Report & Accounts

9M '19

Millennium bcp

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Pursuant to article 10 of the Regulation 7/2018 of the CMVM, please find herein the transcription of the

First nine months of 2019 Report & Accounts

BANCO COMERCIAL PORTUGUÊS, S.A.

Company open to public investment
Registered Office: Praça D. João I, 28, 4000-295 Porto - Share Capital Euros 4,725,000,000.00
Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

The 9M 2019 Annual Report is a translation of the "Relatório e Contas dos primeiros nove meses de 2019" document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the "Relatório e Contas dos primeiros nove meses de 2019" prevails.

All references in this document to the application of any regulations and rules refer to the respective version currently in force.

Millennium bcp

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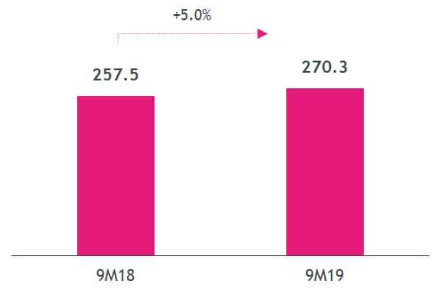
Information on the BCP Group

BCP in the 9M 2019

Improved profitability

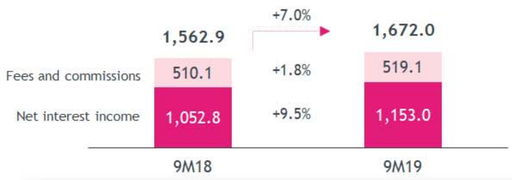
(Million euros)



Improved profitability, with net earnings of €270.3 million in the 1st nine months of 2019, on the back of **stronger core income** (+7.0%) and **lower impairment and provision charges** (-12.1%)

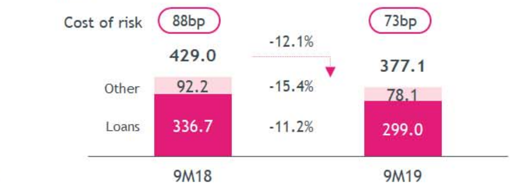
Core income (net interest income + commissions)

(Million euros)



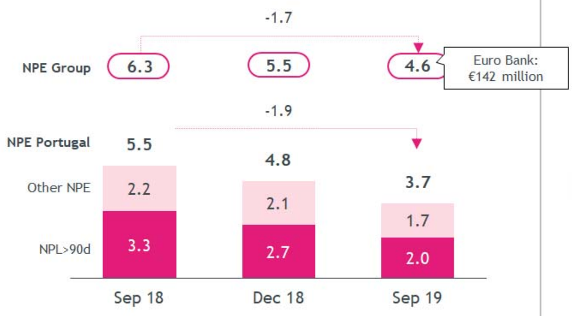
Impairment and provisions

(Million euros)



Improved asset quality

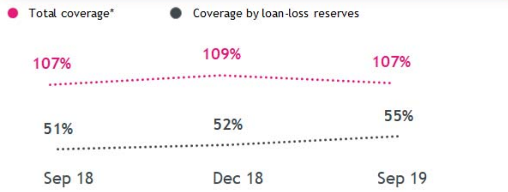
(Billion euros)



Significant decrease of NPEs **(-€1.7 billion from September 30, 2018)** and of cost of risk (73bp in the 1st nine months of 2019)

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

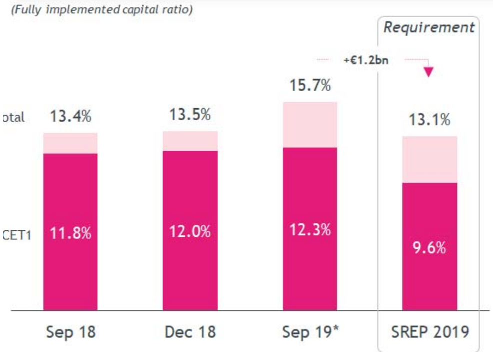
NPE coverage



Lower cost of risk

Strong capital

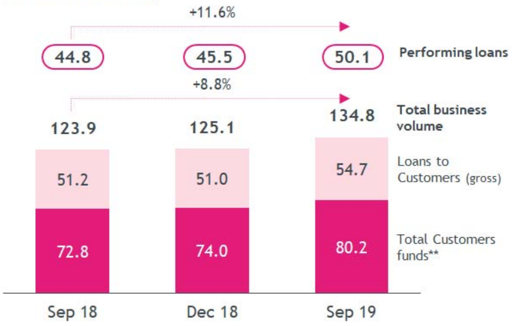
(Fully implemented capital ratio)



Capital ratio of 15.7%*, 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 €5.2 billion and total Customers funds up by €7.4 billion** from September 30, 2018

*Including unaudited earnings for the 1st nine months of 2019. Includes impact of IFRS16. | **Deposits, debt securities, assets under management, assets placed with Customers and insurance products (savings and investments).

Main highlights (1)

Euro million

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

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

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

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

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

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

Information on BCP Group

Brief description

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese private sector bank. The Bank, with its decision centre in Portugal, operates and acts with respect for people and institutions, focusing on the Customer, pursuing a mission of excellence, trust, ethics and responsibility, and is a distinguished leader in various financial business areas in the Portuguese market and a reference institution on an international level. The Bank also holds a prominent position in Africa through its banking operations in Mozambique (in Angola, Banco Millennium Angola - BMA merged with Banco Privado Atlântico-BPA) and in Europe through its banking operations in Poland and Switzerland. Since 2010, the Bank operates in Macau through a full branch.

Bank History

BCP was incorporated on 17 June 1985 as a limited liability company ("sociedade anónima") organised under the laws of Portugal, following the deregulation of the Portuguese banking industry. BCP was founded by a group of over 200 shareholders and a team of experienced banking professionals who sought to capitalise on the opportunity to form an independent financial institution that would serve the then underdeveloped Portuguese financial market more effectively than state-owned banks.

While the Bank's development was initially characterised by organic growth, a series of strategic acquisitions helped solidify its position in the Portuguese market and increase its offering of financial products and services. In March 1995, BCP acquired control of Banco Português do Atlântico, S.A. ("Atlântico"), which was then the largest private sector bank in Portugal. This was followed by a joint takeover bid for the whole share capital of Atlântico. In June 2000, Atlântico was merged into BCP. In 2000, BCP also acquired Império, along with Banco Mello and Banco Pinto & Sotto Mayor.

In 2004, with a view to strengthening its focus on the core business of distribution of financial products and optimising capital consumption, BCP sold insurers Império Bonança, Seguro Directo, Impergesto and Servicomercial to the Caixa Geral de Depósitos group. BCP also entered into agreements with Fortis (now named Ageas) for the sale of a controlling stake and management control of insurers Ocidental - Companhia Portuguesa de Seguros, S.A., Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Médis - Companhia Portuguesa de Seguros de Saúde, S.A., as well as the pension fund manager PensõesGere - Sociedade Gestora de Fundos de Pensões, S.A.

After the consolidation of its position in the Portuguese banking market, the Bank focused on the development of its retail business in new regions, with the goal of attaining significant positions in emerging markets in Europe and in Africa. The Bank concentrated on businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large communities of Portuguese origin (such as Angola, Mozambique, the United States, Canada, France, Luxembourg and Macao), as well as in markets where the Bank's successful Portuguese business model could be effectively exported to and tailored to suit such local markets (such as Poland, Greece and Romania).

The Bank has pursued a consistent strategy of market segmentation. Until 2003, these segments were served through autonomous distribution networks operating under a variety of brand names. In October 2003, BCP began the process of replacing these brands in Portugal with a single brand name: Millennium bcp. The rebranding in other markets was completed in 2006. All operations of the Bank are now carried out under the "Millennium" brand. In Portugal, the Bank also operates under the "ActivoBank" brand.

In 2004, the Bank sold its non-life insurance businesses and divested a portion of its life insurance business by entering into a joint venture with Ageas (formerly Fortis), named Millenniumbcp Ageas, of which 51% is held by Ageas and 49% by the Bank.

In recent years, the Bank has refocused on operations that it considers core to its business. As part of this refocus, the Bank divested several of its international operations (in France, Luxembourg, United States, Canada, Greece, Turkey and Romania), while retaining commercial protocols to facilitate remittances from Portuguese emigrants in some markets. In 2010, the Bank transformed its Macao off-shore branch into an on-shore branch.

In February 2012, the Bank adopted a management restructuring through the introduction of a one-tier management and supervisory model, in which the Board of Directors includes an Executive Committee and an Audit Committee (the latter comprising non-executive members, in accordance with the applicable law).

In December 2012, the Bank prepared and presented to the Portuguese government a Restructuring Plan, required by national law and by the applicable European rules on matters of State aid. The

Restructuring Plan was formally submitted by the Portuguese government to the EC and, In July 2013, the Bank agreed with the EC a Restructuring Plan, entailing an improvement of the profitability of the Bank in Portugal through continued cost reduction, among other drivers. On September 2013, the DG Comp announced its formal decision in connection with its agreement with the Portuguese authorities concerning the Bank's Restructuring Plan. Pursuant to the decision, the Bank's Restructuring Plan was found in compliance with the European Union's rules relating to State aid, demonstrating the Bank's viability without continued State support. The implemented Restructuring Plan aimed at strengthening the Bank's strategy by focusing on its core activities.

In May 2014, as part of a process aiming to refocus on core activities defined as a priority in its Strategic Plan, the Bank announced that it agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental – Companhia Portuguesa de Seguros, S.A. and Médis – Companhia Portuguesa de Seguros de Saúde, S.A.

In April 2016, the Bank announced the conclusion of the merger between Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., resulting in the second-largest private sector bank in Angola in terms of loans to the economy, with a market share of approximately 10% in business volume.

BCP has announced in January 2017 a Euros 1.3bn rights issue with transferable pre-emptive subscription rights. The aim of this transaction was to bring forward the full repayment of remaining Government Subscribed Securities and the removal of key State-aid related restrictions, including dividend ban, risk of potential sale of core businesses and tail risk of conversion. This transaction was designed to strengthening the balance sheet through the improvement of CET1 FL ratio and Texas ratio, bringing them in line with new industry benchmarks and above regulatory requirements.

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite the adverse setting of the banking sector in the core Portuguese market. This position reflects our relentless path and the compounding of multiple achievements, such as a circa of 40% cost reduction in Portugal since 2011, and a reduction of more than 60% in Group's NPEs since 2013 (from Euros 13.7 billion to Euros 4.6 billion in September 2019). Three distinctive competences were at the core of this turnaround: a customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Governance

Banco Comercial Português, S.A. has a one-tier management and supervision model, composed of a Board of Directors, which includes an Executive Committee and an Audit Committee composed of only non-executive directors. The Company also has a Remuneration and Welfare Board and an International Strategic Board.

In addition, the Group uses a Statutory Auditor and an external auditing firm to audit the individual and consolidated accounts of the Bank, elected at the General Meeting.

At the General Shareholders' Meeting held on May 22, 2019, a non-executive Director, Fernando da Costa Lima, was co-opted to perform duties in the current term, which ends in 2021, to fill a vacancy of vowel of the Audit Committee[1], Prof. Cidália Lopes was appointed Chairman of the Audit Committee, who was elected on May 30, 2018 as a member of this Committee, and Mr. Nuno Alves was elected a member of the Board of Remuneration and Social security, filling a vacancy in this social body.

The General Meeting is the highest governing body of the company, representing the entirety of the shareholders, and its resolutions are binding for all when adopted under the terms of law and the articles of association. The General Meeting is responsible for:

- Electing and dismissing the Board, as well as the members of the management and supervisory bodies, and the Remuneration and Welfare Board;
- Approving amendments to the memorandum of association;
- Resolving on the annual management report and accounts for the year and proposed appropriation of profits;
- Resolving on matters submitted upon request of the management and supervisory bodies;
- Resolving on all issues especially entrusted to it by the law or articles of association, or on those not included in the duties of other corporate bodies.

The Board of Directors (BD) is the governing body of the Bank with the most ample powers of management and representation, pursuant to the law and the articles of association.

Under the terms of the articles of association, the Board of Directors is composed of a minimum of 15 and a maximum of 19 members with and without executive duties, elected by the General Meeting for a period of four years, who may be re-elected.

The Board of Directors began its functions on July 23, 2018 and on July 24, 2018 appointed an Executive Committee (EC), composed of six of its members, being the Chairman of the EC appointed by the General Meeting.

The Board of Directors has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

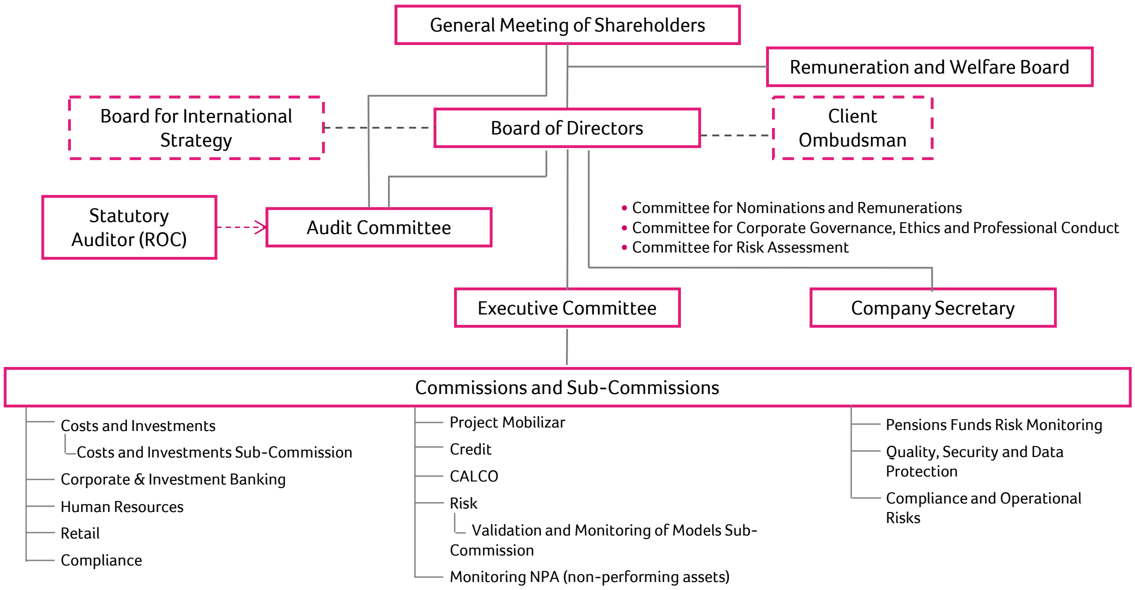
The supervision of the company is made by an Audit Committee elected by the General Meeting of Shareholders and composed of 3 to 5 members, elected together with the majority of the remaining directors. The lists proposed for the Board of Directors should indicate the members to be part of the Audit Committee and indicate the respective Chairperson.

The Remuneration and Welfare Board is elected by the General Meeting.

The Company Secretary and the Alternate Secretary are appointed by the Bank's Board of Directors, and their term-of-office matches that of the Board of Directors that appointed them.

[1] Pending authorization from BdP/ECB to exercise the respective functions

Corporate Governance Model



Identification and composition of the Corporate Bodies and Committees from the Board of Directors

	Board of Directors	Executive Committee	Audit Committee	Remuneration and Welfare Board	Board for International Strategy *	Committee for Corporate Governance, Ethics and Professional Conduct	Committee for Nominations and Remunerations	Committee for Risk Assessment
Nuno Manuel da Silva Amado (Board of Directors President)	●				●			
Jorge Manuel Baptista Magalhães Correia (Board of Directors Vice-President and RWB President)	●			●				
Valter Rui Dias de Barros (Board of Directors Vice-President)	●		●			●		
Miguel Maya Dias Pinheiro (Board of Directors Vice-President and CEO)	●	●			●			
Ana Paula Alcobia Gray	●			●				●
Cidália Maria Mota Lopes (Audit Comittee President)	●		●					
Fernando da Costa Lima**	●		●					
João Nuno de Oliveira Jorge Palma	●	●						
José Manuel Alves Elias da Costa (CNR President)	●					●	●	●
José Miguel Bensliman Schorcht da Silva Pessanha	●	●						
Lingjiang Xu (CCGEPC President)	●					●	●	
Maria José Henriques Barreto de Matos de Campos	●	●						
Miguel de Campos Pereira de Bragança	●	●						
Rui Manuel da Silva Teixeira	●	●						
Teófilo César Ferreira da Fonseca (CRA President)	●						●	●
Wan Sin Long	●		●					●
Xiao Xu Gu (Julia Gu)	●							
António Vitor Martins Monteiro					●			
Nuno Maria Pestana de Almeida Alves				●				

* Chairman and Vice-chairman to be nominated.
** Pending authorization from BdP/ECB to exercise the respective functions

Main events in the first nine months of 2019

JANUARY

- Issue of perpetual subordinated notes intended to qualify as Additional Tier 1, in the amount of Euro 400 million 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.
- Bank Millennium has received the consent of Poland's Office for Competition and Consumer Protection to take over control of Euro Bank.
- Millennium bcp and the Development Finance Institution have established an agreement for a Euro 60 million lending line to finance medium-sized companies.

MARCH

- 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 14 March 2019.
- Millennium bcp and the European Investment Fund (EIF) have signed two agreements under the European Commission's COSME and InnovFin programs, providing a Euro 500 million financing line, destined for more than 1,150 Small and Medium-sized Enterprises (SMEs) in Portugal. An extension of the InnovFin agreement, providing an additional Euro 400 million to more than 750 innovative SMEs and mid-caps in Portugal was also signed.
- Millennium bcp and Credit Insurer COSEC signed an agreement to distribute credit insurance in Millennium bcp's branches.

APRIL

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

MAY

- Completion of the Annual General Meeting of Shareholders, on May 22, with 64.59% of the share capital represented, the, 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..

JUNE

- BCP announced on June 19, that is evaluating the merger of its wholly-owned subsidiary Banco de Investimento Imobiliário, S.A. by incorporation into Banco Comercial Português, S.A., to be effected until year-end 2019.
- Upgrade of issuer rating to investment grade, made by DBRS, on June 3.

JULY

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

AUGUST

- Approval of the merger of Bank Millennium S.A. with Euro Bank S.A., on 27 August 2019, on the Extraordinary General Meeting of Bank Millennium S.A., in which 216 shareholders participated, representing 78.53% shares in the Bank's shareholders' equity;
- Launching of an innovative new service in Portugal that allows to open accounts using only the Portuguese Citizen ID Card.

SEPTEMBER

- Approval of the merger of Bank Millennium S.A. with Euro Bank S.A. by the Polish supervisor (KNF);
- 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;
- As part of its Sustainability strategy, Millennium bcp has signed the "CEO Guide for Human Rights", an initiative of the World Business Council for Sustainable Development and the Business Council for Sustainable Development (Portugal).

SUBSEQUENT EVENTS

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

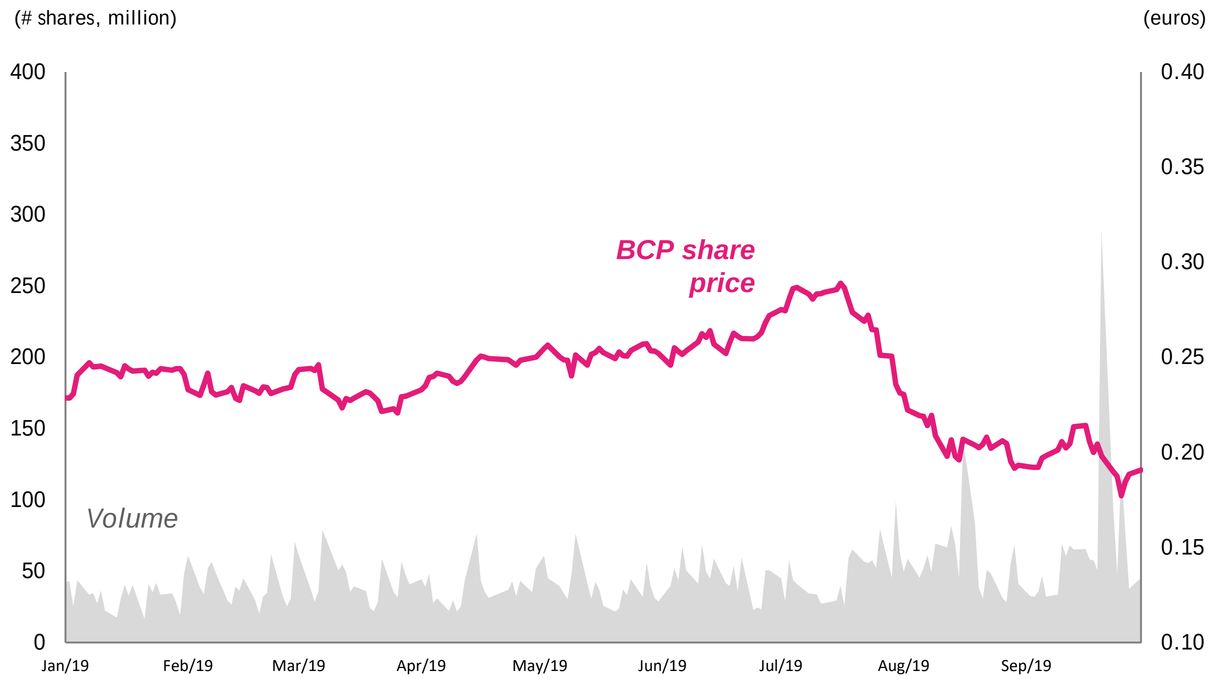
BCP Share

The EuroStoxx 600 Banks Index depreciated 0.4% in the first nine months of 2019, reflecting the uncertainties surrounding the trade war, particularly between the US and China, the slowdown in global activity and Brexit-related uncertainties. The loss of dynamism in the global economy and the uncertainty caused by the so-called trade war led to a slowdown in the US economy, which led the Federal Reserve to lower its benchmark interest rate in September for the second time this year (to 2.00%). Falling inflation and the deceleration of the euro area economy motivated the European Central Bank to implement a broad set of monetary policy measures, including the cut in the deposit facility rate (to -0.50%), the resumption of public and private debt purchase program and the introduction of a partial negative interest rate exemption mechanism for commercial bank deposits with the central bank (tiering).

BCP SHARES INDICATORS

	Units	9M19	9M18
ADJUSTED PRICES			
Maximum price	(€)	0.2889	0.3339
Average price	(€)	0.2375	0.2758
Minimum price	(€)	0.1771	0.2367
Closing price	(€)	0.1906	0.2550
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group	(M€)	6,406	5,809
Shareholder's Equity attributable to ordinary shares (1)	(M€)	6,406	5,749
VALUE PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	0.022	0.023
Book value (4)	(€)	0.397	0.380
MARKET INDICATORS			
Closing price to book value	(PBV)	0.45	0.67
Market capitalisation (closing price)	(M€)	2,881	3,854
LIQUIDITY			
Turnover	(M€)	2,053	2,693
Average daily turnover	(M€)	10.7	14.1
Volume (3)	(M)	8,780	9,600
Average daily volume (3)	(M)	46.0	50.3
Capital rotation (5)	(%)	58.1%	63.5%

(1) Shareholder's Equity attributable to the group minus Preferred shares
(2) Considering the average number of shares outstanding
(3) Ajusted by the share capital increase completed in February 2017
(4) Considering the average number of shares minus the number of treasury shares in portfolio
(5) Total number of shares traded divided by the average number of shares issued in the period



Source: Euronext, Thomson Reuters

BCP shares closed the first nine months of 2019 having depreciated 16.9%, which compares to European bank index performance, which traded practically flat.

BCP's share performance reflected the continuing uncertainties in the geopolitical, macroeconomic and financial sector environment, as well as specific factors associated with the Bank's operations, in particular, related to the Polish operation, with the uncertainty associated to the foreign currency loans granted by Polish banks in the pre-financial crisis period.

International environment was negative due to:

- The escalating tensions in the trade war between the USA and China, during this period;
- Political instability in Spain, with the Prime Minister failing to reach an agreement to form a government;
- Announcement of new ECB measures, which led to further interest rates cuts.

The share's performance during this period was further constrained by BCP's specific factors:

- Announcement of Q1 2019 results, which were well received by the market;
- Upgrade of BCP's ratings by Moody's on July 24;
- Indexes revision at the close of September 20 trading day, which led to the exclusion of BCP from the STOXX600 index;
- Investors' concerns about the European Court of Justice ruling on the foreign currency loans issued by the Polish financial system.

The current average price target of €0.30, represents a 57% potential appreciation, compared to the BCP share's closing prices at the end of September.

Qualified Holdings

On 30 June 2019, the following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A.:

	30 June 2019		
Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	4,118,502,618	27.25%	27.25%
TOTAL FOR FOSUN GROUP	**4,118,502,618**	**27.25%**	**27.25%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
BlackRock*	**512,328,512**	3.39%	3.39%
TOTAL FOR BLACKROCK	**512,328,512**	**3.39%**	**3.39%**
EDP Group Pensions Fund **	314,018,677	2.08%	2.08%
TOTAL EDP GROUP	**314,018,677**	**2.08%**	**2.08%**
TOTAL OF QUALIFIED SHAREHOLDERS	**7,891,203,721**	**52.21%**	**52.21%**

* In accordance with the announcement on March 5, 2018 (last information available).

** Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

The voting rights referred to above are the result of the direct and indirect stakes of Shareholders in the share capital of Banco Comercial Português. No other imputation of voting rights foreseen in article 20 of the Securities Code was communicated or calculated.

Business Model

Economic environment

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

The loss of dynamism of the global economy and the uncertainty caused by the so-called trade wars are already translating into a slowdown of the American economy, which led the Federal Reserve to reduce its key rate in September for the third time this year (to 1.75%) as well as to terminate the plan of unwinding the stock of debt securities accumulated onto its balance sheet under the previous quantitative easing programs. The fall of inflation and the flagging of the Eurozone's economy motivated the European Central Bank (ECB) to implemented a large set of monetary policy measures, including the cut of the deposit facility rate (to -0.50%), the restart of the program of purchase of public and private debt and the introduction of a mechanism of partial exemption from the negative interest rate applied to the deposits of commercial banks at the central bank (tiering).

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

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

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

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

Business Model

Nature of the operations and main activities

The Group provides a wide variety of banking services and financial activities in Portugal and abroad, where it is present in the following markets: Poland, Switzerland, Mozambique, Angola (through its associate BMA) and China. All its banking operations develop their activity under the Millennium brand. The Group also ensures its international presence through representation offices and/or commercial protocols.

The Bank offers a vast range of financial products and services: current accounts, payment systems, savings and investment products, private banking, asset management and investment banking, including mortgage loans, consumer credit, commercial banking, leasing, factoring and insurance, among others. The back-office operations for the distribution network are integrated to benefit from economies of scale.

In Portugal, Millennium bcp is focused on the retail market, providing services to its Customers in a segmented manner. The subsidiary companies generally provide their products through the Bank's distribution networks, offering a wide range of products and services.

Distintice factors of the business model

Largest private sector banking institution

Millennium bcp is Portugal's largest private sector banking institution on business volumes, with a position of leadership and particular strength in various financial products, services and market segments based on a modern branch network with nationwide coverage. The Bank also offers remote banking channels (banking service by telephone, mobile banking and online), which operate as distribution points for its financial products and services.

The priorities, in accordance with the 2021 Strategic Plan, consist in redesigning the digital experience to an approach centred on mobile devices, transforming the top customer journeys, forming an appropriate and productive omnichannel model and transforming the operations through the implementation of NextGen technologies (such as robotics and natural language processing). At the same time, the Bank will adopt an IT strategy focused on the update of technology, information safety and promotion of new work forms.

The activity in the domestic market focuses on Retail Banking, which is segmented in order to best serve Customer interests, both through a value proposition based on innovation and speed targeted at Mass-market Customers, and through the innovation and personalised management of service for Prestige, Business, Companies, Corporate and Large Corporate Customers Retail Banking and also through ActivoBank, a bank aimed specifically at Customers who are young in spirit, intensive users of new communication technologies and prefer a banking relationship based on simplicity and offering innovative products and services.

International presence as a platform for growth

At the end of September 2019, Millennium bcp was the largest Portuguese privately-owned bank on business volumes with a relevant position in the countries where it operates.

On 30 September 2019, operations in Portugal accounted for 68% of total assets, 68% of total loans to Customers (gross) and 70% of total customer funds. The Bank had over 2.4 million active Customers in Portugal and market shares of 17.2% and 17.6% of loans to Customers and customer deposits, respectively, in August 2019.

At the end of September 2019, Millennium bcp is also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 5.1 million Customers.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has over 1.3 million Customers and is the reference bank in this country, with 20.5% of loans and advances to Customers and 24.3% of deposits, on 31 July 2019. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

The deed of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was signed on 22 April 2016. The bank resulting from the merger is an associate of Banco Comercial Português.

In Poland, Bank Millennium has a well distributed network of branches, supported on a modern multi-channel infrastructure, on a reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and on a sound risk management and control. On 31 July 2019, Bank Millennium had a market share of 5.6% in loans to Customers and of 6.0% in deposits.

The Group has an operation in Switzerland since 2003, through a private banking platform offering personalised quality services to the Group's high net worth Customers, comprising asset management solutions based on a rigorous research and on a profound knowledge of financial markets, underpinned by a robust commitment to risk management and an efficient IT platform.

The Group is also operating in the East since 1993, but it was only in 2010 that the activity of the existing branch in Macau was expanded, through the attribution of a full license (onshore) aimed at establishing an international platform for business operations between Europe, China and Portuguese-speaking African countries.

The Bank also has 10 representation offices (1 in the United Kingdom, 1 in Germany, 3 in Switzerland, 2 in Brazil, 1 in Venezuela, 1 in China, in Guangzhou, and 1 in South Africa), 5 commercial protocols (Canada, USA, Spain, France and Luxembourg).

Growth based on digital/mobile banking

Since its incorporation, the Bank has built a reputation associated with innovation. The Bank was the first Bank in Portugal to introduce specific innovative concepts and products, including direct marketing methods, layouts based on customer profiles, salary accounts, simpler branches ("NovaRede"), telephone banking services, through Banco 7, which later became the first online banking services platform, health insurance (Médis) and direct insurance, and a website dedicated to individual Customers and corporate banking. The Bank was also a pioneer in the launching of a new Internet Banking concept, based on the ActivoBank platform, which provides a simplified service to the Customer, including the opening of a current account using Mobile Banking solutions.

Internet & Mobile

It is worth mentioning in this period:

- Mobile customers in September 2019 year-on-year increased by 430 thousand to the Group and 189 thousand in Portugal.
- Digital customers in Portugal increased from 938 thousand in September 2018 to 1,084 thousand in September 2019.
- Increase of Digital Customers by 22% versus December 2017 and Mobile Customers by 48% versus December 2017.
- Digital and mobile Customers penetration at the end of September 2019 was 58% and 39%, respectively.

Incorporation of technology into processes and business model with impact on Shareholders and Customer experience, highlighting:

- Transformation of operations through multi-channel and robotic models;
- Increased time spent by commercial agents on high value added tasks;
- Increased branch efficiency (FTE sales) and cost savings in central services.

Client-oriented relationship model

The year 2019 marks a turning point in the Bank's communication, consolidated by the launch of an institutional campaign that assumes a new positioning and commitment from Millennium to the community. It is the moment of the "Millennium Generation".

Making use of an attribute that only Millennium has – making use of a generational qualifier - Millennium has developed a positioning campaign that presents not only the generation of its Customers, with behaviors, beliefs and wills transversal to all of them, but also the new technology solution that will give them daily financial support - the new Millennium App.

This is the basis of the course that the Bank intends to undertake in all that it does and communicates - to assume a new vision of banking, with products and solutions focused on the Customers.

The communication strategy of the nine months of 2019 is the clear reflection of this intention. Throughout this period, the focus is on messages focused on digital and innovation, never forgetting the relational aspect and complicity with the (new) profiles, needs and expectations of the various segments and reinforcing the strategy of the Bank in acquiring new Customers.

Worth mentioning is the account opening campaigns associated with both the Consumer Choice Award and the Summer Festivals sponsored by the Bank, as well as the reinforcement of communication with the business segment, based on the leadership of the Portugal 2020 program and PME Líder and PME Excellence statutes.

It is also worth mentioning, within the scope of the defined relational strategy, the consolidation of sponsorships and partnerships of relevance, such as the Millennium Estoril Open and the music festival “Festival ao Largo”, or the organization of internal initiatives such as executives meetings.

Sustainability of the business model

The resilience of the business model is primarily based on the Bank's concentration on retail banking, more stable and less volatile by nature. Millennium bcp implemented successfully an operational recovery in its core market, reinforcing its financial and capital position, despite of the challenging environment in the banking sector in the Portuguese market. The Bank implemented a restructuring program based on a reduction of operating costs by circa of 40% in

Portugal since 2011 and a more than 60% reduction in the Group's NPE since 2013 (from Euros 13.7 billion to Euros 4.6 billion in September 2019).

Three distinctive competences acted as the main pillars of this recovery: a Customer oriented relationship model, market leadership in terms of efficiency and competitive international operations.

The purpose of the Bank is to ensure sustainable profitability in the medium and long term, seeking to become the best in class in terms of operational efficiency, improving operating profit in a sustainable manner and maintaining a high level of control on credit risk, thus preserving its strategic position in the Portuguese retail banking services market. One of the Bank's top priorities continues to be to improve the quality of its credit portfolio, reduce the stock of NPE to circa of Euros 3 billion by 2021 and, simultaneously, decrease the cost of risk.

Main awards received

- For the second year in a row, Millennium bcp was considered the "Best Bank for Companies in Portugal 2019", and also the most referred to as the "Main Bank of Companies in Portugal", with the "Most Suitable Products for Companies", "Globally Most Innovative" and "Closest to Customers", according to a study by DATA E;
- Millennium bcp was named "Consumer's Choice" 2019 in the Large Banks category, standing out in features such as "Security", "Customer Service", "Transparency of Information" and "Quick service", amongst others.
- Millennium bcp was distinguished at the Euronext Viabolsa Awards 2019 with the "Most Active Trading House in Warrants and Certificates" award.
- ActivoBank was named "Consumer's Choice" 2019 in the Digital Bank category and it is part of the Top25 ranking of companies chosen by consumers.
- ActivoBank was elected by DECO as Accepted Choice in three categories: Personal Loans, Internet accounts with wage paid through an account with ActivoBank and Internet on-demand accounts without wage paid through an account with ActivoBank.
- Bank Millennium was acclaimed as the Customer Experience leader in the financial sector on the list of TOP 100 Brands published in the latest KPMG Poland report. The Bank is one of the top ten of the brands in the top 100 of Poland.
- Bank Millennium was hailed as the Best Bank in Poland in the annual Best Bank Awards competition organized by Global Finance Magazine.
- Bank Millennium, for the fifth time in a row, has received the CSR Silver Leaf, award that is given to companies which implement the most stringent standards of corporate social responsibility in their day-to-day activity.Millennium bim was named "Best Bank in Mozambique for Trade Finance" by Global Finance.
- Bank Millennium was hailed as the Best Bank in Poland in the annual Best Bank Awards competition organized by Global Finance Magazine.
- Millennium bim was named "Best Bank in Mozambique for Trade Finance" by Global Finance.
- Election of Millennium bim as Best Bank in the 'Payments' category in 2019 by Global Finance, recognizing the bank for the innovative solution Millennium IZI in the scope of interoperability.

Financial Information

Results and Balance Sheet

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

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

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

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

RESULTS

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

In the activity in Portugal, net income increased 7.1% compared to the 117.1 million euros reached in the first nine months of 2018, standing at 125.5 million euros[2] in the same period of 2019. This growth benefited from the favourable evolution of most of the items, except for operating costs and equity accounted earnings. The biggest contributor for that evolution was the lower level of loans impairment charges.

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

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

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

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

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

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

AVERAGE BALANCES

Euro million

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OTHER NET INCOME

Euro million

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

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

Operating costs, excluding the effect of specific items[3], totaled 808.0 million euros in the first nine months of 2019, compared to 742.2 million euros accounted in the same period of the previous year. This evolution mainly reflects the increase in the international activity, although in a smaller scale, the activity in Portugal also showed an increase in operating costs compared to the same period of the previous year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OPERATING COSTS

Euro million

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

(1) Excludes the impact of specific items.

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

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

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

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

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

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

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

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

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

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

BALANCE SHEET

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

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

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

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

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

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

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

LOANS TO CUSTOMERS (GROSS)

Euro million

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

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

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

CREDIT QUALITY INDICATORS

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

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

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

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

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

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

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

TOTAL CUSTOMER FUNDS

Euro million

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

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

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

Business Areas

ACTIVITY PER SEGMENTS

Millennium bcp conducts a wide range of banking activities and financial services in Portugal and abroad, with special focus on Retail Banking, Companies Banking and Private Banking business.

BUSINESS SEGMENT	PERIMETER
Retail Banking	Retail Network of Millennium bcp (Portugal) Retail Recovery Division Banco ActivoBank
Companies, Corporate & Investment Banking	Companies and Corporate Network of Millennium bcp (Portugal) Specialised Recovery Division Specialized Credit and Real Estate Division Interfundos Large Corporate Network of Millennium bcp (Portugal) Specialised Monitoring Division Investment Banking Trade Finance Department (*)
Private Banking	Private Banking Network of Millennium bcp (Portugal) Millennium Banque Privée (Switzerland) (**) Millennium bcp Bank & Trust (Cayman Islands) (**)
Foreign Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Atlântico (***) Millennium Banque Privée (Switzerland) (**) Millennium bcp Bank & Trust (Cayman Islands) (**)
Other	Includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) From Treasury and Markets International Division.
(**) For the purposes of business segments, Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands) are included in the Private Banking segment. In terms of geographic segments, both operations are considered Foreign Business.
(***) Consolidated by the equity method.

The figures reported for each segment resulted from aggregating the subsidiaries and business units integrated in each segment. For the business units in Portugal, the aggregation process reflects the impact from capital allocation and balancing process in the balance sheet and income statement, based on average figures. The balance sheet headings for each business unit and Portuguese subsidiaries were re-calculated, considering the replacement of the equity book values by the amounts assigned through the allocation process, based on the regulatory solvency criteria.

Thus, as the process of capital allocation complies with the regulatory criteria of solvency in force, the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Each segment's income includes the non-controlling interests, when applicable. Therefore, the values of net income presented incorporate the individual net income of the business units, regardless of the percentage stake held by the Group, and the impacts of the transfers of funds described above.

Operating costs related to the business segments do not include restructuring costs recorded in the first nine months of 2019 and 2018, respectively.

The information presented below was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 30 September 2019.

RETAIL

Million euros

RETAIL BANKING	30 Sep. 19	30 Sep. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	345	317	8.8%
Other net income	296	288	3.0%
	641	605	6.0%
Operating costs	355	353	0.7%
Impairment (excluding the impairment related to NPE in the begening of the year)	13	9	35.0%
Income before tax (excluding impairment charges for NPE)	273	243	12.7%
Impairment charges for NPE	-	6	-92.7%
Income before tax	273	237	15.2%
Income taxes	84	74	14.4%
Income after tax	189	163	15.6%
SUMMARY OF INDICATORS			
Allocated capital	1,116	971	14.9%
Return on allocated capital	22.6%	22.5%	
Risk weighted assets	9,212	8,468	8.8%
Cost to income ratio	55.4%	58.3%	
Loans to Customers (net of impairment charges)	21,733	21,064	3.2%
Balance sheet Customer funds	29,708	27,590	7.7%

Notes:

Allocated capital, Loans to customers (net of recoveries) and Balance sheet Customer funds figures based on average balance.

Income

As at 30 September 2019, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 189 million, showing a 15.6% growth compared to Euros 163 million in the same period of 2018, which reflects the favourable performance of this business unit in the first nine months of 2019. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income went up to Euros 345 million as at 30 September 2019 and grew by 8.8% compared to the previous year (Euros 317 million), positively influenced by the higher return on the loan portfolio, in particular through the increase of the existing volumes and by the continuous decrease in costs associated to term deposits, whose aggregated effect was partially mitigated by the lower income arising from the internal placements of the excess of liquidity.

- Other net income rose from Euros 288 million at the end of September 2018 to Euros 296 million at the end of the first nine months of 2019, showing a 3.0% increase.

- Operating costs went up 0.7% from September 2018, reflecting the increase in the number of employees at the staff costs level. The evolution of other administrative expenses includes, on the one hand, the effect of the reduction in the number of branches and, on the other hand, the impacts associated with the renewal of branches following the ongoing digitization project.

- Impairment charges amounted to Euros 13 million by the end of September 2019, comparing favourably to Euros 15 million recorded in 2018, showing the trend towards the normalization of the cost of risk.

- In September 2019, loans to customers (net) totalled Euros 21,733 million, 3.2% up from the position at the end of September 2018 (Euros 21,064 million), while balance sheet customer funds increased by 7.7% in the same period, amounting to Euros 29,708 million by the end of September 2019 (Euros 27,590 million recorded at the end of the first nine months of the previous year), due to the relevant increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING	30 Sep. 19	30 Sep. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	207	208	-0.2%
Other net income	103	105	-1.9%
	310	313	-0.8%
Operating costs	101	91	10.5%
Impairment (excluding the impairment related to NPE in the begening of the year)	55	79	-29.4%
Income before tax (excluding impairment charges for NPE)	154	143	7.0%
Impairment charges for NPE	156	236	-34.2%
Income before tax	(2)	(93)	-97.3%
Income taxes	(1)	(30)	-94.9%
Income after tax	(1)	(63)	-98.5%
SUMMARY OF INDICATORS			
Allocated capital	1,190	1,069	11.4%
Return on allocated capital	-0.1%	-7.9%	
Risk weighted assets	10,569	9,873	7.0%
Cost to income ratio	32.4%	29.1%	
Loans to Customers (net of impairment charges)	12,267	12,981	-5.5%
Balance sheet Customer funds	7,938	7,877	0.8%

Notes:

Allocated capital, Loans to customers (net of recoveries) and Balance sheet Customer funds figures based on average balance.

Income

Companies, Corporate and Investment Banking segment in Portugal went from a loss of Euro 63 million in the first nine months of 2018 to a marginal loss of Euro 1 million in September 2019. Net income still reflects the requirements of the Bank's non-performing exposures reduction plan with an impact on the reduction of the loan portfolio and on its levels of impairment charges, although lower than in the same period of the previous year. The performance of this segment is globally explained by the following changes:

- Net interest income stood at Euros 207 million as at 30 September 2019, in line when compared to the same period of the previous year (Euros 208 million), reflecting the positive impact arising from the reduction of the cost of funding, given that interest income from the loan portfolio remains constrained by the low interest rates environment and the lower credit volumes.

- Other net income reached Euros 103 million in September 2019, being lower compared to the amount accounted in September 2018, which is mainly explained by the lower level of commissions coming from the investment banking activity.

- Operating costs totalled Euros 101 million by the end of September 2019, 10.5% up from 30 September 2018, mainly due to the investment associated with the digital transformation project and to the staff increase.

- Impairments recorded showed a significant reduction, falling from Euros 315 million in September 2018 to Euros 211 million in the first nine months of 2019. This decrease is especially relevant in what refers to credits classified as non-performing exposures, whose impairments sharply decreased 34.2%, as a result of the provisioning effort made in previous years.

- As at September 2019, loans to customers (net) totalled Euros 12,267 million, 5.5% lower compared to the existing position in September 2018 (Euros 12,981 million), reflecting the effort made to reduce the non-performing exposures as mentioned above. Balance sheet customer funds reached Euros 7,938 million, comparing to Euros 7,877 million recorded in September 2018, explained by the increase in customer deposits.

PRIVATE BANKING

Million euros

PRIVATE BANKING	30 Sep. 19	30 Sep. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	5	10	-45.4%
Other net income	19	20	-7.8%
	24	30	-20.2%
Operating costs	15	13	10.8%
Impairment (excluding the impairment related to NPE in the begening of the year)	(1)	(1)	-29.9%
Income before tax (excluding impairment charges for NPE)	10	18	-46.3%
Impairment charges for NPE	(1)	(1)	18.5%
Income before tax	11	19	-39.6%
Income taxes	3	6	-39.6%
Income after tax	8	13	-39.6%
SUMMARY OF INDICATORS			
Allocated capital	67	59	13.9%
Return on allocated capital	15.4%	29.0%	
Risk weighted assets	576	518	11.3%
Cost to income ratio	59.9%	43.1%	
Loans to Customers (net of impairment charges)	262	302	-13.4%
Balance sheet Customer funds	2,210	1,980	11.6%

Notes:

Allocated capital, Loans to customers (net of recoveries) and Balance sheet Customer funds figures based on average balance.

Income

According to the geographic segmentation perspective, income after tax from Private Banking business in Portugal totalled Euros 8 million in September 2019, 39.6% down comparing to Euros 13 million recorded in the same period of 2018, mainly due to the unfavourable performance of banking income. Considering the main items of the income statement, the relevant situations are highlighted as follows:

- Banking income stood at Euros 24 million in the first nine months of 2019, 20.2% down from the same period of the previous year (Euros 30 million). This reduction is explained mainly by the unfavourable performance of net interest income, but also, to a lesser extent, by other net income. Net interest income totalled Euros 5 million in September 2019, comparing to Euros 10 million in the same period of 2018, penalized, namely by the lower income arising from the internal placements of the excess of liquidity given the low interest rates impact, but also the reduction of credit volumes. Other net income amounted to Euros 19 million in the first nine months of 2019, showing a decrease in comparison with Euros 20 million obtained as at 30 September 2018, benefiting in this period from higher commissions due to the seasonal effect related to the implementation of MiFID II.

- Operating costs amounted to Euros 15 million in the first nine months of 2019, above the operating costs presented in the first nine months of 2018.

- Impairments continues to impact positively in the income statement, since reversals reached Euros 2 million in the first nine months of 2019 in line with the impact recorded at the end of September 2018.

- Loans to customers (net) amounted to Euros 262 million by the end of September 2019, showing a decrease of 13.4% compared to figures accounted in the same period of the previous year (Euros 302 million), while balance sheet customer funds grew 11.6% during the same period, from Euros 1,980 million in September 2018 to Euros 2,210 million in September 2019, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Million euros

FOREIGN BUSINESS	30 Sep. 19	30 Sep. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	553	457	21.0%
Other net income (*)	192	190	1.3%
	745	647	15.2%
Operating costs	353	285	23.6%
Impairment	102	65	59.5%
Income before tax	290	297	-2.4%
Income taxes	71	66	6.5%
Income after income tax	219	231	-4.9%
SUMMARY OF INDICATORS			
Allocated capital	2,986	2,770	7.8%
Return on allocated capital	9.8%	11.1%	
Risk weighted assets	15,615	12,358	26.4%
Cost to income ratio	47.3%	44.1%	
Loans to Customers (net of impairment charges)	16,916	12,999	30.1%
Balance sheet Customer funds	20,782	16,297	27.5%

(*) Includes equity accounted earnings related to the investment in Banco Millennium Atlântico.

Income

Income after tax from Foreign Business, computed in accordance with the geographic perspective, stood at Euros 219 million in September 2019, reflecting a 4.9% decrease compared to Euros 231 million achieved in 2018. This evolution is explained by the unfavourable performance of operating costs and impairments, despite the higher banking income.

Considering the different items of the income statement, the performance of Foreign Business can be analysed as follows:

- Net interest margin stood at Euros 553 million in September 2019 which compares to Euros 457 million achieved in the same period of 2018. Excluding the impact arising from the foreign exchange effects, the increase would have been 20.7%, reflecting the positive performance of the subsidiary in Poland, partly mitigated by the evolution observed in the subsidiaries in Cayman Islands and Mozambique, as a consequence of the reduction of the loan portfolio exposures.

- Other net income increased 1.3%. Excluding foreign exchange effects, other net income increased 4.8%, benefiting from the positive performance presented by the subsidiary in Poland, although in this case this item has been also penalized by the increase in mandatory contributions. Mozambican subsidiary also contributed to this growth through an increase in the exchange results, as a consequence of higher pricing on clients' activity, and also through the results arising from the insurance business and the sale of other assets. The lower contribution of Banco Millennium Atlântico mitigated the evolution of other net income between the end of September of 2018 and 2019.

- Operating costs amounted to Euros 353 million as at 30 September 2019, 23.6% up from September 2018. Excluding foreign exchange effects, operating costs would have risen 23.4%, mainly influenced by the operation in Poland, including the costs associated with the acquisition of Euro Bank S.A..

- Impairment charges in the first nine months of 2019 increased 59.5%, compared to figures from the same period of 2018. Excluding the foreign exchange effects, it would have risen 66.8%, reflecting the unfavourable evolution achieved by the Polish subsidiary, due to the impact of impairment charges for the risks implicit in the Euro Bank S.A. loans portfolio recorded in the moment of its acquisition. However, this evolution was mitigated by the positive impact arising from the end of the application of IAS 29 on Banco Millennium Atlântico.

- Loans to customers (net) stood at Euros 16,916 million at the end of September 2019, largely exceeding the amount attained as at 30 September 2018 (Euros 12.999 million). Excluding foreign exchange effects, the loan portfolio increased 32.0%, explained by the growth achieved by the Polish subsidiary, as a consequence not only from the impact of the Euro Bank S.A. acquisition in May 2019, but also from the organic growth of the business generated by Bank Millennium. The Foreign business' balance sheet customer funds increased 27.5% from Euros 16,297 million reported as at 30 September 2018 to Euros 20,782 million as at 30 September 2019. Excluding the foreign exchange effects, balance sheet customer funds increased 29,0%, mainly driven by the performance of the Polish subsidiary, reflecting both the Euro Bank S.A. consolidation impact and the positive evolution from its current business activity.

Strategy

Strategic Plan 2018-2021

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite the adverse setting of the banking sector in the core Portuguese market. This position reflects its relentless path and of multiple achievements, such as a circa of 40% cost reduction in Portugal since 2011, and a more than 60% reduction in Group NPE since 2013 (from Euros 13.7 to Euros 4.6 billion in September 2019). Three distinctive competences were at the core of this turnaround: a Customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Millennium is now ready to embark on a new cycle of growth with profitability, requiring complementary capabilities to cope with the evolving context and the need to secure a fully sustainable position. These include leading digital, mobile, and analytics capabilities (preparing the organization to be competitive in the new age) and integration in value chains and ecosystems (embedding into its Customers' needs and reach), complemented by a robust balance sheet and rigorous capital allocation and shaped by strong governance (continuing its effort to de-risk the portfolio and reinforcing focus on value-added business).

Against this backdrop, Millennium has defined five overarching priorities for the future:

Talent mobilization, which will entail energizing employees to drive the Bank's agenda as a team, promoting greater engagement and proactivity and empowering decision making in a collaborative model. The Bank's talent will also to be reinvigorated by developing a merit-based growth model and fostering the development of new capabilities. Finally, the Bank will review its compensation processes across teams to ensure alignment with the new agenda and performance.

Mobile-centric digitization, aspiring to double down on efforts to transform Customer experience and enable productivity gains across geographies, reemphasizing Millennium's innovation trademark. The main priorities consist of redesigning the digital experience from a mobile-centric approach, transforming top Customer journeys, setting up a convenient and productive omnichannel model, and transforming operations through the deployment of NextGen technologies (such as robotics and natural language processing). In parallel, an IT strategy focused on upgrading technology, data, security, and ways of working will enable these levers.

Growth and leadership in Portugal, aiming to maximize the potential of the unique position in which the Bank emerges out of the financial crisis (the largest private Portuguese bank) implying a renewed commitment to grow the Customer base and expand relationships. This will materialize into helping Portuguese businesses thrive (e.g., building a position as the preferred partner for sound small businesses), while serving its individual customers across their full range of needs. The Group further aspire to capture the full potential of ActivoBank's simple and value-based offer and assess potential internationalization options.

Growth in international footprint, with the objective of capitalizing on the opportunities offered by the high-growth intrinsics of markets where the Bank has a presence and competitive advantage. This implies growing in Poland by deepening retail relationships and enlarging the Customer business base; a step change in Switzerland by growing existing business and exploring new markets and digital advice; leveraging market leadership in Mozambique to focus on profitability and capturing the tailwinds of large commodity investments planned; building on its position in Angola as a trusted and sound business partner with unique local relationships; and exploring emerging China related opportunities (trade and investment flows, payments, private banking).

Business model sustainability, maintaining the improvement of its credit portfolio quality as a clear priority, by reducing the NPE stock (reduction to Euros 3 billion by 2021) and simultaneously lowering the cost of risk. Risk and compliance governance will also be strengthened to ensure a sustainable growth of credit volume with a sound risk profile.

The successful execution of these priorities should enable us to accomplish a set of strategic objectives for 2021: franchise growth (>6 million active Customers[4]), readiness for the future (from 58% to >60% digital customers by 2021), a sustainable business model (with NPEs reaching Euros 3 billion), and attractive returns for shareholders (≈40% cost-to-income and ≈10% ROE in 2021).

[4] Customers with a debit or credit card movement in the past three months, or who have assets greater than or equal to €100.

		9M 2019	2021
Franchise growth	Total active Customers*	5.1 million	>6 million
	Digital customers	58%	>60%
	Mobile customers	39%	>45%
Value creation	Cost-to-income	49% (46% excluding non-usual items)	≈40%
	ROE	6.0%	≈10%
	CET1**	12.3%	≈12%
	LTD	88%	<100%
	Dividend payout	--	≈40%
Asset quality	NPE stock ***	EUR 4.6 billion	EUR 3.0 billion
	Cost-of-risk	73 bp	<50 pb

*Customer counting criteria used in the 2021 Strategic Plan.

**Including unaudited earnings for the 9M of 2019.

*** NPEs includes only loans.

Liquidity Management

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

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

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

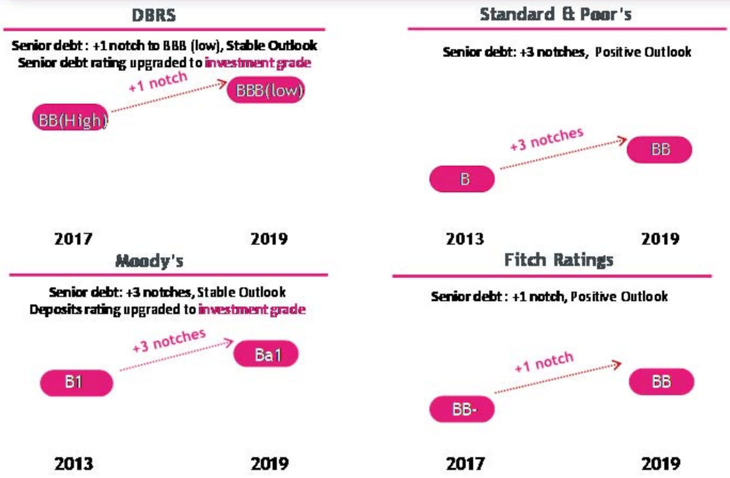
In January 2019, complying with the objectives defined in the Group Liquidity Plan, BCP placed an issue of Additional Tier 1, eligible for MREL, in the amount of 400 million euros while Bank Millennium issued subordinated bonds in the amount of 830 million zlotys to strengthen its financial structure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

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

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

Ratings assigned to BCP

Recent rating upgrades recognise Millennium bcp's improvement over the last years



- Fitch Ratings and S&P have upgraded the issuer's rating outlook to **positive** (October 30 and October 10, respectively)
- Moody's has upgraded deposits to **investment grade** on July 24, whereas DBRS upgraded senior debt to **investment grade** on June 3
- The senior debt rating was upgraded by 3 notches by both S&P and Moody's since 2013
- Excluding the effect of Government support removal due to changes in methodology, the intrinsic rate of BCP was upgraded by 4 notches by S&P, 6 notches by Moody's and 2 notches by Fitch

Capital

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

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

SOLVENCY RATIOS

Euro million

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

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

Regulatory Information

Consolidated indicators, Portugal Activity and International Activity

Euro million

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

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

Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

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

(Thousands of euros)

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

BANCO COMERCIAL PORTUGUÊS

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

(Thousands of euros)

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

Alternative performance measures

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

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

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

Euro million

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

2) Return on average assets (ROA)

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

Euro million

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

3) Return on average equity (ROE)

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

Euro million

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

4) Cost to income

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

Euro million

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

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

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

Euro million

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

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

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

Euro million

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

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

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

Euro million

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

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

Loans to customers

Euro million

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

Loans impairment (P&L)

Euro million

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

Balance sheet customer funds

Euro million

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

Securities portfolio

Euro million

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

Glossary and alternative performance measures

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.

Accounts and Notes to the Consolidated Accounts

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

(Thousands of euros)

	Notes	30 September 2019	30 September 2018
Interest and similar income	2	1,477,773	1,407,861
Interest expense and similar charges	2	(324,816)	(355,056)
NET INTEREST INCOME		1,152,957	1,052,805
Dividends from equity instruments	3	734	592
Net fees and commissions income	4	519,092	510,068
Net gains / (losses) from financial operations at fair value through profit or loss	5	(2,560)	12,667
Net gains / (losses) from foreign exchange	5	65,022	53,846
Net gains / (losses) from hedge accounting operations	5	(4,720)	(1,547)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(23,402)	(21,950)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	84,764	46,560
Net gains / (losses) from insurance activity		8,439	4,001
Other operating income / (losses)	6	(122,945)	(121,592)
TOTAL OPERATING INCOME		1,677,381	1,535,450
Staff costs	7	488,030	435,551
Other administrative costs	8	269,475	275,778
Amortisations and depreciations	9	89,815	42,896
TOTAL OPERATING EXPENSES		847,320	754,225
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		830,061	781,225
Impairment for financial assets at amortised cost	10	(299,907)	(335,668)
Impairment for financial assets at fair value through other comprehensive income	11	(327)	3,643
Impairment for other assets	12	(51,256)	(66,032)
Other provisions	13	(25,609)	(30,928)
NET OPERATING INCOME		452,962	352,240
Share of profit of associates under the equity method	14	39,002	71,868
Gains / (losses) arising from sales of subsidiaries and other assets	15	26,611	29,147
NET INCOME BEFORE INCOME TAXES		518,575	453,255
Income taxes			
Current	30	(75,247)	(77,550)
Deferred	30	(98,791)	(31,955)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		344,537	343,750
Income arising from discontinued or discontinuing operations	16	13,412	(422)
NET INCOME AFTER INCOME TAXES		357,949	343,328
Net income for the period attributable to:			
Bank's Shareholders		270,318	257,469
Non-controlling interests	44	87,631	85,859
NET INCOME FOR THE PERIOD		357,949	343,328
Earnings per share (in Euros)			
Basic	17	0.022	0.023
Diluted	17	0.022	0.023

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS PERIOD BETWEEN 1 JULY AND 30 SEPTEMBER 2019 AND 2018

(Thousands of euros)

	Third quarter 2019	Third quarter 2018
Interest income	524,918	471,912
Interest expense	(112,034)	(106,762)
NET INTEREST INCOME	412,884	365,150
Dividends from equity instruments	59	(28)
Net fees and commissions income	176,908	169,854
Net gains / (losses) from financial operations at fair value through profit or loss	(1,189)	(3,837)
Net gains / (losses) from foreign exchange	34,704	17,054
Net gains / (losses) from hedge accounting operations	(528)	(2,948)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(13,572)	927
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	4,152	1,362
Net gains / (losses) from insurance activity	2,972	2,346
Other operating income / (losses)	(17,333)	(18,169)
TOTAL OPERATING INCOME	599,057	531,711
Staff costs	163,788	145,776
Other administrative costs	102,493	93,104
Amortizations and depreciations	32,858	14,545
TOTAL OPERATING EXPENSES	299,139	253,425
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	299,918	278,286
Impairment for financial assets at amortised cost	(99,881)	(116,254)
Impairment for financial assets at fair value through other comprehensive income	(188)	(8)
Impairment for other assets	(10,255)	(24,559)
Other provisions	(23,651)	(8,360)
NET OPERATING INCOME	165,943	129,105
Share of profit of associates under the equity method	17,811	30,485
Gains / (losses) from sales of subsidiaries and other assets	1,905	17,493
NET INCOME BEFORE INCOME TAXES	185,659	177,083
Income taxes		
Current	(27,810)	(27,645)
Deferred	(25,140)	(9,965)
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	132,709	139,473
Income arising from discontinued or discontinuing operations	(1)	(2,172)
NET INCOME AFTER INCOME TAXES	132,708	137,301
Net income for the period attributable to:		
Bank's Shareholders	100,539	106,826
Non-controlling interests	32,169	30,475
NET INCOME FOR THE PERIOD	132,708	137,301

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

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

(Thousands of euros)

	30 September 2019				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	344,537	13,412	357,949	270,318	87,631
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	218,588	-	218,588	223,603	(5,015)
Reclassification of (gains) / losses to profit or loss	(84,764)	-	(84,764)	(84,764)	-
Cash flows hedging					
Gains / (losses) for the period	238,052	-	238,052	233,048	5,004
Other comprehensive income from investments in associates and others	7,232	-	7,232	7,179	53
Exchange differences arising on consolidation	(21,586)	-	(21,586)	(11,762)	(9,824)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 43)	(2,235)	-	(2,235)	(2,235)	-
Fiscal impact	(117,728)	-	(117,728)	(117,730)	2
	237,559	-	237,559	247,339	(9,780)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(10,816)	-	(10,816)	(11,105)	289
Changes in own credit risk of financial liabilities at fair value through profit or loss	(2,971)	-	(2,971)	(2,971)	-
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund	(211,332)	-	(211,332)	(211,332)	-
Pension Fund - other associated companies	(3,246)	-	(3,246)	(3,246)	-
Fiscal impact	(5,914)	-	(5,914)	(5,859)	(55)
	(234,279)	-	(234,279)	(234,513)	234
Other comprehensive income / (loss) for the period	3,280	-	3,280	12,826	(9,546)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	347,817	13,412	361,229	283,144	78,085

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

(Thousands of euros)

	30 September 2018				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	343,750	(422)	343,328	257,469	85,859
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(15,139)	-	(15,139)	(18,428)	3,289
Reclassification of (gains) / losses to profit or loss	(46,560)	-	(46,560)	(44,719)	(1,841)
Cash flows hedging					
Gains / (losses) for the period	11,911	-	11,911	8,417	3,494
Other comprehensive income from investments in associates and others	(3,134)	-	(3,134)	(3,064)	(70)
Exchange differences arising on consolidation	(126,229)	-	(126,229)	(102,031)	(24,198)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 43)	14,256	-	14,256	14,256	-
Others	(1,151)	-	(1,151)	(1,151)	-
Fiscal impact	13,106	-	13,106	14,046	(940)
	(152,940)	-	(152,940)	(132,674)	(20,266)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period	1,867	-	1,867	1,943	(76)
Changes in own credit risk of financial liabilities at fair value through profit or loss	1,321	-	1,321	1,321	-
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund	(10,417)	-	(10,417)	(10,417)	-
Pension Fund - other associated companies	696	-	696	696	-
Fiscal impact	(17,456)	-	(17,456)	(17,471)	15
	(23,989)	-	(23,989)	(23,928)	(61)
Other comprehensive income / (loss) for the period	(176,929)	-	(176,929)	(156,602)	(20,327)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	166,821	(422)	166,399	100,867	65,532

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD BETWEEN 1 JULY AND 30 SEPTEMBER 2019 AND 2018

(Thousands of euros)

	Third quarter 2019				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	132,709	(1)	132,708	100,539	32,169
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	16,061	-	16,061	19,818	(3,757)
Reclassification of (gains) / losses to profit or loss	(4,152)	-	(4,152)	(9,540)	5,388
Cash flows hedging					
Gains / (losses) for the period	74,767	-	74,767	74,176	591
Other comprehensive income from investments in associates and others	(4,615)	-	(4,615)	(4,602)	(13)
Exchange differences arising on consolidation	(26,075)	-	(26,075)	(5,065)	(21,010)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 43)	524	-	524	524	-
Fiscal impact	(27,017)	-	(27,017)	(26,595)	(422)
	29,493	-	29,493	48,716	(19,223)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(1,912)	-	(1,912)	(1,863)	(49)
Changes in own credit risk of financial liabilities at fair value through profit or loss	(2,580)	-	(2,580)	(2,580)	-
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund	(53,705)	-	(53,705)	(53,705)	-
Pension Fund - other associated companies	(39)	-	(39)	(19)	(20)
Fiscal impact	(17,616)	-	(17,616)	(17,629)	13
	(75,852)	-	(75,852)	(75,796)	(56)
Other comprehensive income / (loss) for the period	(46,359)	-	(46,359)	(27,080)	(19,279)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	86,350	(1)	86,349	73,459	12,890

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

(Thousands of euros)

	Third quarter 2018				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME / (LOSS) FOR THE PERIOD	139,473	(2,172)	137,301	106,826	30,475
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(7,007)	-	(7,007)	(7,471)	464
Reclassification of (gains) / losses to profit or loss	(1,362)	-	(1,362)	(536)	(826)
Cash flows hedging					
Gains / (losses) for the period	(47,529)	-	(47,529)	(48,481)	952
Other comprehensive income from investments in associates and others	(4,345)	-	(4,345)	(4,377)	32
Exchange differences arising on consolidation	(7,543)	-	(7,543)	(22,514)	14,971
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 43)	4,009	-	4,009	4,009	-
Others	(417)	-	(417)	(417)	-
Fiscal impact	17,054	-	17,054	17,169	(115)
	(47,140)	-	(47,140)	(62,618)	15,478
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(708)	-	(708)	(663)	(45)
Changes in own credit risk of financial liabilities at fair value through profit or loss	(563)	-	(563)	(563)	-
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund	(37,149)	-	(37,149)	(37,149)	-
Pension Fund - other associated companies	(122)	-	(122)	(122)	-
Fiscal impact	723	-	723	714	9
	(37,819)	-	(37,819)	(37,783)	(36)
Other comprehensive income / (loss) for the period	(84,959)	-	(84,959)	(100,401)	15,442
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	54,514	(2,172)	52,342	6,425	45,917

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

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

(Thousands of euros)

	Notes	30 September 2019	31 December 2018
ASSETS			
Cash and deposits at Central Banks	18	3,766,327	2,753,839
Loans and advances to credit institutions repayable on demand	19	286,278	326,707
Financial assets at amortised cost			
Loans and advances to credit institutions	20	978,114	890,033
Loans and advances to customers	21	49,418,839	45,560,926
Debt securities	22	3,676,592	3,375,014
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	930,767	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	23	1,420,438	1,404,684
Financial assets designated at fair value through profit or loss	23	31,550	33,034
Financial assets at fair value through other comprehensive income	23	13,972,254	13,845,625
Assets with repurchase agreement		-	58,252
Hedging derivatives	24	267,659	123,054
Investments in associated companies	25	429,173	405,082
Non-current assets held for sale	26	1,422,860	1,868,458
Investment property	27	10,011	11,058
Other tangible assets	28	723,099	461,276
Goodwill and intangible assets	29	219,907	174,395
Current tax assets		25,234	32,712
Deferred tax assets	30	2,720,442	2,916,630
Other assets	31	1,059,579	811,816
TOTAL ASSETS		81,359,123	75,923,049
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	6,502,817	7,752,796
Resources from customers	33	57,621,785	52,664,687
Non subordinated debt securities issued	34	1,751,766	1,686,087
Subordinated debt	35	1,685,663	1,072,105
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	333,089	327,008
Financial liabilities at fair value through profit or loss	37	3,379,088	3,603,647
Hedging derivatives	24	324,139	177,900
Provisions	38	332,409	350,832
Current tax liabilities		8,705	18,547
Deferred tax liabilities	30	11,355	5,460
Other liabilities	39	1,772,819	1,300,074
TOTAL LIABILITIES		73,723,635	68,959,143
EQUITY			
Share capital	40	4,725,000	4,725,000
Share premium	40	16,471	16,471
Other equity instruments	40	402,922	2,922
Legal and statutory reserves	41	240,535	264,608
Treasury shares	42	(97)	(74)
Reserves and retained earnings	43	750,603	470,481
Net income for the period attributable to Bank's Shareholders		270,318	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,405,752	5,780,473
Non-controlling interests	44	1,229,736	1,183,433
TOTAL EQUITY		7,635,488	6,963,906
TOTAL LIABILITIES AND EQUITY		81,359,123	75,923,049

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2019 AND 2018

(Thousands of euros)

	30 September 2019	30 September 2018
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,283,972	1,236,022
Commissions received	663,061	651,130
Fees received from services rendered	82,982	58,979
Interests paid	(297,141)	(325,189)
Commissions paid	(128,370)	(103,908)
Recoveries on loans previously written off	16,178	8,425
Net earned insurance premiums	14,018	14,795
Claims incurred of insurance activity	(4,703)	(6,544)
Payments (cash) to suppliers and employees (*)	(932,391)	(882,780)
Income taxes (paid) / received	(42,274)	(47,826)
	655,332	603,104
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(87,543)	144,086
Deposits held with purpose of monetary control	-	50,114
Loans and advances to customers receivable / (granted)	(1,274,587)	(922,267)
Short term trading securities	149,405	(200,440)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(125,663)	39,309
Deposits from credit institutions with agreed maturity date	(2,004,833)	56,199
Loans and advances to customers repayable on demand	3,521,231	3,266,373
Deposits from customers with agreed maturity date	(1,075,558)	(824,608)
	(242,216)	2,211,870
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of investments held in associated companies	13	-
Dividends received	10,939	67,169
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	209,020	222,728
Sale of financial assets at fair value through other comprehensive income and at amortised cost	16,487,305	4,331,558
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(39,716,579)	(44,364,628)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	23,364,818	37,703,120
Acquisition of tangible and intangible assets	(69,585)	(47,530)
Sale of tangible and intangible assets	13,392	6,630
Decrease / (increase) in other sundry assets	(204,721)	480,047
	94,602	(1,600,906)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Acquisition of investments in subsidiaries which does not results loss control	75,373	-
Issuance of subordinated debt	641,884	100
Reimbursement of subordinated debt	(57,950)	(95,576)
Issuance of debt securities	440,189	266,076
Reimbursement of debt securities	(141,729)	(596,648)
Issuance of commercial paper and other securities	178,254	28,412
Reimbursement of commercial paper and other securities	(112,969)	(12,775)
Issue of Perpetual Subordinated Bonds (Additional Tier 1) (note 47)	396,325	-
Dividends paid (note 47)	(30,228)	-
Dividends paid to non-controlling interests	(15,502)	(9,088)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(18,500)	-
Increase / (decrease) in other sundry liabilities and non-controlling interests (**)	(213,888)	(5,864)
	1,141,259	(425,363)
Exchange differences effect on cash and equivalents	(21,586)	(126,229)
Net changes in cash and equivalents	972,059	59,372
Cash (note 18)	566,202	540,608
Deposits at Central Banks (note 18)	2,187,637	1,627,326
Loans and advances to credit institutions repayable on demand (note 19)	326,707	295,532
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3,080,546	2,463,466
Cash (note 18)	553,739	506,866
Deposits at Central Banks (note 18)	3,212,588	1,685,651
Loans and advances to credit institutions repayable on demand (note 19)	286,278	330,321
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	4,052,605	2,522,838

(*) In the first nine months of 2019, this balance includes the amount of Euros 1.939,000 related to short-term lease contracts and the amount of Euros 1,346,000 related to lease contracts of low value assets.
(**) In the first nine months of 2019, this balance includes the amount of Euros 41.388.000 corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2019 AND 2018

(Thousands of euros)

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non--controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2017	5,600,738	16,471	59,910	2,922	252,806	(293)	(38,130)	186,391	6,080,815	1,098,921	7,179,736
Transition adjustments IFRS 9											
Gross value	-	-	-	-	-	-	(218,184)	-	(218,184)	(36,999)	(255,183)
Taxes	-	-	-	-	-	-	(155,472)	-	(155,472)	6,888	(148,584)
	-	-	-	-	-	-	(373,656)	-	(373,656)	(30,111)	(403,767)
BALANCE AS AT 1 JANUARY 2018	5,600,738	16,471	59,910	2,922	252,806	(293)	(411,786)	186,391	5,707,159	1,068,810	6,775,969
Net income for the period	-	-	-	-	-	-	-	257,469	257,469	85,859	343,328
Other comprehensive income	-	-	-	-	-	-	(156,602)	-	(156,602)	(20,327)	(176,929)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(156,602)	257,469	100,867	65,532	166,399
Results application:											
Legal reserve	-	-	-	-	11,802	-	(11,802)	-	-	-	-
Transfers for reserves and retained earnings	-	-	-	-	-	-	186,391	(186,391)	-	-	-
Constitution and acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	12,840	12,840
Dividends from preference shares	-	-	-	-	-	-	(460)	-	(460)	-	(460)
Dividends from other equity instruments	-	-	-	-	-	-	(74)	-	(74)	-	(74)
Dividends (a)	-	-	-	-	-	-	-	-	-	(9,088)	(9,088)
Treasury shares	-	-	-	-	-	2	-	-	2	-	2
Other reserves	-	-	-	-	-	-	917	-	917	28	945
BALANCE AS AT 30 SEPTEMBER 2018	5,600,738	16,471	59,910	2,922	264,608	(291)	(393,416)	257,469	5,808,411	1,138,122	6,946,533
Net income for the period	-	-	-	-	-	-	-	43,596	43,596	31,950	75,546
Other comprehensive income	-	-	-	-	-	-	(12,659)	-	(12,659)	4,818	(7,841)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(12,659)	43,596	30,937	36,768	67,705
Share capital decrease (note 40)	(875,738)	-	-	-	-	-	875,738	-	-	-	-
Reimbursement of preference shares (note 40)	-	-	(59,910)	-	-	-	373	-	(59,537)	-	(59,537)
Costs related to the share capital decrease	-	-	-	-	-	-	(41)	-	(41)	-	(41)
Constitution and acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	8,519	8,519
Dividends from preference shares	-	-	-	-	-	-	(262)	-	(262)	-	(262)
Dividends from other equity instruments	-	-	-	-	-	-	(75)	-	(75)	-	(75)
Treasury shares	-	-	-	-	-	217	-	-	217	-	217
Gains arising on sale of 10% of Setelote	-	-	-	-	-	-	252	-	252	-	252
Other reserves	-	-	-	-	-	-	571	-	571	24	595
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	-	2,922	264,608	(74)	470,481	301,065	5,780,473	1,183,433	6,963,906
Net income for the period	-	-	-	-	-	-	-	270,318	270,318	87,631	357,949
Other comprehensive income	-	-	-	-	-	-	12,826	-	12,826	(9,546)	3,280
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	12,826	270,318	283,144	78,085	361,229
Results application (note 47):											
Statutory reserve (note 41)	-	-	-	-	(30,000)	-	30,000	-	-	-	-
Legal reserve (note 41)	-	-	-	-	5,927	-	(5,927)	-	-	-	-
Transfers for reserves and retained earnings	-	-	-	-	-	-	301,065	(301,065)	-	-	-
Dividends payed (note 47)	-	-	-	-	-	-	(30,228)	-	(30,228)	-	(30,228)
Issue of perpetual subordinated bonds (Additional Tier 1) (note 40)	-	-	-	400,000	-	-	-	-	400,000	-	400,000
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	-	-	-	-	-	-	(18,500)	-	(18,500)	-	(18,500)
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	(3,675)	-	(3,675)	-	(3,675)
Reversal of deferred tax assets related with expenses with the capital increase (Corrections from previous years)	-	-	-	-	-	-	(4,685)	-	(4,685)	-	(4,685)
Sale of subsidiaries	-	-	-	-	-	-	-	-	-	(16,295)	(16,295)
Dividends from other equity instruments	-	-	-	-	-	-	(74)	-	(74)	-	(74)
Dividends (a)	-	-	-	-	-	-	-	-	-	(15,502)	(15,502)
Treasury shares (note 42)	-	-	-	-	-	(23)	-	-	(23)	-	(23)
Other reserves (note 43)	-	-	-	-	-	-	(680)	-	(680)	15	(665)
BALANCE AS AT 30 SEPTEMBER 2019	4,725,000	16,471	-	402,922	240,535	(97)	750,603	270,318	6,405,752	1,229,736	7,635,488

(a) Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

1. Accounting Policies

A. Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the nine months ended 30 September 2019 and 2018.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002 and Bank of Portugal Notice No. 5/2015 (which revoked Bank of Portugal Notice No. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU'). IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and their predecessor bodies. The interim condensed consolidated financial statements and the accompanying notes were approved on 15 October 2019 by the Bank's Executive Committee, and are presented in thousands of euros, rounded to the nearest thousand.

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

The interim condensed consolidated financial statements for the nine-month period ended 30 September 2019 were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and therefore it does not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that they should be read with the consolidated financial statements with reference to 31 December 2018.

These interim condensed consolidated financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2019. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period, except for the changes resulting from the adoption of the following standard with reference to 1 January 2019: IFRS 16 - Leases. This standard replaces IAS 17 – Leases and establishes the new requirements regarding the scope, classification/recognition and measurement of leases.

On 1 January 2019, the Group carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Group applied this standard retrospectively, with its transition impacts being recognised on 1 January 2019. This way, comparative information will not be restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right-to-use by the lease liability amount.

The impacts arising from the implementation of IFRS 16 with reference to 1 January 2019, as well as the reconciliation between the balance sheet at 31 December 2018 and the balance sheet at 1 January 2019, in accordance with IFRS 16, are detailed in note 52. Application of IFRS 16 - Leases. The balances included in the financial statements as at 31 December 2018 are presented for comparative purposes only.

The Group's financial statements were prepared under the going concern assumption and under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Financial assets and liabilities that are covered under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the past liabilities with pensions net of the value of the fund's assets.

The preparation of the financial statements in accordance with IFRS requires the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues, involving a higher degree of judgment or complexity or for which assumptions and estimates are considered to be significant are presented in note 1 Z.

B. Basis of consolidation

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

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (the Group), and the results attributable to the Group financial investments in associates.

B1. Investments in subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed or has rights to variable returns from its involvement with the entity and is able to take possession of those results through the power it holds over the relevant activities of that entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise negative non-controlling interests.

On a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired, is booked against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revaluated at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

B2. Investments in associates

Investments in associated companies are registered by the equity method from the date that the Group acquires significant influence until the date it ceases to exist. Associates are those entities in which the Group has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, more than 20% or of the voting rights of the investee. If the Group holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Group and the investee;
- interchange of the management team;
- provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of associated companies accounted on an equity basis. When the Group's share of losses exceeds its interest in the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred in a legal obligation to assume those losses on behalf of an associate.

B3. Goodwill

Business combinations are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed. Costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

Positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the year the business combination occurs.

Goodwill is not adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement, or in equity, when applicable.

According to IFRS 3 - Business combinations, if the initial accounting of a business combination is not concluded until the end of the first financial reporting period in which the combination occurs, it is recorded at the respective provisional values. These provisional values can be adjusted over the measurement period, which can't exceed a year since the acquisition date. Over this period, the Group should retrospectively adjust the amounts recognized previously on the acquisition date, to reflect newly obtained information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have impacted the measurement of the amounts recognized at that date.

During this period, the Group should also recognize additional assets and liabilities in case of obtaining new information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have resulted in the recognition of that assets and liabilities at that time.

The recoverable amount of the goodwill registered in the Group's asset is assessed annually in the preparation of the accounts with reference at the end of the year or whenever there are indications of eventual loss of value. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

B4. Purchases and dilution of non-controlling interests

The acquisition of the non-controlling interests that does not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, is not recognised additional goodwill resulting from this transaction. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of controlling interests, that does not impact the control position of a subsidiary, are always recognised against reserves.

B5. Loss of control

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

B6. Investments in foreign subsidiaries and associates

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euros at the official exchange rate at the balance sheet date.

Regarding the investments in foreign operations that are consolidated under the full consolidation or equity methods, for exchange differences between the conversion to Euros of the opening equity at the beginning of the year and their value in Euros at the exchange rate ruling at the balance sheet date for consolidated accounts are charged against consolidated reserves - exchange differences. The changes in fair value resulting from instruments that are designated and qualified as hedging instruments relatedto foreign operations are registered in equity in "Reserves and retained earnings". Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss of the year.

The income and expenses of these subsidiaries are converted to Euros at an approximate rate of the rates ruling at the dates of the transactions, and it is used a monthly average considering the initial and final exchange rate of each month. Exchange differences from the conversion to Euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in "Reserves and retained earnings - exchange differences resulting from the consolidation of Group's companies".

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves, are transferred to profit and loss as part of the gains or loss arising from the disposal.

The Group applies IAS 29 - Financial reporting in hyperinflationary economies in financial statements of entities that present accounts in functional currency of an economy that has hyperinflation.

In applying this policy, non-monetary assets and liabilities were adjusted based on the price index from the date of acquisition or the date of the last revaluation until 31 December 2018. The restated values of assets were reduced by the amount that exceeds their recoverable amount, in accordance with the applicable IFRS.

Equity components are also updated considering the price index from the beginning of the period or date of the contribution, if it is earlier.

When the classification as a hyperinflationary economy is applied to associated companies, its effects are included in the Group's financial statements by applying the equity method of accounting on the financial statements restated in accordance with the requirements of IAS 29. The effects of the application of IAS 29 with impact on capital items are recorded against the item "Reserves and retained earnings".

B7. Transactions eliminated on consolidation

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

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

At the initial recognition, financial assets are classified into one of the following categories:

i) Financial assets at amortized cost;
ii) Financial assets at fair value through other comprehensive income; or
iii) Financial assets at fair value through profit or loss.

The classification is made taking into consideration the following aspects:

- the Group's business model for the management of the financial asset; and
- the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

With reference to 1 January 2018, the Group carried out an evaluation of the business model in which the financial instrument is held at the portfolio level, since this approach reflects the best way in which assets are managed and how that information is available to the management. The information considered in this evaluation included:

- the policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or in the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the evaluation of the risks that affect the performance of the business model (and of the financial assets held under this business model) and the way these risks are managed;
- the remuneration of business managers – e.g. in which way the compensation depends on the fair value of the assets under management or contractual cash flows received; and
- the frequency, volume and sales periodicity in previous periods, the reasons for those sales and the expectations about future sales. However, sales information should not be considered singly but as part of an overall assessment of how the Group establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value option are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows (HTC) nor for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond to Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the counterparty for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g. liquidity risk and administrative costs), and as a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Group considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the Group considered that:

- contingent events that may change the periodicity and the amount of the cash flows;
- characteristics that result in leverage;
- terms of prepayment and extension of maturity;
- terms that may limit the right of the Group to claim cash flows in relation to specific assets (e.g. contracts with terms which prevent access to assets in case of default - non-recourse asset); and
- characteristics that may change the time value of money.

In addition, an advanced payment is consistent with the SPPI criterion if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominalvalue;
- the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest, but not paid (may include reasonable compensation for prepayment); and
- the prepaid fair value is insignificant at initial recognition.

C1.1.1. Financial assets at amortized cost

Classification

A financial asset is classified under the category "Financial assets at amortized cost" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortized cost" category includes Loans and advances to credit institutions, Loans and advances to customers and debt instruments managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, bonds issued by companies and commercial paper).

Initial recognition and subsequent measurement

Loans and advances to credit institutions and Loans and advances to customers are recognised at the date the funds are made available to the counterparty (settlement date). Debt instruments are recognised on the trade date, that is, on the date the Group accepts to acquire them.

Financial assets at amortised cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortized cost. In addition, they are subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5), which are recorded in "'Impairment of financial assets measured at amortised cost".

Interest on financial assets at amortized cost is recognised under "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

Gains or losses generated at the time of derecognition are recorded in the caption "Gains / (losses) with derecognition of financial assets and liabilities at amortised cost".

C1.1.2. Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified under the category of "Financial assets at fair value through other comprehensive income" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and;
- the contractual cash flows occurs on specified dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, in the initial recognition of an equity instrument that is not held for trading, nor a contingent retribution is recognised by an acquirer in a business combination which applies IFRS 3, the Group may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case basis and is only available for financial instruments that comply with the definition of equity instruments provided for in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific income statement "Gains or losses on derecognition of financial assets at fair value through other comprehensive income."

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5). Impairment losses are recognised in the income statement under "Impairment for financial assets at fair value through other comprehensive income", against Other comprehensive income, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts on financial assets at fair value through other comprehensive income are recognised in "Interest and similar income" based on the effective interest rate method and in accordance with the criteria described in note C3.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. The changes in the fair value of these financial assets are recorded against Other comprehensive income. Dividends are recognised in profit or losses when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses recorded in fair value changes are transferred to retained earnings at the time of their derecognition.

C1.1.3. Financial assets at fair value through profit or loss

Classification

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the Group for its management or the characteristics of its contractual cash flows does not meet the conditions described above to be measured at amortised cost or at fair value through other comprehensive income (FVOCI).

In addition, the Group may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces measurement or recognition inconsistency (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis.

The Group classified "Financial assets at fair value through profit and loss" in the following captions:

a) Financial assets held for trading

These financial assets are acquired with the purpose of short term selling; on the initial recognition are part of an identified financial instruments portfolio that are managed together and for which there is evidence of short-term profit-taking; or are a derivative (except for hedging derivative).

b) Financial assets not held for trading mandatorily at fair value through profit or loss

This item classifies debt instruments whose contractual cash flows do not correspond only to repayments of principal and interest on the principal amount outstanding (SPPI).

c) Financial assets designated at fair value through profit or loss

This item includes the financial assets that the Group has chosen to designate at fair value through profit or loss to eliminate accounting mismatch.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are in market conditions, financial assets at fair value through profit or loss are initially recognised at their fair value, with the costs or income associated with the transactions recognised in profit or loss at the initial moment, with subsequent changes in fair value recognised in profit or loss.

The accrual of interest and the premium / discount (when applicable) is recognised in "Net interest income" based on the effective interest rate of each transaction, as well as the accrual of interest from derivatives associated with financial instruments classified in this category. Dividends are recognised in profit or losses when the right to receive them is attributed.

Trading derivatives with a positive fair value are included under the heading "Financial assets held for trading", trading derivatives with negative fair value are included in "Financial liabilities held for trading".

C1.2. Reclassification between categories of financial assets

Financial assets should be reclassified to other categories only if the business model used in their management has changed. In this case, all financial assets affected must be reclassified.

The reclassification must be applied prospectively from the date of reclassification, and any gains, losses (including related to impairment) or interest previously recognised should not be restated.

Reclassifications of investments in equity instruments measured at fair value through other comprehensive income, or financial instruments designated at fair value through profit or loss, are not permitted.

C1.3. Modification and derecognition of financial assets

General principles

i) The Group shall derecognise a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset as set out in notes ii) and iii) bellow and the transfer qualifies for derecognition in accordance with note iv).

ii) The Group transfers a financial asset if, and only if, it either:

- Transfers the contractual rights to receive the cash flows of the financial asset, or
- Retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions in note iii).

iii) When the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), the Group shall treat the transaction as a transfer of a financial asset if all of the following three conditions are met:

- There is no obligation of the Group to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition;
- The Group is contractually prohibited from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows;
- The Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 Statement of Cash Flows) during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients;

iv) When the Group transfers a financial asset (see note ii) above), it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- if the Group transfers substantially all the risks and rewards of ownership of the financial asset, shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
- if the Group retains substantially all the risks and rewards of ownership of the financial asset, it shall continue to recognize the financial asset;
- if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset. In this case:

a) if the Group has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
b) if the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

v) The transfer of risks and rewards (see prior note) is evaluated by comparing the Group's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.

vi) The question of whether the Group has retained control (see note iv above) of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the entity has not retained control. In all other cases, the entity has retained control.

Derecognition criteria

In the context of the general principles listed in the prior section and considering that contract modification processes may lead in some circumstances to the derecognition of the original financial assets and recognition of new ones (subject to POCI identification) the purpose of this section is to set the criteria and circumstances that may lead to the derecognition of a financial asset.

The Group considers that a modification in the terms and conditions of a credit exposure will result in derecognition of the transaction and on recognition of a new transaction when the modification translates into at least one of the following conditions:

- Origination of a new exposure that results from a debt consolidation, without any of the derecognised instruments have a nominal amount higher than 90% of the nominal amount of the new instrument;
- Double extension of residual maturity, provided that the extension is not shorter than 3 years compared with the residual maturity at the moment of the modification;
- Increase of on-balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);
- Change in qualitative features, namely:

a) Change of the currency unless the exchange rate between the old and new currencies is pegged or managed within narrow bounds by law or relevant monetary authorities;
b) Deletion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be the exercised over its term;
c) Transfer of the credit risk of the instrument to another borrower, or a significant change in the structure of borrowers within the instrument.

Loans written-off

The Group write off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This registration occurs after all the recovery actions developed by the Group prove to be fruitless. Loans written off are recorded in off-balance sheet accounts.

C1.4. Purchase or originated credit impaired assets

Purchase or originated credit impaired (POCI) assets are credit-impaired assets on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

The two events that lead to the originations of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition (note C1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, that the existence of a significant discount reflects credit losses incurred at the time of its initial recognition.

On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime expected credit losses (ECL's) are incorporated into the calculation of the effective interest rate (EIR). Consequently, at initial recognition, the gross book value of POCI (initial balances) is equal to the net book value before being recognised as POCI (difference between the initial balance and the total discounted cash flows).

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

The Group recognises impairment losses for expected credit losses on financial instruments recorded in the following accounting items:

C1.5.1.1. Financial assets at amortised cost

Impairment losses on financial assets at amortised cost reduce the balance sheet value of these financial assets against the balance "Impairment for financial assets at amortised cost" (in statement of income).

C1.5.1.2. Debt instruments at fair value through other comprehensive income

Impairment losses for debt instruments at fair value through other comprehensive income are recognised in statement of income under "Impairment for financial assets at fair value through other comprehensive income", against other comprehensive income (do not reduce the balance sheet of these financial assets).

C1.5.1.3. Credit commitments, documentary credits and financial guarantees

Impairment losses associated with credit commitments, documentary credits and financial guarantees are recognised in liabilities, under the balance "Provisions for guarantees and other commitments", against "Other provisions" (in statement of income).

C1.5.2. Classification of financial instruments by stages

	Changes in credit risk from the initial recognition		
	Stage 1	Stage 2	Stage 3
Classification criterion	Initial recognition	Significant increase in credit risk since initial recognition	Impaired
Impairment losses	12-month expected credit losses	Lifetime expected credit losses	

The Group determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified into one of the following three stages:

- Stage 1: are classified in this stage the operations in which there is no significant increase in credit risk since its initial recognition. Impairment losses associated with operations classified at this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses).

- Stage 2: are classified in this stage the operations in which there is a significant increase in credit risk since its initial recognition (note C1.5.3) but are not impaired (note C1.5.4). Impairment losses associated with operations classified at this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses).

- Stage 3: are classified in this stage the impaired operations. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

C1.5.3. Significant increase in credit risk (SICR)

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria. These criteria are mainly based on the risk grades of customers in accordance with the Bank's Rating Master Scale and its evolution in order to detect significant increases in Probability of Default (PD), complemented by other information regarding the customers behavior towards the financial system.

C1.5.4. Definition of financial assets in default and impaired

Customers who meet at least one of the following criteria are considered to be in default:

a) Customers that are in default or with a limit exceeded for more than 90 days above the materiality applicable;
b) Customers subjected to individual analysis of impairment, for which the amount of impairment represents more than 20% of total exposure;
c) Customers submitted to the individual analysis of impairment and for which impairment value exceeds Euros 5 million;
d) Clients declared insolvent;
e) Customers that are subject to judicial recovery, excluding guarantors;
f) Customers with financial difficulties restructured operations for which it is registered at the time of restructuring a higher economic loss to Euros 5 million or 20% of total exposure;
g) Customers with restructured operations by financial difficulties, due for more than 45 days above the customer applicable materiality considering all its the credit operations;
h) Customers that have a recurrence of operations restructured due to financial difficulties within 24 months from the default resulting from the previous restructuring. If, from the previous restructuring, it did not result in default, the 24 months count from the previous restructuring;
i) Customers whose part or all of their exposure was sold with a loss greater than 20% or Euros 5 million (excluding sales that results from balance sheet management decision and not from disposal of problem loans);
j) Customers taking place a new sale with loss, regardless of the amount, during a period of 24 months as from the triggering of the previous sale;
k) Guarantors of operations overdue with more than 90 days above the defined materiality, since that the respective guarantee has been activated;
l) Cross default at the BCP Group level;
m) Customers with restructured operations at a lower interest rate than the refinancing rate of the European Central Bank (unproductive credit).

Customers are considered to have objective signs of impairment (i.e. Impaired):

i) Customers in default, i.e. marked as grade 15 on the Bank's Rating Master Scale;
ii) Customers who submitted to a questionnaire for analysis of financial difficulties indications are considered with objective signs of impairment;
iii) Customers whose contracts values are due for more than 90 days, represent more than 20% of its total exposure in the balance sheet;
iv) The Non-Retail customers with one or more contracts in default for more than 90 days and whose total overdue amount exceeds Euros 500;
v) The Retail customers contracts in default for more than 90 days and in which the overdue amount exceeds Euros 200;
vi) Contracts restructured due to financial difficulties in default for more than 30 days and in which the overdue amount exceeds Euros 200.

C1.5.5. Estimates of expected credit losses - Individual analysis

1. Clients who are in one of the following conditions are subject to individual analysis:

Customers in default	Customers in litigation or insolvency since the total exposure of the group members in these situations exceed Euros 1 million
	Customers integrated into groups with an exposure of more than Euros 5 million, since they have a risk grade15
Groups or Customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or Customers with exposure of more than Euros 5 million since a group member has a risk grade14
	Groups or customers with exposure of more than 5 million euros, since a member of the Group have a restructured loan and a risk grade 13
	Groups or customers with exposure of more than Euros 10 million, since at least one member of the group is in stage 2
	Groups or customers, not included in the preceding paragraphs, the exposure exceeds Euros 25 million

2. Regardless of the criteria described in the previous point, the individual analysis is only performed for customers with a credit exposure in excess of Euros 500,000, not considering customers with exposure below this limit for the purpose of determining the exposure referred to in the previous point.

3. Other customers, that do not meet the criteria above, will also be subject to individual analysis if under the following conditions:

i) Have impairment as a result of the latest individual analysis; or
ii) According to recent information, show a significant deterioration in risk levels; or
iii) Are Special Purpose Vehicle (SPV).

4. The individual analysis includes the following procedures:

- For customers not in default, the analysis of financial difficulties indicators to determine whether the customer has objective signs of impairment, or whether it should be classified in Stage 2 given the occurrence of a significant increase in credit risk, considering the effect a set of predetermined signs;
- For customers in default or for which the previous analysis has allowed to conclude that the customer has objective signs of impairment, determination of the loss.

5. The individual analysis is the responsibility of the managing director of customers and the Credit Department, the latter with respect to the customers managed by the Commercial Networks.

Impairment losses on individually assessed loans were determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Group assessed, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors were considered:

- Group's aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to each loan;
- a significant downgrading in the customer's rating;
- the assets available on liquidation or insolvency situations;
- the ranking of all creditors claims;
- the amount and timing of expected receipts and recoveries.

6. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.

7. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the Customer's liabilities.

8. The recovery estimate referred to in the previous point should be influenced by future prospects (forward looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty as to the expected recovery estimate are identified.

9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

-For Going Concern strategies (i.e. the estimation is based on the cash flows of the business), the possibility of applying the 2 additional macroeconomic scenarios (optimistic and pessimistic) should be analysed in a global way, to ascertain if there is the risk of a skewed view of the expected losses from the consideration of only one scenario.
-For Gone Concern strategies (i.e. the recovery estimate is based on the realization of the collateral), the impact of the macroeconomic scenario on collaterals should be analysed, for example, to what extent the projected real estate index allows anticipate significant changes to the current valuation values.

10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt.

11. For the purposes of the preceding paragraphs, the Studies, Planning and ALM Department shall disclose the macroeconomic data that allow the estimates to be made.

12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.

13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

- Recovery of collateral in geographies in which the Bank has no relevant recovery experience;
- Recovery of debt related to geographies in which there is a strong political instability;
- Recovery of non-real estate collateral for which there is no evidence of market liquidity;
- Recovery of related collateral or government guarantees in a currency other than the country's own;
- Recovery of debt related to debtors for whom there is a strong negative public exposure.

14. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, which is the final decision on the Customer's impairment.

15. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12 months equivalent to the risk grade of the customer.

16. The individual impairment analysis must be carried out at least annually. In case of significant signs of deterioration or improvement in the customer’s economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review anticipated impairment of this Customer.

C1.5.6. Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped considering their risk characteristics and subject to a collective impairment analysis. The Group's credit portfolio is divided by internal risk grades and according to the following segments:

a) Segments with a reduced history of defaults, designated "low default": Large corporate exposures, Project finance, Institutions (banks / financial institutions) and Sovereigns;

b) Segments not "low default": - Retail: Mortgages; Overdrafts; Credit cards; Small and medium enterprises - Retail ("SME Retail"); and Others. - Corporate: Small and medium enterprises - Corporate ("Large SME"); and Real Estate.

The Group performs statistical tests in order to prove the homogeneity of the segments mentioned above, with a minimum period of one year.

Expected credit losses are estimates of credit losses that are determined as follows:

- Financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;
- Financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- Unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the Group expects to receive;
- Financial guarantees: the current value of the expected repayments less the amounts that the Group expects to recover.

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default – PD;
- Loss Given Default – LGD; and
- Exposure at Default – EAD.

These parameters are obtained through internal statistical models and other relevant historical data, considering the already existing regulatory models adapted to the requirements of IFRS 9.

PDs are estimated based on a certain historical period and will be calculated based on statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also vary. The PDs will be calculated considering the contractual maturities of exposures.

The risk grades are a highly relevant input for determining the PD's associated with each exposure.

Group collects performance and default indicators about their credit risk exposures with analysis by types of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The Group estimates the LGD parameters based on the historical recovery rates after entry into counterparty defaults. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The Group obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Group will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Group has the right to require payment or end the commitment or guarantee.

The Group adopted as a residual term criterion for renewable operations, when in stage 2, a term of 5 years. This term was determined based on the behavioural models of this type of products applied by the Bank in the liquidity risk and interest rate (ALM) analysis. According to these models, the maximum period of repayment of these operations is the 5 years considered conservatively in the scope of the calculation of credit impairment.

The Group uses models to forecast the evolution of the most relevant parameters to the expected credit losses, namely probability of default, which incorporate forward-looking information. This incorporation of forward-looking information is carried out in the relevant elements considered for the calculation of expected credit losses (ECL).

The PD point in time (PDpit) considered for the determination of the probability of performing exposures at the reference date becoming defaulted exposures considers the expected values (in each scenario considered in the ECL calculation) for a set of macroeconomic variables. These relationships were developed specifically based on the Bank's historical information on the behaviour of this parameter (PDpit) in different economic scenarios and are different by customer segment and risk grade.

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- Financial liabilities at amortised cost;
- Financial liabilities at fair value through profit or loss.

C2.1.1. Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under "Financial liabilities at fair value through profit or loss" include:

a) Financial liabilities held for trading

In this balance are classified the issued liabilities with the purpose of repurchasing it in the near term, the ones that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative (except for a derivative classified as hedging instrument).

b) Financial liabilities designated at fair value through profit or loss

The Group may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- the financial liability is managed, evaluated and reported internally at its fair value; or
- the designation eliminates or significantly reduces the accounting mismatch of transactions.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognized as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium/discount (when applicable) is recognised on "Interest expense and similar charges" based on the effective interest rate of each transaction.

C2.1.2. Financial guarantees

If they are not designated at fair value through profit or loss at the time of initial recognition, the financial guarantee contracts are subsequently measured at the highest of the following amounts:

- the provision for losses determined according to the criteria described in note C1.5;
- the amount initially recognised deducted, where appropriate, from the accumulated amount of income recognised according with IFRS 15 - Revenue recognition.

Financial guarantee contracts that are not designated at fair value through profit or loss are presented under "Provisions".

C2.1.3. Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial assets at amortised cost" includes Resources from credit institutions, Resources from customers and subordinated and non-subordinated debt securities.

Initial recognition and subsequent measurement

Financial liabilities at amortized cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortized cost. Interests on financial liabilities at amortized cost are recognised on "Interest expense and similar charges", based on the effective interest rate method.

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

The Group derecognises financial liabilities when they are cancelled or extinct.

C3. Interest Recognition

Interest income and expense for financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (Net interest income) through the effective interest rate method. The interest at the effective rate related to financial assets at fair value through other comprehensive income are also recognised in net interest income.

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

For calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

Interests income recognised in income associated with contracts classified in stage 1 or 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortized cost, before deducting the respective impairment. For financial assets included in stage 3, interests are recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e. for financial assets entering stage 3 interests are recognised on the amortized cost (net of impairment) in subsequent periods.

For purchase or originated credit impaired assets (POCIs), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

C4. Hedge accounting

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements set forth in IAS 39.

The Group designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

C4.1. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of hedged risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual period of the hedged item.

C4.2. Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- Deferred over the residual period of the hedged instrument; or
- Recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

C4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IFRS 9, effectiveness has to be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

C4.4. Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity are transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

C5. Embedded Derivatives

An embedded derivative is a component of a hybrid agreement, which also includes a non-derived host instrument.

If the main instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described in note C1.1.3.

Derivatives embedded in contracts that are not considered financial assets are treated separately where the economic risks and benefits of the derivative are not related to those of the main instrument, since the hybrid instrument is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent fair value changes recorded in profit or loss for the period and presented in the trading derivatives portfolio.

D. Securitization operations

D1. Traditional securitizations

The Group has four residential mortgage credit securitizations operations (Magellan Mortgages No.1, No.2, No.3 and No.4) which portfolios were accounted derecognized of the separate balance of the Bank, as the residual notes of the referred operations were sold to institutional investors and consequently, the risks and the benefits were substantially transferred.

With the purchase of a part of the residual note, the Group maintained the control of the assets and the liabilities of Magellan Mortgages No.2 and No.3, these Special Purpose Entities (SPE or SPV) are consolidated in the Group Financial Statements, in accordance with accounting policy referred in note 1B.

The four operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Titularization Fund, which has financed this purchase through the sale of titularization units to a SPE with office in Ireland. At the same time this SPE issued and sold in the capital markets a group of different classes of bonds.

D2. Synthetic securitizations

The Group has two synthetic operations. Caravela SME No.3, which operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies.

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies).

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Group retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Group, in accordance of the CDS.

E. Equity instruments

A financial instrument is an equity instrument only if i) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity and ii) if the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the Group and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognised when the obligation to pay is established and are deducted to equity.

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

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

F2. Repurchase agreements

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

G. Non-current assets held for sale and Discontinued or discontinuing operations

Non-current assets, groups of non-current assets held for sale (groups of assets together with related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets or group of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and its sale is highly probable, in accordance with IFRS 5. In order for the sale to be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group) and must have been initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected the sale to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5, and that the Group remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable. Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term are consolidated until the moment of its sale.

G1. Non-operating real estate (INAE)

The Group also classifies non-current assets held for sale the non-operating real estate (INAE), which include properties acquired by the Group as a result of the resolution of customer credit processes, as well as own properties that are no longer used by the Group's services.

Properties held by real estate companies and real estate investment funds, which are part of the Group's consolidation perimeter, whose capital or units acquired by the Group as a result of the recovery loans are treated as INAE.

At the time of acquisition, real estate classified as INAE is recognised at the lower of the value of the loans existing on the date on which the recovery occurs or the judicial decision is formalised, and the fair value of the property, net of estimated costs for sale. Subsequent measurement of INAE is made at the lower of their book value and the corresponding fair value, net of the estimated costs for their sale and are not subject to amortization. Impairment losses are recorded in the results of the period in which they arise.

The fair value is determined based on the market value, which is determined based on the expected sales price obtained through periodic evaluations made by expert external evaluators accredited to the CMVM.

The principles used to determine the net fair value of selling costs of a property apply, whenever possible, to real estate similar to INAE held by Real Estate Companies and Real Estate Investment Funds for the purpose of consolidating Group accounts.

Whenever the net fair value of the selling costs calculated for an INAE is less than the amount by which the same is recognized in the Group's balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against income for the year.

If the net fair value of the selling costs of an INAE, after recognition of impairment, indicates a gain, the Group may reflect that gain up to the maximum of the impairment that has been recorded on that property.

H. Lease transactions (IFRS 16)

As described in note 1A. Basis of Presentation, the Group adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. The Group did not adopt any of the requirements of IFRS 16 in prior periods.

This standard establishes the new requirements regarding the scope, classification/recognition and measurement of leases:

- from the lessor's perspective, leases will continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with those leases as an expense.

The Group will choose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, this standard won't be applied to leases of intangible assets.

Lease definition

The new lease definition focusses on the control of the identified asset, establishing that a contract constitutes or contains a lease if it carries the right to control the use of an identified asset, i.e. the right to obtain substantially all the economic benefits of using it, and the right to choose how to use the identified asset over a period in exchange of a payment.

Impacts from the lessee's perspective

The Group recognise for all leases, except for those with a term under 12 months or for low value underlying asset leases:

- a right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be supported by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently, it will be measured according to the cost model (subject to depreciations/amortisations and impairment tests);

- a lease liability initially recorded at the present value of the remaining lease payments (NPV), which includes:
  - fixed payments deducted from any lease incentives receivable;
  - variable lease payments that depend on a rate or an index, initially measured considering the rate or index as at the commencement date;
  - amounts expected to be paid by the lessee under residual values guarantees;
  - the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease.

Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Group's spread of risk, applied over the weighted average term of each lease contract. For contracts with term, that date is considered as the end of lease date, while for contracts without term it is assessed the date in which the contract is enforceable. In the evaluation of enforceability, it is considered the particular clauses of the contracts, as well as the current law on Urban Leases.

Subsequently, lease payments are measured as follows:
- by increasing their carrying amount to reflect interest;
- by reducing their carrying amount to reflect lease payments;
- carrying amount shall be remeasured to reflect any leases' revaluations or changes, as well as to reflect the review of in-substance fixed payments and the review of the lease term.

The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used.

- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

The Group did not make any adjustment during the periods presented.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The implementation of this standard implies changes in the Group's financial statements, as referred in note 52, namely:

- in the consolidated income statement:
  (i) recording in "Interest Income" the interest expenses related to lease liabilities;
  (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
  (iii) recording in "Amortizations and depreciations" the depreciation expenses related to right-to-use assets.
- in the consolidated balance sheet:
  (i) recording in "Financial assets at amortised cost – Loans and advances to customers" the recognition of financial assets related to sublease operations measured accordingly to IFRS 9;
  (ii) recording in "Other tangible assets" the recognition of right-to-use assets; and,
  (iii) recording in "Other liabilities" the amount of recognized lease liabilities.
- in the consolidated statement of cash flows, the balance "Cash flows arising from operating activities – Payments (cash) to suppliers and employees" includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance "Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests" includes amounts related to payments of lease liabilities' capital portions, as detailed in the Interim condensed consolidated statement of cash flows.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17.

Subleases

A sublease implies that the lessee establishes a lease contract with a third party, which acts as an intermediary, and the lease contract with the original lessor is kept in force.

IFRS 16 – Leases requires that the lessor evaluates subleases regarding right-to-use and not regarding the underlying asset.

The sublease's lessor, simultaneously lessee regarding the original lease, shall recognize an asset in the financial statement – a right-to-use related to the initial lease (if the lease is classified as operating) or a financial asset, measured according to IFRS 9, related to the sublease (if the lease is classified as financing).

If the initial lease is a short-term lease, the sublease shall be classified as an operating lease.

I. Lease transactions (IAS 17)

Until 31 December 2018, and in accordance with IAS 17, the lease transactions were classified as financial whenever their terms transferred substantially all the risks and rewards associated with the ownership of the property to the lessee. The remaining leases were classified as operational. The classification of the leases was done according to the substance and not the form of the contract.

I1. Finance lease transactions

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

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

Assets received arising from the resolution of leasing contracts and complying with the definition of assets held for sale classified in this category, were measured in accordance with the accounting policy defined in note 1G.

I2. Operational leases

At the lessee's perspective, the Group had various operating leases for properties and vehicles. The payments under these leases were recognised in Other administrative costs during the life of the contract, and neither the asset nor the liability associated with the contract was evidenced in its balance sheet.

J. Recognition of income from services and commissions

Income from services and commissions are recognised according to the following criteria:

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

Income from services and commissions, that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

K. Net gains / (losses) from financial operations at fair value through profit or loss, Net gains / (losses) from foreign exchange, Net gains / (losses) from hedge accounting, Net gains / (losses) from derecognition of assets and liabilities at amortised cost and Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income

These balances include gains and losses arising from financial assets and liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This balance also includes the gains and losses arising from the sale of financial assets at fair value through other comprehensive income and financial assets and financial liabilities at amortised cost. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this balance, as well as the net gains or losses from foreign exchange.

L. Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Group’s consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

M. Other tangible assets

Other tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred under the principle of accrual-based accounting.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other tangible assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash-flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life. The impairment losses of the fixed tangible assets are recognised in profit and loss for the period.

N. Investment property

Real estate properties owned by the Group are recognised as Investment properties considering that the main objective of these buildings is the capital appreciation on a long-term basis and not its sale in a short-term period, or its maintenance for own use.

These investments are initially recognised at its acquisition cost, including the transaction costs and subsequently revaluated at its fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in results as "Other operating income / (losses)" (note 6).

The experts responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

O. Intangible assets

O1. Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

O2. Software

The Group accounts, as intangible assets, the costs associated to software acquired from external entities and depreciates them on a straight-line basis by an estimated lifetime of three years. The Group does not capitalise internal costs arising from software development.

P. Cash and equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits with Central Banks and loans and advances to credit institutions.

Q. Offsetting

Financial assets and liabilities are offset and recognised at their net book value when: i) the Group has a legal right to offset the amounts recognised and transactions can be settled at their net value; and ii) the Group intends to settle on a net basis or perform the asset and settle the liability simultaneously. Considering the current operations of the Group, no compensation of material amount is made. In case of reclassifications of comparative amounts, the provisions of IAS 1.41 are disclosed: i) the nature of the reclassification; ii) the amount of each item (or class of items) reclassified and iii) the reason for the reclassification.

R. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognised against equity.

S. Employee benefits

S1. Defined benefit plans

The Group has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the two collective labour arrangements. These benefits are estimated in the pension's plans 'Plano ACT' and 'Plano ACTQ' of the Pension Plan of BCP Group.

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

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

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The banks support the remaining difference for the total pension assured in Collective Labour Agreement.

This integration has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in accordance with the Projected Unit Credit during the average lifetime of the pension until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognized under the heading "Current service costs".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the IRCT - Instrument of Collective Regulation of Work of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the Collective Labour Agreement (ACT) was reached between the BCP Group and the two federations of the unions that represented the Group's employees, which introduced changes in the Social Security chapter and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT has already been published by the Ministry of Labour in Bulletin of Labour and Employment on 15 February 2017 and their effects were recorded in the financial statements of 31 December 2016, for employees associated with these two unions.

The negotiation with the " Sindicato dos Bancários do Norte”" ("SBN"), which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labour and Employment, with the effects of this new ACT recorded in the financial statements as at 31December 2017, for employees associates of SBN.

The most relevant changes occurred in the ACT were the change in the retirement age (presumed disability) that changed from 65 years to 66 years and two months in 2016, and the subsequent update of a further month for each year, at the beginning of each calendar year, and cannot, in any case, be higher than which it is in force at any moment in the General Regime of Social Security, the change in the formula for determining the employer's contribution to the SAMS and a new benefit called the End of career premium that replaces the Seniority premium.

These changes described above were framed by the Group as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs".

In 2017, after the authorization of the Autoridade de Supervisão de Seguros e Fundos de Pensões (“ASF”, the Portuguese Insurance and Pension Funds Supervision Authority), the BCP group's pension fund agreement was amended. The main purpose of the process was to incorporate into the pension fund the changes introduced in the Group's ACT in terms of retirement benefits and also to pass to the pension fund, the responsibilities that were directly chargeable to the company's (extra-fund liabilities). The pension fund has a part exclusively affected to the financing of these liabilities, which in the scope of the fund are called Additional Complement. The End of career premium also became the responsibility of the pension fund under the basic pension plan.

The Group’s net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimate. The responsibilities with past service are calculated using the Projected Unit Credit method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the ASF.

The Group’s net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Group’s obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

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

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

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

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

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

S2. Revision of the salary tables for employees in service and pensions in payment

The Bank established, in September 2019, an agreement with the trade unions regarding the review of salary tables and other pecuniary clauses for 2018 and 2019, with reference to 1 January 2018 and 1 January 2019, respectively. The agreement establishes the increase for 2018 in the base salary of about 0.50%, depending on the employee's grade level (similar increase for 2019) and the increase of other pecuniary clauses, such as the lunch allowance, diuturnities, among others.

S3. Defined contribution plan

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

As at 30 September 2019, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion.

S4. Share based compensation plan

As at 30 September 2019 there are no share-based compensation plans in force.

S5. Variable remuneration paid to employees

The Executive Committee decides on the most appropriate criteria of allocation among employees, whenever it is attributed. This variable remuneration is charged to income statement in the period to which it relates.

T. Income taxes

The Group is subject to income tax in several jurisdictions. The Bank is subject, in individual terms, to the regime established by the Corporate Income Tax Code ("CIRC"), the Special Regime applicable to Deferred Tax Assets approved by Law No. 61/2014 of 26 August, to which it adhered, and individual legislation. Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

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

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

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

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

Deferred tax assets include amounts associated with credit impairments not accepted for tax purposes whose credits have been written off, due to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

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

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

In 2016, the Banco Comercial Português, S.A. adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of IRC taxation, with BCP being the dominant entity. In the first nine months of 2019 and in 2018, the RETGS application was maintained.

U. Segmental reporting

The Group adopted the IFRS 8 - Operating Segments for the purpose of disclosure financial information by operating and geographic segments. A business segment is a Group's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance, and (iii) for which separate financial information is available.

The Group controls its activity through the following major operating segments:

Portugal activity:

- Retail Banking, also including ActivoBank;
- Companies, Corporate and Investment Banking;
- Private Banking;
- Other.

"Other" (Portugal activity) includes the activities that are not allocated to remaining segments namely centralized management of financial investments, corporate activities and insurance activity.

Foreign activity:
- Poland;
- Mozambique;
- Other.

The balance Other (foreign activity) includes the activity developed by subsidiaries in Switzerland and Cayman Islands and also the contribution of the participation in an associate in Angola.

V. Provisions, Contingent liabilities and Contingent assets

V1. Provisions

Provisions are recognised when i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), ii) it is probable that a payment will be required to settle and iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions considers the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent in the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

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

V2. Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

V3. Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits is not remote. The Group registers a contingent liability when:

a) It is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
b) A present obligation that arises from past events but is not recognised because:
 i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 ii) the amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

W. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share. If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

X. Insurance contracts

X1. Classification

The Group issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is accounted for as a financial instrument.

X2. Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long-term contracts are recognised as income when due from the policyholders. The benefits and other costs are recognised concurrently with the recognition of income over the life of the contracts. This specialization is achieved through the establishment of provisions / liabilities of insurance contracts and investment contracts with discretionary participating features.

The responsibilities correspond to the present value of future benefits payable, net of administrative expenses directly associated with the contracts, less the theoretical premiums that would be required to comply with the established benefits and related expenses. The liabilities are determined based on assumptions of mortality, costs of management or investment at the valuation date.

For contracts where the payment period is significantly shorter than the period of benefit, premiums are deferred and recognised as income in proportion to the duration period of risk coverage. Regarding short-term contracts, including contracts of non-life insurance, premiums are recorded at the time of issue. The award is recognised as income acquired in a pro-rata basis during the term of the contract. The provision for unearned premiums represents the amount of issued premiums on risks not occurred.

X3. Premiums

Gross premiums written are recognised for as income in the period to which they respect independently from the moment of payment or receivable, in accordance with the accrual accounting principle. Reinsurance premiums ceded are accounted for as expense in the period to which they respect in the same way as gross premiums written.

X4. Provision for unearned premiums from direct insurance and reinsurance premiums ceded

The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the pro-rata temporis method applied to each contract in force.

X5. Liability adequacy test

At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

Y. Insurance or reinsurance intermediation services

The Banco Comercial Português and Banco ActivoBank are entities authorized by the 'Autoridade de Supervisão de Seguros e Fundos de Pensões' (Portuguese Insurance Regulation) to practice the activity of insurance intermediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree-Law No. 144/2006, of July 31, developing the activity of insurance intermediation in life and non-life.

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

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

Z. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that requires that the Board of Directors, on the advice of the Executive Committee, to apply judgments and to make estimates in deciding which treatment is most appropriate. The most significant of these accounting estimates and judgments used in the accounting principles application are discussed in this section in order to improve understanding of how their application affects the Group's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, on the advice of the Executive Committee, the Group's reported results would differ if a different treatment was chosen. The Executive Committee believes that the choices made are appropriate and that the financial statements present the Group's financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Z1. Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assess whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and it is able to take possession of those results through the power it holds (de facto control). The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimates and assumptions to determine what extend the Group is exposed to the variable returns and its ability to use its power to affect those returns. Different estimates and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in consolidated income.

Z2. Goodwill impairment

The recoverable amount of the goodwill recorded in the Group's asset is assessed annually in the preparation of accounts with reference to the end of the year or whenever there are indications of eventual loss of value. For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

Z3. Income taxes

Interpretations and estimates were required to determine the total amount of income taxes in each of the jurisdictions where the Group operates. There are many transactions and calculations for which the tax determination is uncertain during the ordinary course of business. Different interpretations and estimates could result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Group considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to taxable income, evolution of tax legislation and its interpretation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors strategy, namely the ability to generate the estimated taxable income, the evolution of tax law and its interpretation.

Regarding the activity in Portugal, it was published the Law No. 98/2019, of 4 September, that establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

For the estimation of taxable income, it was considered the maintenance of the tax rules in force until 2018, resulting from not exercising earlier the option of applying the new regime.

In the projections of future taxable income, namely for the analysis of the recoverability of deferred tax assets carried out with reference to 31 December 2018, it was considered the tax rules in force in 2018, which are similar to the ones in force in the years of 2015, 2016 and 2017, and that through Regulatory Decrees published at the end of each of the referred years established that the limits expected in Bank of Portugal's Notice No. 3/95 and other specific standards should be considered to determine maximum amounts of impairment losses accepted for tax purposes.

In the update of the referred analysis of the recoverability of deferred tax assets with reference to 30 June 2019, it was considered the approximation between accounting and tax rules as foreseen by Law No. 98/2019, of 4 September, resulting from not exercising earlier its application over the adaptation period of 5 years provided by the referred law.

In 2018, the Group adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the application of IRC Code's general rules.

The taxable income or tax loss determined by the Bank or its' subsidiaries that reside in Portugal can be corrected by the Portuguese Tax Authority in the period of four years, except if any deduction was made or if tax credit was used, in which the limitation period corresponds to the same of exercising of that right. The Bank recorded provisions or deferred tax liabilities in the amount that finds appropriate to face the tax amendments or the tax losses of which was object, as well as the contingencies regarding exercises not yet revised by the Tax Authority.

Z4. Non-current assets held for sale (real estate) valuation

The valuation of these assets, and consequently the impairment losses, is supported by valuations carried out by independent experts, which incorporate several assumptions, namely on the evolution of the real estate market, better use of the real estate, and when applicable, expectations regarding the development of real estate projects, and also considers the Bank's intentions regarding the commercialization of these assets. The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

Z5. Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rates, mortality tables, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund is based on an analysis performed over the market yields regarding a bond issues universe – that the Group considers to have high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros - related to a diverse and representative range of issuers.

Z6. Financial instruments – IFRS 9

Z6.1. Classification and measurement

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the test of the business model.

The Group determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, have to be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and the way these risks are managed; and how asset managers are rewarded.

The Group monitors the financial assets measured at amortized cost and at fair value through other comprehensive income that are derecognised prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for those assets. This monitoring is part of a process of continuous evaluation made by the Group of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and consequently a prospective change classification of these financial assets.

Z6.2. Impairment losses on financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses on financial instruments involves judgments and estimates regarding, among others, the following:

Significant increase in credit risk:

Impairment losses correspond to the expected losses on a 12-month for the assets in stage 1 and the expected losses considering the probability of a default event occurring at some point up to the maturity date of the instrument financial assets for assets in stages 2 and 3. An asset is classified in stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers qualitative and quantitative information, reasonable and sustainable.

Definition of groups of assets with common credit risk characteristics:

When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Group monitors the adequacy of credit risk characteristics on a regular basis to assess whether it maintains its similarity. This procedure is necessary to ensure that, in the event of a change in the credit risk characteristics, the asset segmentation is reviewed. This review may result in the creation of new portfolios or in transferring assets to existing portfolios that better reflect their credit risk characteristics.

Definition of the number and relative weight of prospective information for each type of product / market and determination of relevant prospective information:

In estimating expected credit losses, the Group uses reasonable and sustainable forecasting information that is based on assumptions about the future evolution of different economic drivers and how each of the drivers impacts the remaining drivers.

Probability of default:

The probability of default represents a determining factor in the measurement of expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given period, which is calculated based on historical data, assumptions and expectations about future conditions.

Loss given default:

It corresponds to a loss estimate in a default scenario. It is based on the difference between the contractual cash flows and those that the Bank expects to receive, through the cash flows generated by the customers' business or credit collaterals. The calculation of the estimate of loss given default based on, among other aspects, the different recovery scenarios, historical information, the costs involved in the recovery process and the estimation of the valuation of collaterals associated with credit operations.

Z6.3. Fair value of derivative financial instruments

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which considers the market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values. Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different results from the ones reported.

AA. Subsequent events

The Group analyses events occurring after the balance sheet date, that is, favorable and/or unfavorable events occurring between the balance sheet date and the date the financial statements were authorized for issue. In this context, two types of events can be identified:

i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and
ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurring after the date of the statement of financial position that are not considered as adjustable events, if significant, are disclosed in the notes to the consolidated financial statements.

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	296	710
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	31,661	16,161
Loans and advances to customers	1,109,317	1,035,943
Debt securities	114,471	126,622
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	3,418	4,842
Derivatives associated to financial instruments at fair value through profit or loss	3,886	12,265
Financial assets not held for trading mandatorily at fair value through profit or loss	19,469	16,993
Financial assets designated at fair value through profit or loss	841	1,905
Interest on financial assets at fair value through other comprehensive income	114,918	117,700
Interest on hedging derivatives	74,976	69,132
Interest on other assets	4,520	5,588
	1,477,773	1,407,861
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(14,890)	(6,156)
Resources from customers	(220,041)	(236,340)
Non subordinated debt securities issued	(12,720)	(22,884)
Subordinated debt	(42,826)	(50,300)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives associated to financial instruments at fair value through profit or loss	(2,103)	(2,498)
Financial liabilities at fair value through profit or loss		
Resources from customers	(3,170)	(11,298)
Non subordinated debt securities issued	(1,473)	(5,535)
Interest on hedging derivatives	(21,957)	(18,812)
Interest on leasing	(4,455)	-
Interest on other liabilities	(1,181)	(1,233)
	(324,816)	(355,056)
	1,152,957	1,052,805

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 28,687,000 (30 September 2018: Euros 35,954,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 4,381,000 and Euros 9,485,000, respectively (30 September 2018: Euros 10,799,000 and Euros 8,437,000 respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 26,701,000 (30 September 2018: Euros 29,430,000), as referred in note 21 and Euros 107,000 (30 September 2018: Euros 179,000), as referred in note 22, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

The balance Interest on leasing refers to the interest cost related to the leasing liabilities recognised under IFRS 16, as referred in accounting policy described 1 H and note 52.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Dividends from financial assets held for trading	6	4
Dividends from financial assets through other comprehensive income	728	588
	734	592

The balances Dividends from financial assets through other comprehensive income include dividends and income from investment fund units received during the period.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Fees and commissions received		
Banking services provided	323,989	311,585
Management and maintenance of accounts	87,996	79,069
Bancassurance	87,983	79,199
Securities operations	56,232	67,345
Guarantees granted	40,299	42,904
Commitments to third parties	3,239	3,276
Insurance activity commissions	734	700
Fiduciary and trust activities	497	520
Other commissions	35,595	31,045
	636,564	615,643
Fees and commissions paid		
Banking services provided by third parties	(93,646)	(81,325)
Securities operations	(8,097)	(8,388)
Guarantees received	(3,405)	(3,937)
Insurance activity commissions	(848)	(821)
Other commissions	(11,476)	(11,104)
	(117,472)	(105,575)
	519,092	510,068

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	138,050	11,224
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(4,232)	(1,571)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	(136,378)	3,014
	(2,560)	12,667
Net gains / (losses) from foreign exchange	65,022	53,846
Net gains / (losses) from hedge accounting	(4,720)	(1,547)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(23,402)	(21,950)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	84,764	46,560
	119,104	89,576

The balances Net gains / (losses) from financial operations at fair value through profit or loss is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	4,636	12,470
Equity instruments	232	1,760
Derivative financial instruments	363,014	207,442
Other operations	753	1,014
	368,635	222,686
Losses		
Debt securities portfolio	(4,933)	(9,299)
Equity instruments	(1,357)	(1,551)
Derivative financial instruments	(223,897)	(199,794)
Other operations	(398)	(818)
	(230,585)	(211,462)
	138,050	11,224
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	17,772	20,619
Debt securities portfolio	25,852	36,035
Equity instruments	10,475	-
	54,099	56,654
Losses		
Loans and advances to customers	(20,775)	(23,753)
Debt securities portfolio	(37,556)	(34,472)
	(58,331)	(58,225)
	(4,232)	(1,571)

(continues)

(continuation)

(Thousands of euros)

	30 September 2019	30 September 2018
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	171	3,933
Debt securities issued		
Certificates and structured securities issued	25,672	25,253
Other debt securities issued	1,575	18,189
	27,418	47,375
Losses		
Debt securities portfolio	(1,390)	(3,205)
Resources from customers	(4,084)	-
Debt securities issued		
Certificates and structured securities issued	(146,554)	(40,446)
Other debt securities issued	(11,768)	(710)
	(163,796)	(44,361)
	(136,378)	3,014

The balances Net gains / (losses) from foreign exchange, Net gains / (losses) from hedge accounting and Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost, are presented as follows:

(Thousands of euros)

	30 September 2019	30 September 2018
Net gains / (losses) from foreign exchange		
Gains	869,669	839,796
Losses	(804,647)	(785,950)
	65,022	53,846
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	31,592	75,712
Hedged items	131,736	8,653
	163,328	84,365
Losses		
Hedging derivatives	(156,286)	(71,292)
Hedged items	(11,762)	(14,620)
	(168,048)	(85,912)
	(4,720)	(1,547)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	2,342	5,696
Debt securities portfolio	1,316	-
Debt securities issued	494	1,643
Others	3,878	134
	8,030	7,473
Losses		
Credit sales	(29,564)	(27,315)
Debt securities issued	(1,118)	(1,622)
Others	(750)	(486)
	(31,432)	(29,423)
	(23,402)	(21,950)

The balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	92,024	55,786
Losses		
Debt securities portfolio	(7,260)	(9,226)
	84,764	46,560

In 2019, the balance Net gains / (losses) arising from financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 59,305,000 (30 September 2018: Euros 17,814,000) related to gains resulting from the sale of Portuguese Treasury bonds.

6. Other operating income / (losses)

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Operating income		
Gains on leasing operations	2,575	2,740
Income from services provided	18,482	17,971
Rents	3,661	1,958
Sales of cheques and others	8,230	8,890
Other operating income	18,240	7,945
	51,188	39,504
Operating costs		
Donations and contributions	(3,526)	(2,611)
Contribution over the banking sector	(31,818)	(33,066)
Contributions for Resolution Funds	(33,027)	(20,298)
Contribution for the Single Resolution Fund	(18,747)	(21,185)
Contributions to Deposit Guarantee Fund	(8,675)	(12,630)
Tax for the Polish banking sector	(41,632)	(34,954)
Taxes	(14,579)	(16,915)
Losses on financial leasing operations	(57)	-
Other operating costs	(22,072)	(19,437)
	(174,133)	(161,096)
	(122,945)	(121,592)

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Salaries and remunerations	386,498	340,961
Mandatory social security charges	81,366	77,044
Voluntary social security charges	9,375	7,341
Other staff costs	10,791	10,205
	488,030	435,551

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Water, electricity and fuel	12,774	11,175
Credit cards and mortgage	3,831	5,041
Communications	19,434	16,916
Maintenance and related services	13,760	11,626
Legal expenses	3,638	4,832
Travel, hotel and representation costs	7,068	6,733
Advisory services	21,973	15,412
Training costs	1,999	2,077
Information technology services	37,482	27,297
Consumables	3,850	3,175
Outsourcing and independent labour	56,769	56,555
Advertising	20,963	19,888
Rents and leases	18,259	55,120
Insurance	2,728	2,842
Transportation	7,470	7,541
Other specialised services	20,247	15,214
Other supplies and services	17,230	14,334
	269,475	275,778

The balance Rents and leases includes, in the first nine months of 2019, the amount of Euros 1,939,000 related to short-term lease contracts and the amount of Euros 1,346,000 related to lease contracts of low value assets, as described in the accounting policy 1 H and note 52. In 2018, the balance Rents and lease included the amount of Euros 53,099,000 related to rents paid regarding buildings used by the Group as lessee, as described in accounting policy 1I.

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Amortisations of intangible assets (note 29):		
Software	15,465	9,761
Other intangible assets	1,129	1,037
	16,594	10,798
Depreciations of other tangible assets (note 28):		
Properties	12,990	13,895
Equipment		
Computers	11,288	8,202
Security equipment	914	1,117
Installations	1,935	1,758
Machinery	681	474
Furniture	1,921	1,655
Motor vehicles	3,855	3,483
Other equipment	1,313	1,514
Right-of-use		
Real estate	38,048	-
Vehicles and equipment	276	-
	73,221	32,098
	89,815	42,896

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Loans and advances to credit institutions (note 20)		
Charge for the period	5	478
Reversals for the period	(589)	(127)
	(584)	351
Loans and advances to customers (note 21)		
Charge for the period	670,791	688,272
Reversals for the period	(356,359)	(338,438)
Recoveries of loans and interest charged-off	(16,179)	(8,425)
	298,253	341,409
Debt securities (note 22)		
Associated to credit operations		
Charge for the period	1,420	-
Reversals for the period	(650)	(4,660)
	770	(4,660)
Not associated to credit operations		
Charge for the period	1,581	121
Reversals for the period	(113)	(1,553)
	1,468	(1,432)
	2,238	(6,092)
	299,907	335,668

11. Impairment for financial assets at fair value through other comprehensive income

The detail of these balances is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Impairment for financial assets at fair value through other comprehensive income (note 23)		
Charge for the period	1,054	298
Reversals for the period	(727)	(3,941)
	327	(3,643)

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Impairment for investments in associated companies (note 25)		
Charge for the period	-	11,617
	-	11,617
Impairment for non-current assets held for sale (note 26)		
Charge for the period	60,164	61,679
Reversals for the period	(13,103)	(12,448)
	47,061	49,231
Impairment for other assets (note 31)		
Charge for the period	8,568	6,048
Reversals for the period	(4,373)	(864)
	4,195	5,184
	51,256	66,032

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Provision for guarantees and other commitments (note 38)		
Charge for the period	35,928	46,697
Reversals for the period	(32,390)	(30,802)
	3,538	15,895
Other provisions for liabilities and charges (note 38)		
Charge for the period	22,071	15,300
Reversals for the period	-	(267)
	22,071	15,033
	25,609	30,928

14. Share of profit / (loss) of associates under the equity method

The main contributions of the investments accounted for under the equity method are analysed as follows:

(Thousands of euros)

	30 September 2019	30 September 2018
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current period	12,513	15,524
Appropriation relating to the previous period	78	18
Effect of the application of IAS 29:		
Amortization of the effect of the application of IAS 29 calculated as at 31 December 2018 (*)	(1,477)	-
Revaluation of the net non-monetary assets of the BMA	-	1,574
Revaluation of the goodwill associated to the investment in BMA	-	11,617
	(1,477)	13,191
	11,114	28,733
Banque BCP, S.A.S.	3,059	2,864
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	19,379	27,107
SIBS, S.G.P.S, S.A.	4,426	7,096
Unicre - Instituição Financeira de Crédito, S.A.	1,385	5,665
Other companies	(361)	403
	39,002	71,868

(*) Based on the requirements of IAS 29, Angola was considered as a high inflation economy until 31 December 2018, for the purposes of presentation of consolidated financial statements, as described in accounting policy 1 B6. This classification is no longer applyed from 1 January 2019.

15. Gains / (losses) arising from sales of subsidiaries and other assets

This balance is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Gains arising on sale of associated company Mundotêxtil - Indústrias Têxteis, S.A.	147	-
Losses arising on sale of Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	(276)	-
Losses arising on liquidation of Imábida - Imobiliária da Arrábida, S.A..	(96)	-
Settlement of S & P Reinsurance Limited regarding the investment of 100%	-	7
Settlement of bcp holdings (usa), Inc regarding the investment of 100%	-	2,769
Other assets	26,836	26,371
	26,611	29,147

The balance Other assets includes gains arising from the sale of assets held by the Group, classified as non-current assets held for sale (note 26) which, as at 30 September 2019, corresponds to a gain of Euros 26,111,000 (30 September 2018: gain of Euros 20,378,000).

16. Income / (loss) arising from discontinued or discontinuing operations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2019	30 September 2018
Gain arising on sale of Planfipsa Group	13,454	-
Appropriation of net income of Planfipsa Group	-	(2,172)
Gains/(losses) arising from the sale of Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	(42)	1,750
	13,412	(422)

Under the scope of the sale of Planfipsa Group, occurred in February 2019, and in accordance with IFRS 5, this operation was considered as a discontinuing operation, during the 2nd semester of 2018, and the impact on results is shown in a separate item of the income statement Income / (loss) arising from discontinued or discontinuing operations.

The disposal of 51% held in Planfipsa S.G.P.S. S.A. and of a set of loans granted originated a gain of Euros 13,454,000 (gain of Euros 18,186,000, before taxes and a tax cost of Euros 4,732,000).

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	30 September 2019	30 September 2018
Continuing operations		
Net income	344,537	343,750
Non-controlling interests	(87,631)	(85,859)
Appropriated net income	256,906	257,891
Dividends from other equity instruments	(74)	(534)
Interests of the perpetual subordinated bonds (Additional Tier 1)	(18,500)	-
Adjusted net income	238,332	257,357
Discontinued or discontinuing operations		
Appropriated net income	13,412	(422)
Adjusted net income	251,744	256,935
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.021	0.023
from discontinued or discontinuing operations	0.001	0.000
	0.022	0.023
Diluted earnings per share (Euros):		
from continuing operations	0.021	0.023
from discontinued or discontinuing operations	0.001	0.000
	0.022	0.023

The Bank's share capital, as at 30 September 2019, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry without nominal value, fully subscribed and paid up.

Pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced from Euros 5,600,738,053.72 to Euros 4,725,000,000, maintaining the number of shares.

There were not identified another dilution effects of the earnings per share as at 30 September 2019 and 2018, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Cash	553,739	566,202
Central Banks		
Bank of Portugal	2,110,183	1,315,682
Central Banks abroad	1,102,405	871,955
	3,766,327	2,753,839

The balance Central Banks includes deposits at Central Banks of the countries where the Group operates to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Credit institutions in Portugal	15,262	960
Credit institutions abroad	160,977	238,932
Amounts due for collection	110,039	86,815
	286,278	326,707

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions. These balances are settled in the first days of the following month.

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Loans and advances to credit institutions in Portugal		
Short-term applications	50,001	-
Loans	36,067	47,911
Applications to collateralise CIRS and IRS operations (*)	390	430
Other applications	7,157	1,123
	93,615	49,464
Loans and advances to credit institutions abroad		
Very short-term applications	265,643	78,030
Short-term applications	231,943	498,856
Applications to collateralise CIRS and IRS operations (*)	360,948	256,177
Other applications	26,560	8,690
	885,094	841,753
	978,709	891,217
Overdue loans - Over 90 days	-	669
	978,709	891,886
Impairment for loans and advances to credit institutions	(595)	(1,853)
	978,114	890,033

(*) Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"). These deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Group.

The changes occurred in impairment for Loans and advances to credit institutions are analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Balance on 1 January	1,853	-
Adjustments due to the implementation of IFRS 9	-	703
Impairment charge for the period (note 10)	5	1,387
Reversals for the period (note 10)	(589)	(128)
Loans charged-off	(674)	(109)
Balance at the end of the period	595	1,853

21. Loans and advances to customers

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Mortgage loans	25,657,095	23,691,928
Loans	14,680,585	13,047,108
Finance leases	4,005,079	3,955,451
Factoring operations	2,462,727	2,463,503
Current account credits	1,760,438	1,731,445
Overdrafts	1,373,147	1,258,634
Discounted bills	250,477	249,710
	50,189,548	46,397,779
Overdue loans - less than 90 days	153,748	118,475
Overdue loans - Over 90 days	1,580,787	1,896,578
	51,924,083	48,412,832
Impairment for credit risk	(2,505,244)	(2,851,906)
	49,418,839	45,560,926

The balance Loans and advances to customers, as at 30 September 2019, is analysed as follows:

(Thousands of euros)

	30 September 2019				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	615,419	2	615,421	(3,666)	611,755
Asset-backed loans	29,549,231	909,624	30,458,855	(1,535,978)	28,922,877
Other guaranteed loans	3,671,172	163,933	3,835,105	(269,900)	3,565,205
Unsecured loans	7,776,985	414,835	8,191,820	(349,518)	7,842,302
Foreign loans	2,108,935	128,659	2,237,594	(190,853)	2,046,741
Factoring operations	2,462,727	26,517	2,489,244	(43,443)	2,445,801
Finance leases	4,005,079	90,965	4,096,044	(111,886)	3,984,158
	50,189,548	1,734,535	51,924,083	(2,505,244)	49,418,839

The balance Loans and advances to customers, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	31 December 2018				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	721,519	1,062	722,581	(3,981)	718,600
Asset-backed loans	28,000,766	1,164,703	29,165,469	(1,706,849)	27,458,620
Other guaranteed loans	3,526,035	170,305	3,696,340	(332,468)	3,363,872
Unsecured loans	5,658,748	455,439	6,114,187	(450,549)	5,663,638
Foreign loans	2,071,757	114,496	2,186,253	(178,146)	2,008,107
Factoring operations	2,463,503	15,205	2,478,708	(42,219)	2,436,489
Finance leases	3,955,451	93,843	4,049,294	(137,694)	3,911,600
	46,397,779	2,015,053	48,412,832	(2,851,906)	45,560,926

The analysis of loans and advances to customers, as at 30 September 2019, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2019					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	319,794	8,400	328,194	(8,406)	319,788	0.63%
Fisheries	34,885	34	34,919	(672)	34,247	0.07%
Mining	52,859	1,387	54,246	(4,799)	49,447	0.10%
Food, beverage and tobacco	698,785	17,695	716,480	(21,759)	694,721	1.38%
Textiles	371,012	8,508	379,520	(18,476)	361,044	0.73%
Wood and cork	228,480	4,660	233,140	(6,222)	226,918	0.45%
Paper, printing and publishing	175,523	1,350	176,873	(12,644)	164,229	0.34%
Chemicals	704,199	42,787	746,986	(48,260)	698,726	1.44%
Machinery, equipment and basic metallurgical	1,241,841	34,685	1,276,526	(38,850)	1,237,676	2.46%
Electricity and gas	328,725	248	328,973	(1,552)	327,421	0.63%
Water	179,290	959	180,249	(10,357)	169,892	0.35%
Construction	1,664,512	200,474	1,864,986	(349,009)	1,515,977	3.59%
Retail business	1,126,945	56,501	1,183,446	(62,495)	1,120,951	2.28%
Wholesale business	2,125,442	53,819	2,179,261	(102,550)	2,076,711	4.20%
Restaurants and hotels	1,131,685	43,169	1,174,854	(85,957)	1,088,897	2.26%
Transports	1,234,150	25,072	1,259,222	(31,843)	1,227,379	2.43%
Post offices	9,945	235	10,180	(505)	9,675	0.02%
Telecommunications	332,419	4,516	336,935	(21,729)	315,206	0.65%
Services						
Financial intermediation	1,601,645	101,331	1,702,976	(436,452)	1,266,524	3.28%
Real estate activities	1,498,370	110,209	1,608,579	(108,572)	1,500,007	3.10%
Consulting, scientific and technical activities	1,136,113	28,898	1,165,011	(194,327)	970,684	2.24%
Administrative and support services activities	554,887	15,789	570,676	(78,629)	492,047	1.10%
Public sector	1,057,324	2	1,057,326	(5,994)	1,051,332	2.04%
Education	123,905	2,700	126,605	(7,125)	119,480	0.24%
Health and collective service activities	295,074	1,308	296,382	(4,022)	292,360	0.57%
Artistic, sports and recreational activities	273,875	2,308	276,183	(68,721)	207,462	0.53%
Other services	198,590	273,502	472,092	(209,665)	262,427	0.91%
Consumer loans	5,179,494	344,886	5,524,380	(290,506)	5,233,874	10.64%
Mortgage credit	25,406,384	225,162	25,631,546	(180,300)	25,451,246	49.36%
Other domestic activities	1,193	405	1,598	(75)	1,523	0.00%
Other international activities	902,203	123,536	1,025,739	(94,771)	930,968	1.98%
	50,189,548	1,734,535	51,924,083	(2,505,244)	49,418,839	100%

The analysis of loans and advances to customers, as at 31 December 2018, by sector of activity, is as follows:

(Thousands of euros)

	31 December 2018					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	294,808	10,093	304,901	(9,704)	295,197	0.63%
Fisheries	31,515	43	31,558	(883)	30,675	0.07%
Mining	59,058	2,877	61,935	(9,744)	52,191	0.13%
Food, beverage and tobacco	683,830	15,670	699,500	(17,615)	681,885	1.45%
Textiles	363,277	14,540	377,817	(22,566)	355,251	0.78%
Wood and cork	237,191	6,312	243,503	(8,564)	234,939	0.50%
Paper, printing and publishing	193,611	4,985	198,596	(18,134)	180,462	0.41%
Chemicals	664,652	40,598	705,250	(50,057)	655,193	1.46%
Machinery, equipment and basic metallurgical	1,171,768	46,249	1,218,017	(50,160)	1,167,857	2.52%
Electricity and gas	371,518	611	372,129	(2,027)	370,102	0.77%
Water	188,221	1,132	189,353	(11,461)	177,892	0.39%
Construction	1,595,783	358,006	1,953,789	(433,006)	1,520,783	4.04%
Retail business	1,089,590	80,331	1,169,921	(89,031)	1,080,890	2.42%
Wholesale business	2,093,318	79,300	2,172,618	(103,523)	2,069,095	4.49%
Restaurants and hotels	1,150,604	55,508	1,206,112	(91,657)	1,114,455	2.49%
Transports	1,293,631	18,180	1,311,811	(31,328)	1,280,483	2.71%
Post offices	10,631	351	10,982	(644)	10,338	0.02%
Telecommunications	306,844	6,333	313,177	(15,882)	297,295	0.65%
Services						
Financial intermediation	1,476,828	116,446	1,593,274	(380,196)	1,213,078	3.29%
Real estate activities	1,336,226	218,978	1,555,204	(158,998)	1,396,206	3.21%
Consulting, scientific and technical activities	1,339,659	30,038	1,369,697	(371,352)	998,345	2.83%
Administrative and support services activities	553,539	31,448	584,987	(79,567)	505,420	1.21%
Public sector	1,128,520	1,247	1,129,767	(7,743)	1,122,024	2.33%
Education	131,840	1,719	133,559	(7,713)	125,846	0.28%
Health and collective service activities	282,231	2,012	284,243	(4,286)	279,957	0.59%
Artistic, sports and recreational activities	287,865	6,161	294,026	(76,296)	217,730	0.61%
Other services	209,752	264,796	474,548	(194,401)	280,147	0.98%
Consumer loans	3,432,425	281,567	3,713,992	(302,840)	3,411,152	7.67%
Mortgage credit	23,555,628	225,084	23,780,712	(212,505)	23,568,207	49.12%
Other domestic activities	1,124	499	1,623	(302)	1,321	0.00%
Other international activities	862,292	93,939	956,231	(89,721)	866,510	1.98%
	46,397,779	2,015,053	48,412,832	(2,851,906)	45,560,926	100%

The Outstanding loans related to finance leases contracts are analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Amount of future minimum payments	4,519,059	4,424,029
Interest not yet due	(513,980)	(468,578)
Present value	4,005,079	3,955,451

Regarding operational leasing, the Group does not present relevant contracts as lessee.

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

(Thousands of euros)

	30 September 2019	31 December 2018
Agriculture and forestry	4,887	4,782
Fisheries	6	18
Mining	74	5,112
Food, beverage and tobacco	5,738	3,501
Textiles	113	1,277
Wood and cork	2,731	3,027
Paper, printing and publishing	244	371
Chemicals	5,157	2,208
Machinery, equipment and basic metallurgical	8,337	30,006
Electricity and gas	79	450
Water	248	117
Construction	23,059	37,171
Retail business	14,591	17,222
Wholesale business	73,604	88,365
Restaurants and hotels	15,912	13,302
Transports	9,841	4,519
Post offices	130	29
Telecommunications	109	20,145
Services		
Financial intermediation	247	350
Real estate activities	1,207	5,116
Consulting, scientific and technical activities	4,096	15,518
Administrative and support services activities	5,719	7,233
Public sector	63,846	65,360
Education	328	217
Health and collective service activities	534	862
Artistic, sports and recreational activities	292	317
Other services	1,545	647
Consumer loans	207,473	136,811
Mortgage credit	119,682	95,260
Other international activities	8,947	12,263
	578,776	571,576

The changes occurred in impairment for credit risks are analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Balance on 1 January	2,851,906	3,279,046
Adjustments due to the implementation of IFRS 9		
Remeasurement under IFRS 9	-	235,548
Reclassification under IFRS 9	-	8,508
Charge for the period in net income interest (note 2)	26,701	37,281
Transfers resulting from changes in the Group's structure	-	754
Other transfers	60,117	(56,345)
Impairment charge for the period (note 10)	670,791	926,054
Reversals for the period (note 10)	(356,359)	(442,082)
Loans charged-off	(747,690)	(1,129,834)
Exchange rate differences	(222)	(7,024)
Balance at the end of the period	2,505,244	2,851,906

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

(Thousands of euros)

	30 September 2019	31 December 2018
Agriculture and forestry	2,230	4,964
Fisheries	-	152
Mining	3,932	3,403
Food, beverage and tobacco	10,983	2,138
Textiles	6,742	15,631
Wood and cork	2,328	16,981
Paper, printing and publishing	6,289	1,976
Chemicals	8,715	5,389
Machinery, equipment and basic metallurgical	19,614	29,123
Electricity and gas	26	5
Water	360	4,949
Construction	187,829	257,356
Retail business	60,920	29,939
Wholesale business	30,006	67,318
Restaurants and hotels	11,065	27,817
Transports	8,988	17,243
Post offices	229	70
Telecommunications	2,028	1,822
Services		
Financial intermediation	19,691	244,728
Real estate activities	53,153	80,496
Consulting, scientific and technical activities	177,487	89,357
Administrative and support services activities	5,474	11,185
Public sector	-	3
Education	284	807
Health and collective service activities	685	603
Artistic, sports and recreational activities	3,525	919
Other services	2,872	10,668
Consumer loans	112,484	185,758
Mortgage credit	6,810	13,979
Other domestic activities	1,714	1,132
Other international activities	1,227	3,923
	747,690	1,129,834

The analysis of recovered loans and interest occurred during the first nine months of 2019 and 2018 by sector of activity, is as follows:

(Thousands of euros)

	30 September 2019	30 September 2018
Agriculture and forestry	70	37
Food, beverage and tobacco	207	127
Textiles	384	115
Wood and cork	4	53
Paper, printing and publishing	292	171
Chemicals	504	132
Machinery, equipment and basic metallurgical	113	104
Electricity and gas	8	1
Water	3	-
Construction	1,561	1,041
Retail business	1,350	287
Wholesale business	633	224
Restaurants and hotels	598	25
Transports	2,832	193
Post offices	10	6
Telecommunications	3	1
Services		
Financial intermediation	750	2,238
Real estate activities	432	130
Consulting, scientific and technical activities	12	42
Administrative and support services activities	86	128
Health and collective service activities	2	-
Artistic, sports and recreational activities	257	4
Other services	454	96
Consumer loans	5,314	2,529
Mortgage credit	98	24
Other domestic activities	195	48
Other international activities	7	669
	16,179	8,425

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	165,184	176,751
Commercial paper	2,171,155	2,024,762
Foreign issuers		
Bonds	33,600	34,671
Commercial paper	16,701	19,704
	2,386,640	2,255,888
Overdue securities - over 90 days	1,799	55,353
	2,388,439	2,311,241
Impairment	(12,378)	(39,921)
	2,376,061	2,271,320
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers	139,724	47,377
Foreign issuers	365,918	740,118
Bonds issued by other entities		
Portuguese issuers	255,698	254,662
Foreign issuers	53,789	63,325
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	488,117	-
	1,303,246	1,105,482
Impairment	(2,715)	(1,788)
	1,300,531	1,103,694
	3,676,592	3,375,014

As at 30 September 2019, the balance Debt securities held not associated with credit operations - Bonds issued by other Portuguese entities includes the amount of Euros 216,651,000 (31 December 2018: Euros 213,772,000) related to public sector companies.

The analysis of debt securities portfolio, net of impairment, by sector of activity, is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Debt securities held associated with credit operations		
Mining	34,899	24,996
Food, beverage and tobacco	92,861	80,074
Textiles	73,412	69,346
Wood and cork	8,052	10,820
Paper, printing and publishing	10,623	17,163
Chemicals	192,413	222,101
Machinery, equipment and basic metallurgical	78,380	56,775
Electricity and gas	194,526	190,338
Water	10,000	9,957
Construction	12,968	6,937
Retail business	90,391	86,042
Wholesale business	66,313	73,388
Restaurants and hotels	7,494	8,518
Transports	43,136	49,144
Telecommunications	7,858	8,932
Services		
Financial intermediation	333,559	249,231
Real estate activities	33,324	39,115
Consulting, scientific and technical activities	1,008,693	991,948
Administrative and support services activities	16,746	13,653
Health and collective service activities	4,999	4,999
Other services	5,115	3,596
Other international activities	50,299	54,247
	2,376,061	2,271,320
Debt securities held not associated with credit operations		
Chemicals	25,422	25,562
Water	39,299	39,229
Transports and communications	177,287	174,480
Services		
Financial intermediation	541,907	63,325
Consulting, scientific and technical activities	13,006	15,149
	796,921	317,745
Government and Public securities	503,610	785,949
	1,300,531	1,103,694
	3,676,592	3,375,014

The changes occurred in impairment for debt securities are analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Debt securities held associated with credit operations		
Balance on 1 January	39,921	42,886
Adjustments due to the implementation of IFRS 9	-	2,946
Charge for the period in net income interest (note 2)	107	211
Charge for the period (note 10)	1,420	-
Reversals for the period (note 10)	(650)	(6,121)
Loans charged-off	(28,421)	-
Exchange rate differences	1	(1)
Balance at the end of the period	12,378	39,921
Debt securities held not associated with credit operations		
Balance on 1 January	1,788	n.a.
Adjustments due to the implementation of IFRS 9	-	2,217
Charge for the period (note 10)	1,581	1,184
Reversals for the period (note 10)	(113)	(1,616)
Loans charged-off	(620)	-
Exchange rate differences	79	3
Balance at the end of the period	2,715	1,788

23. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The balances Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	224,439	220,047
Equity instruments	3,990	5,410
Trading derivatives	702,338	644,997
	930,767	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	328,425	291,050
Debt instruments	1,076,775	1,108,605
Equity instruments	15,238	5,029
	1,420,438	1,404,684
Financial assets designated at fair value through profit or loss		
Debt instruments	31,550	33,034
	31,550	33,034
Financial assets at fair value through other comprehensive income		
Debt instruments	13,936,196	13,797,971
Equity instruments	36,058	47,654
	13,972,254	13,845,625
	16,355,009	16,153,797

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 30 September 2019, is analysed as follows:

(Thousands of euros)

	30 September 2019				
	At fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	3,158	-	31,550	5,701,995	5,736,703
Foreign issuers	171,870	-	-	5,367,642	5,539,512
Bonds issued by other entities					
Portuguese issuers	6,062	16,747	-	734,429	757,238
Foreign issuers	43,349	-	-	595,737	639,086
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	-	-	-	1,536,393	1,536,393
Shares of foreign companies (*)	-	31,219	-	-	31,219
Investment fund units	-	1,028,809	-	-	1,028,809
	224,439	1,076,775	31,550	13,936,196	15,268,960
Equity instruments					
Shares					
Portuguese companies	3,352	-	-	15,784	19,136
Foreign companies	32	15,238	-	20,274	35,544
Other securities	606	-	-	-	606
	3,990	15,238	-	36,058	55,286
Trading derivatives	702,338	-	-	-	702,338
	930,767	1,092,013	31,550	13,972,254	16,026,584

(*) Under IFRS 9, these shares were considered as debt instruments because they not fall within the definition of SPPI.

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	31 December 2018				
	At fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	3,666	-	33,034	5,671,092	5,707,792
Foreign issuers	161,347	-	-	4,904,357	5,065,704
Bonds issued by other entities					
Portuguese issuers	9,852	16,778	-	1,217,482	1,244,112
Foreign issuers	45,182	-	-	479,347	524,529
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	-	-	-	853,492	853,492
Foreign issuers	-	-	-	675,923	675,923
Shares of foreign companies (*)	-	19,085	-	-	19,085
Investment fund units	-	1,072,742	-	-	1,072,742
	220,047	1,108,605	33,034	13,801,693	15,163,379
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	220,047	1,108,605	33,034	13,797,971	15,159,657
Equity instruments					
Shares					
Portuguese companies	4,939	-	-	23,270	28,209
Foreign companies	24	5,029	-	24,382	29,435
Investment fund units	12	-	-	2	14
Other securities	435	-	-	-	435
	5,410	5,029	-	47,654	58,093
Trading derivatives	644,997	-	-	-	644,997
	870,454	1,113,634	33,034	13,845,625	15,862,747

(*) Under IFRS 9, these shares were considered as debt instruments because they not fall within the definition of SPPI.

The balance Financial assets not held for trading mandatorily at fair value through profit or loss - Loans to customers at fair value is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Public sector	28	20
Asset-backed loans	17	5
Unsecured loans	323,765	287,028
	323,810	287,053
Overdue loans - less than 90 days	1,273	1,023
Overdue loans - Over 90 days	3,342	2,974
	328,425	291,050

The balance Loans to customers at fair value correspond essentially to consumer loans.

The portfolio of financial assets at fair value through other comprehensive income, as at 30 September 2019, is analysed as follows:

(Thousands of euros)

	30 September 2019			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	5,399,337	215,017	87,641	5,701,995
Foreign issuers	5,345,818	(40)	21,864	5,367,642
Bonds issued by other entities				
Portuguese issuers (*)	692,386	26,556	15,487	734,429
Foreign issuers	583,293	9,214	3,230	595,737
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	1,536,119	-	274	1,536,393
	13,556,953	250,747	128,496	13,936,196
Equity instruments				
Shares				
Portuguese companies	55,678	-	(39,894)	15,784
Foreign companies	21,024	-	(750)	20,274
	76,702	-	(40,644)	36,058
	13,633,655	250,747	87,852	13,972,254

(*) Includes impairment for overdue securities

(a) Include interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	31 December 2018			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	5,547,657	165,986	(42,551)	5,671,092
Foreign issuers	4,889,654	981	13,722	4,904,357
Bonds issued by other entities				
Portuguese issuers (*)	1,188,586	6,750	18,424	1,213,760
Foreign issuers	479,719	(1)	(371)	479,347
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	853,339	-	153	853,492
Foreign issuers	675,643	-	280	675,923
	13,634,598	173,716	(10,343)	13,797,971
Equity instruments				
Shares				
Portuguese companies	57,033	-	(33,763)	23,270
Foreign companies	20,816	-	3,566	24,382
Investment fund units	2	-	-	2
	77,851	-	(30,197)	47,654
	13,712,449	173,716	(40,540)	13,845,625

(*) Includes impairment for overdue securities

(a) Include interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

24. Hedging derivatives

This balance is analysed, by hedging instruments, as follows:

(Thousands of euros)

	30 September 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Swaps	267,659	324,139	123,054	177,900

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Portuguese credit institutions	35,852	42,486
Foreign credit institutions	221,674	237,991
Other Portuguese companies	222,107	180,832
Other foreign companies	22,033	21,785
	501,666	483,094
Impairment	(72,493)	(78,012)
	429,173	405,082

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	30 September 2019				31 December 2018
	Ownership on equity	Goodwill	Impairment for investments in associated companies	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	168,519	-	-	168,519	138,460
Banco Millennium Atlântico, S.A.	98,195	84,425	(51,628)	130,992	141,188
Banque BCP, S.A.S.	39,054	-	-	39,054	36,802
Cold River's Homestead, S.A.	18,856	-	(2,854)	16,002	-
Mundotêxtil - Indústrias Têxteis, S.A.	-	-	-	-	6,762
SIBS, S.G.P.S, S.A.	33,369	-	-	33,369	32,629
Unicre - Instituição Financeira de Crédito, S.A.	28,417	7,435	-	35,852	42,486
Webspectator Corporation	96	18,011	(18,011)	96	92
Others	5,289	-	-	5,289	6,663
	391,795	109,871	(72,493)	429,173	405,082

These investments correspond to unquoted companies. According to the accounting policy described in note 1 B), these investments are measured at the equity method.

The Group's companies included in the consolidation perimeter are presented in note 54.

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019			31 December 2018		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	1,189,925	(194,016)	995,909	1,516,604	(209,622)	1,306,982
Assets belong to investments funds and real estate companies	382,990	(52,805)	330,185	431,565	(62,571)	368,994
Assets for own use (closed branches)	32,750	(6,885)	25,865	45,658	(10,871)	34,787
Equipment and other	46,493	(6,886)	39,607	72,216	(13,635)	58,581
Subsidiaries acquired exclusively with the purpose of short-term sale	-	-	-	69,338	-	69,338
Other assets	31,294	-	31,294	29,776	-	29,776
	1,683,452	(260,592)	1,422,860	2,165,157	(296,699)	1,868,458

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from process of recovered loans or judicial auction being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership.

These assets are available for sale in a period less than one year and the Group has a strategy for its sale, according to the characteristic of each asset. However, considering the formal constraints, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Group having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market. The Group requests, regularly, to the Bank of Portugal, following the Article 114º of the General Regime of Credit Institutions and Financial Companies, the extension of the period of holding these properties.

27. Investment property

As at 30 September 2019, the balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N), based on independent assessments and compliance with legal requirements.

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Real estate	770,802	780,726
Equipment:		
Computer equipment	324,134	306,699
Security equipment	71,341	71,703
Interior installations	143,659	143,114
Machinery	47,224	45,871
Furniture	85,846	84,363
Motor vehicles	31,080	32,948
Other equipment	31,378	32,663
Right of use		
Real estate	307,338	-
Vehicles and equipment	668	-
Work in progress	21,471	21,719
Other tangible assets	280	236
	1,835,221	1,520,042
Accumulated depreciation		
Relative to the current period (note 9)	(73,221)	(42,819)
Relative to the previous periods	(1,038,901)	(1,015,947)
	(1,112,122)	(1,058,766)
	723,099	461,276

The balance Right-of-use essentially corresponds to real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the lease term of each contract, as described in the accounting policy 1 H and note 52.

The changes occurred in Other tangible assets balances during the first nine months of 2019 are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Euro Bank	Transfers	Exchange differences	Balance on 30 September
Real estate	780,726	336	(16,330)	3,749	3	2,318	770,802
Equipment:							
Computer equipment	306,699	12,409	(4,106)	5,340	3,024	768	324,134
Security equipment	71,703	622	(1,044)	-	(150)	210	71,341
Interior installations	143,114	827	(851)	-	17	552	143,659
Machinery	45,871	2,033	(1,375)	944	2	(251)	47,224
Furniture	84,363	2,602	(1,296)	-	(89)	266	85,846
Motor vehicles	32,948	4,252	(7,086)	573	145	248	31,080
Other equipment	32,663	54	(523)	361	(705)	(472)	31,378
Right of use (*)							
Real estate	245,503	44,714	(8,984)	18,378	9,037	(1,310)	307,338
Vehicles and equipment	663	-	(6)	-	-	11	668
Work in progress	21,719	16,760	(773)	356	(16,665)	74	21,471
Other tangible assets	236	34	-	-	-	10	280
	1,766,208	84,643	(42,374)	29,701	(5,381)	2,424	1,835,221
Accumulated depreciation							
Real estate	(431,078)	(12,990)	8,003	-	1,951	94	(434,020)
Equipment:							
Computer equipment	(278,202)	(11,288)	3,692	-	(575)	(772)	(287,145)
Security equipment	(66,409)	(914)	1,036	-	150	(168)	(66,305)
Interior installations	(127,455)	(1,935)	765	-	92	(321)	(128,854)
Machinery	(41,873)	(681)	1,321	-	(290)	210	(41,313)
Furniture	(75,600)	(1,921)	1,294	-	(56)	(155)	(76,438)
Motor vehicles	(14,294)	(3,855)	1,621	-	178	(167)	(16,517)
Other equipment	(23,819)	(1,313)	515	-	1,093	325	(23,199)
Right of use							
Real estate	-	(38,048)	-	-	(178)	206	(38,020)
Vehicles and equipment	-	(276)	2	-	-	(1)	(275)
Other tangible assets	(36)	-	-	-	-	-	(36)
	(1,058,766)	(73,221)	18,249	-	2,365	(749)	(1,112,122)
	707,442	11,422	(24,125)	29,701	(3,016)	1,675	723,099

(*) The balance on 1 January of Right of use corresponds to the IFRS 16 adjustment

The changes occurred in Other tangible assets balances during 2018 are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Real estate	830,989	5,186	(61,969)	8,617	(2,097)	780,726
Equipment:						
Computer equipment	300,310	9,896	(7,542)	4,670	(635)	306,699
Security equipment	70,960	1,385	(692)	49	1	71,703
Interior installations	140,628	1,983	(3,209)	3,705	7	143,114
Machinery	45,279	1,149	(573)	580	(564)	45,871
Furniture	83,202	1,962	(1,439)	635	3	84,363
Motor vehicles	30,597	7,092	(4,667)	231	(305)	32,948
Other equipment	31,394	27	(1,356)	3,408	(810)	32,663
Work in progress	20,288	29,676	(355)	(27,794)	(96)	21,719
Other tangible assets	230	2	-	4	-	236
	1,553,877	58,358	(81,802)	(5,895)	(4,496)	1,520,042
Accumulated depreciation						
Real estate	(442,632)	(18,321)	26,361	1,924	1,590	(431,078)
Equipment:						
Computer equipment	(274,652)	(11,149)	7,179	4	416	(278,202)
Security equipment	(65,726)	(1,453)	692	81	(3)	(66,409)
Interior installations	(128,313)	(2,394)	3,163	99	(10)	(127,455)
Machinery	(42,093)	(648)	557	(213)	524	(41,873)
Furniture	(74,571)	(2,235)	1,436	(224)	(6)	(75,600)
Motor vehicles	(12,876)	(4,649)	3,304	(130)	57	(14,294)
Other equipment	(22,555)	(1,970)	1,356	(1,207)	557	(23,819)
Other tangible assets	(36)	-	-	-	-	(36)
	(1,063,454)	(42,819)	44,048	334	3,125	(1,058,766)
	490,423	15,539	(37,754)	(5,561)	(1,371)	461,276

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	109,944	111,853
Real estate and mortgage credit	40,859	40,859
Euro Bank, S.A. (Poland) (*)	32,084	-
Others	14,046	17,781
	196,933	170,493
Impairment		
Real estate and mortgage credit	(40,859)	(40,859)
Others	(13,278)	(13,278)
	(54,137)	(54,137)
	142,796	116,356
Intangible assets		
Software	166,681	142,229
Other intangible assets	66,414	56,765
	233,095	198,994
Accumulated amortisation		
Charge for the period (note 9)	(16,594)	(14,926)
Charge for the previous periods	(139,390)	(126,029)
	(155,984)	(140,955)
	77,111	58,039
	219,907	174,395

(*) The operation is detailed in note 53.

The changes occurred in Goodwill and intangible assets balances during the first nine months of 2019 are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Euro Bank	Transfers	Exchange differences	Balance on 30 September
Goodwill - Differences arising on consolidation	170,493	32,759	(3,748)	-	-	(2,571)	196,933
Impairment for goodwill	(54,137)	-	-	-	-	-	(54,137)
	116,356	32,759	(3,748)	-	-	(2,571)	142,796
Intangible assets							
Software	142,229	24,658	(5,082)	8,542	(3,062)	(604)	166,681
Other intangible assets	56,765	4,998	(175)	2,910	3,063	(1,147)	66,414
	198,994	29,656	(5,257)	11,452	1	(1,751)	233,095
Accumulated depreciation							
Software	(87,126)	(15,465)	11	-	678	444	(101,458)
Other intangible assets	(53,829)	(1,129)	169	-	(678)	941	(54,526)
	(140,955)	(16,594)	180	-	-	1,385	(155,984)
	58,039	13,062	(5,077)	11,452	1	(366)	77,111
	174,395	45,821	(8,825)	11,452	1	(2,937)	219,907

The changes occurred in Goodwill and intangible assets balances during 2018 are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	176,929	-	(3,195)	-	(3,241)	170,493
Impairment for goodwill	(57,332)	-	3,195	-	-	(54,137)
	119,597	-	-	-	(3,241)	116,356
Intangible assets						
Software	122,124	28,697	(5,801)	(884)	(1,907)	142,229
Other intangible assets	56,731	1,505	-	137	(1,608)	56,765
	178,855	30,202	(5,801)	(747)	(3,515)	198,994
Accumulated depreciation:						
Software	(80,286)	(13,307)	5,755	(749)	1,461	(87,126)
Other intangible assets	(53,760)	(1,619)	-	31	1,519	(53,829)
	(134,046)	(14,926)	5,755	(718)	2,980	(140,955)
	44,809	15,276	(46)	(1,465)	(535)	58,039
	164,406	15,276	(46)	(1,465)	(3,776)	174,395

30. Income tax

The deferred income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	30 September 2019			31 December 2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	972,285	-	972,285	973,317	-	973,317
Employee benefits	836,576	-	836,576	836,580	-	836,580
	1,808,861	-	1,808,861	1,809,897	-	1,809,897
Deferred taxes depending on the future profits						
Impairment losses	840,255	(50,303)	789,952	800,003	(50,303)	749,700
Tax losses carried forward	220,552	-	220,552	328,229	-	328,229
Employee benefits	41,922	(889)	41,033	43,659	(222)	43,437
Financial assets at fair value through other comprehensive income	93,402	(242,370)	(148,968)	157,957	(188,577)	(30,620)
Derivatives	-	(5,597)	(5,597)	-	(6,071)	(6,071)
Intangible assets	39	(645)	(606)	39	-	39
Other tangible assets	9,612	(3,450)	6,162	8,759	(3,184)	5,575
Others	18,856	(21,158)	(2,302)	24,069	(13,085)	10,984
	1,224,638	(324,412)	900,226	1,362,715	(261,442)	1,101,273
Total deferred taxes	3,033,499	(324,412)	2,709,087	3,172,612	(261,442)	2,911,170
Offset between deferred tax assets and deferred tax liabilities	(313,057)	313,057	-	(255,982)	255,982	-
Net deferred taxes	2,720,442	(11,355)	2,709,087	2,916,630	(5,460)	2,911,170

(a) Special Regime applicable to deferred tax assets

(b) The amounts of 2019 and 2018 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, in function of expecting that that impairment use will be deductible for the purpose of calculating the taxable profit of the tax periods in which the legal conditions provided for their fiscal deductibility are gathered.

Special regime applicable to deferred tax assets

The Extraordinary General Meeting of the Bank, held on 15 October 2014, approved the Bank's adherence to the special regime applicable to deferred tax assets, approved by Law no. 61/2014, of August 26, applicable to expenses and negative equity variations recorded in taxable periods beginning on or after 1 January 2015, as well as to the deferred tax assets that are recorded in the annual accounts of the taxpayer related to the last taxable period prior to that date and to the expenses and negative equity variations that are associated with them. Pursuant to Law no. 23/2016, of 19 August, this special regime is not applied to expenses and negative equity changes recorded in the taxable periods beginning on or after 1 January 2016, nor to deferred tax assets associated with them.

The Special Regime applicable to the deferred tax assets provides an optional framework with the possibility of subsequent resignation, according to which, in certain situations (those of negative net result in individual annual accounts or liquidation by voluntary dissolution, insolvency decreed in court or revocation of the respective authorization), there will be a conversion into tax credits of the deferred tax assets that have resulted from the non-deduction of expenses and reductions in the value of assets resulting from impairment losses on credits and from post-employment or long-term employee benefits. In this case, it should be constituted a special reserve corresponding to 110% of its amount, which implies the simultaneous constitution of conversion rights attributable to the State of equivalent value, which rights can be acquired by the shareholders through payment to the State of that same amount. Tax credits can be offset against tax debts of the beneficiaries (or from an entity with headquarters in Portugal from the same prudential consolidation perimeter) or reimbursable by the State. Under the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law no. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by Ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the Ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. Law No. 98/2019, of 4 September, establishes a deadline for the acquisition of the referred rights of the State by the shareholders, after which the Management Board of the issuing bank is obliged to promote the record of the capital increase by the amount resulting from the exercise of the conversion rights. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 3 years after the confirmation date of the conversion of the deferred tax asset into tax credit by the Portuguese Tax and Customs Authority. The issuing bank shall deposit in favor of the State the amount of the price corresponding to all the rights issued, within 3 months beginning from the confirmation date of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantially approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset with each other and when the deferred taxes are related to the same tax.

The current tax rate for Banco Comercial Português, S.A. is analysed as follows:

	30 September 2019	31 December 2018
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000 (a)	9%	9%

The deferred tax rate related to the Bank's tax losses is 21% (31 December 2018: 21%).

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 31.30% (31 December 2018: 31.30%). The income tax rate in the other main countries where the Group operates is 19% in Poland, 32% in Mozambique, 0% (exemption) in the Cayman Islands and 24.24% in Switzerland.

The reporting period of tax losses in Portugal is 12 years for the losses of 2014, 2015 and 2016 and 5 years for the losses of 2017 and following years. In Poland, the term is 5 years, in Mozambique it is 5 years and in Switzerland it is 7 years.

Banco Comercial Português, S.A. applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under IRC, in which it's the dominant company.

The balance of Deferred tax assets not depending on the future profits (covered by the regime approved by Law no. 61/2014, of 26 August) includes the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to impairment losses in loans accounted until 31 December 2014.

The deferred income tax assets associated to tax losses, by expiry date, are presented as follows:

(Thousands of euros)

Expiry date	30 September 2019	31 December 2018
2019-2025	8,785	8,437
2026	382	10,297
2028 and following	211,385	309,495
	220,552	328,229

Following the publication of the Notice of Bank of Portugal No. 5/2015, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA), since 1 January 2016 began to apply the International Financial Reporting Standards as adopted in the European Union, including, among others, the Bank's individual financial statements.

As a result of this change, in the Bank's individual financial statements, the loans portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses calculated in accordance with the requirements of International Accounting Standards (IAS 39 until 31 December 2017 and IFRS 9 since 1 January 2018), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal’s Notice No. 3/95.

The Regulatory Decrees No. 5/2016, of 18 November, No. 11/2017, of 28 December, and No. 13/2018, of 28 December, established the maximum limits of impairment losses and other corrections of value for specific credit risk that are deductible for the purpose of calculating the taxable profit under IRC in 2016, 2017 and 2018, respectively. These Decrees declare that Bank of Portugal Notice No. 3/95 (Notice that was relevant for determining provisions for credit in the financial statements presented on an NCA basis) should be considered for the purpose of calculating the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively.

Law No. 98/2019, of 4 September, establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

Regardless the previously referred option, the new regime’s application will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- In the financial year of 2022, if, since 1 January 2022, the Group distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 10% comparatively to the amount recorded on 31 December 2018;

- In the financial year of 2023, if, since 1 January 2023, the Group distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 20% comparatively to the amount recorded on 31 December 2018.

For the estimation of taxable income, it was considered the maintenance of the tax rules in force until 2018, resulting from not exercising earlier the option of applying the new regime

In 2018, the Bank adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the Bank's interpretation of the application of IRC Code’s general rules.

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Z.3) and with the requirements of IAS 12, the deferred tax assets were recognised based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried based on the respective estimated financial statements, prepared under the budgetary process for 2019 and adjusted according to the strategic plan approved by the elected governing bodies, which support the estimated future taxable net income, considering the macroeconomic and competitive environment.

To estimate taxable net income for the periods of 2019 and following, the following main assumptions were considered:

- It was considered the approximation between accounting and tax rules predicted by Law No. 98/2019, of 4 September, assuming the Group will not exercise its application earlier over the adaptation period of 5 years that the referred Law predicts. In the application of these rules, the following assumptions were considered, in general terms:

a) non-deductible expenses related to increase of credit impairments for the years between 2019 and 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting periods, compared to the amounts of net impairment increases recorded in these years;

b) the expenses with credit impairment's increases beginning in 2024 were considered deductible for tax purposes according to the new fiscal regime;

c) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2019-2021 submitted to the supervisory authority in March 2019, and also on the average reversal percentage observed in the last years;

d) the referred average percentages were calculated separately, according to the presence or not of a mortgage security, the eligibility for the special regime applicable to deferred tax assets and according to the clients' rating as Non-Performing Exposures.

-The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- The deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

The projections made consider the Group's strategic priorities, essentially reflecting the projection of the Bank's medium-term business in Portugal in terms of results generation, and are globally consistent with the Reduction Plan of Non-Performing Assets 2019-2021, submitted to the supervisory authority in March 2019, emphasising:

- Improvement of the net interest income, considering interest rate curves used under the scope of the projections of net interest income aligned with the market forecasts;

- Evolution of the credit-to-deposit ratio in the balance sheet by approximately 100% in Portugal;

- Decrease in the cost of risk, supported by the expectation of a gradual recovery of economic activity, strengthening a stabilization of the business risk, as well as the reduction of the non-core portfolio. In this way, the gradual convergence of the cost of credit risk (up to 2023) is estimated to be close to those currently observed in other European countries, including in the Iberian Peninsula.

- Control of the operating expenses, notwithstanding the investments planned by the Bank in the context of the expected deepening of the digitization and expansion of its commercial activities;

- Positive net income, projecting the favourable evolution of the ROE and maintenance of the CET1 ratio fully implemented at appropriate levels in accordance to the requirements and benchmarks. From 2024 onwards, it is estimated an annual growth of the Net income before income taxes, which reflects a partial convergence to the expected level of ROE stabilized over the medium-term.

- With reference to 30 June 2019, the Bank updated the analysis of the recoverability of deferred tax assets that had been prepared with reference to 31 December 2018, considering namely the following aspects: (i) application of Law No. 98/2019, of 4 September as mentioned above; (ii) update of projections of Net income before income taxes resulting from decrease of the market interest rates; and (iii) update of tax effects following actuarial deviations recorded in the first semester of 2019.

- Following the update on the analysis of the recoverability of deferred tax assets with reference to 30 June 2019, the Bank derecognised net deferred tax assets of Euros 43,684,000, by reversing the deferred tax assets related to tax losses of Euros 108,407,000 and recognised deferred tax assets related to credit impairment losses of Euros 64.723.000. Regarding the referred net value, Euros 33,498,000 were reversed through profit and loss and the remaining Euros 10,186,000 were reversed through reserves.

After these adjustments, the performed analyses allow the conclusion of total recoverability of the deferred tax assets recognised as at 30 September une 2019 and 31 December 2018.

In accordance with these assessments, the amount of unrecognised deferred tax related to tax losses, by expiry year, is as follows:

(Thousands of euros)

Tax losses carried forward	30 September 2019	31 December 2018
2018	-	1,595
2019-2025	213,148	149,694
2026	213,534	203,349
2027 and following	307,488	209,397
	734,170	564,035

The impact of income taxes in Net income and in other balances of Group's equity, as at 30 September 2019, is analysed as follows:

(Thousands of euros)

	30 September 2019				
	Net income for the period	Reserves and retained earnings	Exchange differences	Euro Bank	Discontinuing operations (b)
Deferred taxes					
Deferred taxes not depending on the future profits					
Impairment losses	(1,032)	-	-	-	-
Employee benefits	(4)	-	-	-	-
	(1,036)	-	-	-	-
Deferred taxes depending on the future profits					
Impairment losses	1,015	-	(2,301)	41,538	-
Tax losses carried forward (a)	(66,392)	(36,943)	390	-	(4,732)
Employee benefits	(24,758)	21,921	(78)	511	-
Financial assets at fair value through other comprehensive income	-	(119,390)	1,042	-	-
Derivatives	-	-	474	-	-
Intangible assets	51	-	14	(710)	-
Other tangible assets	474	-	(17)	130	-
Others	(8,145)	5,604	13	(10,758)	-
	(97,755)	(128,808)	(463)	30,711	(4,732)
	(98,791)	(128,808)	(463)	30,711	(4,732)
Current taxes					
Current period	(89,862)	481	-	639	-
Correction of previous periods	14,615	-	-	-	-
	(75,247)	481	-	639	-
	(174,038)	(128,327)	(463)	31,350	(4,732)

(a) The tax on reserves and retained earnings refers to realities recognised in reserves and retained earnings considered for taxable net income purposes.

(b) Refers to que sale of Planfipsa

The impact of income taxes in Net income / (loss) and in other balances of Group's equity, as at 30 September 2018, is analysed as follows:

(Thousands of euros)

	30 September 2018			
	Net income / (loss) for the period	Reserves and retained earnings		Exchange differences
		Impact of adoption of IFRS 9	Movement of the period	
Deferred taxes				
Deferred taxes not depending on the future profits (a)				
Impairment losses	(3,494)	276	-	-
Employee benefits	(2,189)	-	-	-
	(5,683)	276	-	-
Deferred taxes depending on the future profits				
Impairment losses	(20,055)	(182,551)	4,945	(1,482)
Tax losses carried forward	(10,370)	-	8,856	22
Employee benefits	7,533	-	(669)	(95)
Financial assets at fair value through other comprehensive income	(10,076)	40,038	(26,433)	(4,756)
Financial assets available for sale	n.a.	(7,070)	n.a.	n.a.
Derivatives	407	-	-	164
Other tangible assets	964	-	-	(18)
Others	5,325	(324)	9,909	(283)
	(26,272)	(149,907)	(3,392)	(6,448)
	(31,955)	(149,631)	(3,392)	(6,448)
Current taxes				
Current period	(79,010)	1,047	(958)	-
Correction of previous periods	1,460	-	-	-
	(77,550)	1,047	(958)	-
	(109,505)	(148,584)	(4,350)	(6,448)

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	30 September 2019	30 September 2018
Net income / (loss) before income taxes	518,575	453,255
Current tax rate (%)	31.5%	31.5%
Expected tax	(163,351)	(142,775)
Employees' benefits	-	5,657
Tax benefits	10,193	10,940
Derecognition of deferred tax associated with tax losses	13,245	(907)
Effect of the difference between the tax rate and deferred tax recognised / not recognised	(17,181)	15,285
Non-deductible costs and other corrections	(2,776)	5,129
Non-deductible impairment and provisions	(2,919)	(2,786)
Results of companies accounted by the equity method	12,751	22,638
Autonomous tax	(1,216)	(1,719)
Contribution to the banking sector	(22,784)	(20,967)
Total	(174,038)	(109,505)
Effective rate (%)	33.56%	24.16%

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Deposit account applications	302,767	53,417
Associated companies	6,952	1,644
Subsidies receivables	7,894	8,767
Prepaid expenses	31,162	29,307
Debtors for futures and options transactions	115,173	109,445
Insurance activity	5,750	6,297
Debtors		
Residents		
Advances to suppliers	284	962
Prosecution cases / agreements with the Bank	13,518	11,713
SIBS	5,119	6,005
Receivables from real estate, transfers of assets and other securities	34,556	36,760
Others	31,819	72,897
Non-residents	29,910	43,150
Interest and other amounts receivable	50,153	43,969
Amounts receivable on trading activity	33,382	33,792
Gold and other precious metals	3,849	3,617
Other financial investments	165	165
Other recoverable tax	19,964	22,026
Artistic patrimony	28,874	28,811
Reinsurance technical provision	22,191	5,243
Obligations with post-employment benefits	-	12,707
Capital supplies	237,145	227,295
Amounts due for collection	39,620	45,501
Amounts due from customers	184,122	217,483
Sundry assets	104,702	75,984
	1,309,071	1,096,957
Impairment for other assets	(249,492)	(285,141)
	1,059,579	811,816

The changes occurred in impairment for other assets are analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Balance on 1 January	285,141	282,646
Transfers	3,296	51,842
Charge for the period (note 12)	8,568	7,234
Reversals for the period (note 12)	(4,373)	(1,414)
Amounts charged-off	(43,093)	(55,164)
Exchange rate differences	(47)	(3)
Balance at the end of the period	249,492	285,141

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Resources and other financing from Central Banks		
Bank of Portugal	3,943,057	3,950,657
Central Banks abroad	128,893	805,264
	4,071,950	4,755,921
Resources from credit institutions in Portugal		
Very short-term deposits	36,691	8,134
Sight deposits	98,647	119,634
Term Deposits	164,191	190,825
Loans obtained	1,399	1,154
CIRS and IRS operations collateralised by deposits (*)	1,980	2,560
	302,908	322,307
Resources from credit institutions abroad		
Very short-term deposits	1,596	700
Sight deposits	90,842	184,543
Term Deposits	177,119	196,906
Loans obtained	1,794,792	1,818,677
CIRS and IRS operations collateralised by deposits (*)	43,587	21,174
Sales operations with repurchase agreement	11,904	451,712
Other resources	8,119	856
	2,127,959	2,674,568
	6,502,817	7,752,796

(*) Under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

The balance Resources from credit institutions - Resources from credit institutions abroad - Sales operations with repurchase agreement, corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Deposits from customers		
Repayable on demand	35,161,096	30,592,203
Term deposits	17,767,702	18,231,848
Saving accounts	4,072,799	3,512,313
Treasury bills and other assets sold under repurchase agreement	19,626	15,958
Cheques and orders to pay	540,455	312,365
Others	60,107	-
	57,621,785	52,664,687

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the Portuguese fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Bonds	387,501	310,164
Covered bonds	995,565	994,347
Medium term notes (MTNs)	91,607	77,488
Securitisations	270,688	298,395
	1,745,361	1,680,394
Accruals	6,405	5,693
	1,751,766	1,686,087

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Bonds		
Non Perpetual	1,627,768	1,036,785
Perpetual	27,021	27,021
	1,654,789	1,063,806
Accruals	30,874	8,299
	1,685,663	1,072,105

As at 30 September 2019, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non Perpetual Bonds						
Banco Comercial Português						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	34,073
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	19,266
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	10,908
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	40,398	844
Mbcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	27,137	1,020
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	14,361	801
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,544	1,891
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	52,227	5,185
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,626	2,667
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,887	3,967
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (iii)	300,000	298,711	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (iv)	450,000	447,835	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	160,139	160,139	55,086
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 2,30%	189,879	189,879	65,317
Eurobank_PP5	November, 2017	November, 2027	Wibor 3M 1,44%	22,877	22,877	-
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	96,000	85,003	13,825
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,627,768	964,850
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	-
BCP Leasing 2001	December, 2001	See reference (ii)	Euribor 3M+2,25%	4,986	4,986	1,496
					27,021	1,496
Accruals					30,874	-
					1,685,663	966,346

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References:

Date of exercise of the next call option - The dates of the next call options are the dates provided in the Issues Terms and Conditions.

(i) December 2019; (ii) December 2019.

Interest rate

(iii) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (iv) 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, for the remaining 5 years, will be applied over the mid swaps rate in force at the beginning of that period).

As at 31 December 2018, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non Perpetual Bonds						
Banco Comercial Português						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	51,173
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	28,881
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	16,158
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,637	979
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	53,541	7,444
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	43,234	6,844
Mbcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	29,297	5,010
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,334	2,901
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,543	5,341
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,102	12,835
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,522	6,417
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,560	7,904
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (iii)	300,000	298,620	300,000
Bank Millennium						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	162,920	162,920	42,409
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,445	80,331	14,978
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,036,785	509,274
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	8,814
BCP Leasing 2001	December, 2001	See reference (ii)	Euribor 3M+2,25%	4,986	4,986	1,994
					27,021	10,808
Accruals					8,299	-
					1,072,105	520,082

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References:

Date of exercise of the next call option The dates of the next call options are the dates provided in the Issues Terms and Conditions.

(i) June 2019; (ii) - March 2019.

Interest rate

(iii) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%.

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Short selling securities	9,121	28,803
Trading derivatives (note 23):		
Swaps	300,094	281,724
Options	2,183	3,966
Embedded derivatives	11,900	8,344
Forwards	4,175	3,024
Others	5,616	1,147
	323,968	298,205
	333,089	327,008

37. Financial liabilities designated at fair value through profit or loss

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Deposits from customers	1,936,768	2,583,549
Debt securities at fair value through profit and loss		
Bonds	881	826
Medium term notes (MTNs)	697,524	340,274
	698,405	341,100
Accruals	438	806
	698,843	341,906
Certificates	743,477	678,192
	3,379,088	3,603,647

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Provision for guarantees and other commitments	132,124	187,710
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	8,339	7,801
Life insurance	4,635	4,736
For participation in profit and loss	155	184
Other technical provisions	31,891	13,918
Other provisions for liabilities and charges	155,265	136,483
	332,409	350,832

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

(Thousands of euros)

	30 September 2019	31 December 2018
Balance on 1 January	187,710	130,875
Adjustments due to the implementation of IFRS 9	-	14,714
Transfers resulting from changes in the Group's structure	172	-
Other transfers	(59,221)	(2,122)
Charge for the period (note 13)	35,928	86,255
Reversals for the period (note 13)	(32,390)	(41,802)
Exchange rate differences	(75)	(210)
Balance at the end of the period	132,124	187,710

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Balance on 1 January	136,483	135,249
Transfers	2,284	733
Charge for the period (note 13)	22,071	13,537
Reversals for the period (note 13)	-	(301)
Amounts charged-off	(5,373)	(12,427)
Exchange rate differences	(200)	(308)
Balance at the end of the period	155,265	136,483

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Creditors:		
Associated companies	32	44
Suppliers	28,456	46,144
From factoring operations	43,734	26,323
For futures and options transactions	14,156	13,731
For direct insurance and reinsurance operations	6,566	3,614
Deposit account and other applications	137,353	75,453
Obligations not covered by the Group Pension Fund - amounts payable by the Group	14,140	13,431
Rents to pay	277,698	-
Other creditors		
Residents	27,846	27,915
Non-residents	45,296	257,902
Holiday pay and subsidies	70,949	58,609
Interests and other amounts payable	52,183	46,685
Operations to be settled - foreign, transfers and deposits	296,577	277,452
Amounts payable on trading activity	72,995	10,603
Other administrative costs payable	5,120	5,194
Deferred income	85,680	71,329
Loans insurance received and to amortised	74,739	59,641
Public sector	33,982	35,791
Obligations with post-employment benefits	196,298	-
Other liabilities	289,019	270,213
	1,772,819	1,300,074

40. Share capital, Preference shares and Other equity instruments

The Bank's share capital, as at 30 September 2019, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry without nominal value, fully subscribed and paid up.

Pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced from Euros 5,600,738,053.72 to Euros 4,725,000,000 maintaining the number of shares. The reduction in share capital of Euros 875,738,053.72 was made by incorporation of reserves including actuarial differences.

As at 30 September 2019, the share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 30 September 2019, the balance Other equity instruments, in the amount of Euros 402,922,000 corresponds to:

-2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each.
- 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each.

As described in note 47, Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as Additional Tier 1 core capital instrument, in the amount of Euros 400,000,000. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1E.

The operation, in the amount of Euros 400 million and with no fixed term, has the option of early repayment by the Bank as of the end of the 5th year, and an interest rate of 9.25% per annum during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

41. Legal and statutory reserves

Under Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. Such reserve is not normally distributable. In accordance with the proposal for the appropriation of net income for the 2018 financial year approved at the General Shareholders' Meeting held on 22 May 2019, the Bank increased its legal reserve in the amount of Euros 5,927,000. Thus as at 30 September 2019, the Legal reserves amount to Euros 240,535,000 (31 December 2018: Euros 234,608,000).

In accordance with current Portuguese legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20 percent of their net annual profits depending on the nature of their economic activity and are recorded in Other reserves and retained earnings in the Bank's consolidated financial statements (note 43).

As described in note 47, under the appropriation of net income for the 2018 financial year, the Bank distributed the Statutory reserves in the amount of Euros 30,000,000.

42. Treasury shares

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares	Other treasury stock	Total
30 September 2019			
Net book value (Euros '000)	61	36	97
Number of securities	323,738.00 (*)		
Average book value (Euros)	0.19		
31 December 2018			
Net book value (Euros '000)	74	-	74
Number of securities	323,738 (*)		
Average book value (Euros)	0.23		

(*) As at 30 September 2019, Banco Comercial Português, S.A. does not hold treasury shares and did not purchased or sold own shares during the period. However, this balance includes 323,738 shares (31 December 2018: 323,738 shares) owned by clients. Since for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients were considered as treasury shares, and, in accordance with the accounting policies, deducted to equity.

The own shares held by the companies included in the consolidation perimeter are within the limits established by the Bank's by-laws and by "Código das Sociedades Comerciais".

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	128,496	(10,343)
Equity instruments	(40,644)	(30,197)
Of associated companies and other changes	32,854	25,675
Cash-flow hedge	338,753	105,705
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	1,180	4,151
	460,639	94,991
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(37,415)	7,988
Equity instruments	3,189	1,880
Cash-flow hedge	(106,396)	(34,069)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(369)	(1,299)
	(140,991)	(25,500)
	319,648	69,491
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(48,149)	(38,841)
BIM - Banco International de Moçambique, S.A.	(137,233)	(152,287)
Banco Millennium Atlântico, S.A.	(117,960)	(100,382)
Others	2,524	2,454
	(300,818)	(289,056)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	41,107	43,342
Others	(3,965)	(3,965)
	37,142	39,377
Other reserves and retained earnings	694,631	650,669
	750,603	470,481

(*) Includes the effects arising from the application of hedge accounting.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Fair value changes		
Debt instruments	10,875	15,890
Equity instruments	3,227	2,938
Cash-flow hedge	(2,960)	(7,964)
Other	82	29
	11,224	10,893
Deferred taxes		
Debt instruments	(2,068)	(3,019)
Equity instruments	(613)	(558)
Cash-flow hedge	562	1,513
Others	2	-
	(2,117)	(2,064)
	9,107	8,829
Exchange differences arising on consolidation	(123,241)	(113,417)
Actuarial losses (net of taxes)	248	248
Other reserves and retained earnings	1,343,622	1,287,773
	1,229,736	1,183,433

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	30 September 2019	31 December 2018	30 September 2019	30 September 2018
Bank Millennium, S.A.	1,018,438	973,749	61,997	64,371
BIM - Banco International de Moçambique, SA (*)	179,113	160,776	26,062	25,735
Other subsidiaries	32,185	48,908	(428)	(4,247)
	1,229,736	1,183,433	87,631	85,859

(*) Includes the non-controlling interests of BIM Group related to SIM - Seguradora International de Moçambique, S.A.R.L.

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	30 September 2019	31 December 2018
Guarantees granted		
Guarantees	4,267,764	4,306,184
Stand-by letter of credit	60,659	81,249
Open documentary credits	272,609	300,020
Bails and indemnities	137,933	139,345
	4,738,965	4,826,798
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	170	-
Irrevocable credit lines	3,477,132	3,267,453
Securities subscription	85,687	97,159
Other irrevocable commitments	115,247	114,829
Revocable commitments		
Revocable credit lines	4,692,887	4,077,379
Bank overdraft facilities	526,604	552,307
Other revocable commitments	109,298	109,535
	9,007,025	8,218,662
Guarantees received	27,384,414	24,061,727
Commitments from third parties	10,385,601	9,411,635
Securities and other items held for safekeeping	66,783,802	64,887,064
Securities and other items held under custody by the Securities Depository Authority	67,232,627	65,566,396
Other off balance sheet accounts	125,863,219	126,252,374

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 38).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore, the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk are limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1 C). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

46. Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the Fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the value of the transfer of credits. These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus it related interest. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available Net assets value (NAV), as disclosed by the Management companies and audited at year end, still being analysed by the Bank;
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IFRS 9 3.2 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards. Considering that it does not hold control and does not exercise significant influence on the funds or companies' management, the Group performed, under the scope of IAS IFRS 9 3.2, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets. During the first nine months of 2019 and the year 2018, no credits were sold to specialized funds in credit recovery.

The amounts accumulated as at 30 September 2019 and 31 December 2018, related to these operations are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

The activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

As at 30 September 2019, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	30 September 2019			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	287,929	32,553	-	320,482
Impairment and other fair value adjustments	(47,986)	(32,553)	-	(80,539)
	239,943	-	-	239,943
Fundo Reestruturação Empresarial FCR				
Gross value	69,053	-	33,280	102,333
Impairment and other fair value adjustments	(17,543)	-	(33,280)	(50,823)
	51,510	-	-	51,510
FLIT-PTREL				
Gross value	263,577	38,154	-	301,731
Impairment and other fair value adjustments	450	(38,154)	-	(37,704)
	264,027	-	-	264,027
Fundo Recuperação FCR				
Gross value	190,063	81,933	-	271,996
Impairment and other fair value adjustments	(102,233)	(81,933)	-	(184,166)
	87,830	-	-	87,830
Fundo Aquarius FCR				
Gross value	139,148	-	-	139,148
Impairment and other fair value adjustments	(8,188)	-	-	(8,188)
	130,960	-	-	130,960
Discovery Real Estate Fund				
Gross value	155,458	-	-	155,458
Impairment and other fair value adjustments	(2,844)	-	-	(2,844)
	152,614	-	-	152,614
Fundo Vega FCR				
Gross value	47,694	75,670	-	123,364
Impairment and other fair value adjustments	(6,056)	(75,670)	-	(81,726)
	41,638	-	-	41,638
Total Gross value	1,152,922	228,310	33,280	1,414,512
Total impairment and other fair value adjustments	(184,400)	(228,310)	(33,280)	(445,990)
	968,522	-	-	968,522

(*) Corresponds to supplementary capital contributions initially recorded for the amount of Euros 33,280,000, and it was made a negative fair value adjustment of the same amount.

As at 31 December 2018, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 December 2018			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	287,930	32,206	-	320,136
Impairment and other fair value adjustments	(49,074)	(32,206)	-	(81,280)
	238,856	-	-	238,856
Fundo Reestruturação Empresarial FCR				
Gross value	86,669	-	33,280	119,949
Impairment and other fair value adjustments	(11,315)	-	(33,280)	(44,595)
	75,354	-	-	75,354
FLIT-PTREL				
Gross value	262,920	38,154	-	301,074
Impairment and other fair value adjustments	1,826	(38,154)	-	(36,328)
	264,746	-	-	264,746
Fundo Recuperação FCR				
Gross value	193,730	80,938	-	274,668
Impairment and other fair value adjustments	(89,971)	(80,938)	-	(170,909)
	103,759	-	-	103,759
Fundo Aquarius FCR				
Gross value	139,148	-	-	139,148
Impairment and other fair value adjustments	(10,974)	-	-	(10,974)
	128,174	-	-	128,174
Discovery Real Estate Fund				
Gross value	152,938	-	-	152,938
Impairment and other fair value adjustments	1,001	-	-	1,001
	153,939	-	-	153,939
Fundo Vega FCR				
Gross value	47,694	74,751	-	122,445
Impairment and other fair value adjustments	(5,534)	(74,751)	-	(80,285)
	42,160	-	-	42,160
Total Gross value	1,171,029	226,049	33,280	1,430,358
Total impairment and other fair value adjustments	(164,041)	(226,049)	(33,280)	(423,370)
	1,006,988	-	-	1,006,988

(*) Corresponds to supplementary capital contributions initially recorded for the amount of Euros 33,280,000, and it was made a negative fair value adjustment of the same amount.

47. Relevant events occurred during the first nine months of 2019

Issue of perpetual subordinated notes by Banco Comercial Português, S.A.

Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as additional Tier 1 core capital instrument ("Additional Tier 1" or "AT1").

The operation, in the amount of Euros 400 million and with no fixed term, has the option of early repayment by the Bank as of the end of the 5th year, and an interest rate of 9.25% per annum during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

The issuance, the first of its kind denominated in euros on the European market in 2019, was part of the Bank's strategy to strengthen and diversify the components of its capital base, contributing significantly to the strengthening of its eligible liabilities to meet the minimum requirement for eligible own funds and liabilities and to strengthen its presence in the capital market.

Issue of W-Series subordinated bonds of the Bank Millennium, S.A. (Poland)

On 30 January 2019 the Bank Millennium, S.A. (Poland) issued 1,660 series W subordinated bonds in the total amount of PLN 830 million. The maturity of the bonds is 30 January 2029 and the interest rate is variable, based on WIBOR 6M plus a margin of 2.30% per annum.

After the assent of Polish Financial Supervision Authority, the bonds were considered instruments in the Bank's Tier 2 capital in the meaning of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded on 22 May 2019, with 64.59% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One – Approval of the individual and consolidated annual report, balance sheet and financial statements of 2018, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profits for the 2018 financial year;

Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

Item Four – Approval of the remuneration policy of Members of Management and Supervision Bodies;

Item Five – Approval of the alteration of the articles of association, giving a new wording to paragraph c) of article 14 and to nr. 1 of article 10, adding two new numbers 2 and 3 to article 10 with the consequent renumbering of current nrs. 2 and 3;

Item Six – Approval of the cooptation of Mr. 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. The effects of this cooptation are subject to obtaining the authorization for the exercise of functions from the European Central Bank;

Item Seven – Appointment of Prof. Cidália Maria da Mota Lopes as Chairperson of the Audit Committee to exercise functions during the term-of-office ending in 2021;

Item Eight – Election of Mr. Nuno Maria Pestana de Almeida Alves as member of the Remunerations and Welfare Board;

Item Nine - 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;

Item Ten - Selection of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, SA to perform functions of External Auditor in the 2019/2020 two-year period;

Item Eleven – Approval of the acquisition and sale of own shares and bonds.

Appropriation of profits for the 2018 financial year

In accordance with the Companies Code, and with the Bank's articles of association, was deliberated in the Annual General Meeting of Shareholders of 22 May 2019, that the year-end results amounting to Euros 59,266,674.99 and the reserve for the stabilization of dividends, in the amount of Euros 30,000,000.00, be applied as follows:

a) For the reinforcement of legal reserve, Euros 5,926,667.50;

b) For the attribution of dividends Euros 30,227,979.90, corresponding Euros 227,979.90 to earnings and Euros 30,000,000.00 to the reserve for the stabilization of dividends;

c) to be distributed to employees Euros 12,587,009.00;

d) Euros 40,525,018.59, that is, the remaining, to Retained Earnings.

It was also approved that:

i) The payment to each share of the unit dividend of Euros 0.002;

ii) The dividend on the shares owned by the Company on the first day of the dividend payment period shall not be paid and shall be registered in the retained earnings.

Acquisition of Euro Bank S.A. by Bank Millennium S.A.

Bank Millennium S.A., owned 50.1% by Banco Comercial Português, S.A., announced on 28 May 2019, having been informed of the non-objection by the Polish Financial Supervision Authority to its acquisition of Euro Bank S.A.. As at 31 May 2019, the Bank Millennium S.A has completed the acquisition of shares representing 99.787% of the share capital of Euro Bank S.A.. The details of the acquisition are detailed in note 53.

Merger of Banco de Investimento Imobiliário, S.A. with Banco Comercial Português, S.A.

Following the announcement dated 19 June 2019, Banco Comercial Português, S.A. hereby informs that its Board of Directors and the Board of Directors of Banco de Investimento Imobiliário, S.A. approved during September 2019, the merger project of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of Banco Comercial Português, S.A., by incorporation into the latter.

Notification from the Competition Authority

On 9 September 2019, BCP was notified by the Portuguese Competition Authority ("AdC") of its decision of conviction under a litigation related to alleged restrictive competition practices regarding the sharing of sensitive commercial information between credit institutions in the segments of mortgage loans, consumer loans and corporate loans.

Thereby, BCP was one of the 14 banks to which AdC decided to apply the payment of fines in the global amount of Euros 225 million for alleged concerted practice of sensitive commercial information exchange, fining BCP in Euros 60 million. Under the same litigation, other 13 credit institutions were also condemned.

According to the referred decision, BCP's fine of Euros 60 million contemplated the duration of its participation in the alleged infringement (11 years, between May 2002 and March 2013) and the Bank's turnover related with the markets included in the infringement, i.e., mortgage loans, consumer loans and corporate loans.

The exchange of sensitive information for which BCP is condemned refers to: (i) information related to commercial conditions (as prices/spread rates that were not public in the moment of the information exchange or that were difficult to access or systematize); and (ii) monthly production amounts of each bank occurred during that period (disaggregated information relative to the amount of credit granted in Euros in a determined period, normally corresponding to the month before).

AdC did not constitute any evidence about the restrictive effect on competition due to the information exchange. AdC considered the information exchange as an infringement by object, hence considering there would not be need of constituting evidence of the restrictive effect on competition, which, in BCP's opinion, is not in conformity with the doctrine and relevant community jurisprudence.

On 21 October 2019, BCP filed an appeal to the Court of Competition, Regulation & Supervision ("TCRS"). The sentence, that will be given by TCRS, may be appealed to the Lisbon Court of Appeal ("TRL").

The Bank contested AdC's decision because it believes that the impugned facts and decisions are not properly supported and substantiated, considering the applied fine unjustified and unbalanced.

On 15 November 2019, BCP was notified of a ruling, by the Lisbon Court of Appeal, on an appeal that it had filed in an earlier moment, still at the pre-trial phase of these administrative proceedings, on the right by the concerned parties to attend the examination of witnesses enrolled by other parties, and such ruling was unfavourable to its claims. Because BCP did not agree with that ruling by the Lisbon Court of Appeal, on 25 November 2019 it appealed this decision to the Constitutional Court.

Issue of subordinated notes by Banco Comercial Português, S.A.

Banco Comercial Português, S.A. fixed, as at 20 September 2019, the terms for a new issue of medium term subordinated notes expected to qualify as Tier 2 own funds, under its Euro Note Programme.

The issue, in the amount of Euros 450 million, will have 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, which, for the determination of the interest rate for the remaining 5 years, will be applied over the mid swaps rate in force at the beginning of that period).

48. Consolidated Balance sheet and Income statement by operational segments

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for management purposes by the Executive Committee. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal, ActivoBank and Banco de Investimento Imobiliário.

Portugal activity includes the following segments: i) Retail Banking; ii) Companies, Corporate & Investment Banking; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than Euros 2.5 million. The Retail network strategic approach is to target “Mass Market” customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal based on innovation and personalisation, requiring a dedicated Account Manager;
- Retail Recovery Division that accompanies and manages the responsibilities of customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and
- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies, Corporate and Investment Banking segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;
- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;
- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment;
- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term;
- Trade Finance Department (from Treasury and Markets International Division), which coordinates the business with banks and financial institutions, boosting international business with the commercial networks of the Bank and institutional custody services for securities;
- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1 million);
- Specialized Credit and Real Estate Division, which ensures integrated and specialized management of real estate business of the Group. Regarding credit for real estate development, it ensures the economic viability of real estate and tourist projects. In the area of specialized credit for Factoring and Confirming products, it ensures the operational management of contracts and collections and in the real estate sector ensures the sustainability and quick return of these assets to the market.
- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for the purposes of geographical segments, comprises the Private Banking network in Portugal and the provision of advisory services and the asset management activity provided by the Wealth Management Division. For the purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation.

All other businesses not previously discriminated are allocated to the Other segment (Portugal) and include centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other amounts not allocated to segments.

Foreign Business includes the following segments:
- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;
- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and
- Other, which includes other countries activity such as Switzerland where the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law and Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets (Affluent segment). The Other segment also includes the contribution of the associate in Angola.

B. Business Segments

For the purposes of business segments reporting, Foreign Business segment comprises the Group's operations developed in other countries already mentioned excluding the activity of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands which, in this context, are considered in Private Banking segment.

Business segments activity

The figures reported for each segment resulted from aggregating the subsidiaries and business units integrated in each segment. For the business units in Portugal, the aggregation process reflects the impact from capital allocation and balancing process in the balance sheet and income statement, based on average figures. The balance sheet headings for each business unit and Portuguese subsidiaries were re-calculated, considering the replacement of the equity book values by the amounts assigned through the allocation process, based on the regulatory solvency criteria.

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 30 September 2019, 31 December 2018 and 30 September 2018 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Commissions and other net income, as well as operating costs calculated for each business area, are based on the amounts accounted for directly in the respective cost centres, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. As an example, for operational costs, the first set includes costs recorded for telephones, travel, travelling accommodation and representation expenses and to advisory services, and in the second set of costs are included correspondence, water and electricity and rents related to spaces occupied by organic units, among others. The allocation of this last set of costs is based on the application of pre-defined criteria related to the level of activity of each business area.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 30 September 2019. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical).

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 30 September 2019, the net contribution of the major business segments, for the income statement and balance sheet, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Interest and similar income	364,576	753,157	1,117,733	242,688	18,705	98,647	1,477,773
Interest expense and similar charges	(20,040)	(207,962)	(228,002)	(35,703)	(5,804)	(55,307)	(324,816)
Net interest income	344,536	545,195	889,731	206,985	12,901	43,340	1,152,957
Commissions and other income	314,463	212,523	526,986	123,333	42,228	9,412	701,959
Commissions and other costs	(31,763)	(125,111)	(156,874)	(20,283)	(5,384)	(114,098)	(296,639)
Net commissions and other income	282,700	87,412	370,112	103,050	36,844	(104,686)	405,320
Net gains arising from financial operations (2)	13,853	68,110	81,963	348	3,376	33,417	119,104
Share of profit of associates under the equity method	-	11,114	11,114	-	-	27,888	39,002
Gains / (losses) arising from the sale of subsidiaries and other assets	-	4,670	4,670	-	-	21,941	26,611
Net operating revenue	641,089	716,501	1,357,590	310,383	53,121	21,900	1,742,994
Operating expenses	355,137	332,641	687,778	100,694	34,413	24,435	847,320
Impairment for credit and financial assets (3)	(12,964)	(93,186)	(106,150)	(212,159)	1,780	16,295	(300,234)
Other impairments and provisions (4)	1	(9,606)	(9,605)	15	-	(67,275)	(76,865)
Net income / (loss) before income tax	272,989	281,068	554,057	(2,455)	20,488	(53,515)	518,575
Income tax	(84,364)	(69,212)	(153,576)	1,527	(5,310)	(16,679)	(174,038)
Income / (loss) after income tax from continuing operations	188,625	211,856	400,481	(928)	15,178	(70,194)	344,537
Income / (loss) arising from discontinued operations	-	-	-	-	-	13,412	13,412
Net income / (loss) for the period	188,625	211,856	400,481	(928)	15,178	(56,782)	357,949
Non-controlling interests	-	(88,059)	(88,059)	-	-	428	(87,631)
Net income / (loss) for the period attributable to Bank's Shareholders	188,625	123,797	312,422	(928)	15,178	(56,354)	270,318
BALANCE SHEET							
Cash and Loans and advances to credit institutions	9,319,896	1,581,232	10,901,128	1,691,117	2,657,468	(10,218,994)	5,030,719
Loans and advances to customers (5)	21,733,087	16,553,584	38,286,671	12,266,555	624,485	945,614	52,123,325
Financial assets (6)	381,775	5,885,356	6,267,131	-	5,429	11,322,214	17,594,774
Other assets	165,534	816,895	982,429	41,436	22,577	5,563,863	6,610,305
Total Assets	31,600,292	24,837,067	56,437,359	13,999,108	3,309,959	7,612,697	81,359,123
Resources from other credit institutions (7)	691,135	472,854	1,163,989	4,714,199	505	624,124	6,502,817
Resources from customers (8)	28,317,343	20,024,412	48,341,755	7,936,399	2,731,342	549,057	59,558,553
Debt securities issued (9)	1,390,731	331,061	1,721,792	1,547	89,234	1,381,513	3,194,086
Other financial liabilities (10)	-	565,436	565,436	-	108	1,777,347	2,342,891
Other liabilities	54,455	785,401	839,856	76,969	18,375	1,190,088	2,125,288
Total Liabilities	30,453,664	22,179,164	52,632,828	12,729,114	2,839,564	5,522,129	73,723,635
Equity and non-controlling interests	1,146,628	2,657,903	3,804,531	1,269,994	470,395	2,090,568	7,635,488
Total Liabilities, Equity and Non-controlling interests	31,600,292	24,837,067	56,437,359	13,999,108	3,309,959	7,612,697	81,359,123
Number of employees (11)	4,706	11,383	16,089	738	227	1,669	18,723

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;
(2) Includes 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, results from derecognition of financial assets measured at fair value through other comprehensive income;
(3) Includes impairment (net of reversals) of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations);
(4) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, impairment of goodwill, impairment of other assets and provisions.
(5) Includes 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;
(6) Includes 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), financial assets at fair value through other comprehensive income net of impairment, assets with repurchase agreement and hedging derivatives;
(7) Includes resources and other financing from Central Banks and resources from other credit institutions;
(8) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss);
(9) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(10) Includes financial liabilities held for trading, subordinated debt and hedging derivatives;
(11) Foreign Business segment considers 8,700 employees from Poland corresponding to 8,564 FTE - Full-time equivalent.

As at 30 September 2018, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Interest and similar income	347,370	657,355	1,004,725	259,531	24,635	118,970	1,407,861
Interest expense and similar charges	(30,825)	(208,425)	(239,250)	(52,170)	(6,833)	(56,803)	(355,056)
Net interest income	316,545	448,930	765,475	207,361	17,802	62,167	1,052,805
Commissions and other income	304,300	192,867	497,167	125,551	43,331	2,768	668,817
Commissions and other costs	(28,896)	(106,897)	(135,793)	(20,456)	(5,518)	(113,981)	(275,748)
Net commissions and other income	275,404	85,970	361,374	105,095	37,813	(111,213)	393,069
Net gains arising from financial operations (2)	12,572	45,250	57,822	318	3,117	28,319	89,576
Share of profit of associates under the equity method	-	28,733	28,733	-	-	43,135	71,868
Gains / (losses) arising from the sale of subsidiaries and other assets	(1)	9,728	9,727	4	-	19,416	29,147
Net operating revenue	604,520	618,611	1,223,131	312,778	58,732	41,824	1,636,465
Operating expenses	352,687	266,793	619,480	91,120	31,639	11,986	754,225
Impairment for credit and financial assets (3)	(14,882)	(49,104)	(63,986)	(314,268)	1,837	44,392	(332,025)
Other impairments and provisions (4)	(1)	(15,739)	(15,740)	(2)	1	(81,219)	(96,960)
Net income / (loss) before income tax	236,950	286,975	523,925	(92,612)	28,931	(6,989)	453,255
Income tax	(73,727)	(64,999)	(138,726)	29,701	(7,497)	7,017	(109,505)
Income / (loss) after income tax from continuing operations	163,223	221,976	385,199	(62,911)	21,434	28	343,750
Income arising from discontinued operations	-	-	-	-	-	(422)	(422)
Net income / (loss) for the period	163,223	221,976	385,199	(62,911)	21,434	(394)	343,328
Non-controlling interests	-	(90,106)	(90,106)	-	-	4,247	(85,859)
Net income / (loss) for the period attributable to Bank's Shareholders	163,223	131,870	295,093	(62,911)	21,434	3,853	257,469

As at 31 December 2018, the net contribution of the major operational segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Retail in Portugal	Foreign business (1)	Total	Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
BALANCE SHEET							
Cash and Loans and advances to credit institutions	8,676,928	1,280,716	9,957,644	218,221	2,513,580	(8,718,866)	3,970,579
Loans and advances to customers (5)	21,257,724	12,977,414	34,235,138	13,092,522	573,712	221,924	48,123,296
Financial assets (6)	20,838	6,148,434	6,169,272	-	1,481	10,976,994	17,147,747
Other assets	187,135	596,699	783,834	49,580	15,569	5,832,444	6,681,427
Total Assets	30,142,625	21,003,263	51,145,888	13,360,323	3,104,342	8,312,496	75,923,049
Resources from other credit institutions (7)	913,040	483,416	1,396,456	4,310,909	1,641	2,043,790	7,752,796
Resources from customers (8)	27,168,263	16,988,098	44,156,361	7,883,217	2,577,072	631,586	55,248,236
Debt securities issued (9)	1,018,395	188,446	1,206,841	769	54,691	1,443,884	2,706,185
Other financial liabilities (10)	-	304,002	304,002	-	1,428	1,271,583	1,577,013
Other liabilities	38,566	514,180	552,746	60,772	10,559	1,050,836	1,674,913
Total Liabilities	29,138,264	18,478,142	47,616,406	12,255,667	2,645,391	6,441,679	68,959,143
Equity and non-controlling interests	1,004,361	2,525,121	3,529,482	1,104,656	458,951	1,870,817	6,963,906
Total Liabilities, Equity and Non-controlling interests	30,142,625	21,003,263	51,145,888	13,360,323	3,104,342	8,312,496	75,923,049
Number of employees (11)	4,637	8,889	13,526	725	226	1,590	16,067

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;
(2) Includes 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, results from derecognition of financial assets measured at fair value through other comprehensive income;
(3) Includes impairment (net of reversals) of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations);
(4) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, impairment of goodwill, impairment of other assets and provisions;
(5) Includes 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;
(6) Includes 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), financial assets at fair value through other comprehensive income net of impairment, assets with repurchase agreement and hedging derivatives;
(7) Includes resources and other financing from Central Banks and resources from other credit institutions;
(8) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss);
(9) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(10) Includes financial liabilities held for trading, subordinated debt and hedging derivatives;
(11) Foreign Business segment considers 6,270 employees from Poland corresponding to 6,132 FTE - Full-time equivalent.

As at 30 September 2019, the net contribution of the major geographic segments, for the income statement and balance sheet, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	364,576	242,688	11,175	98,647	717,086	565,083	188,074	7,530	1,477,773
Interest expense and similar charges	(20,040)	(35,703)	(5,679)	(55,307)	(116,729)	(159,111)	(48,632)	(344)	(324,816)
Net interest income	344,536	206,985	5,496	43,340	600,357	405,972	139,442	7,186	1,152,957
Commissions and other income	314,463	123,333	19,619	9,412	466,827	168,757	43,766	22,609	701,959
Commissions and other costs	(31,763)	(20,283)	(1,185)	(114,098)	(167,329)	(112,532)	(12,579)	(4,199)	(296,639)
Net commissions and other income	282,700	103,050	18,434	(104,686)	299,498	56,225	31,187	18,410	405,320
Net gains arising from financial operations (2)	13,853	348	368	33,417	47,986	57,276	10,834	3,008	119,104
Share of profit of associates under the equity method	-	-	-	27,888	27,888	-	-	11,114	39,002
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	-	21,941	21,941	(1,007)	5,677	-	26,611
Net operating revenue	641,089	310,383	24,298	21,900	997,670	518,466	187,140	39,718	1,742,994
Operating expenses	355,137	100,694	14,547	24,435	494,813	259,800	72,514	20,193	847,320
Impairment for credit and financial assets (3)	(12,964)	(212,159)	1,464	16,295	(207,364)	(79,018)	(16,587)	2,735	(300,234)
Other impairments and provisions (4)	1	15	-	(67,275)	(67,259)	(8,365)	(1,241)	-	(76,865)
Net income / (loss) before income tax	272,989	(2,455)	11,215	(53,515)	228,234	171,283	96,798	22,260	518,575
Income tax	(84,364)	1,527	(3,533)	(16,679)	(103,049)	(47,040)	(21,467)	(2,482)	(174,038)
Income / (loss) after income tax from continuing operations	188,625	(928)	7,682	(70,194)	125,185	124,243	75,331	19,778	344,537
Income / (loss) arising from discontinued operations	-	-	-	13,412	13,412	-	-	-	13,412
Net income / (loss) for the period	188,625	(928)	7,682	(56,782)	138,597	124,243	75,331	19,778	357,949
Non-controlling interests	-	-	-	428	428	(61,997)	(25,514)	(548)	(87,631)
Net income / (loss) for the period attributable to Bank's Shareholders	188,625	(928)	7,682	(56,354)	139,025	62,246	49,817	19,230	270,318
BALANCE SHEET									
Cash and Loans and advances to credit institutions	9,319,896	1,691,117	2,008,081	(10,218,994)	2,800,100	977,316	603,915	649,388	5,030,719
Loans and advances to customers (5)	21,733,087	12,266,555	261,938	945,614	35,207,194	15,895,204	658,381	362,546	52,123,325
Financial assets (6)	381,775	-	-	11,322,214	11,703,989	5,076,112	809,243	5,430	17,594,774
Other assets	165,534	41,436	10,597	5,563,863	5,781,430	450,825	235,079	142,971	6,610,305
Total Assets	31,600,292	13,999,108	2,280,616	7,612,697	55,492,713	22,399,457	2,306,618	1,160,335	81,359,123
Resources from other credit institutions (7)	691,135	4,714,199	1	624,124	6,029,459	413,655	16,067	43,636	6,502,817
Resources from customers (8)	28,317,343	7,936,399	2,120,533	549,057	38,923,332	18,379,653	1,644,759	610,809	59,558,553
Debt securities issued (9)	1,390,731	1,547	89,234	1,381,513	2,863,025	331,061	-	-	3,194,086
Other financial liabilities (10)	-	-	-	1,777,347	1,777,347	565,436	-	108	2,342,891
Other liabilities	54,455	76,969	1,275	1,190,088	1,322,787	668,695	116,707	17,099	2,125,288
Total Liabilities	30,453,664	12,729,114	2,211,043	5,522,129	50,915,950	20,358,500	1,777,533	671,652	73,723,635
Equity and non-controlling interests	1,146,628	1,269,994	69,573	2,090,568	4,576,763	2,040,957	529,085	488,683	7,635,488
Total Liabilities, Equity and Non-controlling interests	31,600,292	13,999,108	2,280,616	7,612,697	55,492,713	22,399,457	2,306,618	1,160,335	81,359,123
Number of employees (11)	4,706	738	146	1,669	7,259	8,710	2,673	81	18,723

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;
(2) Includes 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, results from derecognition of financial assets measured at fair value through other comprehensive income;
(3) Includes impairment (net of reversals) of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations);
(4) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, impairment of goodwill, impairment of other assets and provisions.
(5) Includes 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;
(6) Includes 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), financial assets at fair value through other comprehensive income net of impairment, assets with repurchase agreement and hedging derivatives;
(7) Includes resources and other financing from Central Banks and resources from other credit institutions;
(8) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss);
(9) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(10) Includes financial liabilities held for trading, subordinated debt and hedging derivatives;
through profit or loss (debt securities and certificates);
(10) Includes financial liabilities held for trading, subordinated debt and hedging derivatives;
(11) In Poland, the number of employees presented corresponds to 8,564 FTE - Full-time equivalent.

As at 30 September 2018, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	347,370	259,531	14,870	118,970	740,741	442,781	214,574	9,765	1,407,861
Interest expense and similar charges	(30,825)	(52,170)	(4,801)	(56,803)	(144,599)	(129,350)	(78,776)	(2,331)	(355,056)
Net interest income	316,545	207,361	10,069	62,167	596,142	313,431	135,798	7,434	1,052,805
Commissions and other income	304,300	125,551	21,202	2,768	453,821	151,065	41,802	22,129	668,817
Commissions and other costs	(28,896)	(20,456)	(1,148)	(113,981)	(164,481)	(93,034)	(13,864)	(4,369)	(275,748)
Net commissions and other income	275,404	105,095	20,054	(111,213)	289,340	58,031	27,938	17,760	393,069
Net gains arising from financial operations (2)	12,572	318	332	28,319	41,541	39,439	5,811	2,785	89,576
Share of profit of associates under the equity method	-	-	-	43,135	43,135	-	-	28,733	71,868
Gains / (losses) arising from the sale of subsidiaries and other assets	(1)	4	-	19,416	19,419	1,831	7,897	-	29,147
Net operating revenue	604,520	312,778	30,455	41,824	989,577	412,732	177,444	56,712	1,636,465
Operating expenses	352,687	91,120	13,133	11,986	468,926	200,673	66,120	18,506	754,225
Impairment for credit and financial assets (3)	(14,882)	(314,268)	1,234	44,392	(283,524)	(32,061)	(21,778)	5,338	(332,025)
Other impairments and provisions (4)	(1)	(2)	-	(81,219)	(81,222)	(4,910)	789	(11,617)	(96,960)
Net income / (loss) before income tax	236,950	(92,612)	18,556	(6,989)	155,905	175,088	90,335	31,927	453,255
Income tax	(73,727)	29,701	(5,845)	7,017	(42,854)	(46,088)	(17,490)	(3,073)	(109,505)
Income / (loss) after income tax from continuing operations	163,223	(62,911)	12,711	28	113,051	129,000	72,845	28,854	343,750
Income arising from discontinued operations	-	-	-	(422)	(422)	-	-	-	(422)
Net income / (loss) for the period	163,223	(62,911)	12,711	(394)	112,629	129,000	72,845	28,854	343,328
Non-controlling interests	-	-	-	4,247	4,247	(64,371)	(24,663)	(1,072)	(85,859)
Net income / (loss) for the period attributable to Bank's Shareholders	163,223	(62,911)	12,711	3,853	116,876	64,629	48,182	27,782	257,469

As at 31 December 2018, the net contribution of the major geographic segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	8,676,928	218,221	1,869,029	(8,718,866)	2,045,312	740,447	540,268	644,552	3,970,579
Loans and advances to customers (5)	21,257,724	13,092,522	231,839	221,924	34,804,009	12,268,269	711,562	339,456	48,123,296
Financial assets (6)	20,838	-	-	10,976,994	10,997,832	5,448,454	699,980	1,481	17,147,747
Other assets	187,135	49,580	12,163	5,832,444	6,081,322	268,046	186,692	145,367	6,681,427
Total Assets	30,142,625	13,360,323	2,113,031	8,312,496	53,928,475	18,725,216	2,138,502	1,130,856	75,923,049
Resources from other credit institutions (7)	913,040	4,310,909	-	2,043,790	7,267,739	428,275	13,203	43,579	7,752,796
Resources from customers (8)	27,168,263	7,883,217	1,998,106	631,586	37,681,172	15,417,499	1,570,599	578,966	55,248,236
Debt securities issued (9)	1,018,395	769	54,691	1,443,884	2,517,739	188,446	-	-	2,706,185
Other financial liabilities (10)	-	-	-	1,271,583	1,271,583	304,002	-	1,428	1,577,013
Other liabilities	38,566	60,772	1,018	1,050,836	1,151,192	435,594	78,586	9,541	1,674,913
Total Liabilities	29,138,264	12,255,667	2,053,815	6,441,679	49,889,425	16,773,816	1,662,388	633,514	68,959,143
Equity and non-controlling interests	1,004,361	1,104,656	59,216	1,870,817	4,039,050	1,951,400	476,114	497,342	6,963,906
Total Liabilities, Equity and Non-controlling interests	30,142,625	13,360,323	2,113,031	8,312,496	53,928,475	18,725,216	2,138,502	1,130,856	75,923,049
Number of employees (11)	4,637	725	143	1,590	7,095	6,270	2,619	83	16,067

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico;
(2) Includes 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, results from derecognition of financial assets measured at fair value through other comprehensive income;
(3) Includes impairment (net of reversals) of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations);
(4) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, impairment of goodwill, impairment of other assets and provisions;
(5) Includes 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;
(6) Includes 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), financial assets at fair value through other comprehensive income net of impairment, assets with repurchase agreement and hedging derivatives;
(7) Includes resources and other financing from Central Banks and resources from other credit institutions;
(8) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss);
(9) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(10) Includes financial liabilities held for trading, subordinated debt and hedging derivatives;
(11) In Poland, the number of employees presented corresponds to 6,132 FTE - Full-time equivalent.

Reconciliation of net income of reportable segments with the net income attributable to shareholders

(Thousands of euros)

	30 September 2019	30 September 2018
Net contribution		
Retail banking in Portugal	188,625	163,223
Companies, Corporate and Investment banking	(928)	(62,911)
Private Banking	7,682	12,711
Foreign business (continuing operations)	219,352	230,699
Non-controlling interests (1)	(88,059)	(90,106)
	326,672	253,616
Amounts not allocated to segments		
Net interest income of the bond portfolio	11,798	18,524
Foreign exchange activity	19,086	16,135
Gains / (losses) arising from sales of subsidiaries and other assets	21,941	19,417
Equity accounted earnings	27,888	43,135
Impairment and other provisions (2)	(50,980)	(36,826)
Operational costs (3)	(24,435)	(11,986)
Gains on sale of Portuguese public debt	58,498	16,022
Mandatory contributions	(66,627)	(66,470)
Loans sale	(27,304)	(21,581)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	(16,460)	(1,152)
Taxes (5)	(16,678)	7,017
Income from discontinued operations	13,412	(422)
Non-controlling interests	428	4,247
Others (6)	(6,921)	17,793
Total not allocated to segments	(56,354)	3,853
Consolidated net income	270,318	257,469

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, and in Mozambique.
(2) Includes provisions for property in kind and for funds specialized in the recovery of loans, administrative infractions, various contingencies and other unallocated to business segments.
(3) Corresponds to revenues/costs related restructuring costs.
(4) Includes gains/(losses) from restructuring funds.
(5) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.
(6) It includes other operations not allocated previously namely funding for non-interest bearing assets and strategic financial investments, net commissions and other operating income / expenses and other income from financial operations.

49. Solvency

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV / CRR).

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted anticipated dividends and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach and goodwill and other intangible assets. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value as well as the irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund , are also deducted.

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt that are compliant with the issue conditions established in the Regulation and minority interests related to minimum level 1 additional capital requirements, of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for the deferred tax already recorded on the balance sheet of 1 January 2014 and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, which period ends in 2023 and 2021, respectively.

With the IFRS9 introduction the Bank has decided to gradually recognise the impacts, according to artº 473º-A of CRR.

CRD IV/CRR establishes Pilar 1 capital requirements of 4.5%, 6% and 8% for CET1, Tier 1 and Total Capital, respectively. However, under the scope of SREP , European Central Bank notified BCP about the need to comply with phased-in capital ratios, during 2019, of 9.63% (CET1), 11.13% (Tier 1) and 13.13% (Total), including 2.25% of additional Pilar 2 requirements, 0,375% of O-SII and 2.5% of capital conservation buffer. The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

The own funds and the capital requirements determined according to the CRD IV/CRR (phased-in) methodologies previously referred, are the following:

(Thousands of euros)

	30 September 2019	31 December 2018
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Ordinary own shares	(97)	(74)
Reserves and retained earnings	1,214,725	1,006,048
Minority interests eligible to CET1	697,489	493,796
Regulatory adjustments to CET1	(1,141,319)	(1,194,083)
	5,512,269	5,047,158
Tier 1		
Capital Instruments	400,877	1,169
Minority interests eligible to AT1	104,116	72,740
	6,017,262	5,121,067
Tier 2		
Subordinated debt	845,943	477,675
Minority interests eligible to CET1	259,224	148,108
Other	(58,800)	(58,800)
	1,046,367	566,983
Total own funds	7,063,629	5,688,050
RWA - Risk weighted assets		
Credit risk	39,634,434	36,974,641
Market risk	1,274,727	1,125,845
Operational risk	3,889,986	3,631,244
CVA	130,942	151,302
	44,930,089	41,883,032
Capital ratios		
CET1	12.3%	12.1%
Tier 1	13.4%	12.2%
Tier 2	2.3%	1.4%
	15.7%	13.6%

The 2018 and 2019 amounts include the accumulated net income.

50. Mozambique's sovereign debt

Following a period of deceleration in economic activity and increase of inflation, reduction of Republic of Mozambique rating, depreciation of metical and decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate since December 2015, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue a strict liquidity management, emphasis on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, existing debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique and the terms of reference for an external audit were agreed.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information. In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsibility of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique. Additionally, on June 3, 2019, the Constitutional Council of the Republic of Mozambique issued a Judgment, within the framework of a successive abstract review of constitutionality, declaring the nullity of the acts inherent to the loan contracted by the entity that originated this debt, and the respective sovereign guarantee granted by the Government in 2013. On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

As at 30 September 2019, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 352,822,000, with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 137,233,000. BIM's contribution to consolidated net income for the first nine months of 2019, attributable to the shareholders of the Bank, amounts to Euros 49,817,000.

On this date, the subsidiary BIM's exposure to the State of Mozambique includes public debt securities denominated in metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of Euros 807,997,000.

As at 30 September 2019, the Group has also registered in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of Euros 339,855,000 (of which Euros 338,392,000 are denominated in metical and Euros 1,463,000 denominated in USD) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 166,510,000 denominated in USD and in the balance Guarantees granted and irrevocable commitments, an amount of Euros 82,155,000 (of which Euros 1,770, 000 are denominated in euros, Euros 3,382,000 are denominated in metical, Euros 75,434,000 denominated in USD and Euros 1,569,000 denominated in Rands).

According to public information provided by IMF, there are credits granted in default to Mozambican companies, non-state, guaranteed by the Mozambican State. The ongoing dialogue between the Government of Mozambique, IMF and creditors has the objective of finding a solution to the debt guaranteed by the State of Mozambique that had not previously been disclosed to the IMF referred to above. Nevertheless, the Ministry of Economy and Finance of the Republic of Mozambique has presented in November 2018 new proposals regarding this matter, a solution has not yet been approved to change the current Group's expectations reflected in the financial statements as at 30 September 2019, regarding the capacity of the Government of Mozambique and public companies to repay their debts and the development of the activity of its subsidiary Banco Internacional de Moçambique (BIM).

51. Contingent liabilities and other commitments

In accordance with accounting policy 1 V3, the main Contingent liabilities and other commitments under IAS 37, that presented developments during the third quarter of 2019, are as follows:

1. Regarding mortgage loans granted by Bank Millennium in CHF, there are risks related to verdicts issued by Polish courts in individual litigations raised by borrowers of FX mortgage loans against banks (including Bank Millennium).

Vast majority of verdicts in cases concerning Bank Millennium have been favourable to the Bank so far. However, it should be noted that there is a significant risk that such favourable verdicts may change, as a result of which pending proceedings' rulings may not be taken in accordance with the Bank's expectation.

If such risk materializes, it may have a significant negative impact on Bank Millennium. Among other factors which are relevant for the assessment of risk related to disputes concerning mortgage loans indexed to CHF, the judgment of the Court of Justice of the European Union in Case C 260/18, of 3 October 2019, should be mentioned.

On 3 October 2019, the European Court of Justice (ECJ) issued a judgment in Case C 260/18 of Kamil Dziubak, Justyna Dziubak versus Raiffeisen Bank International AG with its registered office in Vienna (conducting business in Poland in form of a branch under the name of Raiffeisen Bank International AG Branch in Poland, formerly Raiffeisen Bank Polska S.A. with its registered office in Warsaw). The ECJ judgment contains answers (legal interpretations) to questions asked by the Polish Court. The questions were formulated in connection with the analysis by the Court inquiring about the action against Raiffeisen Bank concerning a CHF-indexed credit agreement.

In accordance with the applicable rules, the interpretative guidelines of the ECJ should be taken into account by the national courts when resolving cases. It should be noted that ECJ interpretations, addressing important issues to the assessment of national courts, focus on issues related to the effects that may be applicable to agreements in the event of the Court adjudicating a given case determines the existence of abusive provisions, and may indicate as a possible effect the invalidity of the agreement.

The scope of issues which, in accordance with the ECJ ruling, remain to be assessed by national courts with the simultaneous existence of certain doubts about the interpretation of ECJ ruling, result in the current lack of possibility of rational assessment of the impact of the ECJ ruling on the ongoing proceedings and, at the same time, indicate the need to analyse the case-law in this respect.

Regarding law on FX mortgage loans, which has been discussed in Poland during the last 4 years, it was recently approved a Presidential Draft Bill of 2 August 2017 regarding changes in the act of support for distressed borrowers who are part of mortgage loans. The finally accepted Bill does not include the creation of a Conversion Fund. On the other hand, it increased availability in Borrowers' Support Fund in the amount of PLN 600 million (Euros 137.26 million), which was originally created in 2015 and is still waiting to be used by borrowers in need (both PLN and FX mortgages) and sets potential future contributions. The Bill will come into force on 1 January 2020.

2. On 21 October 2014 a class action was presented to Bank Millennium, in which a group of Bank Millennium's borrowers represented by the Municipal Consumer Ombudsman in Olsztyn seek the ascertainment that Bank Millennium is liable for unjust enrichment in connection with the CHF-indexed mortgage agreements. The members of the group claim that Bank Millennium unduly collected excessive amounts from them for the repayment of loans. According to the statement of claim, the overstatement of such amounts was to result from the application of abusive contractual provisions concerning the CHF-indexation of credits.

The number of the group members amounts to approximately 5,350 and the value of the litigation has been estimated to approximately PLN 146 million (Euros 33.40 million). The number of loan agreements involved is approximately 3,288.

The current stage of the proceedings is establishing the composition of the group (i.e. determining whether all persons who joined the group may participate in the group).

3. On 3 December 2015, a collective action against Bank Millennium was filed. A group of Bank Millennium's debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.80 million), claiming that the clauses of the agreements of the low-down payment insurance, pertaining to CHF-indexed mortgage agreements, are unfair and thus not binding. The plaintiff extended the group in the court letter filed on 4 April 2018, therefore the claims increased from PLN 3.5 million (Euros 0.80 million) to over PLN 5 million (Euros 1.14 million).

On 1 October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (Euros 1,686,289.33).

The next stage of the proceedings is establishing the composition of the group (i.e. determining whether all persons who joined the proceedings may participate in the group).

4. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, the Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the article 145 C (1.b) of the Legal Framework for Credit Institutions and Financial Companies (RGICSF), namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by the Bank of Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder.

Within this context, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Bank of Portugal transferred to the Resolution Fund the liabilities emerging from the *"eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies".*

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the Court and the subsequent terms of the proceedings, detailing that the total amount of the acknowledge credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, there being no guaranteed or privileged claims. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined with the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 23 of the Resolution Fund's annual report of 2018, *"Legal actions related to the application of resolution measures have no legal precedents, which make it impossible to use of case law in their evaluation, as well as a reliable estimate of the associated contingent financial impact. However, on 12 March 2019, the Administrative Court of Lisbon unanimously by its 20 judges delivered its judgment, confirming the constitutionality of the legal regime of the resolution and the full legality of the resolution measure applied to BES on 3 August 2014. Also, by decision of the Supreme Administrative Court on 13 March 2019, a judgment on the substance was entirely favourable to the Resolution Fund associated to the impugnation of the sale process of Novo Banco. The Board of Directors supported by lawyers opinion, which sponsored these actions, and in the light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure"*.

On 31 March 2017, Bank of Portugal communicated the sale of Novo Banco, where it states the following: *"Banco of Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital".*

The terms agreed also include a contingent capital mechanism, under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are to be met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers No. 151-A/2017 of 2 October 2017, the Bank of Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of Banco Espírito Santo.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the State that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion (*) that revealed significant uncertainties regarding adequacy in provisioning (**):

(i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions (*) (**) (***);

(ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the Contingent Capital Agreement is subject to the cap of Euros 3.89 billion (**);

(iii) in case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments (**).

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the contingent capitalization mechanism was as of 30 June 2016 of Euros 7,838 million (book value of the associated assets, net of impairments), and the value of the portfolio, as of 31 December 2018, amounted to approximately Euros 3,920 million (book value, net of impairments);

- The accumulated losses of the covered assets and their management, between 30 June 2016 (reference date of the mechanism) and 31 December 2018, correspond to Euros 2,661 million. Of this amount, the Resolution Fund paid in 2018, in accordance with the terms and conditions of the CCA, around Euros 792 million, hence, the amount of losses not borne by the Fund was, at the end of 2018, approximately Euros 1,869 million;

- The amount necessary to maintain the capital ratios of Novo Banco for 2018 at the agreed levels is Euros 1,149 million. The amount payable by the Resolution Fund results from a comparison between the amount of Euros 1.869 million (accumulated loss on the covered assets not supported by the Fund) and the amount of Euros 1,149 million, corresponding to the lower of those amounts, i.e. Euros 1,149 million.

(*) Exact value not disclosed by the European Commission for confidentiality reasons
(**) As referred to in the respective European Commission Decision
(***) According to 2018 Novo Banco's earnings institutional presentation, the "minimum capital condition" is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first three years (2017-2019); (ii) CET1 < 12%

On 24 May 2018, arising from the referred mechanism, the Resolution Fund paid Euros 792 million to Novo Banco using its available financial resources from banking contributions (direct or indirect) and complemented by a State loan of Euros 430 million under the terms agreed between the Portuguese State and the Resolution Fund in October 2017. In its 2018 annual results press release, on 1 March 2019, Novo Banco states that "in connection with the impact of losses related to the sale and write-downs of legacy assets, Novo Banco will request a compensation of Euros 1,149 million under the existing CCA. 69% of this amount results from the losses incurred on the assets included in the CCA and 31% due to regulatory requirements for capital increase in the adjustment of the transitional period of capital ratios and to the impact of IFRS 9". Additionally, the Resolution Fund paid to Novo Banco on 6 May 2019 the calculated value relative to 2018 exercise of Euros 1.149 million. For this purpose, the Resolution Fund used its own resources and also resorted to a State loan of Euros 850 million which corresponds to the annual maximum funding limit agreed between the Resolution Fund and the State. The amount paid by the Resolution Fund to Novo Banco in two years was Euros 1,941 million.

According to Novo Banco's first half 2019 annual report, in the first half of 2019, the caption Reserves registered the responsibility of the Resolution Fund amounting to Euro 541 million relating to the Contingent Capital Agreement. The compensation amount to be requested for 2019 will only be definitive at the end of the year, taking into account the losses, recoveries and the regulatory requirements for capital ratios in force at the end of 2019.

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible to clarify any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the contingent capital mechanism or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets.

Also in its 2018 annual report, the Resolution Fund states that *"Regarding future periods, a significant uncertainty as to the relevant parameters for the calculation of future liabilities is deemed to exist, either for their increase or reduction, under the terms of the agreement on the contingent capital mechanism with Novo Banco"*.

On 30 September 2019, Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Bank of Portugal announced that Banif was *"at risk of insolvency or insolvent"* and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved state aid, of which Euros 489 million were provided by the Resolution Fund, which was funded by a mutual contract given by the State.

The Resolution Fund confirmed on 28 March 2018 that the outstanding principal amount of Euros 353 million related to this loan, due to the early reimbursement of Euros 136 million already made. This amount of Euros 136 million corresponds to the income of the contribution collected, up to 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism that was not transferred to the Single Resolution Fund and will be paid to the Single Resolution Fund by credit institutions that are covered by this scheme over a period of 8 years, starting in 2016 (according to the Resolution Fund Annual Report of 2016).

According the Resolution Fund's 2018 annual report *"to ensure that the Fund has, at due date, the financial resources necessary to comply with this guarantee, if the principal debtor – Oitante - defaults, the Portuguese State counter-guarantees the referred bond issue. Until 31 December 2018, Oitante made partial prepayments of Euros 360.961 thousand, which reduces the amount of the guarantee provided by the Resolution Fund to Euros 385.038 thousand. Considering the anticipated reimbursements, as well as information provided by Oitante's Board of Directors regarding 2018 exercise, it is envisaged that there are no relevant situations that could trigger the guarantee provided by the Resolution Fund"*.

Liabilities and Financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif the Resolution Fund borrowed loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2018 included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif's losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the contingent capital mechanism (Euros 430 million plus Euros 850 million of additional funding requested in 2019, as described above);

- Other funding granted by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;

- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million. This underwriting did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A., which must be neutralized by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to the bonds issued by Oitante S.A. This guarantee is counter-guaranteed by the Portuguese State;

- Contingent Capital Agreement which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3,89 billion under the aforementioned conditions, among which a reduction of CET1 below 8%-13%;

- In case the Supervisory Review and Evaluation Process (“SREP”) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to Note 24 of the Resolution Fund’s 2018 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required to the banking sector at current levels.

According to the communication of the Resolution Fund of 21 March 2017:

- *“The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed. These loans amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 700 million were granted by a group of banks";*

- *“Those loans are now due in December 2046, without prejudice to the possibility of being repaid early based on the use of the Resolution Fund's revenues. The due date will be adjusted so that it enables the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions. The liabilities resulting from the loans agreed between the Resolution Fund and the Sate and the banks pursuant to the resolution measures applied to BES and Banif are handled with one another";*

- *“The revision of the loans' conditions aimed to ensure the sustainability and financial balance of the Resolution Fund";*

- *"The new conditions enable the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions".*

On 2 October 2017, by Council of Ministers (Resolution No. 151-A/2017), the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when it deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. It is also mentioned that the reimbursement will consider the stability of the banking sector, i.e. without the Resolution Funds' participants being charged special contributions or any other extraordinary contributions.

The Resolution Fund's own resources had a negative equity of Euros 6,114 million, according to the latest 2018 annual report of the Resolution Fund.

To reimburse the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to fulfil with their obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been proceeding, since 2013, to the mandatory contributions, as provided for in the decree-law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law, thus the Bank is recognising as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: *"...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to Banco Espírito Santo, S.A., ('BES'). Therefore, the eventual collection of a special contribution appears to be unlikely"*.

The regime established in Decree-Law no. 24/2013 establishes that the Bank of Portugal fixes, by instruction, the rate to be applied each year based on objective incidence of periodic contributions. The instruction of the Bank of Portugal No. 32/2018, published on 19 December 2018, set the base rate to be effective in 2019 for the determination of periodic contributions to the FR by 0.057% against the rate of 0.0459% in 2018.

Thus, during the first semester of 2019, the Group made regular contributions to the Resolution Fund in the amount of Euros 15,965 thousand. The amount related to the contribution on the banking sector, registered in the first semester of 2019, was Euros 31,818 thousand. These contributions were recognized during the first semester of 2019, in accordance with IFRIC No. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund ('SRF'), the Group had to make an initial contribution in the amount of Euros 31,364 thousand. In accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (starting in 2016) through the periodic contributions to the SRF. The total amount of the contribution, in the first half of 2019, attributable to the Group was Euros 21,918 thousand, of which the Group delivered Euros 18,747 thousand and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the contingent capital mechanism; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including "processo dos lesados do BES"; and (v) the guarantee provided to the bonds issued by Oitante, in this case, the referred trigger is not expectable in accordance to the most recent information communicated by the Resolution Fund in its annual accounts.

According to Article 5(e) of the Regulation of the Resolution Fund, approved by the Ministerial Order No. 420/2012, of 21 December, the Resolution Fund may submit to the Government a proposal for the implementation of special contributions to rebalance the financial condition of the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund's 2018 annual report, under note 10, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the RGICSF and no such contributions are foreseen, in particular after a review of the financing conditions of the Resolution Fund"*.

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Group.

52. Application of IFRS 16 – Leases

As described in note 1 A. Basis of presentation and accounting policy 1 H, the Group adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. IFRS 16 was approved by EU in October 2017. The Group did not adopt any of the requirements of IFRS 16 in prior periods.

This standard establishes the new requirements regarding the scope, classification/recognition and measurement of leases:
- from the lessor's perspective, leases continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with those leases as an expense.

The Group choose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, the option not to apply this standard to leases of intangible assets was also used.

Transition

On 1 January 2019, the Group carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Group applied this standard retrospectively, with its transition impacts recognised on 1 January 2019. This way, comparative information has not been restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right-to-use by the lease liability amount.

For contracts in which a sublease is identified, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and a financial asset related to the sublease.

The following assumptions considered in the implementation of this standard were:
- lease term: this component was evaluated by categories of contracts, being each contract enforceable. In the evaluation of the enforceability, the particular clauses of the contracts as well as the current legislation regarding the urban lease (Arrendamento Urbano) are taken into consideration;
- discount rate: it was used the lessee's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Group's risk spread, applied over the weighted average term of each lease contract. Regardless of the type of asset, the discount rate was calculated in the same way;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Group identified that the main lease contracts covered by this standard are contracts on real estate (branches and central buildings) and on a residual number of vehicles.

The adoption of the standard implies changes in the Group's financial statements, namely:
- in the consolidated income statement:
(i) in Net interest income, the record of interest expenses related to lease liabilities, as referred to in note 2. Net interest income, balance Interest and similar charges - Interest on leases;
(ii) in Other Administrative Expenses, the record of the amounts relating to short-term lease contracts and low value assets lease contracts, as referred to in note 8. Other administrative expenses, balance Rents and leases; and
(iii) in Amortisations, the record of depreciation costs of right-of-use assets, as referred in note 9. Amortisations and depreciations, balance item Right-of-use.
- in the consolidated balance sheet:
(i) in Financial assets at amortised cost - Loans and advances to customers, the recognition of financial assets related to sublease operations measured in accordance with IFRS 9, as referred to in note 21. Loans and advances to customers, balance Finance leases;
(ii) in Other tangible assets, the recognition of right-of-use assets, as referred in note 28. Other tangible assets, balance Right of use; and
(iii) in Other liabilities, the record of the amount of recognised lease liabilities, as referred in note 39. Other liabilities, balance Rents to pay.
- In the cash flow statement, Cash flows arising from operating activities - Payments (cash) to suppliers and employees includes amounts related to short-term leases and to leases of low-value assets. The balance Decrease in other sundry liabilities and non-controlling interests includes amounts relating to payments of capital portions of lease liabilities, as detailed in the Interim condensed consolidated statement of cash flows.

Until 31 December 2018, and according to IAS 17, every payment of operating leases was presented as Cash flows arising from operating activities. Following the IFRS 16's adoption, Cash flows arising from operating activities changed to Cash flows arising from financing activities in the amount of Euros 25,733,000. IFRS 16's adoption didn't cause an impact in the Group's net cash flows.

The reconciliation between the balance sheets of 31 December 2018 and 1 January 2019, according to IFRS 16, is detailed as following:

(Thousands of euros)

	IAS 17 31 Dec 2018	Impact of IFRS 16	IFRS 16 1 Jan 2019
ASSETS			
Cash and deposits at Central Banks	2,753,839	-	2,753,839
Loans and advances to credit institutions repayable on demand	326,707	-	326,707
Financial assets at amortised cost			
Loans and advances to credit institutions	890,033	-	890,033
Loans and advances to customers	45,560,926	9,835	45,570,761
Debt securities	3,375,014	-	3,375,014
Financial assets at fair value through profit or loss			
Financial assets held for trading	870,454	-	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,404,684	-	1,404,684
Financial assets designated at fair value through profit or loss	33,034	-	33,034
Financial assets at fair value through other comprehensive income	13,845,625	-	13,845,625
Assets with repurchase agreement	58,252	-	58,252
Hedging derivatives	123,054	-	123,054
Investments in associated companies	405,082	-	405,082
Non-current assets held for sale	1,868,458	-	1,868,458
Investment property	11,058	-	11,058
Other tangible assets	461,276	246,166	707,442
Goodwill and intangible assets	174,395	-	174,395
Current tax assets	32,712	-	32,712
Deferred tax assets	2,916,630	-	2,916,630
Other assets	811,816	-	811,816
TOTAL ASSETS	75,923,049	256,001	76,179,050
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	7,752,796	-	7,752,796
Resources from customers	52,664,687	-	52,664,687
Non subordinated debt securities issued	1,686,087	-	1,686,087
Subordinated debt	1,072,105	-	1,072,105
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	327,008	-	327,008
Financial liabilities at fair value through profit or loss	3,603,647	-	3,603,647
Hedging derivatives	177,900	-	177,900
Provisions	350,832	-	350,832
Current tax liabilities	18,547	-	18,547
Deferred tax liabilities	5,460	-	5,460
Other liabilities	1,300,074	256,001	1,556,075
TOTAL LIABILITIES	68,959,143	256,001	69,215,144
EQUITY			
Share capital	4,725,000	-	4,725,000
Share premium	16,471	-	16,471
Other equity instruments	2,922	-	2,922
Legal and statutory reserves	264,608	-	264,608
Treasury shares	(74)	-	(74)
Reserves and retained earnings	470,481	-	470,481
Net income for the period attributable to Bank's Shareholders	301,065	-	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,780,473	-	5,780,473
Non-controlling interests	1,183,433	-	1,183,433
TOTAL EQUITY	6,963,906	-	6,963,906
TOTAL LIABILITIES AND EQUITY	75,923,049	256,001	76,179,050

53. Acquisition of Euro Bank, S.A.

Bank Millennium S.A., owned 50.1% by Banco Comercial Português, S.A., has completed in May 2019, the acquisition of shares representing 99.787% of the share capital of Euro Bank S.A..

Merger of enterprises

During the settlement of merger, in which the Bank Millennium (Bank) acts as the acquirer, the acquisition method of acquisition is applied, according to IFRS 3 "Business Combinations".

In case of each acquisition, the acquirer and the acquisition date are determined. Acquisition date is the date when the entity acquired control over the entity being acquired. In addition, the acquisition method requires recognition and measurement of identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquired entity, as well as recognition and measurement of goodwill or bargain purchase gain. The acquirer measures the identifiable assets acquired and liabilities assumed at their fair values as at the acquisition date.

If the net amount of fair values of identifiable assets acquired and liabilities assumed exceeds the fair value of the consideration transferred, the Bank, as the acquirer, recognizes the gain on bargain purchase in profit or loss. Before recognizing the gain from a bargain purchase, the Bank reassesses whether all the acquired assets and liabilities assumed have been correctly identified and all additional assets and liabilities have been recognized.

If the value of the consideration transferred, measured at fair value as at the acquisition date, exceeds the net value of fair values of identifiable acquired assets and liabilities assumed as at the acquisition date, the goodwill is recognized. The determined value of goodwill is not subject to amortization, but at the end of each financial year and whenever there are impairment triggers identified, it is tested for impairment.

In accordance with IFRS 3, the Bank executes the final settlement of the acquisition in the period of maximum one year from the day of acquiring control.

Acquisition of Euro Bank, S.A.

Description of the transaction

On 5 November 2018, Bank Millennium (acquiring entity) announced and signed the preliminary agreement related to the acquisition of 98.787% shares of Euro Bank S.A. (acquired entity) from SG Financial Services Holdings ("Seller"), a wholly owned subsidiary of Societe Generale S.A. The transaction specified in the agreement is the direct acquisition of the shares by Bank Millennium.

The strategic rationale for the transaction

As a result of the transaction related to the acquisition of Euro Bank shares, Bank Millennium strengthened its important position in the Polish banking sector. The transaction increased the number of the Bank's clients by 1.4 million and will therefore allow the Bank to become one of the largest Polish bank in terms of the number of retail clients. The acquisition of Euro Bank will allow the Bank to increase the segment of consumer loans, as well as the importance of this segment for the entire Group.

The acquisition of Euro Bank will enable Bank Millennium to acquire competences in the franchise model and will strengthen its presence in smaller cities, where Euro Bank is strongly located, and will contribute to increase of the geographical coverage of the Bank's distribution network.

Price

The parties to the contract have determined the price for the purchase of Euro Bank SA shares in the amount of PLN 1,833,000,000 (Euros 428,151,000), which is subject to the adjustment mechanism after closing the transaction (i.e. after transferring the legal title to the shares to Bank Millennium). At the date of preparation of the financial statements the preliminary price after adjustments amounted to PLN 1,844,017,000 (Euros 430,724,000). The final price will be adjusted on the basis of a comparison of the final audited net asset value of Euro Bank (calculated at the Closing Date) with the net asset reference value constituting the basis for determining the price. As a result of the mentioned mechanism, the final price actually paid by Bank Millennium for the shares may differ from the price indicated above.

Bank Millennium did not increase the share capital in order to finance the Transaction.

Financing

The acquisition price, according to the agreement, was paid with cash and was financed from the internal means of the Bank. Additionally, the Agreement specified that the financing for Euro Bank from Societe Generale (including subordinated debt to SG), will be paid or refinanced by Euro Bank or Bank Millennium.

Completion of the acquisition

On 3 January 2019, the Bank received information on issuing by the President of the Office of Competition and Consumer Protection the decision on the consent for the concentration consisting in the Bank's acquisition of control over Euro Bank S.A. The consent was issued on 28 December 2018.

On 28 May 2019 the Polish Financial Supervision Authority issued the consent specifying that there is no basis for the objection raising, and therefore Bank Millennium together with its parent entity, Banco Comercial Português, were allowed to acquire the shares of Euro Bank S.A. in the number resulting in exceeding 50% of the total number of votes on the general meeting of Euro Bank and of the share in the share capital. The number of acquired shares exceeding 50% results also in becoming a parent entity of Euro Bank.

On 31 May 2019, by executing the share purchase agreement between the Bank and SG Financial Services Holdings of 5 November 2018, the Bank has acquired the majority of shares, constituting 99.787% of Euro Bank S.A. share capital from the seller.

Additionally, on 31 May 2019, the Bank has repaid the unsubordinated financing granted to Euro Bank by Societe Generale S.A. ("SG") in the amount of about PLN 3,800,000,000 (Euros 887,602,000). It was preceded by Euro Bank's repayment of a part of subordinated debt from SG in the amount of PLN 250,000,000 (Euros 58.395.000), after obtaining appropriate agreements from the PFSA in this particular area. In October 2019, a final repayment of a subordinated loan of SG to Euro Bank in the amount of PLN 100 million (Euros 23 million)(fully collateralised by a cash deposit since 31 May 2019) took place.

In order to limit the risk associated with the Euro Bank's portfolio of mortgage loans denominated in CHF or denominated in PLN, but indexed to CHF, Euro Bank and SG signed on 31 May 2019 an "CHF Portfolio Indemnity and Guarantee Agreement" as it was planned in the Share Purchase Agreement. Euro Bank, Bank Millennium and SG also concluded an agreement related to the provision of certain limited transitional services by SG for Euro Bank.

Merger plan

On 6 June 2019, the Management Board of Bank Millennium and the Management Board of Euro Bank agreed and signed the merger plan of Bank Millennium and Euro Bank (the "Merger"). The merger was performed in accordance with art. 492 § 1 point 1 of the Commercial Companies Code (KSH) by transferring all assets and liabilities of Euro Bank (the acquired bank) to Bank Millennium (the acquiring bank), without increasing the share capital of Bank Millennium.

In accordance with the Merger, existing, dematerialized shares of Bank Millennium ("Merger Shares") were allocated to the minority shareholders of Euro Bank. The shares will be purchased on Warsaw Stock Exchange S.A. in the secondary trading, by Millennium Dom Maklerski S.A. [Millennium Brokerage House], by the order of Bank Millennium, pursuant to art. 515 § 2 of the Commercial Companies Code.

The following share exchange parity has been determined in the Merger Plan: in exchange for 1 (one) share of Euro Bank, a minority shareholder of Euro Bank will receive 4.1 Merger Shares.

As a result of the Legal Merger performed on 1 October 2019, Bank Millennium assumed all the rights and obligations of Euro Bank, and Euro Bank was dissolved without liquidation proceedings and its entire assets were transferred to Bank Millennium. The merger took place on the day of its entry into the register of entrepreneurs of the National Court Register of Bank Millennium.

The merged Bank operates under the name Bank Millennium S.A. based on the provisions of the Act of 15 September 2000 - Code of Commercial Companies ("KSH").

The merger was performed based on already obtained appropriate consents and permits required by law, i.e.:
(i) - permission of the Polish Financial Supervision Authority ("PFSA") for the Merger, pursuant to art. 124 paragraph 1 of the Act of 29 August 1997 - Banking Law ("Banking Law");
(ii) - permission of the PFSA to amend the Statute of Millennium Bank pursuant to art. 34 paragraph 2 of the Banking Law.

Provisional Transaction settlement

Transaction settlement was performed applying the purchase method, in accordance with the International Financial Reporting Standard 3 "Business combinations" ("IFRS"), which requires, among others, recognition and measurement of identifiable assets acquired, and liabilities assumed measured at fair value as at the acquisition date, and any non-controlling interest in the acquired entity (if any) and separate recognition and measurement of goodwill or gain on bargain purchase.

Considering that acquiring control over Euro Bank S.A. occurred on 31 May 2019, the provisional settlement of the Transaction was based on the data from the acquired company as at that date, considering the adjustments required by IFRS 3. The zloty to euros conversion rate used was the reference rate as at 31 May 2019, ie 4.2812.

As part of the transaction, the Bank identified non-controlling interests amounting to 0.2% of the total value of Euro Bank's shares. The Bank intends to buy back shares held by minority shareholders.

In accordance with the requirements of IFRS 3, the full settlement of the purchase price including minority interests will be carried out within a maximum of one year from the date of taking control, ie. 31 May 2020.

Payment transferred in the acquired entity

	Identifiable assets acquired and liabilities assumed measured at fair value	
	thousands zloty	thousands euros
Price transferred in accordance with the Agreement	1,833,000	428,151
Preliminary price adjustment	11,000	2,569
Preliminary price adjustmentPrice after adjustment	1,844,000	430,720

Payments for shares was a cash payment.

Recognition and measurement of identifiable assets acquired liabilities assumed measured in accordance with IFRS

The following data regarding the fair value measurement of the acquired assets and assumed liabilities were based on the identification from the point of view of Bank Millennium and the adopted assumptions regarding the materiality threshold.

	Identifiable assets acquired and liabilities assumed measured at fair value	
	million zloty	million euros
ASSETS		
Cash and deposits at Central Banks	242	57
Loans and advances to credit institutions repayable on demand	85	20
Financial assets at amortised cost		
Loans and advances to customers	12,621	2,948
Financial assets at fair value through profit or loss		
Financial assets not held for trading mandatorily at fair value through profit or loss	18	4
Financial assets at fair value through other comprehensive income	1,386	324
Other tangible assets	113	26
Goodwill and intangible assets	50	12
Deferred tax assets	132	31
Other assets	72	16
TOTAL ASSETS	14,719	3,438
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	4,087	955
Resources from customers	7,975	1,863
Non subordinated debt securities issued	506	118
Subordinated debt	100	23
Hedging derivatives	6	1
Provisions	1	-
Other liabilities	341	80
TOTAL LIABILITIES	13,016	3,040
TOTAL EQUITY	1,703	398
TOTAL LIABILITIES AND EQUITY	14,719	3,438

Both the balance sheet amounts of Euro Bank S.A. as at 31 May 2019, as well as the amount of fair value adjustment of these items may change in the course of final transaction settlement what may affect the value of goodwill recognised within the Transaction.

The adjustments to the fair value for temporary differences constituted the basis for the calculation of deferred tax (recognised in the amount of PLN 36,354,000 (Euros 8,492,000)).

The portfolio of loans and advances to customers acquired as part of the Transaction related to the purchase of shares of Euro Bank S.A. as at the acquisition date, measured at fair value, was presented in the financial statements in net value, i.e. the fair value adjustment was recognised.

Fair value measurement methods

Performing loans and advances to customers

The portfolio of loans and advances to customers acquired as part of the Transaction related to the purchase of shares of Euro Bank S.A. was measured at fair value as at the acquisition date in accordance with the requirements of IFRS 3 and IFRS 13. The fair value was determined using the present value technique of discounting future cash flows resulting from the acquired assets, considering expectations on possible fluctuations in the amount and timing of cash flows, the time value of cash flows and other factors that market participants would consider relevant in similar circumstances.

The measurement of portfolio components was based on the following assumptions:

1. For each asset, the parameterization of the valuation model was determined based on its individual characteristics. For assets included in stage 1, contractual future cash flows were subject to provision for the effect of prepayments. In the absence of contractual cash flows, future capital flows were estimated based on the pace of debt repayment resulting from the statistical-behavioural model. For the exposures in stage 1, the real capital and interest flows were subject to adjustment resulting from the impact of credit risk parameters.

2. Future interest flows for performing loans were determined based on the curve of forward rates for components related to the variable rate. Future values of the variable rate were determined based on a yield curve constructed from financial instruments indexed to a given reference rate.

3. For performing loans with a payment schedule in the valuation model, contractual cash flows were subject to adjustment for prepayment factors.

4. For performing loans without contractual maturity date, future cash flows were estimated in the behavioural life cycle of the product. This concerned the portfolio of credit cards and the portfolio of current account limits.

5. For performing loans, capital-interest cash flows determined in previous steps were subject to adjustment for the PD and LGD parameter vectors throughout the lifetime of the exposure. In this way, the impact of credit risk on fair value considering the valuation model for exposures included in stage 1.

6. The fair value of the exposure was determined by discounting the expected future cash flows. The discount rate components were the following: zero-coupon rate derived from the right yield curve, capital cost overhead and margin component, representing all cost-revenue elements for given product groups, not included under other parameters of the valuation model, e.g.: liquidity margin, administrative costs, residual profit margin required on the market.

7. The zero-coupon rate, being an element of the discount rate, was based on the swap curve appropriate for the currency of the contract.

8. The market cost of capital was determined using the CAPM model and the risk weights assigned to individual asset components.

9. The margin component was determined based on newly granted loans with similar characteristics on the market. The margin was determined numerically for each exposure group, homogeneous in terms of factors identified as affecting the valuation.

IT systems

Fair value of IT systems acquired as part of the Transaction related to the purchase of Euro Bank S.A. shares was determined as follows:

1. Assuming market depreciation rates (5 years for main systems and 3 years for other systems), the net book value of systems was calculated. The calculation was based on the assumption that the market rates would be effective from the moment of acquisition of a particular IT system for use.

2. For the 20 IT systems that are the largest in terms of net book values as at the acquisition date, an individual valuation was performed from the perspective of the average market participant.

3. IT systems that were classified as intangible asset in progress as at the acquisition date were measured from the market participant's perspective and their value was determined considering the decision whether to continue individual projects. For projects were it was considered to be continued in similar circumstances was assumed that the capitalized cost as it accurately reflects the current value of the assets, as well as its level of finish. For IT systems was decided not to continue, it was considered that the fair values was set to a null value.

Property, plant and equipment

For all fixed assets containing Euro Bank trademarks and logo the fair value was considered to be null. Fair value of assets classified as leasehold improvements related to adaptation and modernization of space in premises aimed at adapting them to Euro Bank standards (logo etc.) was considered an amortization of 10-month in accordance with market depreciation rates. The remaining fixed assets were measured at the net value, assuming market depreciation rates from the moment these assets are available for use.

Relations with clients in the area of deposits and loans

Relationships with clients holding a CDI (core deposit intangible) have been determined using the favourable source of funds method, as the current value of the difference between the lower cost of financing the acquired savings accounts and the higher alternative cost of financing operations (including interest costs and costs administrative burden) that the Bank would have to incur if it did not have a portfolio of such accounts. For each year of the cash flow forecast, considering the estimated rate of customer outflow, the difference between the alternative financing cost and the cost of the acquired accounts is calculated, and is discounted using an adequate discount rate.

Relations with customers who have credit accounts have been estimated using the Multi-Period Excess Earning Method (MEEM). The value of the relationship is determined based on the current value of discounted future cash flows resulting from additional income generated for the Bank having a given intangible asset, after taking into account the rate of departure customers, costs and encumbrances on capital assets.

The discount rate applied to value customer relationships takes into account the time value of money, the cost of equity and bonuses for specific risks identified in the relationship. The cost of the Bank's equity is determined in accordance with the CAMP model (Capital Asset Pricing Model).

The estimated value of CDI was considered irrelevant, mainly due to the relatively high interest rate on the acquired savings accounts and the possibility of alternative financing of the Bank at a relatively low margin. Due to the above, CDI did not meet the disclosure criterion as a separate asset related to the acquisition. With exception of cash loans there were also no significant relationships with customers having credit products, mainly due to the relatively low level of additional revenues generated by these products, in relation to the corresponding costs of risk, administrative costs and capital charges.

Lease/rental agreements

The conditions included in signed agreements regarding the rental of office space for the needs of branches and headquarters were compared to the conditions of the agreements currently concluded in the market with relation to office areas of a similar area and location. The difference between the rental rate of the acquired branches and headquarters and rental rate of similar areas available on the market was calculated. The amount of the difference was discounted by the discount rate of Millennium Bank, applied for the models of assets measurement under IFRS 16 for the period remaining until the completion of individual contracts. The value of unfavourable agreements adjusted the book value of lease assets' right of use.

Guarantee agreement regarding CHF Mortgage loans portfolio

Fair value of the guarantee determined using income method was estimated as present value of future cash flows expected to be received from Societe Generale S.A. to cover losses related to acquired CHF Mortgage loans portfolio resulting from the future defaults or from the cost of risk of already defaulted loans. In the valuation the value of market spread paid for the similar financial instruments was considered.

Other adjustments

Other adjustments to fair value and the so-called adjustments of net assets resulting from the adjustments to accounting principles concerned, among others, unification of bonds and derivatives measurement, as well as write-off of some other assets items. The determination of the fair value of the assets and liabilities acquired and the identification and recognition of intangible assets resulting from the acquisition were based on the available information and the best estimates as at the date of preparation of the financial statements.

Calculation of goodwill

As at the date of the present report, the Bank did not complete the process of calculating goodwill as at 31 May 2019.

The Bank made a provisional settlement of the acquisition and a preliminary calculation of goodwill in in result of the acquisition of Euro Bank S.A. shares. In accordance with the requirements of IFRS 3, Bank Millennium will perform the final settlement of the acquisition within a maximum period of one year from the date of acquiring the control (31 May 2019). During this time, the acquirer may adjust retrospectively the provisional fair values of assets and liabilities recognized as at the acquisition date to reflect any new information obtained in relation to facts and circumstances that existed as at the acquisition date and, if known, would affect the measurement of those assets and liabilities. Such adjustments refer to the recognized value of the firm or gain on bargain purchase.

	Identifiable assets acquired and liabilities assumed measured at fair value	
	thousands zloty	thousands euros
Price transferred in accordance with the Agreement	1,833,000	428,151
Preliminary price adjustment	11,000	2,569
Price after adjustment	1,844,000	430,720
Fair value of acquired net assets	1,703,753	397,962
Exchange differences	-	(674)
Goodwill	140,247	32,084

The preliminary price adjustment results from the changes and preliminary corrections made in accordance with the provisions of the Transaction Agreement.

This provisional purchase price allocation has been prepared by the Bank's Management Board based on calculations resulting from the concluded Transaction Agreement. The final settlement in accordance with the terms of the Transaction Agreement will, however, be subject to final arrangements between Bank Millennium and SG Financial Services Holdings, disposing the shares of Euro Bank S.A.

Goodwill was recognised in intangible assets, which resulted in a significant increase in this item in the consolidated balance sheet.

In connection to the above, the purchase price allocation performed as at 31 May 2019 shall be considered as provisional and may be subject to changes if the Bank acquires new information as at 31 May 2019, which are not known at the date of preparation of the consolidated financial statements for the first nine months of 2019. In accordance with IFRS 3.45, the maximum period for making changes to the purchase price allocation expires after 12 months from the date of the acquisition, i.e. on 31 May 2020. Any changes will be made retrospectively (i.e. they will be recognised in other comprehensive income). The currently determined difference of the fair value of acquired assets and assumed liabilities at the acquisition date over the purchase price is recognised by the Bank in accordance with the provisions of IFRS 3.32 as goodwill in intangible assets.

As at the balance sheet date, no impairment allowances for goodwill were recognised in intangible assets nor there were any changes in the reporting period in the initially recognised goodwill.

The difference between the book value of the acquired assets and liabilities of Euro Bank S.A. and their fair value measurement will be subject to settlement through the profit or loss account - in the economic life of the individual components of the assets and liabilities acquired.

Additional disclosures

The consolidated income statement of Bank Millennium Group, for the first nine months of 2019, includes the net income for the period of Euro Bank in the amount of PLN 23,656,000 (Euros 5,506,000).

The Bank Millennium Group's statement of income, presented as if the acquisition date was the beginning of the reporting period, i.e. on 1 January 2019 is presented below. This data are for reference purposes only, in fact the Bank Millennium Group's statement of income, includes the Euro Bank's result from the date of the merger 31 May 2019, to reporting date 30 September 2019 only:

	30 September 2019	
	thousands zloty	thousands euros (*)
Interest and similar income	2,800,369	653,909
Interest expense and similar charges	(769,937)	(179,786)
NET INTEREST INCOME	2,030,432	474,123
Dividends from equity instruments	2,965	692
Net fees and commissions income	535,397	125,019
Net gains / (losses) from financial operations at fair value through profit or loss	106,446	24,856
Net gains / (losses) from foreign exchange	126,933	29,640
Net gains / (losses) from hedge accounting operations	(15,825)	(3,695)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(1,777)	(415)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	36,446	8,510
Other operating income / (losses)	(305,729)	(71,390)
TOTAL OPERATING INCOME	2,515,288	587,340
Staff costs	706,105	164,881
Other administrative costs	445,377	103,999
Amortisations and depreciations	155,257	36,254
TOTAL OPERATING EXPENSES	1,306,739	305,134
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,208,549	282,206
Impairment for financial assets at amortised cost	(400,232)	(93,457)
Impairment for other assets	(2,275)	(531)
Other provisions	(33,627)	(7,852)
NET OPERATING INCOME	772,415	180,365
Gains / (losses) arising from sales of subsidiaries and other assets	(4,431)	(1,035)
NET INCOME BEFORE INCOME TAXES	767,984	179,330
Income taxes		
Current	(260,054)	(60,725)
Deferred	46,376	10,829
NET INCOME FOR THE PERIOD	554,306	129,434

(*) exchange rate PLN /EUR = 4,28250833

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

As at 30 September 2019, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Banco de Investimento Imobiliário, S.A.	Lisbon	17,500,000	EUR	Banking	100.0	100.0	100.0
Banco ActivoBank, S.A.	Lisbon	64,500,000	EUR	Banking	100.0	100.0	100.0
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1	50.1	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0	100.0	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0	100.0	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100.0	100.0	100.0
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	31,000,785	EUR	Financial	100.0	100.0	–
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	37.1	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Euro Bank S.A.	Wroclaw	563,096,032	PLN	Banking	99.8	50.0	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	54,946,488	BRL	Financial Services	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0	100.0	100.0
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	12,106,743	EUR	Real-estate management	100.0	100.0	100.0
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	30,300,000	EUR	Real-estate management	100.0	100.0	100.0
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	96.4	96.0	86.0
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100.0	100.0	100.0
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100.0	50.1	–
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100.0	50.1	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	50.1	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	50.1	–
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	50.1	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	50.1	–
Piast Expert Sp. z o.o (in liquidation)	Tychy	100,000	PLN	Marketing services	100.0	50.1	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9	99.9	99.9
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100.0	100.0	100.0
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Setelote - Aldeamentos Turísticos S.A.	Oeiras	400,000	EUR	Real-estate company	90.0	90.0	–
Irgossai - Urbanização e Construção, S.A.	Oeiras	50,000	EUR	Construction and real estate	100.0	100.0	–
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100.0	100.0	–
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100.0	100.0	–
Fiparso – Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100.0	100.0	–

During the first semester of 2019, the Group sold the Planfipsa Group and settled Imábida - Imobiliária da Arrábida, S.A and MB Finance. As referred in note 47, Euro Bank start to consolidate in the Group.

As at 30 September 2019, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 B), were as follows:

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	99,038,784	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	4,353,444	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	97,894,785	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	304,320,700	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	3,336,555,200	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	6,664,172	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	7,791,600	EUR	Real estate investment fund	100.0	100.0	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100.0	100.0	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,834,000	EUR	Real estate investment fund	100.0	100.0	100.0
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	67,691,000	EUR	Real estate investment fund	100.0	100.0	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	3,404,600	EUR	Real estate investment fund	100.0	100.0	100.0

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0	100.0	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,860,000	EUR	Real estate investment fund	54.0	54.0	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real estate investment fund	100.0	100.0	100.0
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real estate investment fund	50.0	50.0	50.0
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real estate investment fund	60.0	60.0	60.0

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

The Group held a set of securitization transactions regarding mortgage loans which were set through specifically created SPE. As referred in accounting policy 1 B), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of IFRS 10.

As at 30 September 2019, the Special Purpose Entities included in the consolidated accounts under the full consolidation method are as follows:

Special Purpose Entities	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Magellan Mortgages No.2 Limited	Dublin	40,000	EUR	Special Purpose Entities	100.0	100.0	100.0
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4	82.4	82.4

As at 30 September 2019, the Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	295,000,000	MZN	Insurance	92.0	61.4	–

As at 30 September 2019, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7	22.5	–
Banque BCP, S.A.S.	Paris	155,054,747	EUR	Banking	19.8	19.8	19.8
Beiranave Estaleiros Navais Beira SARL	Beira	2,850,000	MZN	Naval shipyards	22.8	14.0	–
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50.0	50.0	50.0
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.3	–
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	Setúbal	744,231	EUR	Trade and industry of sea products	35.0	35.0	–
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	25.1	–
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E	Lisbon	1,000,000	EUR	Services	33.3	33.3	33.3
Projepolska, S.A.	Cascais	9.424.643	EUR	Real-estate company	23.9	23.9	23.9
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3	21.9	–
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	0.5
Webspectator Corporation	Delaware	950	USD	Digital advertising service	25.1	25.1	25.1

The Group sold in 2019, the investments held in the associated companies Mundotêxtil - Indústrias Têxteis, S.A and Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.

As at 30 September 2019, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	EUR	Holding company	49.0	49.0	49.0
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

55. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy AA), the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

- On 1 October 2019, the legal merger of Bank Millennium S.A., in which Banco Comercial Português, S. A. owns a 50.1 % stake, with Euro Bank S.A. has been completed.

- Long-term issuer default rating was affirmed by Fitch Ratings and by Standard & Poor's at BB and the outlook was revised to positive from stable.

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Banco Comercial Português, S.A.,
Company open to public investment

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

Share Capital:
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Investor Relations Division
Av. Professor Doutor Cavaco Silva
Edifício 1 Piso 0 Ala B
2744-002 Porto Salvo
Phone: (+351) 211 131 084
investors@millenniumbcp.pt

Communication Division
Av. Professor Doutor Cavaco Silva
Edifício 3 Piso 1 Ala C
2744-002 Porto Salvo
Phone: (+351) 211 131 243
comunicar@millenniumbcp.pt