue into the Bank's risk models.



### *Social*

Involvement with the external and the internal communities.



### *Governance*

Integration of sustainability principles into the Bank's decision-making processes.



## Main initiatives

### 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 5<sup>th</sup> 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 volunteers



Millennium bcp has published its first **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



# Awards in 2019



**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 (3<sup>rd</sup> 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 (10<sup>th</sup> 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*



**ActivoBank**  
*Consumer choice 2020, “Digital Banks” category*



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



**Millennium bcp**  
*Best private bank in Portugal*

# Appendix



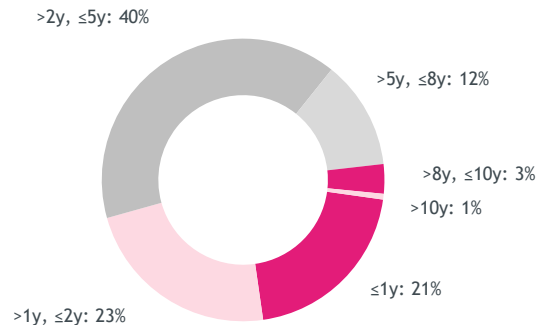
# Sovereign debt portfolio

## Sovereign debt portfolio

(Consolidated, million euros)

	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	YoY
Portugal	6,609	7,375	7,229	7,413	6,520	-1%
T-bills and other	853	1,932	1,665	1,536	1,923	+125%
Bonds	5,755	5,443	5,564	5,876	4,597	-20%
Poland	4,925	5,385	4,328	4,645	5,077	+3%
Mozambique	698	263	290	320	257	-63%
Other	857	1,091	1,010	940	571	-33%
<b>Total</b>	<b>13,089</b>	<b>14,115</b>	<b>12,857</b>	<b>13,317</b>	<b>12,426</b>	<b>-5%</b>

## Sovereign debt maturity



- ✓ The sovereign debt portfolio totalled €12.4 billion, €10.4 billion of which maturing until 5 years
- ✓ The Portuguese sovereign debt portfolio totalled €6.5 billion, whereas the Polish and Mozambican portfolios amounted to €5.1 billion and to €0.3 billion, respectively; “other” includes Italian and Spanish sovereign debt (€0.4 billion and €0.1 billion, respectively)

# Sovereign debt portfolio

	Portugal	Poland	Mozambique	Other	Total
Trading book*	35	206	0	1	241
≤ 1 year	35	18			53
> 1 year and ≤ 2 years		73			73
> 2 years and ≤ 5 years		55			55
> 5 years and ≤ 8 years		11			11
> 8 years and ≤ 10 years		48			48
> 10 years				1	1
Banking book**	6,486	4,872	257	571	12,185
≤ 1 year	1,971	58	22	444	2,495
> 1 year and ≤ 2 years	19	2,690	66	1	2,776
> 2 years and ≤ 5 years	2,933	1,815	60	119	4,926
> 5 years and ≤ 8 years	1,266	225	38	6	1,535
> 8 years and ≤ 10 years	289	82			371
> 10 years	7	3	71		81
Total	6,520	5,077	257	571	12,426
≤ 1 year	2,006	76	22	444	2,548
> 1 year and ≤ 2 years	19	2,763	66	1	2,849
> 2 years and ≤ 5 years	2,933	1,870	60	119	4,981
> 5 years and ≤ 8 years	1,266	236	38	6	1,546
> 8 years and ≤ 10 years	289	130		1	419
> 10 years	7	3	71	1	81

\*Includes financial assets held for trading at fair value through net income (€31 million).

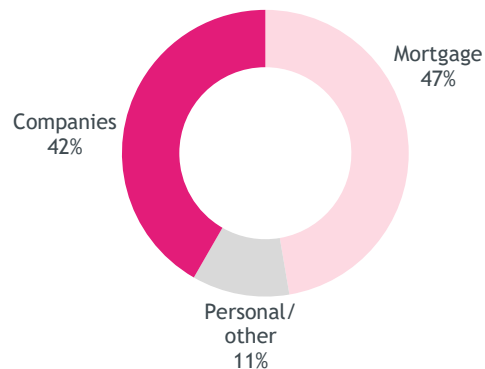
\*\*Includes financial assets at fair value through other comprehensive income (€11,747 million) and financial assets at amortised cost (€438 million).

# Diversified and collateralised portfolio

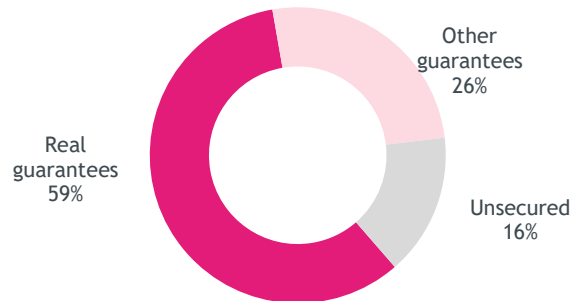
## Loan portfolio

(Consolidated)

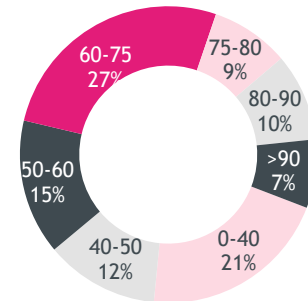
Breakdown



Loans per collateral



LTV of the mortgage portfolio in Portugal



### Loans

- Loans to companies accounted for 42% of the loan portfolio as at December 31, 2019, including 6% to construction and real-estate sectors
- Mortgage accounted for 47% of the loan portfolio, with low delinquency levels and an average LTV of 60%
- 85% of the loan portfolio is collateralised

### Collaterals

- Real estate accounts for 93% of total collateral value
- 80% of the real estate collateral is residential

# Consolidated earnings

<i>(Million euros)</i>	2018	2019	YoY	Impact on earnings
Net interest income	1,423.6	1,548.5	+8.8%	+124.9
Net fees and commissions	684.0	703.5	+2.8%	+19.5
Other income*	78.9	86.4	+9.5%	+7.5
<b>Net operating revenue</b>	<b>2,186.5</b>	<b>2,338.4</b>	<b>+6.9%</b>	<b>+151.9</b>
Staff costs	-592.8	-668.2	+12.7%	-75.4
Other administrative costs and depreciation	-434.4	-501.2	+15.4%	-66.8
<b>Operating costs</b>	<b>-1,027.2</b>	<b>-1,169.5</b>	<b>+13.8%</b>	<b>-142.3</b>
<b>Profit before impairment and provisions</b>	<b>1,159.3</b>	<b>1,168.9</b>	<b>+0.8%</b>	<b>+9.6</b>
Loans impairment (net of recoveries)	-464.6	-390.2	-16.0%	+74.4
Other impairment and provisions	-136.5	-151.4	+11.0%	-15.0
<b>Impairment and provisions</b>	<b>-601.1</b>	<b>-541.6</b>	<b>-9.9%</b>	<b>+59.5</b>
<b>Net income before income tax</b>	<b>558.2</b>	<b>627.3</b>	<b>+12.4%</b>	<b>+69.1</b>
Income taxes	-138.0	-239.3	+73.4%	-101.3
Non-controlling interests	-117.8	-99.4	-15.6%	+18.4
Net income from discontinued or to be discontinued operations	-1.3	13.4		+14.7
<b>Net income</b>	<b>301.1</b>	<b>302.0</b>	<b>+0.3%</b>	<b>+0.9</b>

\*Includes dividends from equity instruments, other net operating income, net trading income and equity accounted earnings.

# Consolidated balance sheet

(Million euros)

	31 December 2019	31 December 2018
<b>ASSETS</b>		
Cash and deposits at Central Banks	5,166.6	2,753.8
Loans and advances to credit institutions repayable on demand	320.9	326.7
Financial assets at amortised cost		
Loans and advances to credit institutions	893.0	890.0
Loans and advances to customers	49,847.8	45,560.9
Debt instruments	3,185.9	3,375.0
Financial assets at fair value through profit or loss		
Financial assets held for trading	878.3	870.5
Financial assets not held for trading mandatorily at fair value through profit or loss	1,405.5	1,404.7
Financial assets designated at fair value through profit or loss	31.5	33.0
Financial assets at fair value through other comprehensive income	13,216.7	13,845.6
Assets with repurchase agreement	-	58.3
Hedging derivatives	45.1	123.1
Investments in associated companies	400.4	405.1
Non-current assets held for sale	1,279.8	1,868.5
Investment property	13.3	11.1
Other tangible assets	729.4	461.3
Goodwill and intangible assets	242.6	174.4
Current tax assets	26.7	32.7
Deferred tax assets	2,720.6	2,916.6
Other assets	1,239.1	811.8
<b>TOTAL ASSETS</b>	<b>81,643.4</b>	<b>75,923.0</b>

## LIABILITIES

	31 December 2019	31 December 2018
Financial liabilities at amortised cost		
Resources from credit institutions	6,367.0	7,752.8
Resources from customers	59,127.0	52,664.7
Non subordinated debt securities issued	1,594.7	1,686.1
Subordinated debt	1,577.7	1,072.1
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	343.9	327.0
Financial liabilities at fair value through profit or loss	3,201.3	3,603.6
Hedging derivatives	229.9	177.9
Provisions	345.3	350.8
Current tax liabilities	22.0	18.5
Deferred tax liabilities	11.1	5.5
Other liabilities	1,442.2	1,300.1
<b>TOTAL LIABILITIES</b>	<b>74,262.2</b>	<b>68,959.1</b>
<b>EQUITY</b>		
Share capital	4,725.0	4,725.0
Share premium	16.5	16.5
Other equity instruments	400.0	2.9
Legal and statutory reserves	240.5	264.6
Treasury shares	(0.1)	(0.1)
Reserves and retained earnings	435.8	470.5
Net income for the period attributable to Bank's Shareholders	302.0	301.1
<b>TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS</b>	<b>6,119.7</b>	<b>5,780.5</b>
Non-controlling interests	1,261.5	1,183.4
<b>TOTAL EQUITY</b>	<b>7,381.3</b>	<b>6,963.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>81,643.4</b>	<b>75,923.0</b>

# Consolidated income statement per quarter

(Million euros)

	4Q 18	1Q 19	2Q 19	3Q 19	4Q 19
<b>Net interest income</b>	<b>370.8</b>	<b>362.7</b>	<b>377.4</b>	<b>412.9</b>	<b>395.6</b>
Dividends from equity instruments	0.0	0.0	0.6	0.1	0.1
Net fees and commission income	174.0	166.6	175.6	176.9	184.4
Other operating income	-1.0	-10.6	-64.8	-12.5	-12.8
Net trading income	-11.0	60.3	35.2	23.6	24.2
Equity accounted earnings	17.3	18.6	2.6	17.8	4.0
<b>Banking income</b>	<b>550.1</b>	<b>597.7</b>	<b>526.6</b>	<b>618.8</b>	<b>595.4</b>
Staff costs	157.2	152.2	172.0	163.8	180.2
Other administrative costs	100.9	80.5	86.5	102.5	107.0
Depreciation	14.8	26.8	30.1	32.9	35.0
<b>Operating costs</b>	<b>273.0</b>	<b>259.5</b>	<b>288.6</b>	<b>299.1</b>	<b>322.2</b>
<b>Profit bef. impairment and provisions</b>	<b>277.1</b>	<b>338.1</b>	<b>237.9</b>	<b>319.6</b>	<b>273.2</b>
Loans impairment (net of recoveries)	127.9	86.5	113.8	98.7	91.2
Other impairm. and provisions	44.2	17.4	25.4	35.2	73.4
<b>Net income before income tax</b>	<b>105.0</b>	<b>234.2</b>	<b>98.7</b>	<b>185.7</b>	<b>108.7</b>
Income tax	28.5	65.4	55.6	52.9	65.2
Non-controlling interests	31.9	28.4	27.1	32.2	11.8
<b>Net income (before disc. oper.)</b>	<b>44.5</b>	<b>140.4</b>	<b>16.0</b>	<b>100.5</b>	<b>31.7</b>
Net income arising from discount. operations	-0.9	13.5	0.0	0.0	0.0
<b>Net income</b>	<b>43.6</b>	<b>153.8</b>	<b>15.9</b>	<b>100.5</b>	<b>31.7</b>



# Income statement

(Million euros)

For the 12-month periods ended December 31<sup>st</sup>, 2018 and 2019

## International operations

	Group			Portugal			Total			Bank Millennium (Poland)			Millennium bim (Moz.)			Other int. operations		
	Dec 18	Dec 19	Δ %	Dec 18	Dec 19	Δ %	Dec 18	Dec 19	Δ %	Dec 18	Dec 19	Δ %	Dec 18	Dec 19	Δ %	Dec 18	Dec 19	Δ %
Interest income	1890	1991	5.4%	991	948	-4.3%	899	1043	16.1%	601	786	30.8%	285	248	-13.1%	13	10	-22.1%
Interest expense	466	443	-5.0%	188	159	-15.3%	278	284	2.0%	175	218	25.1%	102	65	-35.7%	2	0	-92.2%
<b>Net interest income</b>	<b>1,424</b>	<b>1,549</b>	<b>8.8%</b>	<b>803</b>	<b>789</b>	<b>-1.8%</b>	<b>620</b>	<b>759</b>	<b>22.4%</b>	<b>426</b>	<b>567</b>	<b>33.1%</b>	<b>184</b>	<b>182</b>	<b>-0.6%</b>	<b>10</b>	<b>10</b>	<b>-8.4%</b>
Dividends from equity instruments	1	1	25.4%	0	0	>100%	1	1	25.1%	1	1	22.7%	0	0	89.4%	0	0	-100.0%
<b>Intermediation margin</b>	<b>1,424</b>	<b>1,549</b>	<b>8.8%</b>	<b>803</b>	<b>789</b>	<b>-1.8%</b>	<b>621</b>	<b>760</b>	<b>22.4%</b>	<b>427</b>	<b>568</b>	<b>33.1%</b>	<b>184</b>	<b>182</b>	<b>-0.6%</b>	<b>11</b>	<b>10</b>	<b>-8.4%</b>
Net fees and commission income	684	703	2.8%	475	483	17%	209	220	5.5%	155	163	5.0%	30	32	7.2%	24	25	6.8%
Other operating income	-89	-101	-12.6%	-32	-30	6.3%	-57	-71	-23.3%	-75	-88	-16.8%	19	18	-3.6%	0	0	7.6%
<b>Basic income</b>	<b>2,019</b>	<b>2,152</b>	<b>6.6%</b>	<b>1,246</b>	<b>1,242</b>	<b>-0.3%</b>	<b>773</b>	<b>910</b>	<b>17.8%</b>	<b>507</b>	<b>643</b>	<b>26.9%</b>	<b>232</b>	<b>233</b>	<b>0.2%</b>	<b>34</b>	<b>35</b>	<b>2.3%</b>
Net trading income	79	143	82.5%	12	51	>100%	66	92	38.6%	53	73	38.5%	10	15	56.4%	4	4	-4.9%
Equity accounted earnings	89	43	-51.8%	55	40	-26.6%	34	3	-92.6%	0	0	--	0	0	--	34	3	-92.6%
<b>Banking income</b>	<b>2,187</b>	<b>2,338</b>	<b>6.9%</b>	<b>1,314</b>	<b>1,334</b>	<b>1.6%</b>	<b>873</b>	<b>1,004</b>	<b>15.1%</b>	<b>560</b>	<b>716</b>	<b>28.0%</b>	<b>242</b>	<b>247</b>	<b>2.4%</b>	<b>72</b>	<b>41</b>	<b>-43.2%</b>
Staff costs	593	668	12.7%	386	411	6.6%	207	257	24.2%	150	195	30.1%	39	42	7.0%	18	20	12.6%
Other administrative costs	377	376	-0.1%	219	194	-11.4%	158	182	15.6%	108	133	23.3%	44	43	-0.7%	7	6	-3.5%
Depreciation	58	125	>100%	36	69	89.5%	21	56	>100%	13	42	>100%	8	12	47.3%	0	1	>100%
<b>Operating costs</b>	<b>1,027</b>	<b>1,169</b>	<b>13.8%</b>	<b>641</b>	<b>674</b>	<b>5.2%</b>	<b>386</b>	<b>495</b>	<b>28.3%</b>	<b>270</b>	<b>370</b>	<b>36.9%</b>	<b>91</b>	<b>98</b>	<b>7.1%</b>	<b>25</b>	<b>28</b>	<b>12.6%</b>
<b>Profit bef. impairment and provisions</b>	<b>1,159</b>	<b>1,169</b>	<b>0.8%</b>	<b>672</b>	<b>660</b>	<b>-1.9%</b>	<b>487</b>	<b>509</b>	<b>4.6%</b>	<b>289</b>	<b>346</b>	<b>19.7%</b>	<b>150</b>	<b>150</b>	<b>-0.5%</b>	<b>47</b>	<b>13</b>	<b>-72.1%</b>
Loans impairment (net of recoveries)	465	390	-16.0%	389	279	-28.3%	75	111	47.2%	46	94	>100%	34	20	-41.5%	-5	-2	48.9%
Other impairm. and provisions	136	151	11.0%	122	92	-24.6%	15	60	>100%	3	58	>100%	-1	1	>100%	13	0	-100.0%
<b>Net income before income tax</b>	<b>558</b>	<b>627</b>	<b>12.4%</b>	<b>161</b>	<b>289</b>	<b>79.0%</b>	<b>397</b>	<b>339</b>	<b>-14.7%</b>	<b>240</b>	<b>194</b>	<b>-19.1%</b>	<b>117</b>	<b>129</b>	<b>9.7%</b>	<b>39</b>	<b>16</b>	<b>-60.4%</b>
Income tax	138	239	73.4%	50	144	>100%	88	95	8.4%	62	64	3.3%	22	28	26.8%	4	3	-15.3%
Non-controlling interests	118	99	-15.6%	-5	0	92.1%	122	100	-18.5%	0	0	--	1	1	-4.9%	121	99	-18.6%
<b>Net income (before disc. oper.)</b>	<b>302</b>	<b>289</b>	<b>-4.6%</b>	<b>116</b>	<b>145</b>	<b>25.4%</b>	<b>187</b>	<b>144</b>	<b>-23.1%</b>	<b>178</b>	<b>131</b>	<b>-26.8%</b>	<b>94</b>	<b>99</b>	<b>5.8%</b>	<b>-86</b>	<b>-86</b>	<b>-0.8%</b>
Net income arising from discont. operations	-1	13	>100%															
<b>Net income</b>	<b>301</b>	<b>302</b>	<b>0.3%</b>															

# Glossary (1/2)

**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.

# Glossary (2/2)

- 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.



## **INVESTOR RELATIONS DIVISION**

Bernardo Collaço, Head

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### **DEBT AND RATINGS**

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Banco Comercial Português, S.A., a public company (sociedade aberta) having its registered office at Praça D. João I, 28, Oporto, registered at the Commercial Registry of Oporto, with the single commercial and tax identification number 501 525 882, LEI JU1U6S0DG9YLT7N8ZV32 and the share capital of EUR 4,725,000,000.00.