29 October 2020

Millennium bcp Earnings release as at 30 September 2020

Profitability
Favourable performance of core income, despite the adverse effects of the pandemic

- **Core net income of the Group** reached **835.2 million euros** in the first nine months of 2020 (862.7 million euros, excluding the impact of specific items), up 1.0% from the same period of the previous year.
- **Net earnings of the Group** of **146.3 million euros** in the first nine months of 2020, influenced by the significant reinforcement of impairment, in a context of COVID-19 pandemic.
- **Operating costs under control**. One of the most efficient banks in the Eurozone with a cost to core income of 48%, on a comparable basis.

Capital and Liquidity
Comfortably above regulatory requirements

- **Estimated Fully-implemented Core Equity Tier 1 ratio and Total capital ratio** at **12.4%** and **15.7%**, with organic capital generation.
- **High liquidity levels**, comfortably above regulatory requirements.

Business performance and Credit quality
Growth of business volumes; leader in COVID-19 credit lines

- **Performing loans up by 2.4 billion euros** and **total customer funds up by 3.1 billion euros** from September 2019. **NPE down** 0.9 billion euros, of which **1.0 million euros in Portugal**, with **comfortable NPE coverage**.
- **Growing Customer base**, especially **mobile Customers.**

COVID-19
Immediate reaction and adaptability to new normal

- Defined priorities in response to the pandemic allowed **fast adaptation** to the context and led to an **uneventful transition** after the confinement.

BANCO COMERCIAL PORTUGUÊS, S.A.,
a public company (Sociedade Aberta),
having its registered office at Praça D. João I, 28, Oporto,
registered at the Commercial Registry of Oporto, with the
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FINANCIAL HIGHLIGHTS (1)

Euro million

	30 Sep. 20	30 Sep. 19	Change 20/19
BALANCE SHEET			
Total assets	86,017	81,359	5.7%
Loans to customers (net)	53,870	52,123	3.4%
Total customer funds	83,284	80,166	3.9%
Balance sheet customer funds	64,494	61,296	5.2%
Deposits and other resources from customers	62,997	59,559	5.8%
Loans to customers (net) / Deposits and other resources from customers (2)	85.5%	87.5%	
Loans to customers (net) / Balance sheet customer funds	83.5%	85.0%	
RESULTS			
Net interest income	1,149.6	1,153.0	-0.3%
Net operating revenues	1,687.8	1,740.6	-3.0%
Operating costs	832.4	844.9	-1.5%
Operating costs excluding specific items (3)	805.0	805.6	-0.1%
Loan impairment charges (net of recoveries)	374.2	299.0	25.2%
Other impairment and provisions	176.4	78.1	126.0%
Income taxes	122.4	174.0	-29.7%
Net income	146.3	270.3	-45.9%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.7%	3.0%	
Return on average assets (ROA)	0.3%	0.6%	
Income before tax and non-controlling interests / Average net assets (2)	0.5%	0.9%	
Return on average equity (ROE)	3.4%	6.0%	
Income before tax and non-controlling interests / Average equity (2)	5.8%	9.9%	
Net interest margin	2.0%	2.2%	
Cost to income (2)	49.3%	48.5%	
Cost to income (2) (3)	47.7%	46.3%	
Cost to income (Portugal activity) (2) (3)	47.6%	47.0%	
Staff costs / Net operating revenues (2) (3)	27.4%	26.6%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	89	73	
Non-Performing Exposures / Loans to customers	6.5%	8.4%	
Total impairment (balance sheet) / NPE	62.2%	55.1%	
Restructured loans / Loans to customers	5.2%	5.9%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	243%	223%	
Net Stable Funding Ratio (NSFR)	140%	138%	
CAPITAL (4)			
Common equity tier I phased-in ratio	12.4%	12.3%	
Common equity tier I fully implemented ratio	12.4%	12.3%	
total fully implemented ratio	15.7%	15.7%	
BRANCHES			
Portugal activity	489	526	-7.0%
International activity	927	1,029	-9.9%
EMPLOYEES			
Portugal activity	7,152	7,259	-1.5%
International activity (5)	10,708	11,464	-6.6%

Notes:

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at "Alternative Performance Measures" chapter, being reconciled with the accounting values published in the consolidated financial statements. From 31 May 2019, financial statements of the Group reflect the consolidation of Euro Bank S.A., the entity acquired by Bank Millennium S.A.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
(3) Excludes specific items: negative impact of 27.5 million euros in the first nine months of 2020, of which 15.8 million euros related to restructuring costs and compensation for temporary salary cuts, both recognized as staff costs in the activity in Portugal and 11.7 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (6.9 million euros as staff costs, 4.4 million euros as other administrative costs and 0.4 million euros as depreciation). In the first nine months of 2019, the impact was also negative, in the amount of 39.4 million euros, of which 24.4 million euros related to restructuring costs and compensation for temporary salary cuts, both 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 by the Polish subsidiary, that also recorded immaterial amounts in staff costs and depreciations. In the profitability and efficiency indicators, the specific items included in the net operating revenues, of non-material amount, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary are also not considered.
(4) As of 30 September 2020 and 30 September 2019, capital ratios include the positive cumulative net income of each period. Ratios as of 30 September 2020 are estimated and non-audited.
(5) Of which, in Poland: 7,997 employees as at 30 September 2020 (corresponding to 7,846 FTE - Full-time equivalent) and 8,710 employees as at 30 September 2019 (corresponding to 8,564 FTE - Full-time equivalent).

RESULTS AND ACTIVITY IN THE FIRST NINE MONTHS OF 2020

The first nine months of 2020 were marked by the impacts caused by COVID-19 pandemic, forcing most of the countries to adopt exceptional measures, with a great impact on the lives of people and companies. Millennium bcp showed, since the beginning, an enormous capacity for resilience and adaptability to the challenges and risks arising from the pandemic, ensuring business continuity in a new and unexpected event and defining the priorities that allowed a favourable reaction of the Bank to the evolution of the crisis. Thus, Millennium bcp adapted business models and processes in order to continue to support the economy, by intensifying its commercial activity, defending, at the same time, the quality of the balance sheet, liquidity and solvency of the Bank. The Bank thus remained at the forefront in supporting companies and families, becoming the market leader in the COVID-19 lines and approving more than 100,000 moratoriums applied to families. The adaptation of risk management models to the new context should be emphasized, including predictive models to assess the risk associated to the moratoria regime. The Group will continue to continuously assess the situation, in order to adapt itself to the evolution that the pandemic may assume, always bearing in mind the protection of employees and customers as well as the reinforcement of the social support. In this context, mention should be made of the fortnightly meeting of the crisis management office which, in addition to the executive committee, includes multidisciplinary specialists, with emphasis on medical skills, aiming to incorporate in the procedures of the Bank, possible advances that may occur in the scientific area of protection and fighting the pandemic.

On 31 May 2019, Bank Millennium, S.A., 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. From this date, financial statements of the Group reflect the consolidation of Euro Bank 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. In accordance with IFRS 3, the effective settlement to be completed no later than one year from the control acquisition date has already happened, with no material impact on the financial statements of the Group.

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.

RESULTS

The consolidated **core net income** of Millennium bcp reached 835.2 million euros in the first nine months 2020 (862.7 million euros, excluding the impact of specific items), 1.0% above the 827.1 million euros achieved in the same period of the previous year, an evolution that occurred, it is worth noting, in a particularly adverse economic environment.

The consolidated core net income was boosted by both the performance of the activity in Portugal, that evolved from 464.6 million euros in the first nine months of 2019 to 468.2 million euros in the same period of 2020, and the growth showed by the international activity, from 362.5 million euros in the first nine months of 2019, to 367.0 million euros in the same period of the current year.

The evolution of the core net income in the international activity was determined by the higher contribution from the activity of the Polish subsidiary, influenced by the impact of the integration and consolidation of Euro Bank S.A. in May 2019, although it was partially mitigated by the contribution of the operation in Mozambique, with core net income in the first nine months of 2020 lower than that achieved in the same period of the previous year.

The consolidated **net income** of Millennium bcp stood at 146.3 million euros in the first nine months of 2020 compared to 270.3 million euros reached in the same period of the previous year, with this evolution being strongly influenced by the impact resulting from the pandemic caused by COVID-19. The impact of the current extraordinary situation was felt above all in the additional provisions for credit risk, both in the activity in Portugal and in the international activity and also in the revaluation of corporate restructuring funds in the activity in Portugal. The performance of the consolidated net income of Millennium bcp was also influenced by the reinforcement of the extraordinary provisions booked for foreign exchange mortgage legal risk in the Polish subsidiary which amounted to 67.2 million euros in the first nine months of 2020. To the evolution of the consolidated net income also contributed the gain of 13.5 million euros, recognized in February of 2019, following the sale of the Planfipsa Group, reflected as discontinued operations.

In the activity in Portugal[1], net income stood at 91.9 million euros at the end of the third quarter of 2020, with this evolution from the 125.5 million euros recorded in the same period of 2019, largely affected by a particularly adverse context driven by an unfavorable economic situation due to the impacts associated with the pandemic caused by COVID-19. Additional impairment for credit risks and the revaluation of corporate restructuring funds, stand out among the main negative impacts. In addition, the evolution of net income in the activity in Portugal was also influenced by the performance of other net operating income, since in the first nine months of 2019 the sale of properties generated significant gains, which were not repeated in 2020. On the other way, net income in the activity in Portugal benefited from the savings in operating costs and from the increase in equity accounted earnings together with a lower tax burden.

In the international activity, net income stood at 54.4 million euros in the first nine months of 2020, which compares to 131.4 million euros recorded in the same period of the previous year. This evolution was determined by the performance of the Polish subsidiary, influenced, on one hand by the impact of the acquisition of Euro Bank S.A. and on the other hand by the reinforcement of impairments and provisions, namely the provision for legal risk associated with the mortgage loans granted in foreign exchange in the amount of 67.2 million euros and by impairments for credit risk arising from the COVID-19 pandemic. In addition, impairments were also recorded, in the total amount of 16.6 million euros, for the investment in the participation in Banco Millennium Atlântico to face the risks in which that operation develops its activity which, together with the performance of the operation in Mozambique, also affected by the impacts of the pandemic caused by COVID-19, penalized the evolution of net income in the international activity.

Net interest income reached 1,149.6 million euros in the first nine months of 2020, remained in line with 1,153.0 million euros recorded in the same period of 2019. This evolution incorporates, however, two distinct realities, since the favourable performance of the international activity was totally absorbed by the lower contribution from the activity in Portugal.

[1] Not considering income arising from operations accounted as discontinued operations, amounting to 13.4 million euros recorded in the first nine months of 2019.

Net interest income in the activity in Portugal, totaled 591.2 million euros in the first nine months of 2020, standing 1.5% below the 600.1 million euros posted in the same period of the previous year. This evolution was mainly due to the reduction in the income generated by the securities portfolio, namely by the Portuguese public debt portfolio, since the reduction in the portfolio of Portuguese Treasury securities in the last quarter of 2019, due to the disposals made, penalized the net interest income of the current year, with the new securities acquired this year being insufficient to offset the loss of income verified, due to lower implicit yields. In addition, securities disposals already made in 2020 continued to widen the gap between the income generated by the current securities portfolio and the existing portfolio in the previous year.

Net interest income in the activity in Portugal was also affected by the lower income from the liquidity surplus in credit institutions and by the higher costs of subordinated debt issues, influenced by the impact of the issue, in the amount of 450 million euros, placed in the market in September 2019. On the other way, it should also be noted the positive impact of the additional funding obtained from the European Central Bank, namely with the participation in the new targeted longer-term refinancing operation (TLTRO III), that the Bank decided to increase to 7,550 million euros in the second quarter of 2020 benefiting from a negative interest rate.

The unfavorable context of historically low rates continued to strongly affect the commercial business. Therefore there was a reduction on the income generated by the performing loan portfolio, despite the increase in the volume of loans, reflecting both the promotion of commercial initiatives to support families and companies with sustainable business plans, and the impact of loans granted under the credit lines guaranteed by the Portuguese State following the pandemic caused by COVID-19. The high rate of reduction of non-performing exposures in last year also contributed negatively to the performance of net interest income, that conversely, benefited from the reduction in costs incurred with customer resources, namely with regard to time deposits.

In the international activity, net interest income increased 1.0% from 552.8 million euros recorded in the first nine months of 2019, reaching 558.4 million euros in the same period of 2020. The Polish subsidiary, influenced by the impact of the integration of Euro Bank S.A. commercial business, was the main responsible for this favorable evolution, which was partially offset by the performance of the subsidiary in Mozambique.

Net interest margin of the Group, in the first nine months of 2020, stood at 2.0%, below the 2.2% recorded in the same period of the previous year. In the activity in Portugal, net interest margin still constrained by the negative interest rates context and by the greater weight of products with lower rates in credit production in the special context of the pandemic, mainly influenced by the credit lines with guarantee of the Portuguese State, evolved from 1.7% in the first nine months of 2019 to 1.5% in the same period of 2020. In the international activity, net interest margin also showed a slight decrease compared to the 3.2% posted in the same period of 2019, standing at 2.9% in the same period of the current year, starting to reflect the drop in the remuneration of the Polish subsidiary asset portfolios, following the successive cuts in the reference interest rates by the Polish Central Bank during the second quarter of 2020, which have not yet been offset by the repricing of the deposits portfolio.

AVERAGE BALANCES

Euro million

	30 Set. 20		30 Set. 19	
	Amount	Yield %	Amount	Yield %
Deposits in banks	5,067	0.6	3,696	1.1
Financial assets	17,204	1.2	15,627	1.7
Loans and advances to customers	53,214	2.9	50,134	3.2
INTEREST EARNING ASSETS	**75,485**	**2.4**	**69,457**	**2.8**
Non-interest earning assets	9,024		9,529	
	84,509		**78,987**	
Amounts owed to credit institutions	7,946	-0.3	7,260	0.2
Deposits and other resources from customers	62,432	0.3	57,571	0.5
Debt issued	3,122	1.0	3,241	1.2
Subordinated debt	1,468	4.8	1,275	4.4
INTEREST BEARING LIABILITIES	**74,967**	**0.4**	**69,347**	**0.6**
Non-interest bearing liabilities	2,111		2,067	
Shareholders' equity and non-controlling interests	7,431		7,573	
	84,509		**78,987**	
Net interest margin		2.0		2.2

Note: Interest related to hedge derivatives was allocated, in September 2020 and 2019, to the respective balance sheet item.

Equity accounted earnings together with **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, totalled 59.0 million euros in the first nine months of 2020 showing a very favourable evolution from 39.7 million euros posted in the same period of the previous year, due to the higher contribution from the activity in Portugal.

The increase of 20.6 million euros obtained in the activity in Portugal was mainly due to the greater contribution generated by Millennium Ageas, as a result of the evaluation of liabilities of local insurance contracts following the alignment with the assumptions considered by Ageas Group.

In the international activity, equity accounted earnings together with dividends from equity instruments showed a 1.3 reduction, determined by the lower appropriation of results generated by Banco Millennium Atlântico, mainly reflecting the macroeconomic context in Angola, characterized by a situation of economic recession, as well as the effect of the devaluation of the kwanza.

Net commissions[2] totaled 518.1 million euros in the first nine months of 2020, in line with the amount reached in the same period of the previous year, with the good performance of the international activity being totally absorbed by the reduction in the activity in Portugal.

[2] In 2020, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts of such items are presented considering these reclassifications with the purpose of ensuring their comparability, with the total amount of net commissions remaining unchanged compared to those published in previous periods.

In the activity in Portugal, the 8.7 million euros growth showed by market related commissions was not enough to offset the reduction observed in commissions related to the banking business, which went from 313.7 million euros in the first nine months of 2019, to 300.7 million euros in the same period of the current year, leading the global amount of net commissions to stay 1.2% below the 356.9 million euros achieved in the first nine months of 2019, totaling 352.5 million euros until September 2020.

It should be noted that the performance of commissions related to the banking business in the activity in Portugal, as of the second half of March 2020, was penalized not only by the impact of the pandemic caused by COVID-19, but also by the support initiatives adopted by the Bank, embodied in exemptions granted in the context of this particular situation of the country. These impacts are particularly visible not only in commissions related to transfers and cards, but also in commissions related to credit and guarantees. Commissions from management and maintenance of accounts, despite the negative impacts of the current context, showed a favorable evolution, as a result of the change in the commercial policy implemented in 2019.

On the other hand, market related commissions, in the activity in Portugal, benefited from the increase in commissions raised by investment banking operations, as well as commissions related to stock exchange operations and asset management, in this case mainly associated with the distribution of investment funds.

In the international activity, net commissions increased 2.1% from 162.2 million euros achieved in the first nine months of 2019, reaching 165.6 million euros in the same period of 2020. This evolution was mainly due to the rise of banking commissions in the Polish subsidiary, influenced by the impact of the acquisition of Euro Bank S.A. In the specific case of bancassurance commissions, there was an increase in commissions on insurance sold to Bank Millennium customers, mainly associated with personal and mortgage operations.

On the other hand, market related commissions in the international activity in the first nine months of 2020 were lower than those recorded in the same period of the previous year, mainly due to the performance of the Polish subsidiary which was partially offset by the increase recorded by the Swiss subsidiary through brokerage activity and the growth of assets under management.

Net trading income amounted to 104.8 million euros in the first nine months of 2020, below the 119.1 million euros reached in the same period of the previous year, with this evolution being mainly determined by the performance of the international activity.

Net trading income, in the activity in Portugal, totaled 46.8 million euros in the first nine months of 2020, compared to 48.0 million euros recognized in the same period of the previous year. This evolution was influenced not only by the revaluation of corporate restructuring funds, since the determination of the value of the underlying assets started to incorporate assumptions consistent with the effects caused by the pandemic associated with COVID-19, but also by the lower gains with Portuguese public debt securities which fell 12.7 million euros from the amount recognized in the first nine months of 2019. Conversely, net trading income benefited from the gains from foreign exchange operations namely those recognized in the first quarter of 2020, following the devaluation of the zloty, and also from the lower costs incurred with the sale of credits compared to those recorded in the same period of the previous year.

In the international activity, net trading income stood at 58.0 million euros in the first nine months of 2020, below the 71.1 million euros reached in the same period of the previous year, mainly due to the performance of the Polish subsidiary. The evolution of net trading income in the Polish subsidiary was influenced by the income, in the amount of 10.5 million euros, recognized in September 2019, from the revaluation of PSP - Polish Payment Standard shares following the agreement for the entry of Mastercard in the capital of that entity. In addition, net trading income in the Polish operation reflect both the lower results arising from foreign exchange operations in the first nine months of 2020, and the negative impact associated with the revaluation of the loan portfolio mandatorily classified at fair value through profit or loss. Conversely, the favorable evolution associated with the gains recognized with the sale of securities classified at fair value through other comprehensive income allowed to offset the previously mentioned negative impacts.

Other net operating income[3;4], which, among others, includes the costs associated with mandatory contributions as well as with the resolution and the deposit guarantee funds, evolved from a negative amount of 90.3 million euros in the first nine months of 2019 to an also negative amount of 143.7 million euros in the same period of 2020. This evolution was due to the performance of both the activity in Portugal and the international activity.

In the activity in Portugal, other net operating income totaled a negative amount of 72.3 million euros in the first nine months of 2020, compared to an also negative amount of 37.8 million euros in the same period of 2019. This performance was mainly due to the reduction in results from the sale of non-current assets held for sale, influenced by significant gains from the sale of foreclosed properties recorded in the first nine months of 2019, that were not repeated in 2020. At the same time, the evolution of other net operating income was also penalized by the introduction, in 2020, of the additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to the impact of the actual crisis caused by COVID-19 pandemic, which in the particular case of Millennium BCP amounted to 5.9 million euros. On the other hand, costs incurred with the remaining mandatory contributions, in the activity in Portugal, showed a 3.6% reduction compared to the 66.6 million euros posted in the first nine months of 2019, totaling 64.2 million euros in the same period of 2020.

The mandatory contributions of the Polish subsidiary increased from the 67.1 million euros posted in the first nine months of 2019, to 78.9 million euros in the first nine months of 2020, being the main cause for the evolution of other net operating income in the international activity, which went from a negative amount of 52.5 million euros in the first nine months of 2019 to an also negative amount of 71.4 million euros in the same period of the current year. The performance of other net operating income in the international activity was also influenced, albeit to a lesser extent, by the lower contribution from the operation in Mozambique, caused by the reduction of the gains from the sale of other assets that had been recognized in the first nine months of 2019.

[3] In June 2020, some of the amounts recorded in the activity in Portugal as other administrative costs, started to be accounted as other net operating income, in order to improve the quality of the information reported. The historical amounts of such items, included in this analysis, are presented considering these reclassifications with the purpose of ensuring their comparability, therefore diverging from the accounting values disclosed. In the first nine months of 2019, the above mentioned reclassifications totaled 2.4 million euros.

[4] The amount of other net operating income includes costs arising from the acquisition, merger and integration of Euro Bank S.A. recognized at the Polish subsidiary, that besides considered as specific items, represents an immaterial amount.

OTHER NET INCOME

Euro million

	9M20	9M19	Chg. 20/19
DIVIDENDS FROM EQUITY INSTRUMENTS	**4.8**	**0.7**	**>200%**
NET COMMISSIONS	**518.1**	**519.1**	**-0.2%**
Banking commissions	421.9	431.0	-2.1%
Market related commissions	96.2	88.1	9.2%
NET TRADING INCOME	**104.8**	**119.1**	**-12.0%**
OTHER NET OPERATING INCOME	**(143.7)**	**(90.3)**	**-59.2%**
EQUITY ACCOUNTED EARNINGS	**54.2**	**39.0**	**39.1%**
TOTAL OTHER NET INCOME	**538.2**	**587.7**	**-8.4%**
Other net income / Net operating revenues	31.9%	33.8%	

Operating costs[5], not considering the effect of specific items[6] totaled 805.0 million euros in the first nine months of 2020, in line with the 805.6 million euros recorded in the first nine months of the previous year. This evolution incorporates two opposite impacts, since the increase in the international activity almost entirely absorbed the favourable performance of the activity in Portugal, supported by control and reduction of the recurrent operating costs.

In the activity in Portugal, the reduction of operating costs, excluding the effect of the specific items mentioned above, from 468.0 million euros in the first nine months of 2019 to 459.7 million euros in the same period of 2020, was mainly due to the savings in other administrative costs and also, although to a lesser extent to the decrease recorded by staff costs, partially offset by the increase in depreciations.

In the international activity, operating costs, excluding the effect of the specific items mentioned above, stood at 345.3 million euros in the first nine months of 2020, standing 2.3% above the 337.6 million euros posted in the same period of 2019. This evolution was mainly due to the performance of the Polish subsidiary influenced simultaneously by the impact caused by the consolidation of Euro Bank S.A., which was felt in the evolution of staff costs, other administrative costs and depreciation. It should be noted that, as a result of the synergies obtained after the merger with Euro Bank S.A., operating costs of the operation in Poland, in the first nine months of 2020, incorporate savings, in the amount of 25.0 million euros, more than doubling the costs recognized in the period with the integration of the acquired Bank. The contribution of the operation in Mozambique, concerning operating costs, recorded a favourable evolution, boosted by the reduction in other administrative costs and by the devaluation of the Metical.

[5] In June 2020, some of the amounts recorded in the activity in Portugal as other administrative costs, started to be accounted as other net operating income, in order to improve the quality of the information reported. The historical amounts of such items, included in this analysis, are presented considering these reclassifications with the purpose of ensuring their comparability, therefore diverging from the accounting values disclosed. In the first nine months of 2019, the above mentioned reclassifications totaled 2.4 million euros.

[6] Negative impact of 27.4 million euros in the first nine months of 2020, of which 15.8 million euros related to restructuring costs and compensation for temporary salary cuts, both recognized as staff costs in the activity in Portugal and 11.7 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (6.9 million euros as staff costs, 4.4 million euros as other administrative costs and 0.4 million euros as depreciation). In the first nine months of 2019, the impact was also negative, in the amount of 39.4 million euros, of which 24.4 million euros related to restructuring costs and compensation for temporary salary cuts, both 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 by the Polish subsidiary, that also recorded immaterial amounts as staff costs and depreciation.

Staff costs, not considering the effect of specific items (22.7 million euros in the first nine months of 2020 and 24.5 million euros in the same period of 2019), stood slightly below the amount recorded in the first nine months of 2019, totaling 461.7 million euros till the end of the third quarter of the current year. This evolution, however, incorporates two opposite impacts, as the savings obtained in the activity in Portugal were almost fully absorbed by the increase in costs in the international activity.

The favourable performance of staff costs in the activity in Portugal resulted in a 1.2% reduction from the 277.4 million euros posted in in the first nine months of 2019, totaling 273.9 million euros in the same period of 2020. These amounts do not include the specific items abovementioned, that totaled 15.8 million euros in the first nine months of 2020 and 24.4 million euros in the same period of 2019, related to restructuring costs and the compensation for temporary salary cuts.

The favorable evolution of staff costs, in the activity in Portugal, was influenced by the number of employees, which, in net terms, decreased from 7,259 employees at the end of September 2019, to 7,152 employees as at 30 September 2020, despite the hiring of employees mainly with adequate skills to reinforce digital areas, during this period.

In the international activity, excluding the impact of specific items related to costs with the acquisition, merger and integration of Euro Bank S.A., fully recognized by the Polish subsidiary, in the amount of 6.9 million euros in the first nine months of 2020 (immaterial by the end of September 2019), staff costs totaled 187.8 million euros till September 2020, standing 0.9% above the 186.2 million euros recorded in the first nine months of 2019. This increase was mainly due to the performance of the Polish subsidiary, influenced by the inclusion of 2,425 employees from Euro Bank S.A., in May 2019. However, it should be noted that the total number of employees has been progressively decreasing since the end of 2019, exceeding the goal initially defined by Bank Millennium of reducing the staff by 260 FTE - full time equivalent. Thus, as at 30 September 2020 the Polish subsidiary had 7,997 employees (7,846 FTE - full-time equivalent) compared to 8,710 employees (8,564 FTE - full-time equivalent) as at 30 September 2019.

The total number of employees assigned to international activity as at 30 September 2020 was 10,708 employees, compared to 11,464 employees in the same date of the previous year, reflecting mostly the evolution of Bank Millennium.

Other administrative costs, not considering the impact of specific items, showed a 4.7% reduction from the 252.2 million euros accounted in the first nine months of 2019, totaling 240.4 million euros in the first nine months of the current year. The already mentioned specific items were fully recognized by the Polish subsidiary and are related to costs arising from the acquisition, merger and integration of Euro Bank S.A., in the amount of 4.4 million euros in the first nine months of 2020 and 14.9 million euros in the same period of 2019. The favourable evolution of other administrative costs was mainly determined by the reduction in the activity in Portugal and, on a smaller scale, by the savings obtained in the international activity, namely in the operation in Mozambique.

In the activity in Portugal, other administrative costs showed a reduction of 10.7 million euros, which represents a reduction of 7.7% from the 139.5 million euros accounted in the first nine months of 2019, totaling 128.8 million euros in the same period of 2020.

The spread of the pandemic associated with COVID-19, despite implying an increase in costs associated with the purchase of protective material, cleaning services and relocation of facilities, also allowed savings by suspending or postponing projects and travels. Thus, we must point out the savings in costs associated with advisory services, but also the reductions recorded under items such as travel, hotel and representation costs, advertising, water, electricity and fuel and legal expenses. Additionally, the evolution of other administrative costs also reflects the disciplined management of costs, together with the resizing of the branch network from 526 on 30 September 2019 to 489 as at 30 September 2020.

In the international activity, other administrative costs, excluding the impact of the specific items above mentioned, amounted to 111.6 million euros in the first nine months of 2020, standing 1.0% below the 112.7 million euros recorded in the same period of the previous year. This evolution was mainly due to the performance of the subsidiary in Mozambique, partially offset by the increase in the Polish subsidiary. It should be noted however that the performance of the Polish subsidiary was strongly influenced by the impact of the acquisition of Euro Bank S.A., since other administrative costs recorded up to September 2020 incorporate costs related to a period greater than those recorded in the previous year, which only consider the new entity as of May 2019. On the other way, the ongoing restructuring measures allowed to obtain a set of synergies that materialized in savings, in the amount of 10.4 million euros till the end of the third quarter of 2020, which include the reduction in the number of branches, which evolved from the 833 branches existing at the end of September 2019, to 726 branches on the same date of 2020.

Depreciations totaled 102.9 million euros in the first nine months of 2020, compared to 89.8 million euros posted in the same period of the previous year, due to the performance of both the activity in Portugal and the international activity. The amounts mentioned above do not include the specific items recognized by Bank Millennium, S.A. related to the acquisition of Euro Bank S.A. (0.4 million euros in the first nine months of 2020 and an immaterial amount in the same period of 2019).

In the activity in Portugal, depreciations evolved from 51.2 million euros accounted in the first nine months of 2019, to 57.0 million euros in the same period of 2020, mostly reflecting the investment in software and IT equipment, and confirming the commitment of the Bank to technological innovation and the ongoing digital transformation.

In the international activity depreciations, excluding the specific items above mentioned, reached 45.9 million euros in the first nine months of 2020, standing above the 38.6 million euros recognized in the same period of 2019. Although the subsidiary in Mozambique recorded an increase compared to the first nine months of 2019, the Polish subsidiary was the main responsible for the evolution of depreciation in international activity, influenced by the impact arising from the acquisition of Euro Bank S.A.

OPERATING COSTS

Euro million

	9M20	9M19	Chg. 20/19
Staff costs	461.7	463.6	-0.4%
Other administrative costs	240.4	252.2	-4.7%
Depreciations	102.9	89.8	14.6%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	**805.0**	**805.6**	**-0.1%**
OPERATING COSTS	**832.4**	**844.9**	**-1.5%**
Of which (1):			
Portugal activity	459.7	468.0	-1.8%
Foreign activity	345.3	337.6	2.3%

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) totaled 374.2 million euros in the first nine months of 2020, showing an higher amount than the 299.0 million euros recognized in the same period of the previous year, due to the evolution of the international activity, but above all the activity in Portugal. The context of economic crisis caused by the COVID-19 pandemic, strongly influenced the evolution of loans impairment, since the associated risks led to the reinforcement of the impairment to the credit portfolio.

In the activity in Portugal, impairment for loan losses (net of recoveries) reached 260.4 million euros in the first nine months of 2020, influenced by the constitution of additional impairments following the revision of the credit risk parameters of the impairment models, carried out at the end of the first half of 2020, to reflect the new macroeconomic scenario dictated by the risks associated with the COVID-19 pandemic.

In the international activity, the constitution of impairments to deal with the additional credit risk following the actual context of economic crisis, is the main justification for the 21.1 million euros increase in loans impairment, which increased from 92.7 million euros in the first nine months of 2019 to 113.8 million euros in the same period of the current year. The performance of impairments in the Polish subsidiary was influenced not only by the amount of impairment recognized to deal with the pandemic caused by COVID-19, but also by the effect of the impairment that had been booked, in June 2019, to face the risks implicit in the acquired loan portfolio resulting from the consolidation of Euro Bank S.A. In the subsidiary in Mozambique, loans impairment evolved favourably, standing below the amount recorded in the first nine months of 2019, despite the constitution of impairments for credit risk associated to COVID-19 pandemic.

The extraordinary reinforcement of loan impairments associated with COVID-19 pandemic conditioned naturally the evolution of the cost of risk (net) of the Group, which in the first nine months of the year stood at 89 basis points, compared to 73 basis points in the same period of the previous year. In the activity in Portugal, the cost of risk stood, at 90 basis points at the end of the third quarter of 2020 that compares to 74 basis points in the same period of 2019. The cost of risk in the international activity, evolved from 72 basis points in the first nine months of 2019, to 88 basis points in the same period of 2020.

Other impairments and provisions reached, on consolidated terms, 176.4 million euros in the first nine months of 2020, which compares to 78.1 million euros accounted in the same period of 2019, determined by the performance of the international activity.

In the activity in Portugal, other impairment and provisions totaled 72.3 million euros in the first nine months of 2020, above the 68.3 million euros recognized in the same period of the previous year. However, this evolution incorporates two different impacts, since the impact of the lower level of provisioning required for non-current assets held for sale and other risks and charges was fully absorbed by the reinforcement of impairment to other financial assets that essentially reflect the impact of the revision of credit risk parameters in the valuation of debt instruments.

In the international activity, there was an increase of 94.3 million euros from the first nine months of 2019, which led other impairment and provisions amounted to 104.1 million euros at the end of the third quarter of 2020. This increase was essentially due to the activity of the Polish subsidiary, reflecting on one hand the reinforcement of the extraordinary provision in the amount of 67.2 million euros booked for foreign exchange mortgage legal risk and on the other hand, additional charges to cover the return of commissions to customers who early repaid their consumer credit operations, following a decision taken by the Court of Justice of the European Union. Additionally, in the financial year 2020, impairments in the amount of 16.6 million euros were recorded for the investment in the participation in Banco Millennium Atlântico, to cover the risks inherent to the context in which Angolan operation develops its activity.

Income tax (current and deferred) amounted to 122.4 million euros in the first nine months of 2020, which compares to 174.0 million euros obtained in the same period of 2019.

The recognized taxes include, in the first nine months of 2020, current tax of 87.0 million euros (75.2 million euros in the first nine months of 2019) and deferred tax of 35.5 million euros (98.8 million euros in the first nine months of 2019).

The increase in the current tax expense in the first nine months of 2020 results from higher mandatory contributions to the banking sector and additional provisions for liabilities and charges, non-deductible for tax purposes. The deferred tax expense in the first nine months of 2019 resulted essentially from the write-off of deferred tax assets related to tax losses due to the maintenance of the low interest rates regime and actuarial losses from pension fund.

BALANCE SHEET

Total assets of the consolidate balance sheet of Millennium bcp showed a 5.7% increase from the 81,359 million euros posted in 30 September 2019, achieving 86,017 million euros at the end of the third quarter of 2020. This growth was driven by the performance of the activity in Portugal, since total assets of the international activity was in line with the amount posted as at 30 September 2019.

In the activity in Portugal, total assets increased 8.6% from the 55,493 million euros recorded at the end of September 2019, totaling 60,257 million euros in the same date of the current year. This evolution was mainly due to the increases in securities portfolio, with the reinforcement of eligible assets, namely Portuguese public debt portfolio and loans to customers portfolio (net). Cash and deposits at central banks and other assets also shown an increase from the amounts posted in September 2019. Inversely, despite with a lesser magnitude, the most significant reductions resulted from the decrease in non-current assets held for sale, namely in the portfolio of real estate properties received as payment and in loans and advances to credit institutions.

In the international activity, total assets amounted to 25,760 million euros as at 30 September 2020, in line with the 25,866 million euros reached in the same date of the previous year. However, it is worth noting that this evolution is influenced by foreign exchange rates, given that the growth in total assets of the Polish and Mozambican subsidiaries was offset by the devaluation of the respective currencies against the Euro, especially the Mozambican metical.

Consolidated **loans to customers** (gross) of Millennium bcp, as defined in the glossary, amounted to 56,147 million euros on 30 September 2020, showing a 2.7% growth compared to the 54,658 million euros recorded at the same date of the previous year, mainly due to the performance of the activity in Portugal, also benefiting from the growth in the international activity, albeit in a lesser extent.

In the activity in Portugal, the good performance of loans to customers (gross) was reflected in an 3.6% increase from the 37,203 million euros posted at the end of September 2019, reaching 38,558 million euros as at 30 September 2020. This growth was largely due to the credit granted under the credit lines launched by the Government to face the impacts caused by the pandemic associated to COVID-19, reflected in the increase of the presence of the Bank in the market segment of SMEs and companies. It should also be noted that the net growth of the loan portfolio was possible despite the reduction of 990 million euros in NPE, resulting from the success of the divestment strategy in this type of assets, carried out by the Bank in recent years and that was more than offset by the growth of 2,345 million euros recorded by the performing loan portfolio.

In the international activity, loans to customers (gross) stood 0.8% above the amount recorded at the end of September 2019, reaching 17,589 million euros on 30 September 2020, following the evolution of the Polish subsidiary, which only reflects part of the portfolio growth expressed in local currency, due to the effect of the devaluation of the Zloty against the euro in this period.

Consolidated loans to customers (gross) maintained a balanced level of diversification, with loans to individuals and loans to companies representing, respectively 56.9% and 43.1% of the total portfolio as at 30 September 2020 (57.6% and 42.4% at the same date of 2019).

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Sep. 20	30 Sep. 19	Chg. 20/19
INDIVIDUALS	**31,948**	**31,496**	**1.4%**
Mortgage	26,136	25,632	2.0%
Personal loans	5,812	5,865	-0.9%
COMPANIES	**24,198**	**23,161**	**4.5%**
Services	8,570	8,690	-1.4%
Commerce	4,037	3,521	14.6%
Construction	1,733	1,878	-7.7%
Others	9,859	9,072	8.7%
TOTAL	**56,147**	**54,658**	**2.7%**
Of which:			
Portugal activity	38,558	37,203	3.6%
International activity	17,589	17,455	0.8%

The **quality of the credit portfolio** continues to benefit from the focus on selectivity and monitoring of the credit risk control processes, as well as from the initiatives carried out by the commercial and credit recovery areas, in order to recover non-performing loans over the recent years.

The improvement in the quality of the loan portfolio can be seen in the favorable evolution of the respective indicators, namely the NPE ratio as a percentage of the total loan portfolio, which declined from 8.4% as at 30 September 2019 to 6.5% at the same date of 2020, essentially reflecting the performance of the domestic loan portfolio, whose NPE ratio showed a reduction from 9.9% to 7.0%.

At the same time, it should also be noted the generalized increase in the coverage by impairments in the activity in Portugal, namely the reinforcement in the coverage of NPL by more than 90 days, from 98.8% at the end of September 2019 to 117.4% as at 30 September 2020, and the reinforcement in the coverage of NPE, which stood at 62.2% at the end of the third quarter of 2020, compared to 55.1% at the same date of the previous year.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	30 Sep. 20	30 Sep. 19	Chg. 20/19	30 Sep. 20	30 Sep. 19	Chg. 20/19
STOCK (M€)						
Loans to customers (gross)	56,147	54,658	2.7%	38,558	37,203	3.6%
Overdue loans > 90 days	1,376	1,595	-13.7%	939	1,200	-21.7%
Overdue loans	1,497	1,751	-14.5%	957	1,231	-22.2%
Restructured loans	2,913	3,243	-10.2%	2,408	2,697	-10.7%
Non-performing loans (NPL) > 90 days	1,939	2,566	-24.4%	1,348	2,019	-33.2%
Non-performing exposures (NPE)	3,663	4,602	-20.4%	2,701	3,691	-26.8%
Loans impairment (Balance sheet)	2,277	2,534	-10.2%	1,646	1,996	-17.5%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	2.5%	2.9%		2.4%	3.2%	
Overdue loans / Loans to customers (gross)	2.7%	3.2%		2.5%	3.3%	
Restructured loans / Loans to customers (gross)	5.2%	5.9%		6.2%	7.2%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	3.5%	4.7%		3.5%	5.4%	
Non-performing exposures (NPE) / Loans to customers (gross)	6.5%	8.4%		7.0%	9.9%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	165.5%	158.9%		175.3%	166.4%	
Coverage of overdue loans	152.1%	144.8%		171.9%	162.1%	
Coverage of Non-performing loans (NPL) > 90 days	117.4%	98.8%		122.1%	98.9%	
Coverage of Non-performing exposures (NPE)	62.2%	55.1%		60.9%	54.1%	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	4.5%	5.8%		4.9%	6.9%	

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

Total customer funds amounted to 83,284 million euros as at 30 September 2020, showing an increase of 3.9% from 80,166 million euros recorded in the same date of the previous year.

The evolution of total customer funds was due to the increase in deposits and other resources from customers in both the activity in Portugal and the international activity, with an increase of 3,438 million euros on consolidated terms.

On the other hand, off-balance sheet customer funds remained in line with the amount recorded on 30 September 2019 in both the activity in Portugal and the international activity totaling 18,790 million euros on consolidated terms at the end of September of the current year.

In the activity in Portugal, total customer funds amounted to 58,842 million euros as at 30 September 2020, standing 4.7% above the 56,177 million euros recorded at the same date of the previous year. The growth of 2,665 million euros in total customer funds was determined by the performance of deposits and other resources from customers, which grew 2,911 million euros from September 2019, reaffirming the maintenance of the weight of customer deposits in the assets financing structure. Off-balance sheet customer funds shown a slightly decrease from the amounts reached on 30 September 2019, totaling 15,600 million euros on the same date of 2020, with the increase of assets placed with customers together with assets under management being fully absorbed by the reduction in insurance products (savings and investment).

In the international activity, total customer funds shown an increase of 1.9%, from 23,989 million euros on 30 September 2019 to 24,442 million euros at the end of the third quarter of 2020, also determined by the performance of balance sheet customer funds, namely by deposits and other resources from customers, which grew 527million euros in the same period, mainly due to the activity of the Polish subsidiary. Off-balance sheet customer funds in the international activity did not change materially compared to the amounts obtained in September 2019.

On 30 September 2020, balance sheet customer funds and deposits and other resources from customers, on a consolidated basis, represented 77% and 76%, respectively of total customer funds, with its weight increasing slightly compared to the same date of the previous year (76% and 74%, respectively).

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 86% on 30 September 2020, with the same ratio, considering on-balance sheet customers' funds, standing at 84%. Both ratios show values below those obtained at the same date of the previous year (88% and 85%, respectively).

TOTAL CUSTOMER FUNDS

Euro million

	30 Sep. 20	30 Sep. 19	Chg. 20/19
BALANCE SHEET CUSTOMER FUNDS	**64,494**	**61,296**	**5.2%**
Deposits and other resources from customers	62,997	59,559	5.8%
Debt securities	1,498	1,738	-13.8%
OFF-BALANCE SHEET CUSTOMER FUNDS	**18,790**	**18,870**	**-0.4%**
Assets under management	5,733	5,549	3.3%
Assets placed with customers	4,738	3,955	19.8%
Insurance products (savings and investment)	8,319	9,366	-11.2%
TOTAL	**83,284**	**80,166**	**3.9%**
Of which:			
Portugal activity	58,842	56,177	4.7%
International activity	24,442	23,989	1.9%

The **securities portfolio** of the Group, as defined in the glossary, showed an increase of 18.9% from the 16,625 million euros recorded at the end of the third quarter of 2019, reaching 19,759 million euros as at 30 September 2020, increasing its weight in total assets from 20.4% to 23.0% in the same period.

The performance of the securities portfolio of the group was due to the growth of the portfolios of both the activity in Portugal and the Polish activity, mainly reflecting the increase in the Portuguese and Polish sovereign debt portfolio.

LIQUIDITY MANAGEMENT

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 243% at the end of September 2020, 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. The Liquidity Coverage Ratio stood significantly above the one on the same date of the previous year (223%), with a high coverage level.

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 2020 to stand at 140% (138% as at 30 September 2019).

The financing policy of the Bank was adjusted in the wake of the COVID-19 pandemic, whose negative effects on the economy and in particular on the banking sector, not yet fully known, led supervisors and central banks to take a wide range of mitigation measures promptly. Regarding the ECB, these measures were announced throughout the month of April, involving the provision of additional liquidity to the banking system through the creation of “Targeted longer-term refinancing operations III” (“TLTRO III”) and the reduction of haircuts transversal to all types of assets eligible for discount with the ECB. Although the monitoring on a daily basis of all liquidity indicators has shown since the beginning of the crisis, both at BCP and its subsidiaries, a total stability of the deposit base and liquidity buffers, BCP decided, in a prudent management perspective, to undertake an additional 1.5 billion euros in April at the ECB using “main refinancing operations” (MRO) with a 3-month term, thus raising its exposure to the central bank from 4.0 billion euros (TLTRO II) to 5.5 billion euros, and in June, at the maturity date of the TLTRO II and the MROs mentioned above, to take 7.6 billion euros in TLTRO III. The additional liquidity thus obtained was applied to the early repayment of EIB (European Investment Bank) long-term loans in the amount of 750 million euros, still in June, and to reinforce by approximately 1.3 billion euros the portfolio of assets eligible for discount at the ECB plus the liquidity held in the Bank of Portugal during the third quarter of 2020.

After these operations and compared to the same month in 2019, net financing from the ECB increased by 3.0 billion euros, to 4.9 billion euros. To this liquidity was added up to the liquidity generated by the reduction of the commercial gap in Portugal, around 2.2 billion euros with the funds being used mainly to reinforce the securities portfolio in Portugal (2.8 billion euros, of which 2.4 billion euros in sovereign debt), in liquidity deposited with Banco de Portugal (increase of 689 million euros, to 2.8 billion euros) and the repayment of long-term loans from the EIB, in the amount of 903 million euros (including the aforementioned early repayment of long-term loans in the amount of 750 million euros).

Also in the context of prudent liquidity management, the collateral pool eligible for discount at the ECB was reinforced at the end of April by an issue of own covered bonds in the amount of 1.7 billion euros after haircuts which, jointly with the collateral easing measures determined by the ECB, contributed to rise the balance of assets eligible for discount at the ECB to 22.5 billion euros after haircuts, 4.1 billion euros more than in the same period of 2019. At the same period, the liquidity buffer with the Central Bank increased by 1.1 billion euros, to 17.6 billion euros.

Since the beginning of the COVID-19 crisis, and similarly to BCP, all available indicators demonstrate the resilience of the liquidity positions of Bank Millennium (Poland) and BIM (Mozambique), supported by the stability of the respective deposit bases and the solidity of their liquidity buffers with the respective central banks, which showed a growth of 0.7 billion euros (to 5.1 billion euros) in Bank Millennium (Poland) and a slight decrease of 28 million euros (to 802 million euros) in BIM (Mozambique). The liquidity cushion of the main operations of the Group kept at historically high levels all the liquidity risk appetite metrics defined centrally by the parent company and adopted across all the Group's entities to monitor that risk.

CAPITAL

The estimated CET1 ratio as at 30 September 2020 stood at 12.4% phased-in and fully implemented, +9 and +10 basis points, respectively, compared to the 12.3% ratio both phased-in and fully implemented recorded in the same date of 2019.

The CET1 fully implemented ratio evolution was mainly determined by the organic generation of capital that partially offset the general rise of the risk weighted assets.

The capital ratios estimated for the end of the third quarter of 2020 are above the minimum ratios defined under the scope of the SREP (Supervisory Review and Evaluation Process) for the year 2020 (CET1: 8.828%, T1: 10.750% and Total: 13.313%).

SOLVENCY RATIOS

Euro million

	30 Sep. 20	30 Sep. 19
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,703	5,503
Tier 1	6,234	6,007
Total Capital	**7,260**	**7,057**
Risk weighted assets	**46,138**	**44,879**
Solvency ratios		
CET1	12.4%	12.3%
Tier 1	13.5%	13.4%
Total capital	15.7%	15.7%
PHASED-IN		
CET1	12.4%	12.3%

Note: The capital ratios of September 2020 are estimated including the non-audited positive accumulated net income.
The capital ratios of September 2019 include the positive accumulated net income, non-audited.

SIGNIFICANT EVENTS IN THE FIRST NINE MONTHS OF 2020

The Bank has supported the economy during the first nine months of 2020, marked by the effects of the COVID-19 pandemic, and is prepared to support the Portuguese economy in the energy transition process and in the green recovery in a post-pandemic scenario.

In the context of the actual COVID-19 pandemic situation, we must point out some initiatives carried out by Millennium bcp to support the economy and the community:

- Launch of solutions for individuals and companies promoted by the Portuguese Government and APB;
- Participation in the donor conference, being part of the Portuguese contribution to the EU's effort to find a vaccine and treatment for COVID-19;
- Support to the NHS through initiatives such as the "United for Survival" campaign, the conversion of Curry Cabral Hospital and the construction of the Lisbon Hospital Contingency Structure, among others;
- Integration into the Portugal #EntraEmCena movement, which brings together artists and public and private companies, in support of Culture;
- Miillennium bcp Foundation supports the Food Emergency Network of the Food Bank against Hunger, reinforcing its annual contribution;

- Millennium Festival ao Largo, this year at the National Palace of Ajuda, complying with security rules while taking the best of classical music and ballet to the public.

Other events:

On **April 3**, Fitch Ratings affirmed BCP's Long-Term Rating of 'BB' ("IDR" - Issue Default Rating) and its Intrinsic Rating of 'bb' ("VR" - Viability Rating), and revised the Outlook to Negative from Positive, reflecting the uncertainty related to the coronavirus crisis. Assigned a 'BB-' rating to the Bank's senior non-preferred debt and a 'B+' rating to its tier 2 debt, according to Fitch's new rating methodology for banks. Assigned a 'BB+'/ 'B' rating to the Bank's deposits, one notch above the Long-Term IDR, reflecting the view of Fitch Ratings that depositors enjoy a superior level of protection.

On **April 8**, Standard & Poor's affirmed the long-term rating of the Bank at 'BB' ("ICR" - Issuer Credit Rating) and its intrinsic rating at 'bb' ("SACP" - Stand-Alone Credit Profile), and has revised the long-term outlook to Stable from Positive, based on the uncertainty related to the coronavirus outbreak.

On **April 21**, BCP changed the conditions related to the issue of Covered Bonds with ISIN PTBCQLOE0036, namely the amount, from 2,000,000,000 euros to 4,000,000,000 euros, aiming to increase the assets portfolio eligible for discount with the ECB.

On **May 20**, completion, exclusively through electronic means, with 61.31% of the share capital represented, of the Annual General Meeting of Shareholders of BCP, SA, with the following resolutions being worth mentioning:

- Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2019, including the Corporate Governance Report;
- Approval of the proposal for the appropriation of profit regarding the 2019 financial year;
- Approval of the remuneration policy of Members of Management and Supervisory Bodies;
- Re-appointment of the elected members of the Board of the General Meeting of Shareholders of Banco Comercial Português, S.A., for the four-year term of office 2020/2023 (Chairman: Pedro Miguel Duarte Rebelo de Sousa and Vice-Chairman: Octávio Manuel de Castro Castelo Paulo).

On **May 28**, DBRS affirmed the ratings of BCP and has revised the trend to Negative from Stable, based on the uncertainty related to the coronavirus outbreak.

On **9 September**, the Bank has informed that has decided not to continue the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the Contingent Capitalisation Mechanism of Novo Banco.

Millennium bcp: Clearest information; most recommended bank; leader in Customer satisfaction, in quality of service and in product quality; leader in Customer satisfaction with digital channels, in all assessed items (Basef Banca, September 2020)

Millennium bcp: Marketeer award, "Banking" category (4th year in a row)

Millennium bcp: Quickest process in mortgage loans (ComparaJá.pt, mortgage credit barometer)

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

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

Millennium bim: Best bank award 2020 in Mozambique (11th year in a row)

Millennium bim: Best digital bank award 2020 in Mozambique

Millennium bim: Best trade finance provider 2020 in Mozambique

Millennium bim: Best private bank award 2020 in Mozambique

Millennium bim: Most Innovative Banking Services in Mozambique

Bank Millennium: now part of the WIG-ESG index of the Warsaw Stock Exchange for socially responsible companies, ranking 4th

Bank Millennium: Best digital bank award 2020 in Poland

Bank Millennium: European Customer Centricity Award, "Complaints" category, attributed to the "Embrace the Problem" project

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

Bank Millennium: Best trade finance provider 2020 in Poland

Bank Millennium: Best online banking, best mobile banking and best remote account opening process in Poland ("Institutions of the year 2020" ranking)

Bank Millennium: CSR Golden Leaf Award of the "Polytika" magazine for the implementation of the strictest corporate social responsibility standards

Bank Millennium: : 6th in the Responsible Companies ranking, 3rd in Banking, Finance and Insurance

Bank Millennium: : 1st in the "Growth Star" category, 2nd in the "Customer Relationship" category and 3rd for overall achievement in the main category and in the "Star of Innovation" category ("Stars of Banking" Dziennik Gazetę Prawną/PwC)

Bank Millennium: winner in the "digital" and in the "people's choice" categories of the "TOP CDR Technologically Responsible Company" award

Bank Millennium: 1st in the "Fin-Tech Innovation" category for the Autopay service, and 2nd in the "Mortgage Loan" category

Millennium bcp
Best consumer digital bank award 2020 in Portugal; Best corporate/ Institutional information security and fraud management in Western Europe

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

ActivoBank
Consumer choice 2020, "Digital banks" category

MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) revised upwards its 2020 world GDP forecast from -5.2% to -4.4% due to an improvement in the projection for the set of the advanced economies, in particular the US and The European Union, whose pace of activity contraction in the second quarter turned out to be less deep than expected. However, the IMF has warned that these forecasts are subject to an atypical high level of uncertainty stemming from the unpredictability of the pandemic evolution, the impact of the restrictions on the productive capacity and the financial condition of firms.

In the Euro Area there was a clear improvement of the activity indicators during the third quarter, which was more pronounced in Central and Northern Europe, where the pandemic is turning out less intense and tourism assumes a less relevant weight than in the Southern countries. With the aim of accelerating the economic recovery the European leaders approved in July an extraordinary package of funds named NextGeneration EU, amounting to 750 billion euros distributed into subsidies and loans, that will be deployed from 2021 to 2023 and that will be financed by the issuance of European debt. On the monetary policy domain, the European Central Bank (ECB) has not produced any meaningful change, but the concerns voiced by some of its officials with the Euro's appreciation suggests the possibility of intensification of the degree of accommodation of the monetary conditions in the near future.

The growth of the USA in 2020 should outperform the remaining main advanced economies, in a context in which the decisive action of the fiscal and monetary policy authorities made possible the increase of the disposable income of households and the reduction of the debt servicing costs of firms, which translated into a quick recovery of consumption and investment throughout the third quarter of the current year. This benign evolution led the Federal Reserve (Fed) to raise its American GDP growth estimate from -6.5% to -3.7%. Notwithstanding, the Fed hinted that it will likely maintain its key interest rate around 0% until 2023.

The dissipation of more extreme risks regarding the pandemic combined with the global recovery impetus and the extraordinary impulse of the economic policy at the world scale favored the appreciation of the asset classes of greater risk, like equities and corporate credit. The sovereign debt of the periphery of the Euro Area also performed well, with the respective yields reducing to values around the historical lows, development that benefited from the fall of the Euribor interest rates to levels very close to the ECB deposit rate (-0.50%). The progressive improvement of the market sentiment led to a depreciation of the US Dollar, namely against the Euro. The possibility of accumulation of inflationary pressures stemming from the considerable expansionary stance of the monetary and fiscal policies in the main economic blocs was reflected in the appreciation of the precious metals and some cryptocurrencies.

The Portuguese economy recorded a contraction of 9.4% in the first half of the year due to the restrictive measures imposed to fight the pandemic, which have had a particularly adverse impact over the exporting activities, private consumption and, to a lesser degree, investment. From June onwards the gradual lifting of the health restrictions together with an unprecedented program of fiscal and monetary policy measures propelled the recovery of the indicators of economic activity. However, the persistence of elevated risks of worsening of the pandemic has strongly hindered the tourism activities, whose weight in the Portuguese economy assumes particular relevance. In this context, the IMF downgraded the outlook for the Portuguese GDP growth in 2020 from 8% to 10%, which contrasts with the upward revision of Bank of Portugal from 9.5% to 8.1%.

In Poland, after the strong fall of GDP in the second quarter, economic activity has been expanding at a good pace, benefiting from a vast set of fiscal and monetary stimulus policies as well as the solidity and diversity of its productive structure. The IMF foresees a moderate recession of the Polish economy in 2020 (-3.6%), followed by a strong recovery in 2021, with GDP growth estimated to reach 4.6%. Notwithstanding the relatively benign economic situation in Poland, the worsening of the pandemic at the global level has penalized the Zloty performance.

In Mozambique, the GDP recorded a contraction of 3.3% in the second quarter, which determined a downward revision of the IMF forecasts for the whole year, from 1.4% to -0.5%. In this context, the depreciation trajectory of the Metical intensified in the third quarter. In Angola, the deterioration of the economic and financial conditions led to a reduction of the credit rating of the Angolan sovereign debt by two of the main rating agencies and to an increase of the amount of the IMF's financial assistance program to a total of de 4.5 billion US Dollars.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal (1)			International activity		
	Set. 20	Set. 19	Change 20/19	Set. 20	Set. 19	Change 20/19	Set. 20	Set. 19	Change 20/19
INCOME STATEMENT									
Net interest income	1,149.6	1,153.0	-0.3%	591.2	600.1	-1.5%	558.4	552.8	1.0%
Dividends from equity instruments	4.8	0.7	>200%	4.0	–	>200%	0.8	0.7	9.0%
Net fees and commission income	518.1	519.1	-0.2%	352.5	356.9	-1.2%	165.6	162.2	2.1%
Net trading income	104.8	119.1	-12.0%	46.8	48.0	-2.5%	58.0	71.1	-18.5%
Other net operating income	(143.7)	(90.3)	-59.2%	(72.3)	(37.8)	-91.2%	(71.4)	(52.5)	-36.1%
Equity accounted earnings	54.2	39.0	39.1%	44.5	27.9	59.7%	9.7	11.1	-12.7%
Net operating revenues	**1,687.8**	**1,740.6**	**-3.0%**	**966.7**	**995.1**	**-2.9%**	**721.1**	**745.5**	**-3.3%**
Staff costs	484.4	488.0	-0.7%	289.7	301.8	-4.0%	194.7	186.2	4.6%
Other administrative costs	244.8	267.1	-8.3%	128.8	139.5	-7.7%	116.0	127.6	-9.1%
Depreciation	103.2	89.8	14.9%	57.0	51.2	11.4%	46.2	38.7	19.6%
Operating costs	**832.4**	**844.9**	**-1.5%**	**475.5**	**492.4**	**-3.4%**	**357.0**	**352.5**	**1.3%**
Operating costs excluding specific items	805.0	805.6	-0.1%	459.7	468.0	-1.8%	345.3	337.6	2.3%
Profit before impairment and provisions	**855.3**	**895.7**	**-4.5%**	**491.2**	**502.6**	**-2.3%**	**364.1**	**393.0**	**-7.4%**
Loans impairment (net of recoveries)	374.2	299.0	25.2%	260.4	206.3	26.2%	113.8	92.7	22.8%
Other impairment and provisions	176.4	78.1	126.0%	72.3	68.3	5.9%	104.1	9.8	>200%
Profit before income tax	**304.7**	**518.6**	**-41.2%**	**158.4**	**228.0**	**-30.5%**	**146.2**	**290.6**	**-49.7%**
Income tax	122.4	174.0	-29.7%	66.4	103.0	-35.5%	56.0	71.1	-21.1%
Current	87.0	75.2	15.6%	10.4	(6.6)	>200%	76.6	81.9	-6.4%
Deferred	35.5	98.8	-64.1%	56.0	109.6	-48.9%	(20.6)	(10.8)	-90.1%
Income after income tax from continuing operations	**182.2**	**344.5**	**-47.1%**	**92.0**	**125.0**	**-26.4%**	**90.2**	**219.5**	**-58.9%**
Income arising from discontinued operations	–	13.4	**-100.0%**	–	–	-	–	–	-
Non-controlling interests	35.9	87.6	-59.0%	0.1	(0.4)	131.8%	35.8	88.1	-59.3%
Net income	**146.3**	**270.3**	**-45.9%**	**91.9**	**125.5**	**-26.7%**	**54.4**	**131.4**	**-58.6%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	86,017	81,359	5.7%	60,257	55,493	8.6%	25,760	25,866	-0.4%
Total customer funds	**83,284**	**80,166**	**3.9%**	**58,842**	**56,177**	**4.7%**	**24,442**	**23,989**	**1.9%**
Balance sheet customer funds	**64,494**	**61,296**	**5.2%**	**43,242**	**40,515**	**6.7%**	**21,252**	**20,782**	**2.3%**
Deposits and other resources from customers	62,997	59,559	5.8%	41,834	38,923	7.5%	21,162	20,635	2.6%
Debt securities	1,498	1,738	-13.8%	1,408	1,592	-11.5%	90	146	-38.5%
Off-balance sheet customer funds	**18,790**	**18,870**	**-0.4%**	**15,600**	**15,662**	**-0.4%**	**3,190**	**3,207**	**-0.5%**
Assets under management	5,733	5,549	3.3%	3,469	3,253	6.6%	2,265	2,296	-1.4%
Assets placed with customers	4,738	3,955	19.8%	4,233	3,508	20.7%	505	447	12.9%
Insurance products (savings and investment)	8,319	9,366	-11.2%	7,898	8,902	-11.3%	421	464	-9.3%
Loans to customers (gross)	**56,147**	**54,658**	**2.7%**	**38,558**	**37,203**	**3.6%**	**17,589**	**17,455**	**0.8%**
Individuals	**31,948**	**31,496**	**1.4%**	**19,413**	**19,339**	**0.4%**	**12,535**	**12,157**	**3.1%**
Mortgage	26,136	25,632	2.0%	17,346	17,253	0.5%	8,790	8,378	4.9%
Personal Loans	5,812	5,865	-0.9%	2,067	2,086	-0.9%	3,746	3,779	-0.9%
Companies	**24,198**	**23,161**	**4.5%**	**19,145**	**17,864**	**7.2%**	**5,054**	**5,298**	**-4.6%**
CREDIT QUALITY									
Total overdue loans	1,497	1,751	-14.5%	957	1,231	-22.2%	539	520	3.8%
Overdue loans by more than 90 days	1,376	1,595	-13.7%	939	1,200	-21.7%	437	395	10.6%
Overdue loans by more than 90 days / Loans to customers	2.5%	2.9%		2.4%	3.2%		2.5%	2.3%	
Total impairment (balance sheet)	2,277	2,534	-10.2%	1,646	1,996	-17.5%	631	538	17.2%
Total impairment (balance sheet) / Loans to customers	4.1%	4.6%		4.3%	5.4%		3.6%	3.1%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	165.5%	158.9%		175.3%	166.4%		144.4%	136.3%	
Non-Performing Exposures	3,663	4,602	-20.4%	2,701	3,691	-26.8%	962	911	5.5%
Non-Performing Exposures / Loans to customers	6.5%	8.4%		7.0%	9.9%		5.5%	5.2%	
Restructured loans	2,913	3,243	-10.2%	2,408	2,697	-10.7%	505	546	-7.6%
Restructured loans / Loans to customers	5.2%	5.9%		6.2%	7.2%		2.9%	3.1%	
Cost of risk (net of recoveries, in b.p.)	89	73		90	74		88	72	
Total impairment (balance sheet) / NPE	62.2%	55.1%		60.9%	54.1%		65.6%	59.1%	

(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.

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

(Thousands of euros)

	30 September 2020	30 September 2019
Interest and similar income	1,392,059	1,477,773
Interest expense and similar charges	(242,463)	(324,816)
NET INTEREST INCOME	1,149,596	1,152,957
Dividends from equity instruments	4,750	734
Net fees and commissions income	518,091	519,092
Net gains / (losses) from financial operations at fair value through profit or loss	(40,128)	(2,560)
Net gains / (losses) from foreign exchange	84,547	65,022
Net gains / (losses) from hedge accounting operations	(4,011)	(4,720)
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(14,958)	(23,402)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	79,321	84,764
Net gains / (losses) from insurance activity	7,978	8,439
Other operating income / (losses)	(147,333)	(122,945)
TOTAL OPERATING INCOME	1,637,853	1,677,381
Staff costs	484,407	488,030
Other administrative costs	244,805	269,475
Amortisations and depreciations	103,234	89,815
TOTAL OPERATING EXPENSES	832,446	847,320
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	805,407	830,061
Impairment for financial assets at amortised cost	(377,368)	(299,907)
Impairment for financial assets at fair value		
through other comprehensive income	(13,552)	(327)
Impairment for other assets	(50,371)	(51,256)
Other provisions	(109,381)	(25,609)
NET OPERATING INCOME	254,735	452,962
Share of profit of associates under the equity method	54,236	39,002
Gains / (losses) arising from sales of subsidiaries and other assets	(4,307)	26,611
NET INCOME BEFORE INCOME TAXES	304,664	518,575
Income taxes		
Current	(86,966)	(75,247)
Deferred	(35,468)	(98,791)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	182,230	344,537
Income arising from discontinued or discontinuing operations	-	13,412
NET INCOME AFTER INCOME TAXES	182,230	357,949
Net income for the period attributable to:		
Bank's Shareholders	146,292	270,318
Non-controlling interests	35,938	87,631
NET INCOME FOR THE PERIOD	182,230	357,949
Earnings per share (in Euros)		
Basic	0.011	0.022
Diluted	0.011	0.022

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2020 AND 2019 AND 31 DECEMBER 2019

(Thousands of euros)

	30 September 2020	31 December 2019	30 September 2019
ASSETS			
Cash and deposits at Central Banks	3,843,817	5,166,551	3,766,327
Loans and advances to credit institutions repayable on demand	238,986	320,857	286,278
Financial assets at amortised cost			
Loans and advances to credit institutions	845,082	892,995	978,114
Loans and advances to customers	51,629,768	49,847,829	49,418,839
Debt securities	6,167,104	3,185,876	3,676,592
Financial assets at fair value through profit or loss			
Financial assets held for trading	1,782,616	878,334	930,767
Financial assets not held for trading mandatorily at fair value through profit or loss	1,326,297	1,405,513	1,420,438
Financial assets designated at fair value through profit or loss	-	31,496	31,550
Financial assets at fair value through other comprehensive income	13,289,274	13,216,701	13,972,254
Hedging derivatives	138,844	45,141	267,659
Investments in associated companies	428,963	400,391	429,173
Non-current assets held for sale	1,181,388	1,279,841	1,422,860
Investment property	12,578	13,291	10,011
Other tangible assets	647,296	729,442	723,099
Goodwill and intangible assets	235,924	242,630	219,907
Current tax assets	11,546	26,738	25,234
Deferred tax assets	2,624,868	2,720,648	2,720,442
Other assets	1,612,744	1,239,134	1,059,579
TOTAL ASSETS	86,017,095	81,643,408	81,359,123
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	9,071,694	6,366,958	6,502,817
Resources from customers	62,419,063	59,127,005	57,621,785
Non subordinated debt securities issued	1,419,971	1,594,724	1,751,765
Subordinated debt	1,419,473	1,577,706	1,685,663
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	350,622	343,933	333,089
Financial liabilities at fair value through profit or loss	1,882,970	3,201,309	3,379,088
Hedging derivatives	260,460	229,923	324,139
Provisions	356,502	345,312	332,409
Current tax liabilities	12,019	21,990	8,705
Deferred tax liabilities	9,515	11,069	11,355
Other liabilities	1,335,472	1,442,225	1,772,820
TOTAL LIABILITIES	78,537,761	74,262,154	73,723,635
EQUITY			
Share capital	4,725,000	4,725,000	4,725,000
Share premium	16,471	16,471	16,471
Other equity instruments	400,000	400,000	402,922
Legal and statutory reserves	254,464	240,535	240,535
Treasury shares	(749)	(102)	(97)
Reserves and retained earnings	742,602	435,823	750,603
Net income for the period attributable to Bank's Shareholders	146,292	302,003	270,318
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,284,080	6,119,730	6,405,752
Non-controlling interests	1,195,254	1,261,524	1,229,736
TOTAL EQUITY	7,479,334	7,381,254	7,635,488
TOTAL LIABILITIES AND EQUITY	86,017,095	81,643,408	81,359,123

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. 20	30 Sep. 19
Loans to customers (net) (1)		53,870	52,123
Balance sheet customer funds (2)		64,494	61,296
	(1) / (2)	**83.5%**	**85.0%**

2) Return on average assets (ROA)

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

Euro million

		9M20	9M19
Net income (1)		146	270
Non-controlling interests (2)		36	88
Average total assets (3)		84,509	78,987
	[(1) + (2), annualised] / (3)	**0.3%**	**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

		9M20	9M19
Net income (1)		146	270
Average equity (2)		5,809	5,990
	[(1), annualised] / (2)	**3.4%**	**6.0%**

4) Cost to income

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

Euro million

		9M20	9M19
Operating costs (1)		832	845
of which: specific items (2)		27	39
Net operating revenues (3)*		1,688	1,741
	[(1) - (2)] / (3)	**47.7%**	**46.3%**

* Excludes the specific items, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary, in the amount of 0.1 million euros in the first nine months of 2020 and of an immaterial amount in the same period of 2019.

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) recognized in the period and the stock of loans to customers at the end of that period.

Euro million

		9M20	9M19
Loans to customers at amortised cost, before impairment (1)		55,773	54,313
Loan impairment charges (net of recoveries) (2)		374	299
	[(2), annualised] / (1)	**89**	**73**

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. 20	30 Sep. 19
Non-Performing Exposures (1)		3,663	4,602
Loans to customers (gross) (2)		56,147	54,658
	(1) / (2)	**6.5%**	**8.4%**

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. 20	30 Sep. 19
Non-Performing Exposures (1)		3,663	4,602
Loans impairments (balance sheet) (2)		2,277	2,534
	(2) / (1)	**62.2%**	**55.1%**

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

Loans to customers

Euro million

	30 Sep. 20	30 Sep. 19
Loans to customers at amortised cost (accounting Balance Sheet)	51,630	49,419
Debt instruments at amortised cost associated to credit operations	1,890	2,376
Balance sheet amount of loans to customers at fair value through profit or loss	350	328
Loan to customers (net) considering management criteria	**53,870**	**52,123**
Balance sheet impairment related to loans to customers at amortised cost	2,231	2,505
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	21	12
Fair value adjustments related to loans to customers at fair value through profit or loss	24	17
Loan to customers (gross) considering management criteria	**56,147**	**54,658**

Loans impairment (P&L)

Euro million

	9M20	9M19
Impairment of financial assets at amortised cost (accounting P&L) (1)	377	300
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	0	-1
Impairment of financial assets at amortised cost not associated with credit operations (3)	3	1
Loans impairment considering management criteria (1)-(2)-(3)	**374**	**299**

Balance sheet customer funds

Euro million

	30 Sep. 20	30 Sep. 19
Financial liabilities at fair value through profit or loss (accounting Balance sheet) (1)	1,883	3,379
Debt securities at fair value through profit or loss and certificates (2)	1,305	1,442
Customer deposits at fair value through profit or loss considering management criteria (3) = (1) - (2)	**577**	**1,937**
Resources from customers at amortised cost (accounting Balance sheet) (4)	62,419	57,622
Deposits and other resources from customers considering management criteria (5) = (3) + (4)	**62,997**	**59,559**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet) (6)	1,420	1,752
Debt securities at fair value through profit or loss and certificates (7)	1,305	1,442
Non subordinated debt securities placed with institucional customers (8)	1,228	1,456
Debt securities placed with customers considering management criteria (9) = (6) - (7) - (8)	**1,498**	**1,738**
Balance sheet customer funds considering management criteria (10) = (5) + (9)	**64,494**	**61,296**

Securities portfolio

Euro million

	30 Sep. 20	30 Sep. 19
Debt instruments at amortised cost (accounting Balance sheet) (1)	6,167	3,677
Debt instruments at amortised cost associated to credit operations net of impairment (2)	1,890	2,376
Debt instruments at amortised cost considering management criteria (3) = (1) - (2)	**4,277**	**1,301**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet) (4)	1,326	1,420
Balance sheet amount of loans to customers at fair value through profit or loss (5)	350	328
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (6) = (4) - (5)	**976**	**1,092**
Financial assets held for trading (accounting Balance sheet) (7)	1,783	931
of which: trading derivatives (8)	566	702
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (9)	0	32
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (10)	13,289	13,972
Securities portfolio considering management criteria (12) = (3) + (6) + (7) - (8) + (9) + (10)	**19,759**	**16,625**

GLOSSARY

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

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

Business Volumes - corresponds to the sum of total customer funds and loans to customers (gross).

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 some 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 income.

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 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) for loans and advances of credit institutions classified at amortised cost, impairment for financial assets (classified at fair value through other comprehensive income and at amortised cost not associated with credit operations), impairment for other assets, namely assets received as payment in kind, 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 funds.

Disclaimer

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

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

The interim condensed consolidated financial statements, for the nine months ended at 30 September 2020, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

The figures for the first nine months of 2020 and 2019 were not audited.