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Millennium bcp earnings release as at 30 September 2015

Profitability

Profits reinforced

- **Net profit of Euro 264.5 million** in the first nine months of 2015, compared to a loss of Euro 109.5 million in the same period of 2014*. Net profit of Euro 23.8 million in the 3rd quarter of 2015.
- **Core net income**up 48.2%** to Euro 651.6 million in the first nine months of 2015 from Euro 439.6 million in the same period of 2014, reflecting a **20.9% increase in net interest income** and **lower operating costs** (-3.8%, including an **8.1% reduction in Portugal**). Operating efficiency improved further, **as cost to core income** decreased to 55.9%**. **Core net income of** Euro 228.2 million in the 3rd quarter of 2015, **the highest quarterly amount since 2012**.
- **Provision charges still sizable, but trending downwards**: Euro 745.4 million in the first nine months of 2015 (Euro 1,017.5 million in the same period of the previous year), benefitting from lower past due loans in the 3rd quarter of 2015.

Liquidity

Healthy balance sheet

- **Customer deposits up by 2.0% to** Euro 50.6 billion as at 30 September 2015, with total customers funds standing at Euro 65.2 billion (Euro 64.9 billion as at 30 September 2014).
- **Commercial gap improved further**, with net loans as a percentage of on-balance sheet customer funds **now standing at 99%**. As a percentage of deposits (BoP criteria), net loans improved to 104% (111% as at 30 September 2014, 120% recommended).
- ECB funding usage at Euro 5.9 billion (Euro 1.5 billion of which TLTRO-related), down from Euro 6.7 billion as at 30 September 2014.

Capital

On course to reach European benchmarks levels, reflecting profitability and specific measures

- ***Common equity tier 1* ratio at 13.2%** according to phased-in criteria, compared to 12.8% as at 30 September 2014. This figure stood at **10.0% on a fully implemented basis** (not applying the criteria of Notice 3/95).***
- Capital figures do not include the impact of the agreement to merge Millennium Angola and Banco Privado Atlântico, S.A., estimated at +0.4 percentage points.

* Following the first application of IFRIC 21, in June 2015, whose impacts at Group level are related with the recognition of the contributions from the banking sector, for the deposits guarantee fund and for the resolution fund, it was also necessary to restate the consolidated financial statements as at 30 September 2014
** Core net income net interest income + net fees and commission income – operating costs, core income net interest income + net fees and commission income
** Includes earnings for the first nine months of the year and the impact of the minimum capital requirements that ECB intends to establish in 2016 Phased-in ratio at 13 1% excluding these impacts

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Financial Highlights

Euro million

	30 Sep. 15	30 Sep. 14	Change 15 / 14
Balance sheet			
Total assets	75,985	78,786	-3.6%
Loans to customers (gross) (1)	56,044	57,926	-3.2%
Total customer funds (1)	65,237	64,942	0.5%
Balance sheet customer funds (1)	52,966	52,885	0.2%
Customer deposits (1)	50,644	49,638	2.0%
Loans to customers, net / Customer deposits (2)	104%	111%	
Loans to customers, net / Balance sheet customer funds	99%	103%	
Results			
Net income	264.5	(109.5)	
Net interest income	956.7	791.0	20.9%
Net operating revenues	2,006.4	1,709.9	17.3%
Operating costs	825.4	857.6	-3.8%
Loan impairment charges (net of recoveries)	628.0	874.5	-28.2%
Other impairment and provisions	117.4	143.0	-17.9%
Income taxes			
Current	62.9	88.2	
Deferred	18.0	(259.7)	
Profitability			
Net operating revenues / Average net assets (2)	3.5%	2.8%	
Return on average assets (ROA) (3)	0.6%	0.0%	
Income before tax and non-controlling interests / Average net assets (2)	0.8%	-0.3%	
Return on average equity (ROE)	8.1%	-4.7%	
Income before tax and non-controlling interests / Average equity (2)	11.2%	-7.0%	
Credit quality			
Overdue loans and doubtful loans / Total loans (2)	9.7%	9.7%	
Overdue loans and doubtful loans, net / Total loans, net (2)	3.6%	3.9%	
Credit at risk / Total loans (2)	11.9%	12.1%	
Credit at risk, net / Total loans, net (2)	5.9%	6.4%	
Impairment for loan losses / Overdue loans by more than 90 days (1)	85.8%	79.6%	
Efficiency ratios (2) (4)			
Operating costs / Net operating revenues	41.1%	52.3%	
Operating costs / Net operating revenues (Portugal)	37.9%	54.7%	
Staff costs / Net operating revenues	23.0%	29.1%	
Capital (5)			
Common equity tier I phased-in (6)	13.1%	12.8%	
Common equity tier I phased-in (6) (7)	13.2%	12.8%	
Common equity tier I fully implemented (7)	10.0%	9.2%	
Branches			
Portugal activity	679	721	-5.8%
Foreign activity	668	730	-8.5%
Employees			
Portugal activity	7,555	8,266	-8.6%
Foreign activity	9,719	10,272	-5.4%

(1) Adjusted, in September 2014, from the effect related to the classification of Banca Millennium in Romania and Millennium bcp Gestão de Activos as discontinued operations.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
(3) Considering net income before non-controlling interests.
(4) Excludes the impact of specific items: gains from the sale of the shareholdings associated with non-life insurance business (Euro 69.4 million in 2014).
(5) According with CRD IV/CRR.
(6) Includes the impact of the new DTAs regime for capital purposes according with IAS. In September 2015, it does not include net income for the 3rd quarter of 2015.
(7) Considers the impacts from the new DTAs regime for capital purposes according with IAS, the year-to-date net income and, in September 2015, the minimum capital requirements that ECB intends to establish in 2016.

RESULTS AND ACTIVITY IN THE FIRST NINE MONTHS OF 2015

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

From this date onwards, the impact on results of these operations were presented on a separate line item in the profit and loss account, defined as "income arising from discontinued operations" with no change at balance sheet level from the criteria as that of the financial statements as at 30 September 2014. However, following the sale of the total shareholding in Millennium bcp Gestão de Activos in May 2015, its assets and liabilities are no longer considered from this date onwards.

Following the first application of IFRIC 21, in June 2015, whose impacts at Group level are related with the recognition of the contributions from the banking sector, for the deposits guarantee fund and for the resolution fund, it was also necessary to restate the consolidated financial statements as at 30 September 2014.

The impact of this restatement of the financial statements for the first nine months of 2014 resulted in the accounting of a cost amounting to Euro 12.1 million under other operating income/(cost) and a Euro 0.8 million deferred tax income under income tax.

The adoption of this interpretation does not impact the amounts reported in the annual consolidated financial statements, affecting only the amounts disclosed in the interim consolidated financial statements. Consequently, 2014's financial statements were not restated.

RESULTS

The **net income** of Millennium bcp stood at Euro 264.5 million in the first nine months of 2015, comparing to a net loss of Euro 109.5 million in the same period of 2014, reaffirming the return to profits envisaged in the Strategic Plan, embodied in the recovery of profitability in Portugal and the continued development of the international activity.

Net income in the first nine months of 2015 reflects the positive performance of core net income, which increased 48.2% compared to the same period of 2014, together with the strict control of operating costs and the lower level of impairment losses and provisions charges.

In the activity in Portugal, net income improvement of Euro 327.6 million benefited from the 23.5% increase of net operating revenue, supported by the positive performance of net interest income and by the gains in net trading income associated with the sale of Portuguese sovereign debt securities.

Net income in the international activity, excluding the impacts of discontinued operations and the increase of non-controlling interests related with the subsidiary of the Group in Poland resulting from the sale of 15.4% of the shareholding in June 2015, increased 7.2%, compared with the first nine months of 2014, boosted by the growth of net interest income and net trading income in the subsidiaries in Angola and Mozambique.

Net interest income amounted to Euro 956.7 million in the first nine months of 2015, an increase of 20.9% over the Euro 791.0 million registered in the same period of 2014, mainly determined by the positive performance of the activity in Portugal.

Net interest income in Portugal totalled Euro 513.7 million in the first nine months of 2015, showing an increase of 46.2% compared with the same period of 2014, driven by the reduction of 70 basis points in term deposits cost, from the first nine months of 2014, and lower cost related to CoCos, following the early repayment of Euro 2,250 million in the second and third quarters of 2014.

In the international activity, net interest income stood at Euro 443.0 million, up 0.8% from the first nine months of 2014, on the back of the improvement of loans to customers volume observed in the subsidiaries in Angola and Mozambique.

Net interest margin in the first nine months of 2015 amounted to 1.86%, compared with 1.46% in the same period of 2014. Excluding the cost of CoCos impact, net interest margin reached 1.96% in the first nine months of 2015 and 1.76% in the same period of 2014.

AVERAGE BALANCES

Euro million

	30 Sep.15		30 Sep.14	
	Amount	Yield %	Amount	Yield %
Deposits in banks	3,333	0.83	3,433	1.13
Financial assets	10,750	2.84	12,766	3.41
Loans and advances to customers	53,641	3.59	55,401	3.83
Interest earning assets	**67,724**	**3.34**	**71,600**	**3.62**
Discontinued operations (1)	90		424	
Non-interest earning assets	9,840		9,479	
	77,654		**81,503**	
Amounts owed to credit institutions	11,364	0.64	12,437	0.70
Amounts owed to customers	50,246	1.23	48,631	1.70
Debt issued	5,458	3.41	9,310	3.85
Subordinated debt	1,895	6.51	3,766	7.39
Interest bearing liabilities	**68,963**	**1.45**	**74,144**	**2.09**
Discontinued operations (1)	1		345	
Non-interest bearing liabilities	3,201		3,021	
Shareholders' equity and non-controlling interests	5,489		3,993	
	77,654		**81,503**	
Net interest margin		1.86		1.46
Net interest margin (excl. cost of CoCos)		1.96		1.76

Note: Interest related to hedge derivatives were allocated, in September 2015 and 2014, to the respective balance sheet item.
(1) Includes the activity of the subsidiaries in Romania (in 2014) and of Millennium bcp Gestão de Ativos, as well as the respective consolidation adjustments.

Net commissions totalled Euro 520.3 million in the first nine months of 2015, a 2.8% year-on-year increase, mainly influenced by the activity in Portugal, which increased 4.1%.

The performance of net commissions in the first nine months of 2015 reflects the 5.6% increase in commissions related to the banking business, determined by higher credit and guarantees-related commissions, both in Portugal and in the international activity, as well as the favourable effect associated with the decreased cost of the guarantee by the Portuguese State to debt securities issued, regardless of the decrease in cards and transfers-related commissions, penalised by the reduction of interchange fees in Poland. The commissions associated with financial markets showed a decrease of 8.0%, induced by the lower level of securities transactions in Portugal.

Net trading income amounted to Euro 554.1 million in the first nine months of 2015, showing a favourable performance from the Euro 357.2 million posted in the same period of 2014, benefiting from the gains related with Portuguese sovereign debt securities in Portugal, during the first and second quarters of 2015.

In the international activity, boosted by higher foreign exchange results in Angola and Mozambique, net trading income reached Euro 122.5 million in the first nine months of 2015, increasing from Euro 68.9 million in the same period of 2014.

Other net operating income was negative by Euro 55.6 million in the first nine months of 2015, compared to Euro 21.6 million accounted in the same period of 2014, determined by the booking of a Euro 69.4 million gain, in 2014, related to the disposal of the shareholding in subsidiaries that operated in the area of non-life insurance, together with the accounting, in 2015, of costs associated with the revaluation of real estate properties not related to the bank's operation. In the activity in Portugal, this heading includes the costs related with the contributions from the banking sector and for the resolution fund, as well as for the deposit guarantee fund.

Dividends from equity instruments, which comprises dividends received from investments in financial assets available for sale, and **equity accounted earnings**, jointly amounted to Euro 31.0 million in the first nine months of 2015, from the Euro 34.0 million registered in the same period of 2014.

OTHER NET INCOME *Euro million*

	30 Sep. 15	30 Sep. 14	Change 15/14
Net commissions	**520.3**	**506.2**	**2.8%**
Banking commissions	424.9	402.5	5.6%
Cards and transfers	129.6	144.5	-10.3%
Credit and guarantees	133.6	116.9	14.3%
Bancassurance	56.5	54.7	3.3%
Current account related	62.2	57.6	8.0%
Commissions related with the State guarantee	-	(22.7)	-
Other commissions	43.0	51.5	-16.5%
Market related commissions	95.4	103.7	-8.0%
Securities	65.5	74.8	-12.5%
Asset management	29.9	28.9	3.6%
Net trading income	**554.1**	**357.2**	55.1%
Other net operating income	**(55.6)**	**21.6**	**-**
Dividends from equity instruments	**5.9**	**5.8**	**0.7%**
Equity accounted earnings	**25.1**	**28.2**	**-11.1%**
Total other net income	**1,049.7**	**919.0**	**14.2%**
Other net income / Net operating revenues	52.3%	53.7%	

Operating costs decreased 3.8%, reflecting the implemented initiatives focused on rationalisation and cost control in Portugal, standing at Euro 825.4 million in the first nine months of 2015, compared to Euro 857.6 million in the same period of 2014.

Operating costs in Portugal in the first nine months of 2015 decreased by 8.1% from the same period of 2014, supported by staff costs savings, driven by the initiatives undertaken in 2014, in particular number of employees decrease and temporary salary reduction measures.

In the international activity, operating costs increased 2.8% from the first nine months of 2014, determined by the operations in Angola and Mozambique, together with the effect of the average swiss franc, metical and kwanza appreciation against the euro. Excluding the exchange rate effect, operating costs increased 0.5% compared with the same period of 2014.

Staff costs totalled Euro 461.1 million in the first nine months of 2015, a year-on-year 3.5% reduction from the same period of 2014, on the back of the 10.2% decreased recorded in the activity in Portugal, driven by the reduction of 711 employees from the end of September 2014 and by the above-referred temporary salary reduction measures, in spite of the 6.4% increase in the international activity, excluding exchange rate impact.

Other administrative costs decreased 4.8% amounting to Euro 315.3 million in the first nine months of 2015, compared with Euro 331.2 million recorded in the same period of 2014, as a result of the above-mentioned rationalisation and cost control measures, mainly the resizing of the distribution network (-42 branches from 30 September 2014). In the international activity, operating costs fell 5.0% from the first nine months of 2014, standing at Euro 142.8 million.

Depreciation costs reached Euro 49.0 million in the first nine months of 2015, an increase of 1.3% compared to the Euro 48.3 million registered in the first nine months of 2014, reflecting the 9.7% increase in the international activity, determined by the operations in Angola and Mozambique.

In the activity in Portugal, depreciation costs stood at Euro 22.9 million in the first nine months of 2015, a 6.8% year-on-year reduction from the Euro 24.6 million posted in the same period of 2014, influenced by lower real estate and software-related depreciation costs.

OPERATING COSTS

Euro million

	30 Sep. 15	30 Sep. 14	Change 15/14
Staff costs	461.1	478.0	-3.5%
Other administrative costs	315.3	331.2	-4.8%
Depreciation	49.0	48.3	1.3%
Operating costs	**825.4**	**857.6**	**-3.8%**
Of which:			
Portugal activity	475.2	517.0	-8.1%
Foreign activity	350.2	340.5	2.8%

Impairment for loan losses (net of recoveries) amounted to Euro 628.0 million in the first nine months of 2015, compared to Euro 874.5 million posted on the same date in 2014, reflecting the sizable impairment charges in the activity in Portugal but trending downwards.

Cost of risk decreased from 201 basis points in the first nine months of 2014 to 149 basis points in the same period of 2015, while the same ratio reached 109 basis points in the third quarter of 2015. The reinforcement of impairment provisions boosted adequate coverage levels, as set out in the Strategic Plan, and an improvement of the coverage ratio for loans overdue by more than 90 days, adjusted for the effect of discontinued operations, from 79.6% as at 30 September 2014 to 85.8% at the end of September 2015.

Other impairment and provisions totalled Euro 117.4 million in the first nine months of 2015, from the Euro 143.0 million accounted in the same period of 2014, reflecting lower guarantees and other commitments and other financial assets-related provisions, in spite of higher impairment charges for repossessed assets.

Income tax (current and deferred) amounted to Euro 80.9 million in the first nine months of 2015, compared with Euro -171.6 million posted in the same period of 2014.

These taxes include current tax costs of Euro 62.9 million in the first nine months of 2015 (Euro 88.2 million in the first nine months of 2014) and deferred tax income of Euro 18.0 million (Euro -259.7 million in the same period of 2014).

BALANCE SHEET

Total assets stood at Euro 75,985 million as at 30 September 2015, compared with Euro 78,786 million as at 30 September 2014 (Euro 76,361 million as at 31 December 2014), as a result of the loans to customers retraction and the decrease in the securities portfolio, mainly related with the treasury bonds portfolio.

Loans to customers (gross) totalled Euro 56,044 million as at 30 September 2015, from the Euro 57,926 million posted in the same date of 2014, reflecting the decreases in the activity in Portugal, in spite of the increase recorded in the international activity.

Loans to customers' performance in Portugal is still hindered by the gradual recovery of the Portuguese economy, materialised in a 3.5% decrease from 31 December 2014, induced by the combined effect of the 3.0% reduction of loans to individuals, determined by the repayments associated to mortgage loans, and the retraction in loans to companies which, excluding the effect of sales and write-offs, decreased 0.7% compared to the amount recorded at the end of 2014.

Excluding the impact from discontinued operations, as at 30 September 2015, loans to customers in the international activity increased by 3.0% from the same date of 2014, standing at Euro 13,779 million at the end of September 2015, influenced by the increases in both loans to individuals and to companies, in particular in Poland.

The structure of the loans to customers portfolio showed identical and stable levels of diversification between the end of September 2014 and 2015, with loans to companies representing 48% of total loans to customers as at 30 September 2015.

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Sep. 15	30 Sep. 14	Change 15/14
Individuals	**29,283**	**29,690**	**-1.4%**
Mortgage	25,297	25,819	-2.0%
Consumer and others	3,986	3,870	3.0%
Companies	**26,761**	**28,236**	**-5.2%**
Services	10,240	11,268	-9.1%
Commerce	3,354	3,405	-1.5%
Construction	3,861	4,323	-10.7%
Other	9,306	9,240	0.7%
Subtotal	**56,044**	**57,926**	**-3.2%**
Discontinued operations	--	427	
Total	**56,044**	**58,352**	**-4.0%**
Of which [(1)]:			
Portugal activity	42,265	44,554	-5.1%
Foreign activity	13,779	13,372	3.0%

(1) Excludes the impact from discontinued operations (Banca Millennium in Romania).

Credit quality, determined by loans overdue by more than 90 days as a percentage of total loans, adjusted for discontinued operations, showed a favourable evolution standing at 7.4% as at 30 September 2015, compared with 7.5% as at the same date of 2014, benefiting from the continuous focus on the selection and monitoring of credit risk processes.

Coverage ratio for loans overdue by more than 90 days, adjusted for the effect from the operations classified as discontinued, stood at 85.8% as at 30 September 2015, compared with 79.6% as at 30 September 2014.

The credit at risk ratio stood at 11.9% of total loans as at 30 September 2015, which compares with 12.0% at the end of 2014 (12.1% as at 30 September 2014). As at 30 September 2015, the restructured loans ratio stood at 10.3% of total loans, a favourable evolution from the ratio as at 31 December 2014 (11.0%) and the restructured loans not included in credit at risk ratio stood at 6.5% of total loans, as at 30 September 2015 (7.2% as at 31 December 2014 and as 30 September 2014).

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 30 SEPTEMBER 2015

Euro million

	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans by more than 90 days /Total loans	Coverage ratio (Impairment/ Overdue >90 days)
Individuals	**866**	**749**	**3.0%**	**86.5%**
Mortgage	291	320	1.1%	110.2%
Consumer and others	575	429	14.4%	74.5%
Companies	**3,291**	**2,817**	**12.3%**	**85.6%**
Services	1,176	1,159	11.5%	98.6%
Commerce	359	329	10.7%	91.4%
Construction	1,149	709	29.8%	61.7%
Other	607	620	6.5%	102.1%
Total	**4,157**	**3,566**	**7.4%**	**85.8%**

Total customer funds, excluding the impact associated with discontinued operations, amounted to Euro 65,237 million as at 30 September 2015, a 0.5% year-on-year increase from the Euro 64,942 million posted in the same date of 2014, supported by customer deposits and assets under management growth, both in Portugal and in the international activity.

Total customer funds in the activity in Portugal totalled Euro 47,550 million as at 30 September 2015, compared to Euro 48,072 million as at the end of September 2014, induced by the decrease of debt securities owed to customers, notwithstanding the increases recorded in assets under management and customer deposits, consolidating the commercial focus on deposits acquisition.

In the international activity, total customer funds increased 4.8% reaching Euro 17,686 million as at 30 September 2015 (Euro 16,870 million at the same date of 2014), grounded on balance sheet customer funds positive performance, mainly of customer deposits, that grew 5.0%, in particular in the operation in Poland.

As at 30 September 2015, excluding discontinued operations, balance sheet customer funds represented 81% of total customer funds, with customer deposits representing 78% of total customer funds.

Commercial gap narrowed by Euro 2.6 million from 30 September 2014, contributing to the improvement of loan to deposits ratio that stood at 104% as at 30 September 2015. The same ratio, considering total balance sheet customer funds, reached 99% compared with 103% as at 30 September 2014.

TOTAL CUSTOMER FUNDS (1)

Euro million

	30 Sep. 15	30 Sep. 14	Change 15/14
Balance sheet customer funds	52,966	52,885	0.2%
Deposits	50,644	49,638	2.0%
Debt securities	2,322	3,247	-28.5%
Off-balance sheet customer funds	12,271	12,057	1.8%
Assets under management	3,741	3,561	5.0%
Capitalisation products	8,530	8,496	0.4%
Total	**65,237**	**64,942**	**0.5%**

(1) Excludes, in September 2014, the impact from discontinued operations (Banca Millennium in Romania and Millennium bcp Gestão de Activos) in the amount of Euro 1,836 million.

The **securities portfolio** amounted to Euro 13,481 million as at 30 September 2015, which compares with Euro 14,052 million registered on the same date in 2014, representing 17.7% of total assets as at 30 September 2015, slightly below the amount posted as at 30 September 2014 (17.8%), essentially related with the sale of the treasury bonds portfolio.

LIQUIDITY MANAGEMENT

During the first nine months of 2015 the wholesale funding needs in Portugal decreased Euro 0.8 billion, based on the decrease in the commercial gap and the sale of 15.4% of the shareholding in Bank Millennium (Poland).

During the same period, the Bank carried out the amortization of medium and long term debt amounting to Euro 0.4 billion, related with the early redemption of senior debt, the maturity of bank loans, and to the underwriting of new bank loans totalling Euro 0.3 billion.

Accordingly, there was a change in the wholesale funding structure of the Bank, with increases of Euro 0.2 billion in repos with financial institutions and of Euro 0.2 billion in medium-long term bank loans, along with a decrease of Euro 0.7 billion of the net collateralised funding with the European Central Bank (ECB), among other less expressive changes. As at 30 September 2015, the balance of the net funding with the ECB reached Euro 5.9 billion.

The decrease of the net funding with the ECB, together with the reduction of Euro 0.2 billion of the portfolio of available eligible assets, allowed an increase of Euro 0.5 billion of the safety buffer, which totalled Euro 8.1 billion as at the end of September 2015.

The composition of the balance funded through the Eurosystem in the first nine months of 2015, was impacted by the early redemption of a Euro 0.5 billion tranche prior to the maturity of the remaining balance of Euro 3.5 billion, from an original total of Euro 12.0 billion borrowing granted in 2012 by the ECB through its long term refinancing operations. The refinancing of these amounts was carried out through the main one-week and three-month refinancing operations regularly conducted by the ECB.

CAPITAL

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

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

According to our interpretation of CRD IV/CRR to date, considering the year-to-date net income of the third quarter of 2015 and the impact of the minimum capital requirements that ECB intends to establish in 2016, CET1 phased-in estimated ratio reached 13.2% as at 30 September 2015, from 13.1% as at the end of the previous quarter, based on the new deferred tax assets regime for capital purposes recorded in the consolidated financial statements.

This performance was marked by the favourable effects arising from the net income recorded in the third quarter of 2015 and the decrease of risk weighted assets, namely driven namely by the reduction of loans to customers, on the one hand, and by the unfavourable effect of the increase of foreign exchange differences, on the other.

On 8 October 2015, Millennium bcp signed a memorandum of understanding to merge Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., resulting in the second-largest private sector Angolan bank in terms of loans to the economy, with a market share of approximately 10% by business volume. The valuation of the stakes of the two merged banks will be subject to due diligence by an independent auditor and Millennium bcp is expected to hold a stake of around 20% in the merged entity. The completion of this transaction, estimated with reference to September 2015, would raise CET1 ratio, on a phased-in basis, to 13.6%.

SOLVENCY RATIOS (CRD IV/CRR)

Euro million

	30 Sep. 15 (*)	30 Jun. 15 (*)	31 Dec. 14
		PHASED-IN	
Own funds			
Common equity tier 1 (CET1)	5.800	5.796	5.077
Tier 1	5.800	5.796	5.077
Total Capital	**6.315**	**6.380**	**5.800**
Risk weighted assets	**43.862**	**44.127**	**42.376**
Solvency ratios			
CET1	13,2%	13,1%	12,0%
Tier 1	13,2%	13,1%	12,0%
Total capital	14,4%	14,5%	13,7%
		FULLY IMPLEMENTED	
Rácio CET1	10,0%	9,6%	4,9%

(*) Considering the new DTA regime for capital purposes (according with IAS) and the inclusion, in September 2015 and June 2015, of the year-to-date net income of the third quarter and the first half of 2015, respectively. The figures of September 2015 also consider the impact of the minimum capital requirements that the ECB intends to establish in 2016.

SIGNIFICANT EVENTS

The announcement of a memorandum of understanding aiming to materialise the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. strengthens the capability to expand in Angola through the creation of conditions for growth in adverse conditions and simultaneously adapting the bank to the implications of recent changes in supervisory equivalence.

Highlights during this period include:

- Banco Comercial Português, S.A. signed, on 8 October, a memorandum of understanding with the main shareholder of Banco Privado Atlântico, S.A. (Global Pactum – Gestão de Ativos, S.A.), to merge Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., resulting in the second-largest private sector bank in terms of loans to the economy, with a market share of approximately 10% by business volume.
- DBRS maintained the Intrinsic Assessment of BCP at “BB (high)”, whereas the long-term senior unsecured and deposits ratings were downgraded from “BBB (low)” to “BB (high)”, with “stable” trend. The short-term senior unsecured and deposits ratings were also downgraded from “R-2” to “R-3”. The subordinated debt rating was confirmed at “BB”.
- Millennium Companies Days Conference was held in Aveiro and Setúbal, seeking to increase interaction with Portuguese companies, supporting their internationalisation and strengthening their competitiveness.
- Entrepreneurship Conference on Tourism held in Oporto.
- Election of Millennium bcp, for the second consecutive year, as “Best Private Bank” in Portugal by the “Finance & Wealth International” magazine.
- For the eleventh consecutive year, the Millennium bcp brand is in the ranking of “Superbrands”, and was this year recognised as a “Superbrand - Born in Portugal”.
- Distinction of Bank Millennium in Poland with three awards out of four ranking categories in the scope of the Newsweek’s Bank Awards 2015: “Best Branch Banking”, “Best Internet Banking” and “Best Mortgage Banking”.
- Distinction of ActivoBank, for the fourth consecutive year, as “Best Commercial Bank in Portugal”, by the World Finance magazine, under the “World Finance Banking Awards 2015”.
- Distinction of ActivoBank by the Global Finance magazine, with the “Best Consumer Digital Bank” award in Portugal under the “2015 World's Best Digital Banks Awards”.

MACROECONOMIC ENVIRONMENT

According to the IMF, the world economy is set to slow down in 2015, pressured by high levels of indebtedness, globally tighter financial conditions and a resurgence of economic, financial and geopolitical uncertainty. This loss of vigor of global activity derives exclusively from the fall of growth in emerging markets (for the fifth consecutive year), in a context of lower dynamism of the Chinese economy and a steep fall of commodity prices, since the group of the advanced economies is expected to record a slight acceleration, reflecting the beneficial effects of the reduction in energy costs and the highly accommodative stance of economic policy. The IMF considers that the risks surrounding its scenario are predominantly on the downside and stem from the possibility of an additional deterioration of the economic situation in China, a worsening of the geopolitical tensions, and an intensification of the volatility in financial markets.

In the first nine months of 2015, the behavior of the international financial markets was marked by a significant devaluation of commodities and also of the majority of the financial assets pertaining to emerging markets, a phenomenon that ended up spreading to the remaining asset classes and geographies. Regarding the equity segment it should be highlighted the correction that occurred in the main world stock markets during the third quarter, whose extent does not have parallel since the disturbances caused by the Euro Area's sovereign debt crisis in 2011. The most salient characteristic of the evolution of debt markets was the absence of a defined direction, in an environment of greater volatility that reflected the lack of definition surrounding the likely course of monetary policy in the U.S. as well as the cumulative deterioration of the economic and financial situation of the most important emerging economies. Despite the difficulties around the negotiations of the third bailout package for Greece and the bouts of volatility in the global financial markets, the evolution of yields on public debt securities of the peripheral Euro Area countries, including Portugal, revealed a surprising stability, in great part due to the stabilising effect of the ECB's public sector purchasing program on the valuation of the government bonds of EMU's Member-States.

The fall in the prices of energy commodities caused the resurgence of deflationary fears, leading the main central banks to maintain their extreme degree of monetary policy accommodation, including the US Federal Reserve, which against expectations have been delaying the beginning of the process of interest rates normalisation. The main exception to this pattern came from the emerging markets most affected by exchange rate depreciation, like Brazil, whose monetary authorities have been forced to raise interest rates to avoid an uncontrolled increase in inflation. After starting the public setor purchasing program, last March, the ECB has not announced any other relevant measure, although it has continued to reiterate its capacity and willingness to intensify the expansionary stance of monetary policy should deflationary pressures intensify in the Euro Area. This stance has contributed to maintain euribor rates below zero for maturities up to three months.

According to Statistics Portugal, in the second quarter of 2015, the Portuguese GDP recorded an annual growth rate of 1.6%, a value similar to that observed in the previous quarter. This result stemmed exclusively from the positive evolution of domestic demand, especially of consumption and investment in fixed capital, since the contribution of external demand was negative. The most relevant macroeconomic indicators pertaining to the third quarter of 2015 are compatible with a slight acceleration of activity, spurred by the improvement of net exports, in a framework of steady dynamism of private consumption and investment. Notwithstanding the turbulence caused by the Greek situation and the disturbances in the emerging economies, the yields on the Portuguese government bonds remained relatively stable and not very far from the minima reached in the first quarter of the current year.

For 2015, the IMF predicts a slight acceleration of activity in Poland, from 3.4% to 3.5%, based on the stimulus conferred by the expansion of real disposable income on private consumption and also on the robust pace of investment. Despite the favorable evolution of the Polish economy, the Zloty has depreciated against the Euro, pressured by the generalised loss of value of emerging currencies as well as the easing of monetary policy by the National Bank of Poland. In Mozambique, the investment megaprojets on the commodity sector will continue to be the main driver of activity growth, which the IMF estimates to expand 7.0% this year. In Angola, the significant fall in the oil sector revenues should hamper domestic demand, a situation that will only partially be mitigated by the acceleration of oil production. In this environment, the IMF estimates a contraction of the GDP growth rate in 2015, from 4.8% to 3.5%.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Sep 15	Sep 14	Change	Sep 15	Sep 14	Change	Sep 15	Sep 14	Change
Income statement									
Net interest income	956.7	791.0	20.9%	513.7	351.3	46.2%	443.0	439.6	0.8%
Dividends from equity instruments	5.9	5.8	0.7%	2.9	2.3	27.9%	3.0	3.6	-16.6%
Net fees and commission income	520.3	506.2	2.8%	333.7	320.5	4.1%	186.6	185.7	0.5%
Other operating income	(55.6)	21.6	-	(53.7)	24.6	-	(1.9)	(3.0)	-
Net trading income	554.1	357.2	55.1%	431.6	288.3	49.7%	122.5	68.9	77.8%
Equity accounted earnings	25.1	28.2	-11.1%	25.4	28.2	-9.9%	(0.3)	-	-
Net operating revenues	**2,006.4**	**1,709.9**	**17.3%**	**1,253.6**	**1,015.2**	**23.5%**	**752.8**	**694.8**	**8.3%**
Staff costs	461.1	478.0	-3.5%	279.7	311.5	-10.2%	181.4	166.5	8.9%
Other administrative costs	315.3	331.2	-4.8%	172.6	180.9	-4.6%	142.8	150.3	-5.0%
Depreciation	49.0	48.3	1.3%	22.9	24.6	-6.8%	26.0	23.7	9.7%
Operating costs	**825.4**	**857.6**	**-3.8%**	**475.2**	**517.0**	**-8.1%**	**350.2**	**340.5**	**2.8%**
Operating profit before impairment and provisions	**1,181.0**	**852.4**	**38.6%**	**778.4**	**498.2**	**56.3%**	**402.6**	**354.2**	**13.7%**
Loans impairment (net of recoveries)	628.0	874.5	-28.2%	545.4	813.4	-32.9%	82.6	61.2	35.0%
Other impairment and provisions	117.4	143.0	-17.9%	114.1	142.2	-19.8%	3.3	0.7	-
Profit before income tax	**435.6**	**(165.1)**	-	**118.9**	**(457.4)**	-	**316.7**	**292.3**	**8.3%**
Income tax	80.9	(171.6)	-	18.8	(230.7)	-	62.1	59.2	5.0%
Income after income tax from continuing operations	**354.7**	**6.5**	-	**100.1**	**(226.7)**	-	**254.6**	**233.2**	**9.2%**
Income arising from discontinued operations	14.8	(34.1)	-	-	-	-	-	-	-
Non-controlling interests	105.0	81.9	28.2%	(0.4)	0.4	-	105.3	81.5	29.3%
Net income	**264.5**	**(109.5)**	-	**100.5**	**(227.1)**	-	**149.3**	**151.7**	**-1.6%**
Balance sheet and activity indicators									
Total assets	**75,985**	**78,786**	**-3.6%**	**55,189**	**58,567**	**-5.8%**	**20,796**	**20,220**	**2.9%**
Total customer funds (1)	**65,237**	**64,942**	**0.5%**	**47,550**	**48,072**	**-1.1%**	**17,686**	**16,870**	**4.8%**
Balance sheet customer funds (1)	**52,966**	**52,885**	**0.2%**	**36,706**	**37,383**	**-1.8%**	**16,260**	**15,502**	**4.9%**
Deposits	50,644	49,638	2.0%	34,480	34,241	0.7%	16,164	15,397	5.0%
Debt securities	2,322	3,247	-28.5%	2,226	3,141	-29.1%	96	105	-9.2%
Off-balance sheet customer funds (1)	**12,271**	**12,057**	**1.8%**	**10,844**	**10,689**	**1.4%**	**1,427**	**1,368**	**4.3%**
Assets under management	3,741	3,561	5.0%	2,805	2,706	3.7%	936	856	9.4%
Capitalisation products	8,530	8,496	0.4%	8,039	7,984	0.7%	490	512	-4.2%
Discontinued operations	-	**1,836**		-	**1,517**		-	**319**	
Loans to customers (gross) (1)	**56,044**	**57,926**	**-3.2%**	**42,265**	**44,554**	**-5.1%**	**13,779**	**13,372**	**3.0%**
Individuals (1)	**29,283**	**29,690**	**-1.4%**	**20,989**	**21,678**	**-3.2%**	**8,294**	**8,011**	**3.5%**
Mortgage	25,297	25,819	-2.0%	18,692	19,337	-3.3%	6,605	6,482	1.9%
Consumer and others	3,986	3,870	3.0%	2,297	2,341	-1.9%	1,689	1,529	10.4%
Companies (1)	**26,761**	**28,236**	**-5.2%**	**21,276**	**22,876**	**-7.0%**	**5,485**	**5,360**	**2.3%**
Services	10,240	11,268	-9.1%	9,298	10,343	-10.1%	943	925	1.9%
Commerce	3,354	3,405	-1.5%	2,109	2,129	-0.9%	1,245	1,276	-2.4%
Construction	3,861	4,323	-10.7%	3,199	3,625	-11.7%	661	698	-5.3%
Other	9,306	9,240	0.7%	6,669	6,779	-1.6%	2,636	2,461	7.1%
Discontinued operations	-	**427**		-	-	-	-	**427**	
Credit quality									
Total overdue loans (1)	4,549	4,484	1.4%	4,172	4,140	0.8%	377	345	9.3%
Overdue loans by more than 90 days (1)	4,157	4,372	-4.9%	3,832	4,055	-5.5%	325	316	2.7%
Overdue loans by more than 90 days /Total loans (1)	7.4%	7.5%		9.1%	9.1%		2.4%	2.4%	
Total impairment (balance sheet) (1)	3,566	3,478	2.5%	3,091	3,031	2.0%	475	448	6.0%
Total impairment (balance sheet) /Total loans (1)	6.4%	6.0%		7.3%	6.8%		3.4%	3.3%	
Total impairment (balance sheet) /Overdue loans by more than 90 days (1)	85.8%	79.6%		80.7%	74.7%		146.1%	141.5%	
Cost of risk (net of recoveries, in b.p.) (1)	149	201		172	243		80	61	
Restructured loans / Total loans (2)	10.3%	11.2%							
Restructured loans not included in the credit at risk / Total loans (2)	6.5%	7.2%							
Cost-to-income	41.1%	52.3%		37.9%	54.7%		46.5%	49.0%	

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

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

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the nine months period ended 30 September, 2015 and 2014

	30 September 2015	30 September 2014
	(Thousands of Euros)	
Interest and similar income	1,744,777	2,013,374
Interest expense and similar charges	(788,121)	(1,222,420)
Net interest income	956,656	790,954
Dividends from equity instruments	5,866	5,823
Net fees and commission income	520,322	506,211
Net gains / losses arising from trading and hedging activities	147,342	117,725
Net gains / losses arising from available for sale financial assets	406,720	239,432
Other operating income	(44,882)	(54,940)
	1,992,024	1,605,205
Other net income from non banking activity	12,954	14,086
Total operating income	2,004,978	1,619,291
Staff costs	461,065	478,035
Other administrative costs	315,341	331,201
Depreciation	48,956	48,327
Operating costs	825,362	857,563
Operating net income before provisions and impairments	1,179,616	761,728
Loans impairment	(628,008)	(874,538)
Other financial assets impairment	(37,307)	(52,541)
Other assets impairment	(63,783)	(22,423)
Goodwill impairment	-	(144)
Other provisions	(16,281)	(67,851)
Operating net income	434,237	(255,769)
Share of profit of associates under the equity method	25,084	28,221
Gains / (losses) from the sale of subsidiaries and other assets	(23,705)	62,426
Net (loss) / income before income tax	435,616	(165,122)
Income tax		
Current	(62,857)	(88,154)
Deferred	(18,031)	259,750
Net (loss) / income after income tax from continuing operations	354,728	6,474
Income arising from discontinued operations	14,762	(34,070)
Net income after income tax	369,490	(27,596)
Attributable to:		
Shareholders of the Bank	264,536	(109,495)
Non-controlling interests	104,954	81,899
Net income for the period	369,490	(27,596)
Earnings per share (in euros)		
Basic	0.007	(0.004)
Diluted	0.007	(0.004)

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 September, 2015 and 2014 and 31 December, 2014

	30 September 2015	31 December 2014	30 September 2014
		(Thousands of Euros)	
Assets			
Cash and deposits at central banks	1,514,453	1,707,447	1,757,205
Loans and advances to credit institutions			
Repayable on demand	984,037	795,774	722,750
Other loans and advances	976,054	1,456,026	912,007
Loans and advances to customers	52,478,248	53,685,648	54,808,396
Financial assets held for trading	1,481,053	1,674,240	1,663,232
Financial assets available for sale	11,556,620	8,263,225	9,573,600
Assets with repurchase agreement	10,545	36,423	91,399
Hedging derivatives	85,114	75,325	72,385
Financial assets held to maturity	432,941	2,311,181	2,724,183
Investments in associated companies	313,914	323,466	457,386
Non current assets held for sale	1,674,469	1,622,016	1,590,655
Investment property	147,639	176,519	179,292
Property and equipment	673,474	755,451	774,931
Goodwill and intangible assets	206,271	252,789	248,111
Current tax assets	39,931	41,895	38,846
Deferred tax assets	2,505,379	2,398,562	2,410,462
Other assets	904,891	784,929	761,574
	75,985,033	76,360,916	78,786,414
Liabilities			
Amounts owed to credit institutions	10,288,944	10,966,155	10,638,979
Amounts owed to customers	50,643,751	49,816,736	49,956,814
Debt securities	4,909,742	5,709,569	7,769,232
Financial liabilities held for trading	828,378	952,969	986,921
Hedging derivatives	548,975	352,543	263,608
Provisions for liabilities and charges	300,768	460,293	448,490
Subordinated debt	1,683,817	2,025,672	2,064,133
Current income tax liabilities	7,268	31,794	9,413
Deferred income tax liabilities	16,736	6,686	7,402
Other liabilities	1,020,107	1,051,592	1,068,058
Total Liabilities	70,248,486	71,374,009	73,213,050
Equity			
Share capital	4,094,235	3,706,690	3,706,690
Treasury stock	(1,089)	(13,547)	(33,325)
Share premium	16,471	-	-
Preference shares	59,910	171,175	171,175
Other capital instruments	2,922	9,853	9,853
Fair value reserves	9,003	106,898	159,255
Reserves and retained earnings	274,053	458,087	904,538
Net income for the period attributable to Shareholders	264,536	(226,620)	(109,495)
Total Equity attributable to Shareholders of the Bank	4,720,041	4,212,536	4,808,691
Non-controlling interests	1,016,506	774,371	764,673
Total Equity	5,736,547	4,986,907	5,573,364
	75,985,033	76,360,916	78,786,414

GLOSSARY

Capitalisation products – includes unit link and retirement saving plans.

Cost of risk - ratio of impairment charges (net of recoveries) accounted in the period to the loan portfolio.

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

Credit at risk – definition that, according to the Bank of Portugal, is broader than the overdue loans by more than 90 days + doubtful loans, including, in particular, the possibility that debtors with overdue payments still do not fulfil their credit responsibilities. For detailed definition see instruction from the Bank of Portugal no. 16/2004, as the currently existing version.

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

Dividends from equity instruments - dividends received from investments in financial assets available for sale.

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

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

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

Net trading income - net gains/losses arising from trading and hedging activities, net gains/losses arising from available for sale financial assets, net gains/losses arising from financial assets held to maturity.

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

Other impairment and provisions - other financial assets impairment, other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, goodwill impairment and other provisions.

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

Other net operating income - other operating income, other net income from non-banking activities and gains from the sale of subsidiaries and other assets.

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

Securities portfolio - financial assets held for trading, financial assets available for sale, assets with repurchase agreement and financial assets held to maturity.

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

"Disclaimer"