FINANCIAL INFORMATION

2019 Campaign | Home Loan Solutions

Results and Balance Sheet

The consolidated Financial Statements were prepared under the terms of Regulation (EC) 1606/2002, of 19 July (version in force), and in accordance with the reporting model determined by Banco de Portugal (Banco de Portugal Notice 5/2005, version in force), following the transposition into Portuguese law of Directive 2003/51/EC, of 18 June, of the European Parliament and Council in the versions currently in force.

On 1 January 2018, the Group adopted the IFRS 9 – Financial Instruments, replacing the IAS 39 – Financial Instruments: Recognition and measurement which were in force until 31 December 2017. IFRS 9 establishes new rules for the recognition of financial instruments and introduces relevant changes, namely in terms of their rating and measurement and also the methodology for calculating the impairment of financial assets. As allowed by the temporary provisions of IFRS 9, the Group chose not to restate balances of the previous period. Hence, all adjustments made in the accounting values of financial assets and liabilities on the transition date were recognised in equity with reference to 1 January 2018 and the balances presented in the financial statements regarding the previous period correspond to the information effectively disclosed on 31 December 2017.

In order to provide a better reading of the performance of the Group's financial situation and to ensure comparability with the information from previous periods, a set of concepts are described in this analysis that reflect the management criteria adopted by the Group in the preparation of the financial information, the accounting correspondence of which is presented in the glossary and throughout the document, whenever applicable.

On 1 January 2019, IFRS 16 – Leasing entered into force, replacing IAS 17 - Leasing and establishing the new requirements regarding the scope, rating, recognition and measurement of leases. The Group applied the principles set out in this regulation retrospectively with the impacts of the transition to be recognised on 1 January 2019. Regarding income statement, the adoption of IFRS 16 led to changes in the items regarding depreciation, other administrative costs and net interest income, with the net impacts being recognised as immaterial.

The Group no longer applies IAS 29 - Financial Reporting in Hyperinflationary Economies, with effect from 1 January 2019, to the financial statements of Banco Millennium Atlântico, since Angola no longer meets the requirements to be considered a hyperinflationary economy. From the beginning of 2019, the financial statements of Banco Millennium Atlântico considered for the purposes of integration in the Group's accounts began to consider the amortization of the impact arising from the update of the balance sheet value of non-monetary assets and liabilities until the end of their lifespan.

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

During September 2019, the Board of Directors of Banco Comercial Português, S.A. and the Board of Directors of Banco de Investimento Imobiliário, S.A. approved the merger project of Banco de Investimento Imobiliário, S.A., a subsidiary fully owned by Banco Comercial Português, S.A., by incorporation into the latter, and the process was concluded on 30 December 2019, after the signing of the merger deed and its registration with the Commercial Registry Office. In the event that the Bank is the acquirer company and the merged company is controlled by the Bank, the merger is classified as a transaction between companies under common control, and the Bank uses the denominated 'predecessor approach' as a criterion for recording in its individual accounts, which consists of recording the assets and liabilities of the merged company at their book value as presented in the Bank's consolidated accounts. This criterion provides for intra-group balances and historical transactions between the two companies to be eliminated and the amounts regarding assets and liabilities to be adjusted accordingly. The net difference between the amount recorded by the Bank and the amounts of the assets and liabilities incorporated is recorded as a "Merger reserve".

The merger produced its accounting and tax effects on 1 January 2019. This operation had no impact on the consolidated accounts other than those related to deferred tax assets, namely those resulting from the updating of the rate applicable to temporary differences from Banco de Investimento Imobiliário, S.A., considering the average rate of deferred tax assets associated with temporary differences from Banco Comercial Português, S.A., and the derecognition of part of the deferred tax assets related to tax losses.

The figures related to discontinued operations are shown separately, for the relevant periods, according to the information provided in the consolidated financial statements approved by the shareholders and published by the Bank. Discontinued operations covered by the analysis period in this document are mainly related to the Planfipsa Group, which was considered as a discontinued operation with reference to the 3rd quarter of 2018 (after the communication and publication of results to the market) and whose sale took place in February 2019.

In 2019, 2018 and 2017, the gains/losses related to Millennium bcp Gestão de Ativos pursuant to adjustments to the sale price agreed for the sale of that company were also included in earnings from discontinued operations.

In 2019 no changes were made to the information regarding previous financial years. Therefore, the figures re-expressed for the purpose of ensuring the comparability of the information result exclusively from the situations previously mentioned.

The evolution of the activity of Millennium bcp in 2019 was characterised by an expansion of core income and by a reduction in impairments and provisions compared to the previous year, being impacted by the acquisition of Euro Bank S.A. by the Polish subsidiary.

In 2019, the consolidated net income of Millennium bcp amounted to 302 million Euros, slightly above the 301 million Euros obtained in the previous year, with the good performance of the activity in Portugal together with the results of discontinued operations having been offset almost entirely by the evolution of international activity, impacted by the performance of the Polish subsidiary.

The consolidated net income for 2019 was influenced by a negative impact of 67 million Euros (before taxes) due to specific items, related to restructuring costs and compensation for the temporary salary cuts in Portugal and the costs incurred with the acquisition, merger and integration of Euro Bank S.A., booked by the Polish subsidiary. In 2018, the impact, also negative, of specific items amounted to 29 million Euros (before taxes), related to restructuring costs and the ongoing digital transformation project, both reflected in the activity in Portugal. Excluding the specific items mentioned, the net income of the Group in 2019 showed a significant improvement over the previous year.

Total assets of the Group amounted to 81,643 million Euros on 31 December 2019, a significant growth compared to 75,923 million Euros at the end of 2018 due to the performance of both the activity in Portugal and, mainly, the international activity. The growth in total assets of the international activity was influenced by the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary, mainly related to loans to customers portfolio, which simultaneously benefited from the organic growth of the commercial business of the subsidiary. In the activity in Portugal, the increase in cash at Central Banks is worth mentioning.

Total liabilities of the Group stood at 74,262 million Euros in 2019, increasing significantly from 68,959 million Euros at the end of 2018, determined by the evolution of deposits and other resources from customers, both in the activity in Portugal and, above all, in the international activity.

Loans to customers (gross) stood at 54,724 million Euros on 31 December 2019, showing a significant growth from the 51,032 million Euros at the end of the previous year, determined by the evolution of the international activity, which was driven by the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary. In the activity in Portugal, loans to customers (gross) stood slightly below the amount as at 31 December 2018, being noteworthy on the one hand, the reduction of 1,551 million Euros in NPE, following the strategy of divestment in this type of assets implemented by the Bank in recent years, and on the other hand, the good performance of the loans performing portfolio, which grew by 1,078 million Euros over the same period.

Total customer funds amounted to 81,675 million Euros on 31 December 2019, a very favourable performance compared to 74,023 million Euros at the same date of the previous year, thanks to the good performance of both the activity in Portugal and the international activity, partly influenced by the impact of the acquisition of Euro Bank S.A.. In consolidated terms, total customer funds recorded a good performance in all items, with an increase in balance sheet customer funds and more specifically in deposits and other resources from customers.

PROFITABILITY ANALYSIS

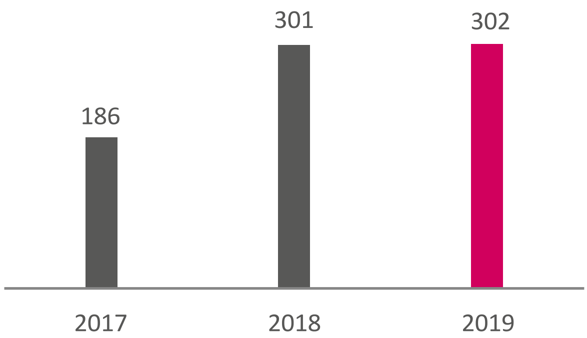
NET INCOME

In 2019, the consolidated net income of Millennium amounted to 302 million Euros, slightly (0.3%) above the 301 million Euros recorded in 2018. The 2019 net income includes the negative impact of 67 million Euros (before taxes) considered as specific items, related to restructuring costs and compensation for temporary salary cuts recognised in the activity in Portugal and the costs incurred with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary. In 2018, the impact of specific items was also negative in the amount of 29 million Euros (before taxes), related to restructuring costs and the ongoing digital transformation project, both reflected in the activity in Portugal.

In the evolution of the consolidated net income of the Group, it is important to highlight the growth in net interest income and net trading income, on the one hand, and the reduction of loans impairment, on the other, despite the increase in operating costs and the tax impact caused by the low interest rates scenario in 2019. At the same time, the gain of 13 million Euros resulting from the sale of the Planfipsa Group in February 2019, reflected as discontinued operations, contributed positively to the net income of the Group.

NET INCOME

Million euros



QUARTERLY INCOME ANALYSIS

Euro million

	2019						
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	2018	2017
NET INTEREST INCOME	363	377	413	396	1,549	1,424	1,391
OTHER NET INCOME							
Dividends from equity instruments	0	1	0	0	1	1	2
Net commissions	167	176	177	184	703	684	667
Net trading income	60	35	24	24	143	79	148
Other net operating income	(11)	(65)	(12)	(13)	(101)	(89)	(102)
Equity accounted earnings	19	3	18	4	43	89	92
TOTAL OTHER NET INCOME	235	149	206	200	790	763	806
NET OPERATING REVENUES	598	527	619	595	2,338	2,187	2,197
OPERATING COSTS							
Staff costs	152	172	164	180	668	593	527
Other administrative costs	80	87	102	107	376	377	374
Depreciation	27	30	33	35	125	58	54
TOTAL OPERATING COSTS	260	289	299	322	1,169	1,027	954
OPERATING RESULTS	338	238	320	273	1,169	1,159	1,243
IMPAIRMENT							
For loans (net of recoveries)	87	114	99	91	390	465	624
Other impairment and provisions	17	25	35	73	151	136	301
INCOME BEFORE INCOME TAX	234	99	186	109	627	558	318
INCOME TAX							
Current	31	16	28	26	101	106	102
Deferred	34	39	25	40	138	32	(72)
NET (LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	169	43	133	43	388	420	288
Income from discontinued operations	13	(0)	(0)	0	13	(1)	1
NET INCOME AFTER INCOME TAX	182	43	133	43	401	419	290
Non-controlling interests	28	27	32	12	99	118	103
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	154	16	101	32	302	301	186

In the activity in Portugal[1], net income of 2019 reached 145 million Euros, showing an increase of 25.4% over the 116 million Euros recorded in 2018, strongly influenced by the decrease in credit provisioning needs. The good performance of the activity in Portugal also reflects the performance of net trading income and other impairment and provisions and, although to a lesser extent, also of commissions and other net operating income. The favourable evolution of net income from the activity in Portugal was offset by the increase in operating costs and by the fiscal impact resulting from a context of low interest rates, also reflecting a lower contribution from equity accounted earnings and net interest income.

The growth in operating costs in the activity in Portugal compared to 2018 is partly due to the recognition of a higher level of restructuring costs and the impact of compensation for temporary salary cuts in 2019, both recognised as staff costs and considered as specific items. The increase in deferred tax expense in 2019 compared to 2018 is primarily due to the write-off of deferred tax assets as a result of the maintenance of the low interest rate scenario and the effect of actuarial losses related to the pension fund.

In international activity, net income amounted to 144 million Euros in 2019, compared to 187 million Euros in the previous year. The increase in core income from 443 million Euros in 2018 to 484 million Euros in 2019 is worth noting

Excluding the abovementioned specific items, related to costs incurred with the acquisition, merger and integration of Euro Bank S.A., core income of the international activity grew 15.3%, from 443 million Euros in 2018 to 511 million Euros in 2019, benefiting from a very positive evolution of core income, in particular of net interest income, which largely exceeded the increase in operating costs.

The performance of international activity in 2019 was determined by the lower contribution of the Polish operation and by the lower appropriation of income generated by Banco Millennium Atlântico compared to the previous year.

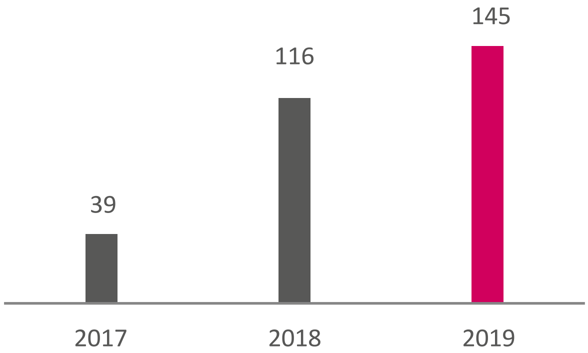
he performance of the Polish subsidiary was limited by the impact resulting from the costs associated with the integration of Euro Bank S.A., which implied, on the one hand, a higher level of operating costs, and, on the other hand, an increase in loans impairment through additional impairments at the time of the initial recognition of the credit portfolio of the operation, in May 2019.

[1] Does not consider income arising from operations accounted as discontinued operations, amounting to 13 million Euros in 2019 and a negative amount of 1 million Euros in 2018.

NET INCOME

Activity in Portugal

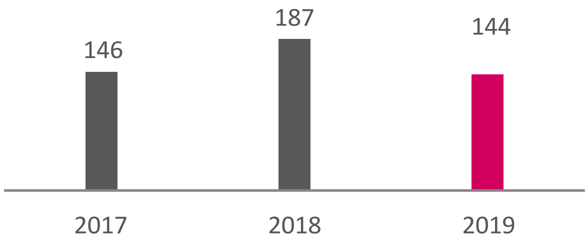
Million euros



NET INCOME

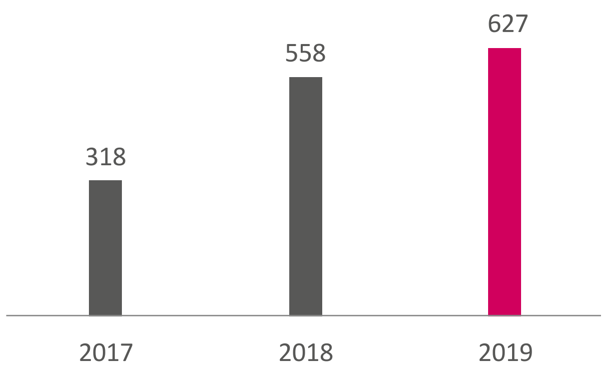
International activity

Million euros



INCOME BEFORE INCOME TAX

Million euros



In addition, the contribution of Bank Millennium Group was also influenced by an extraordinary provision for processes related to mortgage loans granted in Swiss Francs. The operation in Mozambique, on the other hand, improved its performance over the previous year. The lower appropriation of income generated by Bank Millennium Atlântico, in 2019 was influenced both by the increase in the risk coverage by impairments and provisions, and by the impact of the end of the IAS 29 application.

Bank Millennium in Poland reached a net income of 131 million Euros in 2019, reflecting a decrease of 48 million Euros compared to the 178 million Euros recorded in 2018. As previously mentioned, this evolution is influenced by the impact of the acquisition of Euro Bank S.A., which was reflected in the increase in the cost of risk of the loan portfolio and the growth in operating costs. In addition, the performance of Bank Millennium was also determined by the impact of provisions to cover the legal risk associated with mortgage loans granted in Swiss Francs and also by provisions to cover the possible need to return to customers fees associated with personnel credit operations reimbursed in advance. On the contrary, net income of Bank Millennium reflects a very favourable performance compared to the previous year in what refers to net interest income reflecting both growing business volumes and the acquisition of Euro Bank S.A..

Millennium bim in Mozambique presented a net income of 99 million Euros, up 5.8% from 94 million Euros in 2018, benefiting from the reduction in the cost of risk, on the loan portfolio and from improved results in net trading income, partially absorbed by the performance of net interest income, which was influenced by the context of falling reference interest rates, as well as by increased operating costs and other impairments and provisions. It should be noted that the economy of Mozambique faced huge challenges in 2019 due to the severe impact of natural disasters.

As for Angola, the contribution to net income of international activity in 2019 totalled 3 million Euros, a decrease of 88.3% compared the previous year. This decrease stems from the lower result of Banco Millennium Atlântico, reflecting an increase in the risk coverage by impairments and provisions, the end of the application of IAS 29 and, additionally, from the adverse effect of the depreciation of Kwanza.

NET INCOME OF INTERNATIONAL ACTIVITY

Euro million

	2019	2018	2017	Chan. % 19/18
Bank Millennium in Poland (1)	131	178	160	-26.8%
Millennium bim in Mozambique (1)	99	94	85	5.8%
BANCO MILLENNIUM ATLÂNTICO (2)				
Before the impact of IAS29	8	21	29	-60.1%
Impact of IAS29	(6)	1	(28)	<200%
BMA AFTER THE IMPACT OF IAS29 (2)	3	21	0	-88.3%
Other	9	13	9	-28.7%
Non-controlling interests	(98)	(120)	(108)	18.3%
NET INCOME OF INTERNATIONAL ACTIVITY	144	187	146	-23.1%
NET INCOME OF INTERNATIONAL ACTIVITY EXCLUDING IAS29	149	186	175	-19.7%

(1) The amounts showed are not deducted from non-controlling interests.

(2) Corresponds to the proportion of the results of Banco Millennium Atlântico appropriated by the Group, considering the equity method.

Note: Net income of 2019 (after taxes and non-controlling interests) attributable to the international operations amounted to 144 million euros. For the same period, net income from Poland amounted to 131 million euros (of which 65 million euros attributable to the Bank). The net income from Mozambique ascended to 99 million euros (of which 66 million euros attributable to the Bank). The net income of the activity in Angola, associated to the contribution of Banco Millennium Atlântico to the consolidated, calculated by the equity method, was of 3 million euros. Net income from the activities in Switzerland and in the Cayman Islands included in "Other" were fully attributable to the Bank.

NET INTEREST INCOME

Net interest income showed a favourable performance, increasing 8.8% from 1,424 million Euros in 2018, reaching 1,549 million Euros in 2019. This was determined by the good performance of the international activity, namely by the dynamic of the Polish operation, partially offset by the performance of the activity in Portugal, whose net interest income lowered 1.8% from the figure for the previous year.

Net interest margin, in consolidated terms, has remained stable at 2.2% over the last few years, recording, however, distinct performances in the activity in Portugal and in the international activity. The net interest margin in the activity in Portugal, although pressured by the negative interest rate environment, stood at 1.7% at the end of the year, reflecting only a slight decrease from the 1.8% recorded in the previous year. In the international activity, net interest margin increased from 3.1% in 2018 to 3.2% in 2019, benefiting from the effect of the acquisition of Euro Bank S.A., from May 2019.

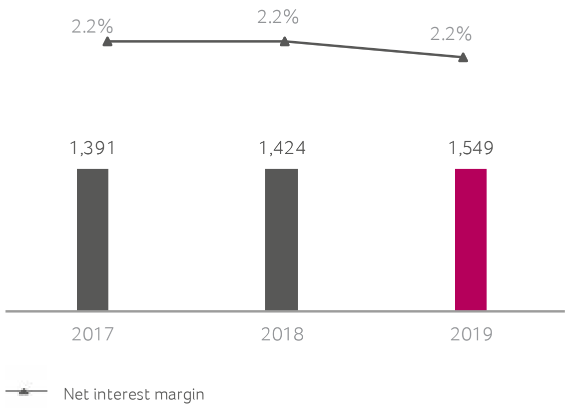
In the activity in Portugal, net interest income totalled 789 million Euros in 2019, compared to 803 million Euros recorded in the previous year. Although the evolution of net interest income in Portugal benefited from the reduction in the cost of funding, this positive effect was not enough to offset the drop of revenues resulting from the lower income generated by the securities portfolio and the loans to customers portfolio. The evolution of income generated by securities portfolio in the activity in Portugal mainly reflects the impact of the lower implicit interest rates, as the average volumes over the year were higher than those in the previous year. The current context characterised by a macroeconomic scenario marked by the persistence of low interest rates also contributed to the lower income generated by the domestic credit portfolio compared to the previous year, notwithstanding the increase in the credit volumes, since during 2019, with the growth in the performing credit portfolio exceeding the reduction in the volume of Non-Performing Exposures (NPE).

The reduction in the cost of funding in the activity in Portugal benefited from the continued decline in the remuneration of term deposits, which average balance also fell compared to 2018, and at the same time from the lower cost of subordinated debt and other debt issued. On the other hand, the revenue on the targeted longer-term refinancing operations (TLTRO) generated by a negative funding rate was lower in 2019 than in 2018.

In the international activity, net interest income performed quite favourably, increasing 22.4% from 620 million Euros in 2018, reaching 759 million Euros in 2019. This progression was mainly driven by the Polish subsidiary, whose growth in net interest income resulted, on the one hand, from the strong organic growth and, on the other, from the integration of the commercial business of Euro Bank S.A.

NET INTEREST INCOME

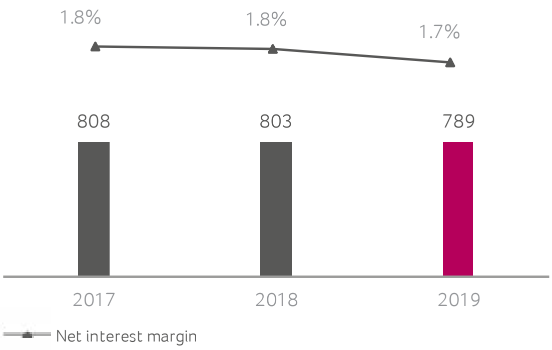
Million euros



NET INTEREST INCOME

Activity in Portugal

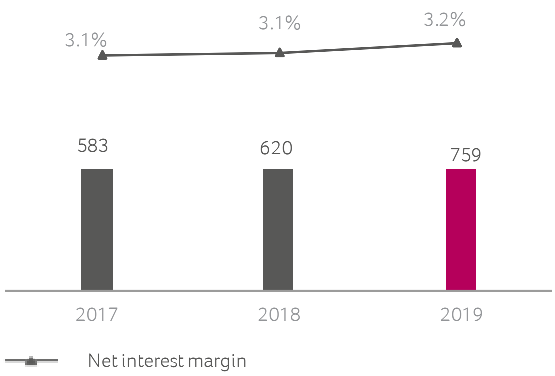
Million euros



NET INTEREST INCOME

International activity

Million euros



The good performance of net interest income generated by the Polish subsidiary was determined by the increase in revenues associated with the loans portfolio, justified not only by the growth in the volumes of credit granted in both business segments, companies and retail, but also by the effect of the merger with Euro Bank S.A., with a loan portfolio having a predominance of products with higher commercial margins. Net interest income generated by the securities portfolio in the Polish subsidiary was also higher than in the previous year, driven by the increase in average volumes held. On the other hand, the financing of the growth of activity and the balance sheet, either through a higher volume of customer deposits or through the issuance of debt, including subordinated debt, was reflected, in 2019, in a higher cost in net interest income.

In the subsidiary in Mozambique, net interest income was slightly below the amount recorded in 2018, as the reduction in revenue associated with the loan and securities portfolios fully absorbed the positive effect resulting from the reduction in the cost of funding, obtained through the lower cost of customer deposits, due to the reduction in interest rates.

AVERAGE BALANCES

Million euros

	2019		2018		2017	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
INTEREST EARNING ASSETS						
Deposits in credit institutions	4,033	1.0%	2,702	1.0%	3,070	0.9%
Financial assets	15,400	1.7%	13,250	2.2%	11,163	2.3%
Loans and advances to customers	50,674	3.2%	47,620	3.2%	47,861	3.3%
TOTAL INTEREST EARNING ASSETS	70,107	2.8%	63,572	2.9%	62,094	3.0%
Non-interest earning assets	9,484		9,847		10,575	
TOTAL ASSETS	79,590		73,419		72,669	
INTEREST BEARING LIABILITIES						
Amounts owed to credit institutions	8,066	0.2%	7,397	0.1%	9,140	0.0%
Deposits and other resources from customers	57,228	0.5%	53,258	0.6%	50,560	0.7%
Debt issued and financial liabilities	3,271	1.2%	2,787	1.6%	3,162	2.7%
Subordinated debt	1,364	4.4%	1,116	5.5%	929	6.9%
TOTAL INTEREST BEARING LIABILITIES	69,930	0.6%	64,558	0.7%	63,791	0.8%
Non-interest bearing liabilities	2,089		1,944		2,116	
Shareholders' equity and Non-controlling interests	7,571		6,917		6,762	
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS	79,590		73,419		72,669	
NET INTEREST MARGIN (1)		2.2%		2.2%		2.2%

(1) Net interest income as a percentage of average interest earning assets.

Note: Average balance calculated based on monthly average of end of month balances, accumulated in the period. Interest related to hedge derivatives were allocated, in 2019, 2018 and 2017, to the respective balance item.

In 2019, average net assets increased considerably from 73,419 million Euros in the previous year to 79.590 million Euros. This progression was supported by the general increase in interest-bearing assets, reflecting, in part, the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary, which consolidation was in May 2019.

Interest-bearing assets stood at 70,107 million Euros in 2019 compared to 63,572 million Euros in 2018, benefiting from the growth in loans to customers, from 47,620 million Euros in 2018 to 50,674 million Euros in 2019, from the increase in financial assets, from 13,250 million Euros in 2018 to 15,400 million Euros in 2019 and from the increase in deposits in credit institutions which stood at 4,033 million Euros in 2019 compared to 2,702 million Euros in 2018. On the other hand, non-interest bearing assets decreased from 9,847 million Euros in 2018, totalling 9,484 million Euros in 2019.

Average interest-bearing liabilities rose from 64,558 million Euros in 2018 to 69,930 million Euros in 2019. This evolution was mainly due to the growth in customer deposits, whose average balance rose from 53,258 million Euros in 2018 to 57,228 million Euros in 2019, partially influenced by the impact of the acquisition of Euro Bank S.A., with effects from May 2019. The increase in interest-bearing liabilities also benefited from the performance of the average balance on deposits from credit institutions, which rose from 7,397 million Euros in 2018 to 8,066 million Euros in 2019, as well as from the aggregate of debt securities issued and financial liabilities and subordinated debt, which rose respectively from 2,787 million Euros and 1,116 million Euros in 2018 to 3,271 million Euros and 1,364 million Euros in 2019.

In terms of average balance sheet structure, interest-bearing assets represented 88.1% of average net assets in 2019, with an increase compared to the relative weight of 86.6% recorded in 2018. Loans to customers remained the main aggregate of the portfolio of interest-bearing assets, although their relative weight in the balance sheet structure declined from 64.9% in 2018 to 63.7% in 2019. In contrast, the financial assets portfolio saw its relative weight in the balance sheet structure strengthened, rising from 18.0% in 2018 to 19.3% in 2019.

In the structure of average interest-bearing liabilities, customer deposits remain the main instrument for financing and supporting activity, although their relative weight decreased slightly in 2019, accounting for 81.8% of the balance of interest-bearing liabilities, compared to 82.5% in the previous year. Deposits from credit institutions continue to represent 11.5% of the average balance of interest-bearing liabilities, as in the previous year, while the aggregate of debt securities issued and financial liabilities increased their relative weight slightly from 4.3% in 2018 to 4.7% in 2019.

The evolution of the average balance of the shareholders' equity, from 6.917 million Euros in 2018 to 7,571 million Euros in 2019, mainly reflects the placement in the market, in January 2019 of an Additional Tier 1 issue in the amount of 400 million Euros.

in 2019, net interest margin stood at 2.2%, in line with the rate obtained in the previous year. This alignment reflects a roughly proportional growth in net interest income and in average interest bearing assets during 2019.

In 2019, the average interest rate on credit remained in line with the rate obtained in the previous year, while the average interest rate on deposits fell slightly compared to the rate recorded in the previous year.

OTHER NET INCOME

Other net income, which includes dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, showed a favourable evolution compared to the 763 million Euros recorded in 2018, standing at 790 million Euros in 2019. The performance of activity in Portugal was a determining factor in this evolution, having been offset by the international activity which fell from the amount recorded in 2018.

In the activity in Portugal, other net income grew 35 million Euros compared to the amount recorded in 2018, mainly driven by the performance of net trading income and net commissions, which were 39 million Euros and 8 million Euros higher, respectively, than the previous year. The positive performance of other net operating income was offset by the 15 million Euro reduction in equity accounted earnings.

In international activity, the good performance shown by the Polish and Mozambican subsidiaries, in other net income, was fully absorbed by the reduction in the appropriation of the income generated by Banco millennium Atlântico recognised in equity accounted earnings.

OTHER NET INCOME

Million euros

	2019	2018	2017	Chan. % 19/18
Dividends from equity instruments	1	1	2	25.4%
Net commissions	703	684	667	2.8%
Net trading income	143	79	148	82.5%
Other net operating income	(101)	(89)	(102)	-12.6%
Equity accounted earnings	43	89	92	-51.8%
TOTAL	790	763	806	3.5%
of which:				
Activity in Portugal	545	510	544	6.8%
International activity	245	253	262	-3.0%

DIVIDENDS FROM EQUITY INSTRUMENTS

Dividends from equity instruments, which incorporate dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, amounted to 1 million Euros in 2019, showing an increase of 25.4% over the amount obtained in the previous year, supported by the evolution of income on investments in the share portfolio of the Group.

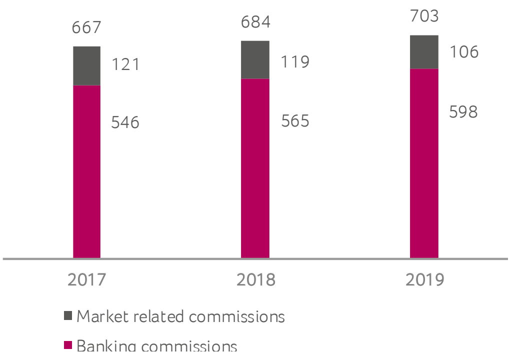
NET COMMISSIONS

In 2018, some of the amounts recorded by the subsidiary in Poland under the items "Credit and guarantees", "Bancassurance", "Other commissions" and "Asset management" were reclassified in order to improve the integration of the information reported on a consolidated basis. These items are presented for 2017 on a proforma basis in order to ensure their comparability. The total amount of net commissions did not change.

In 2019, net commissions, which include commissions related to banking business and commissions more directly related to financial markets, amounted to 703 million Euros, showing, in consolidated terms, a growth of 2.8% from 684 million Euros in the previous year. This growth benefited both from the good performance of activity in Portugal and in the international activity.

NET COMMISSIONS

Million euros



In the activity in Portugal, net commissions reached 483 million Euros in 2019, representing an increase of 1.7% compared to 475 million Euros in 2018, determined by the favourable performance of commissions related to the banking business, which showed a growth of 5.0%. On the contrary, commissions more directly related to financial markets and less recurring were 19.3% below those obtained in 2018, influenced by the impact of the current market environment on this type of commissions and by the lower commissions associated with investment banking operations.

In the international activity, net commissions grew 5.5% from the 209 million Euros in 2018 to 220 million Euros in 2019, mainly due to the performance of the Polish subsidiary, influenced by the impact of the acquisition of Euro Bank S.A., but also, although to a lesser extent, by the higher contribution of the subsidiaries in Mozambique and Switzerland.

In consolidated terms, the good performance of commissions related to banking business should be highlighted, since they recorded an increase of 5.9% from 565 million Euros in 2018 and reached 598 million Euros in 2019, benefiting from the evolution of both the activity in Portugal and the international activity. In the same period, commissions related to financial markets decreased by 11.4%, mainly due to the performance of the activity in Portugal.

The good performance of commissions related to the banking business, both in the activity in Portugal and in the international activity, reflects the generalised growth across different types of commissions, with particular emphasis on the evolution, in consolidated terms, of commissions on the management and maintenance of accounts and bancassurance commissions.

Commissions related to cards and transfers grew 2.0% from 167 million Euros in 2018 to 170 million Euros in 2019, boosted by the evolution of international activity, which grew 6.0%, largely due to the contribution of the subsidiary in Mozambique. In the activity in Portugal, related to cards remained in line with the figures obtained in 2018.

Commissions related to credit and guarantee operations increased by 3.6% from 164 million Euros in 2018 to 170 million Euros in 2019, benefiting from the higher contributions from both the activity in Portugal and the international activity, which grew by 2.8% and 5.1%, respectively, from the previous year. The good performance of the international activity is mainly due to the evolution of the Polish subsidiary, which was partially offset by the decrease in the Mozambican operation.

In 2019, bancassurance commissions, which include commissions obtained from the placement of insurance products through the Bank's distribution networks in Portugal and Poland, evolved favourably in both countries, growing by 6.8% and 31.4% respectively over the previous year. It should be noted that the growth in bancassurance commissions in the Polish subsidiary reflects, on the one hand, the increase in commissions charged by Bank Millennium on insurances sold to customers, mainly connected to personal and mortgage operations, and, on the other, the impact attributable to the integration of Euro Bank, S.A..

In consolidated terms, bancassurance commissions amounted to 118 million Euros, up 12.4% from 105 million Euros in 2018.

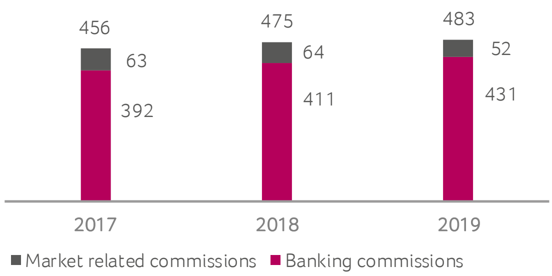
Commissions related to the opening and maintenance of customer accounts rose 12.4% from 106 million Euros in 2018 to 119 million Euros in 2019. The good progression of these commissions was mainly due to the 11.0% increase in the activity in Portugal, although in the international activity there was an increase of 24.4% compared to the previous year, driven by the contribution of the operation in Poland.

Commissions related to financial markets stood at 106 million Euros in 2019, down 11.4% from 119 million Euros in the previous year, mainly due to the performance of the entities of the Group in Portugal, which fell 19.3%, but also, although to a lesser extent, of the group of operations based abroad, which fell 2.2% over the same period. The drop in international activity was mainly due to the performance of the Polish subsidiary, since a reverse trend was recorded in the Swiss subsidiary.

NET COMMISSIONS

Activity in Portugal

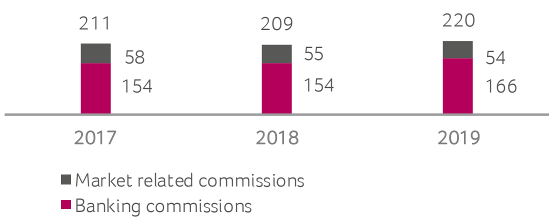
Million euros



NET COMMISSIONS

International activity

Million euros



It should be pointed out that the current market context with lower market rates has led to an adjustment of this type of commissions associated with investment products and asset management activity.

Commissions related to securities transactions totalled 66 million Euros in 2019, 14.6% below the amount for the previous year, and were mainly influenced by the performance of the activity in Portugal, whose commissions fell by 20.4%. In the international activity, these commissions increased 3.0% from 2018, driven by the good performance of the operation in Switzerland.

In 2019, commissions generated by asset management fell by 5.6% compared to the previous year (42 million Euros) to 40 million Euros. This evolution was mainly due to the performance of the international activity, which showed a 4.9% decline, mainly influenced by the reduction of the subsidiary in Poland, despite the growth of the Switzerland's operation. At the same time, in the activity in Portugal, commissions generated by asset management fell by 9.8% compared to the previous year.

NET COMMISSIONS

Million euros

	2019	2018	2017	Chan. % 19/18
BANKING COMMISSIONS				
Cards and transfers	170	167	156	2.0%
Credit and guarantees	170	164	156	3.6%
Bancassurance	118	105	101	12.4%
Current accounts related	119	106	104	12.4%
Other commissions	21	23	29	-9.6%
SUBTOTAL	598	565	546	5.9%
MARKET RELATED COMMISSIONS				
Securities	66	77	77	-14.6%
Asset management	40	42	44	-5.6%
SUBTOTAL	106	119	121	-11.4%
TOTAL NET COMMISSIONS	703	684	667	2.8%
of which:	–	–	–	0
Activity in Portugal	483	475	456	1.7%
International activity	220	209	211	5.5%

NET TRADING INCOME

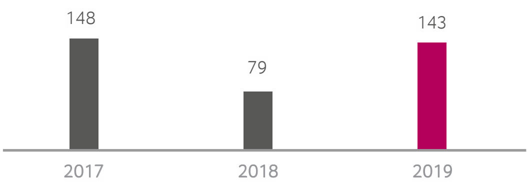
Net trading income includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortized cost, results from derecognition of financial assets measured at fair value through other comprehensive income and results from financial assets available for sale, in the latter case only until 2017.

In 2019, net trading income amounted to 143 million Euros, showing a considerable growth of 82.5% compared to the 79 million Euros recorded in 2018, which reflects both the performance of the activity in Portugal and the international activity, in this case particularly Poland and Mozambique.

The growth in net trading income in the activity in Portugal was boosted by gains on the sale of Portuguese public debt, which amounted to 69 million Euros in 2019, compared to 15 million Euros in the previous year.

NET TRADING INCOME

Million euros



It should also be noted that, notwithstanding the pace of reduction of NPE during 2019, the level of costs incurred with the sale of this type of exposure was lower than in the previous year, as the losses totalled 29 million Euros, compared to 49 million Euros in 2018.

In the international activity, net trading income was mostly influenced by the evolution of the Polish subsidiary, driven by the gain, amounting to 10 million Euros, related to the revaluation of PSP - Polish Payment Standard shares, following the agreement signed for the entry of Mastercard in the share capital of that entity. In the operation in Mozambique, net trading income was also higher than the one obtained in the previous year, essentially due to the revenue generated by foreign exchange operations.

NET TRADING INCOME

Million euros

	2019	2018	2017	Chan. % 19/18
Net gains / (losses) from financial operations at fair value through profit or loss	5	1	14	>200%
Net gains / (losses) from foreign exchange	69	75	72	-7.9%
Net gains / (losses) from hedge accounting operations	(6)	3	(33)	<-200%
Net gains / (losses) from derecognition of assets and financial liabilities measured at amortised cost	(25)	(50)	(8)	50.4%
Net gains / (losses) from derecognition of financial assets measured at fair value through other comprehensive income	100	49	–	101.6%
Net gains / (losses) from financial assets available for sale	–	–	103	-
TOTAL	143	79	148	82.5%
of which:				
Activity in Portugal	51	12	85	>200%
International activity	92	66	63	38.6%

OTHER NET OPERATING INCOME

Other net operating income, which includes other operating income, net of operating costs, net gains from the insurance activity and gains/losses arising from sales of subsidiaries and other assets, totalled a -101 million Euros in 2019, compared to -89 million Euros recorded in the previous year. In 2019, this includes 1 million Euros related to costs with the acquisition, merger and integration of Euro Bank, S.A., booked by the Polish subsidiary and considered specific items. The evolution in other net operating income, in consolidated terms, mainly reflects the performance of the international activity which was lower than that achieved in the previous year, having been slightly offset by the improvement of the activity in Portugal.

In the activity in Portugal, other net operating income increased from a negative amount of 32 million Euros in 2018 to an also negative amount of 30 million Euros in 2019, with the increase in income from the sale of other assets and the lower losses recognised with the sale of investment property being noteworthy. On a negative note, gains on the sale of financial holdings and on non-current assets held for sale decreased. Other net operating income includes with mandatory contributions which in 2019 amounted to 69 million Euros, remaining in line with the amount recorded in 2018. The overall amounts paid as mandatory contributions in Portugal includes the cost with the European Resolution Fund (FUR) of 19 million Euros (21 million Euros in 2018), the contribution of 16 million Euros for the national resolution fund (12 million Euros in 2018), the contribution on the banking sector of 32 million Euros (33 million Euros in 2018), supervision fee, which remained at around 2 million Euros in 2019 and 2018, and the contribution to the Deposit Guarantee Fund, whose value is relatively immaterial.

In the international activity, other net operating income, including the abovementioned specific items, totalled -71 million Euros in 2019, compared to -57 million Euros in 2018, penalised by the increase in mandatory contributions, which stood 15 million Euros above the previous year. The mandatory contributions reflected in the international activity amounted to 87 million Euros and were supported almost entirely by the Polish subsidiary, where the increases of the special tax on the Polish banking sector and the resolution fund, partially offset by the reduction of the deposit guarantee fund, stand out.

The performance of the Polish subsidiary was also influenced, although to a lesser extent, by losses on the sale of tangible assets. In the evolution of other net operating income from international activity, it is also important to mention the increase in income from the insurance activity in Mozambique, although this was absorbed by the less favourable performance of the remaining items.

EQUITY ACCOUNTED EARNINGS

Equity accounted earnings from associates, include the results appropriated by the Group related to the entities where, despite exercising some influence, it does not have control over their financial and operating policies. In 2019, equity accounted earnings amounted to 43 million Euros, compared to 89 million Euros in the previous year, a lower level than in the previous year in both Portugal and international activity.

In the activity in Portugal, the evolution of equity accounted earnings, from 55 million Euros in 2018 to 40 million Euros in 2019, was determined by the reduction of 7 million Euros in the contribution from Millennium Ageas, mainly reflecting the negative impact of lower interest rates in the insurance business. The results generated by the stakes in SIBS and Unicre also contributed to this decrease, by showing, together, a decrease of 6 million Euros in the same period.

The decrease in equity accounted earnings from international activity was due to the lower appropriation of profits generated by Banco Millennium Atlântico, which stood at 3 million Euros, compared to 34 million Euros in the previous year. This reduction was justified simultaneously by the impact of the increased coverage of risks through impairment and provisions and of the end of the application of the IAS 29, with effect from January 1, 2019.

Excluding the impact of IAS 29 in both periods, the appropriation of the income generated by Banco Millennium Atlântico showed a reduction of 12 million Euros.

EQUITY ACCOUNTED EARNINGS

Million euros

	2019	2018	2017	Chan. % 19/18
Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.	28	35	35	-19.6%
UNICRE - Instituição Financeira de Crédito, S.A.	3	7	7	-51.8%
Banco Millennium Atlântico, S.A.	3	34	40	-92.6%
Banque BCP, S.A.S.	4	4	4	12.1%
SIBS, SGPS, S.A.	6	8	3	-29.6%
Other	(1)	1	3	<-200%
TOTAL	43	89	92	-51.8%

OPERATING COSTS

Operating costs include staff costs, other administrative costs and depreciation. Excluding the effect of specific items[2], operating costs totalled 1,103 million Euros in 2019, recording an increase of 10.6% compared to 998 million Euros in the previous year. This evolution mainly results from the increase in international activity, although in the activity in Portugal there was also an increase in operating costs, albeit to a lesser extent.

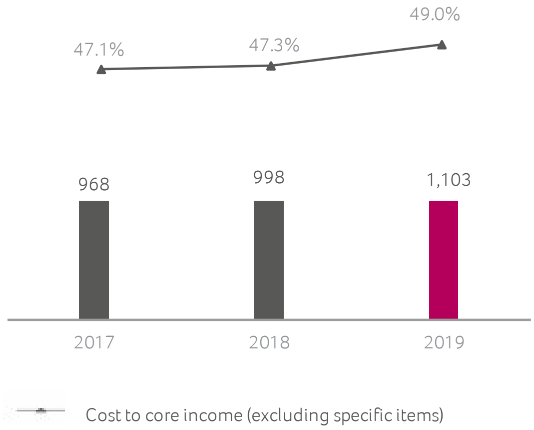
In the activity in Portugal, operating costs, not considering the effect of the specific items abovementioned, amounted to 634 million Euros in 2019, 3.7% above the 612 million Euros accounted for in the previous year, mainly reflecting the increase in staff costs. The entry into force of IFRS 16 - Leasing, on January 1, 2019, has largely justified the changes in the opposite direction in other administrative costs, which decreased by 22 million Euros compared to the amounts recorded in 2018, and in depreciations, which rose by 33 million Euros over the same period.

In the international activity, operating costs, excluding the effect of the abovementioned specific items, stood at 469 million Euros in 2019, an increase of 21.5% compared to the 386 million Euros accounted for in the previous year. Staff related costs increased by 24.2% when compared to 2018, with changes in other administrative costs, which fell by 0.9%, and in depreciations, which more than doubled compared to the previous year, being strongly influenced, in opposite directions, by the entry into force of IFRS 16 - Leasing.

The increase in operating costs compared to the previous year in the international activity mainly reflects the performance of the Polish subsidiary, and the operating costs of the subsidiary in Mozambique also proved to be higher than those recorded in 2018.

OPERATING COSTS

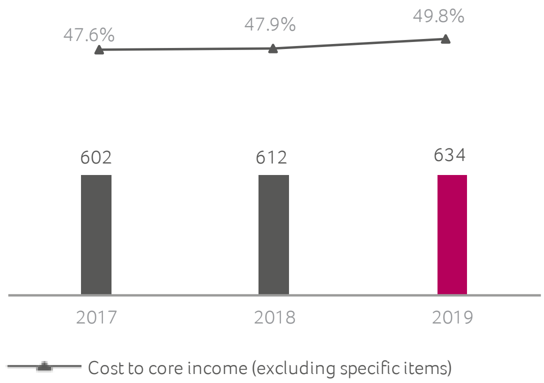
Million euros



OPERATING COSTS

Activity in Portugal

Million euros



2 Negative impact of 66 million Euros in 2019, of which 40 million Euros related to restructuring costs and compensation for temporary salary cuts, both recognised as staff costs in the activity in Portugal and 26 million Euros related to costs with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary, mostly as other administrative costs. In 2018, the impact was also negative, amounting to 29 million Euros, of which 27 million Euros related to restructuring costs recognised as staff costs and 3 million Euros associated with the ongoing digital transformation project, recognised as other administrative costs, both in the activity in Portugal. In 2017, the impact was positive by 14 million Euros and includes, on the one hand, the revenue recognised following the negotiation and agreement with the "*Sindicato dos Bancários do Norte*" (Union of Bank Employees of the North) for the revision of the WCA (Work Collective Agreement), and, on the other hand, the restructuring costs, both accounted as staff costs, in the activity in Portugal.

Operating costs in Poland show a growing trend explained simultaneously by the organic growth of the subsidiary itself, namely dur to prices' and wages' dynamics in the Polish economy and also by the impact resulting from the consolidation of Euro Bank S.A..

The cost to core income ratio of the Group in 2019, excluding specific items, stood at 49.0%, slightly above the 47.3% ratio recorded in 2018, as the negative impact of the increase in operating costs was partially offset by the favourable evolution of both net interest income and commissions.

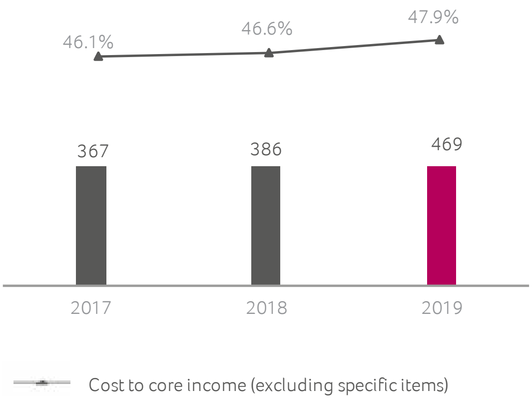
In the activity in Portugal, the cost to core income ratio, excluding specific items, reached 49.8% in 2019, compared to 47.9% in 2018, reflecting, on the one hand, the increase in operating costs and, on the other, the slight decrease in core income.

In the international activity, the cost to core income ratio, not considering the specific items, stood at 47.9% in 2019 (46.6% in 2018), reflecting the growth in operating costs, which, in relative terms, proved to be higher than that recorded in core income.

OPERATING COSTS

International activity

Million euros



OPERATING COSTS

Million euros

	2019	2018	2017	Chan. % 19/18
ACTIVITY IN PORTUGAL (1)				
Staff costs	371	359	346	3.3%
Other administrative costs	194	216	222	-10.3%
Depreciation	69	36	33	89.5%
	634	612	602	3.7%
INTERNATIONAL ACTIVITY (1)				
Staff costs	257	207	194	24.2%
Other administrative costs	156	158	152	-0.9%
Depreciation	56	21	20	160.5%
	469	386	367	21.5%
CONSOLIDATED (1)				
Staff costs	628	566	541	11.0%
Other administrative costs	350	374	374	-6.3%
Depreciation	125	58	54	115.8%
	1,103	998	968	10.6%
SPECIFIC ITEMS	66	29	(14)	125.7%
TOTAL	1,169	1,027	954	13.8%

(1) Excludes the impact of specific items previously mentioned.

STAFF COSTS

Staff costs, not considering the effect of specific items, related almost entirely to domestic activity, totalled 628 million Euros in 2019, reflecting an increase of 11.0% over the 566 million Euros recorded in 2018, mainly due to the evolution of international activity, with the activity in Portugal also having higher staff costs than in the previous year.

In the activity in Portugal, staff costs amounted to 371 million Euros in 2019, increasing 3.3% compared to 359 million Euros in 2018. It should be noted that these amounts do not take into account the impact of specific items, which in 2019 amounted to 40 million Euros and are related to restructuring costs and compensation for temporary salary cuts and in 2018 totalled 27 million Euros, in this case related to restructuring costs including, among others, the accounting of early retirement costs.

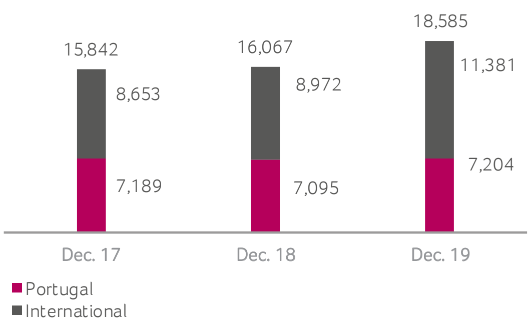
The growth in staff costs in the activity in Portugal reflects, in part, the increase in the number of employees from 7,095 at the end of December 2018 to 7,204 employees at 31 December 2019, highlighting the impact of the internalisation of outsourcers and the strengthening of the skills required to implement the digital transformation project.

In the international activity, not considering the impact, in this case negligible, of the specific items fully recognised by the Polish subsidiary following the merger with Euro Bank S.A., staff costs stood at 257 million Euros in 2019, up 24.2% compared to the 207 million Euros recognised in the previous year.

Although staff costs at the subsidiary in Mozambique were higher than in 2018, the Polish subsidiary was mainly responsible for the evolution observed in international activity, affected by the increase in the number of employees from 6,270 (6,132 FTE - full-time equivalent) at 31 December 2018 to 8,615 employees (8,464 FTE - full-time equivalent) at the end of 2019. This increase was mainly due to the integration of 2,425 employees from Euro Bank S.A. in May 2019.

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

EMPLOYEES



STAFF COSTS

Million euros

	2019	2018	2017	Chan. % 19/18
Salaries and remunerations	507	458	433	10.9%
Social security charges and other staff costs	121	108	108	11.2%
TOTAL EXCLUDING SPECIFIC ITEMS	628	566	541	11.0%
SPECIFIC ITEMS	40	27	(14)	50.3%
TOTAL	668	593	527	12.7%

OTHER ADMINISTRATIVE COSTS

Other administrative costs showed a decrease of 6.3% from 374 million Euros in 2018, totalling 350 million Euros in 2019. This evolution reflects the impact of the entry into force, on 1 January 2019, of IFRS 16 - Leasing, both in the activity in Portugal and in the international activity, and does not take into account the effect of specific items, amounting to 26 million Euros, related to the costs incurred with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary in 2019 and 3 million Euros associated with the ongoing digital transformation project recognised in 2018 in the activity in Portugal.

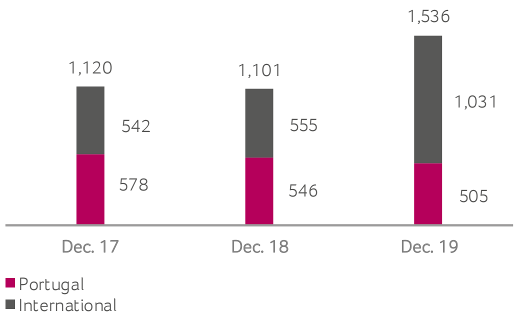
OTHER ADMINISTRATIVE COSTS

Other administrative costs showed a decrease of 6.3% from 374 million Euros in 2018, totalling 350 million Euros in 2019. This evolution reflects the impact of the entry into force, on 1 January 2019, of IFRS 16 - Leasing, both in the activity in Portugal and in the international activity, and does not take into account the effect of specific items, amounting to 26 million Euros, related to the costs incurred with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary in 2019 and 3 million Euros associated with the ongoing digital transformation project recognised in 2018 in the activity in Portugal.

In the activity in Portugal, other administrative costs stood at 194 million Euros in 2019, a decrease of 10.3% from the 216 million Euros (excluding specific items) accounted for in the previous year, mainly justified by the already mentioned impact of IFRS 16 - Leasing. Excluding this impact and the specific items recognised in 2018, other administrative costs show a slight increase from the amounts for 2018, mainly due to costs related to reinforcement of control functions, despite the disciplined management of recurring costs. The reduction of the branch network, which went from 546 at 31 December 2018 to 505 at the end of 2019, together with other measures carried out, allowed savings in items such as advertising, legal expenses and communications, among others of a lesser magnitude.

In the international activity, other administrative costs, excluding the impact of specific items of 26 million Euros related to the costs directly incurred with the acquisition, merger and integration of Euro Bank S.A., stood at 156 million Euros in 2019, slightly below the 158 million Euros in the previous year,largely benefiting from the favourable impact of the entry into force of IFRS 16 - Leasing. Excluding this impact, other administrative costs were higher than in the previous year, both in the subsidiary in Mozambique and in the Polish subsidiary, the latter strongly impacted by the acquisition of Euro Bank S.A.. The acquisition of Euro Bank S.A. also influenced the number of branches in the international activity, which increased from 555 at the end of 2018 to 1,031 at 31 December 2019, with the organic growth of the subsidiary in Poland being responsible for the increase of 10 branches and the subsidiary in Mozambique registering 7 more branches compared to the end of 2018.

BRANCHES



OTHER ADMINISTRATIVE COSTS

Million euros

	2019	2018	2017	Chan. % 19/18
Water, electricity and fuel	17	15	15	7.2%
Consumables	5	5	4	9.6%
Rents	23	73	96	-68.5%
Communications	25	23	21	9.3%
Travel, hotel and representation costs	10	9	8	2.7%
Advertising	29	27	27	6.1%
Maintenance and related services	19	16	17	20.2%
Credit cards and mortgage	8	8	6	-1.9%
Advisory services	19	19	18	2.6%
Information technology services	45	37	18	21.3%
Outsourcing e trabalho independente	77	77	77	-0.1%
Other specialised services	29	21	19	35.1%
Training costs	3	3	2	7.7%
Insurance	4	4	4	1.2%
Legal expenses	5	6	6	-17.5%
Transportation	10	10	8	-2.3%
Other supplies and services	23	20	25	16.8%
TOTAL EXCLUDING SPECIFIC ITEMS	350	374	374	-6.3%
SPECIFIC ITEMS	26	3	–	874.2%
TOTAL	376	377	374	-0.1%

DEPRECIATIONS

Depreciations, excluding the specific items recognised by Bank Millennium S.A. in the scope of the acquisition of Euro Bank S.A., which in this case appear to be minor, totalled 125 million Euros in 2019 and more than doubled compared with the 58 million Euros recorded in the previous year. This evolution was boosted by the impact of the entry into force, on 1 January 2019, of IFRS 16 - Leasing, both in the activity in Portugal and in the international activity.

In the activity in Portugal, depreciations amounted to 69 million Euros in 2019, compared to 36 million Euros in 2018, mainly reflecting the impact of IFRS 16 - Leasing. Excluding this impact, the growth in depreciations was determined by the increase in investment in software and IT equipment, reflecting the Bank's commitment to technological innovation and the to the ongoing digital transformation. On the contrary, depreciation related to real decreased from the previous year.

In international activity, depreciations totalled 56 million Euros in 2019, with an increase of 34 million Euros from the 21 million Euros recognised in 2018, mostly due to the impact of IFRS 16 - Leasing.

Excluding this impact, the main increases in depreciations in international activity, compared to the previous year, were also justified by the commitment of international operations on digital transformation and technological innovation, in both the subsidiary in Poland and the subsidiary in Mozambique. It should be noted that the developments observed in the Polish subsidiary also reflects the impact arising from the acquisition of Euro Bank S.A.

LOANS IMPAIRMENT

Loans impairment (net of recoveries) stood at 390 million Euros in 2019, keeping the favourable trend of recent years, showing a reduction of 16.0% from 465 million Euros in 2018, which confirmed the trajectory of the Group of a gradual reduction in the cost of risk. This performance was possible thanks to the contribution of the activity in Portugal, whose impact was, however, offset by the increase in loans impairment (net of recoveries) that occurred in international activity.

In the activity in Portugal, the downward trend in loans impairment resulted in a reduction of 28.3% from the 389 million Euros accounted in 2018, amounting to 279 million Euros in 2019. In this evolution, we must point out the sharp pace of reduction of NPE during the year.

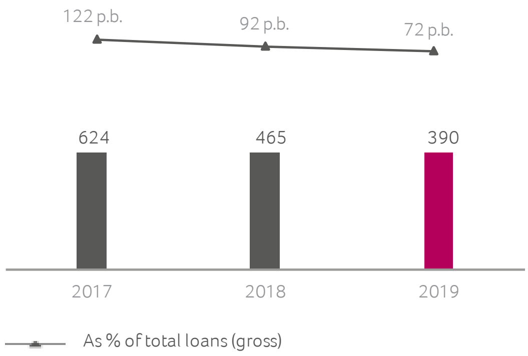
In the international activity, loans impairment (net of recoveries) showed an inverse performance, increasing 47.2% from 75 million Euros in 2018 to 111 million Euros in 2019. This evolution was determined by the performance of the Polish subsidiary, conditioned by the impact of the acquisition of Euro Bank S.A., which includes the mandatory provision, resulting from the applicable accounting standard, of impairments for credit performing at the time of initial recognition of the acquired portfolio. On the other hand, the operation in Mozambique, contributed to lessen this impact, with a lower level of impairment than in 2018.

The cost of risk (net of recoveries) of the Group, including the impact of the acquisition of Euro Bank S.A., continued to evolve favourably for the third consecutive year, standing at 72 basis points in 2019, compared to 92 basis points in the previous year.

In the activity in Portugal, the cost of risk (net of recoveries) fell from 105 basis points in 2018 to 76 basis points in 2019, while in the international activity it intensified from 56 basis points in 2018 to 63 basis points in 2019, due to the performance of the Polish subsidiary, as the operation in Mozambique saw its cost of risk improve over the previous year.

LOANS IMPAIRMENT (NET)

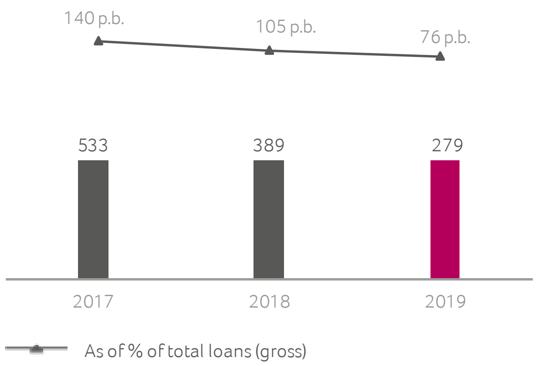
Million euros



LOANS IMPAIRMENT (NET)

Activity in Portugal

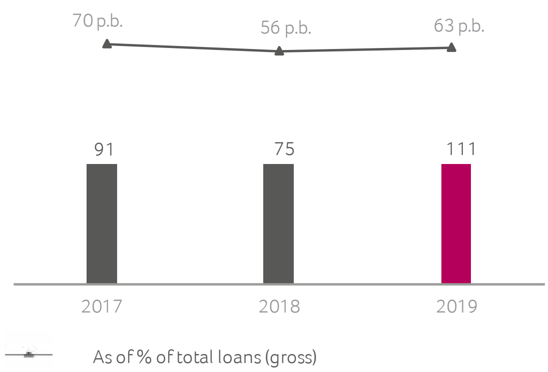
Million euros



LOANS IMPAIRMENT (NET)

International activity

Million euros



LOANS IMPAIRMENT (NET OF RECOVERIES)

Million euros

	2019	2018	2017	Chan. % 19/18
Loan impairment charges (net of reversions)	414	478	641	-13.3%
Credit recoveries	24	13	17	83.7%
TOTAL	390	465	624	-16.0%
COST OF RISK:				
Impairment charges (net of recoveries) as a % of gross loans	72 b.p.	92 b.p.	122 b.p.	-20 b.p.

Note: cost of risk adjusted from discontinued operations.

OTHER IMPAIRMENT AND PROVISIONS

Other impairment and provisions include (i) impairment, net of reversals, for loans and advances of credit institutions classified at amortised cost; (ii) impairment for financial assets (classified at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in the latter case only until 2017); (iii) impairment for other assets, namely for repossessed assets, investments in associates and goodwill of subsidiaries and (iv) other provisions.

In 2019, other impairment and provisions amounted to 151 million Euros, 11.0% more than the 136 million Euros in 2018. This change is due to two opposite effects, as the favourable performance of the activity in Portugal was completely absorbed by the higher provisioning needs of the international activity.

In the activity in Portugal, other impairment and provisions stood at 30 million Euros below the 122 million Euros accounted in 2018, totalling 92 million Euros in 2019, determined by lower provisioning needs mainly for guarantees and other commitments.On the contrary, impairments for non-current assets held for sale were reinforced over the previous year.

In the international activity, other impairment and provisions amounted to 60 million Euros in 2019, showing an increase of 45 million Euros compared to 15 million Euros, in 2018. The amount posted in 2019 includes an extraordinary provision for the processes related to mortgage loans granted in Swiss francs, by the Polish subsidiary, in the amount of 52 million Euros. In addition to this provision, the accounts of the Polish subsidiary were also penalised by the booking of a provision to cover the reimbursement of commissions charged to its customers for the early repayment of personnel loans, following a decision taken by the European Court of Justice. The subsidiary in Mozambique also saw an increase in the level of provisioning, albeit to a lesser extent. The evolution of other impairment and provisions was also influenced by the amount of impairment for the investment in Banco Millennium Atlântico that had been recognised in 2018, following the application of IAS29.

INCOME TAX

Taxes (current and deferred) reached 239 million Euros in 2019, compared to 138 million Euros posted in the previous year.

In 2019, the income taxes include current taxes of 101 million Euros (106 million Euros in 2018) and deferred taxes of 138 million Euros (32 million Euros in 2018).

The increase in deferred tax expense in 2019, compared to 2018, arises primarily from the write-off of deferred tax assets as a result of the maintenance of low interest rate and the effect of actuarial losses in the pension fund

NON-CONTROLLING INTERESTS

Non-controlling interests are the part attributable to third parties of the net income of the subsidiary companies consolidated under the full method in which the Group Banco Comercial Português does not hold, directly or indirectly, the entirety of their share capital.

Non-controlling interests include mainly the income for the year attributable to third parties related to the shareholdings in Bank Millennium in Poland (49.9%) and in Millennium bim in Mozambique (33.3%).

In 2019, the non-controlling interests amounted to Euro 99 million Euros compared to Euro 118 million Euros in 2018, mainly reflecting the decrease in net income of the subsidiary in Poland.

REVIEW OF THE BALANCE SHEET

Following the entry into force of IFRS 9 - Financial Instruments on 1 January 2018 and the impacts thereon the format of the financial statements of Millennium bcp compared to 31 December 2017, whose balances were not restated, some indicators were defined based on management criteria intended to favour comparability with the financial information presented in previous periods, namely indicators related to loans to customers, balance sheet customer funds and securities portfolio.

BALANCE SHEET AS AT 31 DECEMBER

Euro million

	2019	2018	2017 (1)	Chan. % 19/18
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions (2)	5,487	3,081	2,463	78.1%
Financial assets measured at amortised cost				
Loans and advances to credit institutions	893	890	1,066	0.3%
Loans and advances to customers	49,848	45,561	45,626	9.4%
Debt instruments	3,186	3,375	2,008	-5.6%
Financial assets measured at fair value through profit or loss				
Financial assets held for trading	878	870	898	0.9%
Financial assets not held for trading mandatorily at fair value through profit or loss	1,406	1,405	–	0.1%
Financial assets designated at fair value through profit or loss	31	33	142	-4.7%
Financial assets measured at fair value through other comprehensive income	13,217	13,846	–	-4.5%
Financial assets available for sale	–	0	11,472	
Financial assets held to maturity	–	0	412	
Investments in associated companies	400	405	571	-1.2%
Non-current assets held for sale	1,280	1,868	2,165	-31.5%
Other tangible assets, goodwill and intangible assets	972	636	655	52.9%
Current and deferred tax assets	2,747	2,949	3,164	-6.8%
Other (3)	1,298	1,004	1,299	29.2%
TOTAL ASSETS	81,643	75,923	71,939	7.5%
LIABILITIES				
Financial liabilities measured at amortized cost				
Resources from credit institutions	6,367	7,753	7,487	-17.9%
Resources from customers	59,127	52,665	48,285	12.3%
Non subordinated debt securities issued	1,595	1,686	2,067	-5.4%
Subordinated debt	1,578	1,072	1,169	47.2%
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	344	327	399	5.2%
Financial liabilities measured at fair value through profit or loss	3,201	3,604	3,844	-11.2%
Other (4)	2,051	1,853	1,509	10.7%
TOTAL LIABILITIES	74,262	68,959	64,760	7.7%
EQUITY				
Share capital	4,725	4,725	5,601	
Share premium	16	16	16	
Preference shares	–	0	60	
Other equity instruments	400	3	3	
Treasury shares	(0)	(0)	(0)	-37.8%
Reserves and retained earnings (5)	676	735	215	-8.0%
Net income for the period attributable to Bank's Shareholders	302	301	186	0.3%
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,120	5,780	6,081	5.9%
Non-controlling interests	1,262	1,183	1,099	6.6%
TOTAL EQUITY	7,381	6,964	7,180	6.0%
TOTAL LIABILITIES AND EQUITY	81,643	75,923	71,939	7.5%

(1) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by the standard.

(2) Includes Cash and deposits at Central Banks and Loans and advances to credit institutions.

(3) Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.

(4) Includes Hedging derivatives, Provisions, Current and deferred income tax liabilities and Other liabilities.

(5) Includes Legal and statutory reserves and Reserves and retained earnings.

The reconciliations between the management criteria defined and the accounting informatiom included in the consolidated financial statements are presented below.

Loans to customers (gross) includes loans to customers at amortized cost before impairment, debt securities at amortized cost associated with credit operations before impairment and loans to customers at fair value through profit or loss before fair value adjustments. The amount of balance sheet impairment considered for the purpose of estimating loans to customers (net) and the coverage of the loan portfolio includes the balance sheet impairment associated with credit at amortised cost, the balance sheet impairment related with debt securities at amortised cost associated with credit operations and the fair value adjustments associated with loans to customers at fair value through profit or loss.

Loans to customers

Euro million

	2019	2018	2017
Loans to customers at amortised cost (accounting Balance Sheet)	49,848	45,561	45,626
Debt instruments at amortised cost associated to credit operations	2,075	2,271	2,008
Balance sheet amount of loans to customers at fair value through profit or loss	352	291	0
Loan to customers (net) considering management criteria	**52,275**	**48,123**	**47,633**
Balance sheet impairment related to loans to customers at amortised cost	2,417	2,852	3,279
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	12	40	43
Fair value adjustments related to loans to customers at fair value through profit or loss	20	17	0
Loan to customers (gross) considering management criteria	**54,724**	**51,032**	**50,955**

Regarding deposits and other resources from customers, the Bank continued to use the approach previously used for the item “Resources from customers”, putting together resources from customers at amortized cost and customer deposits at fair value through profit and loss. Balance sheet customer funds include, apart from deposits and other resources from customers, debt securities classified at amortized cost or designated at fair value through profit or loss.

Balance sheet customer funds

Euro million

	2019	2018	2017
Financial liabilities at fair value through profit or loss (accounting Balance sheet)	3,201	3,604	3,844
Debt securities at fair value through profit or loss and certificates	-1,481	-1,020	-941
Customer deposits at fair value through profit or loss considering management criteria	**1,720**	**2,584**	**2,902**
Resources from customers at amortised cost (accounting Balance sheet)	59,127	52,665	48,285
Deposits and other resources from customers considering management criteria (1)	**60,847**	**55,248**	**51,188**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet)	1,595	1,686	2,067
Debt securities at fair value through profit or loss and certificates	1,481	1,020	941
Non subordinated debt securities placed with institucional customers	-1,316	-1,369	-1,507
Debt securities placed with customers considering management criteria (2)	**1,760**	**1,337**	**1,501**
Balance sheet customer funds considering management criteria (1)+(2)	**62,607**	**56,585**	**52,688**

The securities portfolio includes debt securities at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding amounts related to credit operations and trading derivatives), financial assets at fair value through other comprehensive income and assets with repurchase agreement. In 2017, it also includes financial assets available for sale and financial assets held to maturity.

Securities portfolio

Euro million

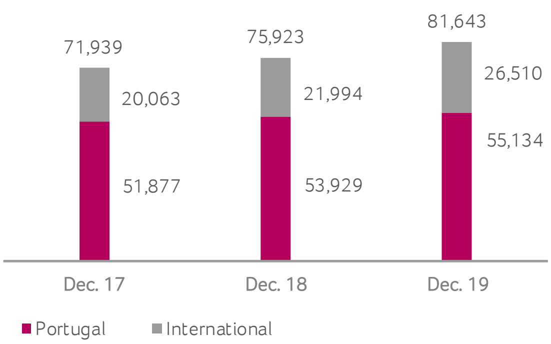
	2019	2018	2017
Debt instruments at amortised cost (accounting Balance sheet)	3,186	3,375	2,008
Debt instruments at amortised cost associated to credit operations net of impairment	-2,075	-2,271	-2,008
Debt instruments at amortised cost considering management criteria (1)	**1,111**	**1,104**	**0**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet)	1,406	1,405	0
Balance sheet amount of loans to customers at fair value through profit or loss	-352	-291	0
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (2)	**1,053**	**1,114**	**0**
Financial assets held for trading (accounting Balance sheet) (3)	878	870	898
of which: trading derivatives (4)	620	645	741
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (5)	31	33	142
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (6)	13,217	13,846	0
Assets with repurchase agreement (accounting Balance sheet) (7)	0	58	0
Financial assets available for sale (accounting Balance sheet) (7)	0	0	11,472
Financial assets held to maturity (accounting Balance sheet) (8)	0	0	412
Securities portfolio considering management criteria (1)+(2)+(3)-(4)+(5)+(6)+(7)+(8)+(9)	**15,671**	**16,380**	**12,182**

2019 was characterised by an increase in the consolidated balance sheet of Millennium bcp, in terms of assets, the growth of loans portfolio and of loans and advances at central banks should be highlighted and, the increase in resources from customers in terms of liabilities. This evolution was influenced by the impact of the acquisition of Euro Bank S.A., which was felt mainly in the loan portfolio and in resources from customers.

Although the structure of the consolidated balance sheet did not change significantly from the previous year, the evolution of deposits and other resources from customers and of the loans to customers portfolio led to a reduction in the commercial gap and, consequently, in the loans to deposits ratio (measured by the ratio of net loans and deposits and other resources from customers), which went from 87.1% at the end of 2018 to 85.9% on 31 December 2019.

TOTAL ASSETS

Million euros



Total assets of the consolidated balance sheet of Millennium bcp stood at 81,643 million Euros, on 31 December 2019, showing an 7.5% increase from 75,923 million Euros at the end of 2018, due to the performance of the activity in Portugal, and especially the international activity, namely through the Polish subsidiary. In consolidated terms, in addition to the above-mentioned growths in the loan portfolio and in loans and advances to central banks, the main increases were in other assets and tangible assets. This evolution was partially offset by the decrease in the securities portfolio and non-current assets held for sale namely in the portfolio of real estate received as payment, as well as deferred tax assets. Total liabilities stood at 74,262 million Euros in 2019, up 7.7% from 68,959 million Euros at the end of 2018, determined by the evolution of deposits and other resources from customers, which increased by 5,599 million Euros in this period. The increase in deposits and other resources from customers reflects the positive performance not only of the activity in Portugal, but above all of the international activity, whose growth reached 1,724 million Euros and 3,875 million Euros, respectively. Also contributing, albeit on a smaller scale, to the evolution of liabilities was the growth of subordinated debt and other liabilities, despite the decline in resources from central banks and other credit institutions. It should be noted that the increase in the subordinated debt of the Group is justified by a subordinate issue made in January 2019 by Bank Millennium in Poland of 830 million zlotys (199 million Euros on 31 December 2019) and the issuance by Millenniumbcp in Portugal in September 2019 of 450 million Euros).

Equity, including non-controlling interests, amounted to 7,381 million Euros at the end of 2019, compared to 6,964 million Euros accounted at the end of the previous year. A decisive factor in this progression was the placement of an Additional Tier 1 issue of 400 million Euros in the activity in Portugal, in January 2019.

LOANS TO CUSTOMERS

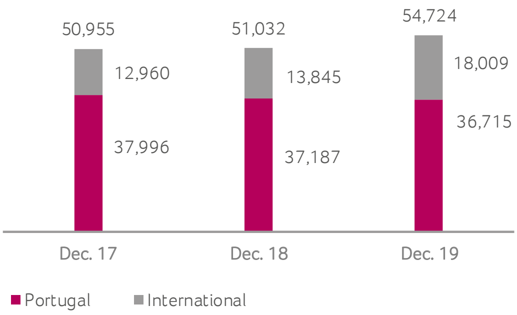
Consolidated loans to customers (gross) of Millennium bcp, as defined above, stood at 54,724 million Euros as at 31 December 2019, showing an 7.2% increase from 51,032 million Euros at the end of the previous year, determined by the evolution of the international activity, which was boosted by the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary. In the activity in Portugal, loans to customers (gross) stood slightly 31 December 2018, reflecting the strategy of NPE reduction. The evolution of the loans to customers portfolio, compared to 31 December 2018, was mainly due to the growth in loans to individuals from international activity, but also from activity in Portugal, although, in this case, to a lesser extent. Loans to companies were at a lower level than at the end of 2018, to the extent that the increase in international activity was not sufficient to offset the decrease in the activity in Portugal, which continues to reflect the effort to reduce non-performing exposures in order to achieve the objectives set out in the plan.

In the activity in Portugal, loans to customers (gross) stood at 36,715 million Euros on 31 December 2019, down 1.3% from 37,187 million Euros at the end of 2018. It should be noted that this trend was determined by the reduction of 1,551 million Euros of NPEs, which fell from 4,797 million Euros on 31 December 2018 to 3,246 million Euros at the end of 2019, thus maintaining the strategy of divestment in this type of assets implemented by the Bank in recent years. On the other hand, the increase of the performing loan portfolio, which grew by 1,078 million Euros over the same period, and the contribution of the companies segment to this growth should be noted.

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

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Euro million

	2019	2018	2017	Var. % 19/18
INDIVIDUALS				
Mortgage loans	25,894	23,781	23,408	8.9%
Personnal loans	6,016	4,017	3,795	49.8%
	31,910	27,798	27,203	14.8%
COMPANIES				
Services	8,578	8,762	9,244	-2.1%
Commerce	3,487	3,504	3,472	-0.5%
Construction	1,702	1,961	2,405	-13.2%
Other	9,047	9,008	8,632	0.4%
	22,814	23,234	23,753	-1.8%
LOANS AND ADVANCES TO CUSTOMERS				
Individuals	31,910	27,798	27,203	14.8%
Companies	22,814	23,234	23,753	-1.8%
	54,724	51,032	50,955	7.2%

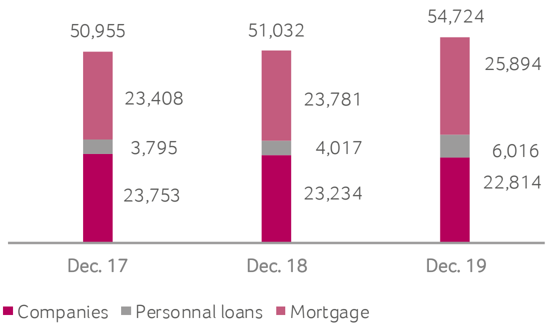
The structure of the consolidated gross loans to customers portfolio was balanced, with the relative weight of loans to individuals in the total amount of the portfolio increasing from 54.5% at the end of 2018 to 58.3% on 31 December 2019, while the weight of loans to companies stood at 41.7% at the end of 2019, compared to 45.5% on 31 December 2018, reflecting in this case the effect of the continued implementation of the NPE reduction plan in force at the Bank. The effect of the consolidation of Euro Bank S.A., which specialised in loans to individuals, also contributed to this evolution.

Loans to individuals, on 31 December 2019, stood at 31,910 million Euros, 14.8% up from 27,798 million Euros at the end of the previous year, mainly due to the evolution of the international activity, which grew 45.0% over the same period. The increase in the loans to individuals portfolio in the international activity, from 8,627 million Euros in December 2018 to 12,511 million Euros at the end of 2019, was due to both the evolution of mortgage loans and personal loans, which on 31 December 2019, amounted to 8,612 million Euros and 3,898 million Euros, respectively, representing growths of 30.5% and 92.4% over December 2018. It should be outlined that the increase in personal loans reflects mainly the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary. In the activity in Portugal, loans to individuals also showed an increase, although more modest, from the 19,171 million Euros in 31 December 2018, to 19,399 million Euros at the same date in 2019, due to the evolution of both mortgage loans and personal loans. On 31 December 2019, in consolidated terms, mortgage loans represented 81.1% of loans to individuals, while personal loans represented 18.9%.

Loans to companies amounted to 22,814 million Euros on 31 December 2019, 1.8% below 23,234 million Euros at the end of 2018, a situation which is due to the fact that the 5.4% increase in international activity was not enough to offset the 3.9% reduction in the activity in Portugal. In the activity in Portugal loans to companies amounted to 17,316 million Euros in 31 December 2019, compared to 18,017 million Euros on 31 December 2018 and it should be noted that this development is largely due to the continued effort to reduce the NPE stock. In the international activity, loans to companies stood at 5.4% above the value on 31 December 2018, amounting to 5,499 million Euros on 31 December 2019, mainly boosted by the organic growth of the Polish subsidiary.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Euro million

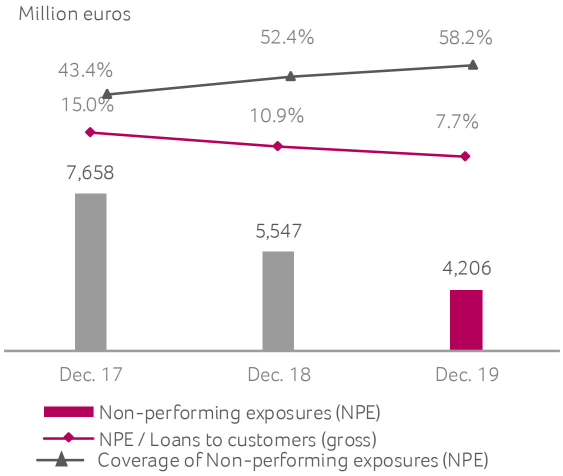
	2019	2018	2017	Chan. % 19/18
MORTGAGE LOANS				
Activity in Portugal	17,281	17,179	17,145	0.6%
International Activity	8,612	6,602	6,263	30.5%
	25,894	23,781	23,408	8.9%
PERSONNAL LOANS				
Activity in Portugal	2,118	1,992	1,988	6.3%
International Activity	3,898	2,026	1,807	92.4%
	6,016	4,017	3,795	49.8%
COMPANIES				
Activity in Portugal	17,316	18,017	18,863	-3.9%
International Activity	5,499	5,217	4,890	5.4%
	22,814	23,234	23,753	-1.8%
LOANS AND ADVANCES TO CUSTOMERS				
Activity in Portugal	36,715	37,187	37,996	-1.3%
International Activity	18,009	13,845	12,960	30.1%
TOTAL	54,724	51,032	50,955	7.2%

The focus on selectivity and monitoring of credit risk control processes and the initiatives by commercial areas and credit recovery areas, aiming at reducing the value of loans in default, have improved the quality of the credit portfolio over recent years.

This improvement is evidenced by the favourable evolution of the respective indicators, namely the overdue loans ratio for more than 90 days versus total loans, which went from 3.8% on 31 December 2018 to 2.7% on 31 December 2019, and the ratios of NPL for more than 90 days and NPE as a percentage of the total loans portfolio, which evolved from 6.1% and 10.9% at the end of 2018 to 4.1% and 7.7% on 31 December 2019 respectively, essentially reflecting the performance of the domestic credit portfolio.

At the same time, coverage by impairments showed a generalized positive progression, highlighting the reinforcement of coverage of NPE by impairment from 52.4% on 31 December 2018 to 58.2% at the end of 2019. In the activity in Portugal, the improvement was even more significant, as it increased by 8 percentage points to 57.8% on 31 December 2019, compared to 49.7% at the end of the previous year.

CREDIT QUALITY



The coverage of NPL for more than 90 days by impairments, in consolidated terms, also improved, having increased approximately 15 percentage points compared to 2018. The coverage ratio of overdue loans by more than 90 days by impairments, on a consolidated basis, also deserves to be mentioned, having improved from 148.1% on 31 December 2018 to 164.8% on the same date of 2019 (from 141.8% to 172.5% in Portugal over the same period).

Overdue loans by more than 90 days showed a decrease of 24.3% compared to 1,964 million Euros at the end of 2018, amounting to 1,486 million Euros on 31 December 2019.

Total overdue loans decreased by 23.0% compared to the 2,084 million Euros at 31 December 2018, to 1,605 million Euros at the same date in 2019, benefiting from the evolution in the activity in Portugal, where there was a reduction of 616 million Euros compared to the 1,733 million Euros recorded at the end of 2018.

NPE decreased to 4,206 million Euros on 31 December 2019, a reduction of 1,341 million Euros compared to the end of 2018. In the activity in Portugal, the reduction was 1,551 million Euros in the same period.

CREDIT QUALITY INDICATORS

	Group				Activity in Portugal			
	Dec.19	Dec.18	Dec.17	Var. % 19/18	Dec.19	Dec.18	Dec.17	Var. % 19/18
STOCK								
Loans to customers (gross)	54,724	51,032	50,955	7.2%	36,715	37,187	37,996	-1.3%
Overdue loans > 90 days	1,486	1,964	2,933	-24.3%	1,088	1,681	2,641	-35.2%
Overdue loans	1,605	2,084	3,022	-23.0%	1,117	1,733	2,689	-35.5%
Restructured loans	3,097	3,598	4,184	0	2,529	3,062	3,643	-17.4%
Non-performing loans (NPL) > 90 days	2,261	3,105	4,527	-27.2%	1,689	2,651	4,058	-36.3%
Non-performing exposures (NPE)	4,206	5,547	7,658	-24.2%	3,246	4,797	6,754	-32.3%
Loans impairment (Balance sheet)	2,449	2,909	3,322	-15.8%	1,877	2,383	2,864	-21.2%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS								
Overdue loans > 90 days / Loans to customers (gross)	2.7%	3.8%	5.8%		3.0%	4.5%	7.0%	
Overdue loans / Loans to customers (gross)	2.9%	4.1%	5.9%		3.0%	4.7%	7.1%	
Restructured loans / Loans to customers (gross)	5.7%	7.1%	8.2%		6.9%	8.2%	9.6%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	4.1%	6.1%	8.9%		4.6%	7.1%	10.7%	
Non-performing exposures (NPE) / Loans to customers (gross)	7.7%	10.9%	15.0%		8.8%	12.9%	17.8%	
COVERAGE BY IMPAIRMENTS								
Coverage of overdue loans > 90 days	164.8%	148.1%	113.2%		172.5%	141.8%	108.4%	
Coverage of overdue loans	152.6%	139.6%	109.9%		168.1%	137.6%	106.5%	
Coverage of *Non-performing loans* (NPL) > 90 dias	108.3%	93.7%	73.4%		111.1%	89.9%	70.6%	
Coverage of *Non-performing exposures* (NPE)	58.2%	52.4%	43.4%		57.8%	49.7%	42.4%	

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

CUSTOMER FUNDS

On 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Markets in Financial Instruments Directive (MiFID II), as well as changes in perimeter and criteria, namely regarding the inclusion of third-party products held by customers that contribute to commissions ("assets placed with customers"). The information as of 31 December 2017 is presented under this new criteria.

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

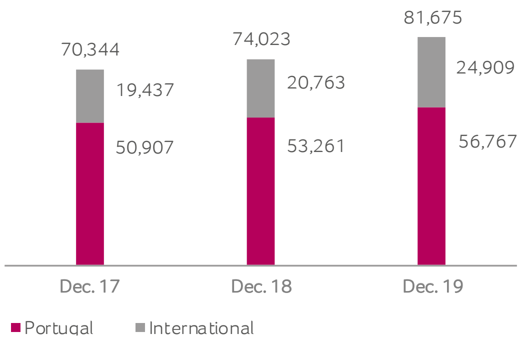
In the activity in Portugal, total customer funds also benefited from the good performance of all items, reaching 56,767 million Euros on 31 December 2019, compared to 53,261 million Euros at the same date in the previous year, with particular emphasis on the 1,724 million Euros increase in deposits and other resources from customers in the same period.

In the international activity, total customer funds grew by 20.0% compared to 20,763 million Euros on 31 December 2018, reaching 24,909 million Euros at the end of 2019.

This performance was supported by the increase in deposits and other resources from customers of the Polish subsidiary, to which contributed not only the impact of the acquisition of Euro Bank S.A., but also the current activity of the subsidiary itself.

TOTAL CUSTOMER FUNDS

Million euros



TOTAL CUSTOMER FUNDS

Euro million

	2019	2018	2017	Chan. % 19/18
BALANCE SHEET CUSTOMER FUNDS				
Deposits and other resources from customers	60,847	55,248	51,188	10.1%
Debt securities placed with customers	1,760	1,337	1,501	31.6%
	62,607	56,585	52,688	10.6%
OFF BALANCE SHEET CUSTOMER FUNDS				
Assets under management	5,745	5,018	5,130	14.5%
Assets placed with customers (*)	4,312	3,793	4,151	13.7%
Insurance products (savings and investment)	9,011	8,627	8,374	4.5%
	19,069	17,438	17,656	9.4%
TOTAL	81,675	74,023	70,344	10.3%

(*) Excludes assets under management.

The balance sheet customer funds of the Group, which include deposits and other resources from customers and debt securities placed with customers, amounted to 62,607 million Euros on 31 December 2019, showing a 10.6% increase from the 56,585 million Euros at the end of the previous year, mainly driven by the increase in deposits and other resources from customers, but also benefiting from the growth in debt securities placed with customers compared to the previous year. Both the activity in Portugal and the international activity showed a good performance under balance sheet customer funds.

On 31 December 2019, balance sheet customer funds represented 77% of total customer funds, with deposits and other resources from customers representing 74% of total customer funds.

Deposits and other resources from customers were up 10.1% compared to the 55,248 million Euros on 31 December 2018, rising to 60,847 million Euros at the end of 2019, confirming their weight in the asset finance structure over recent years. The increase of 5,599 million Euros compared to December 2018 resulted from the performance of both the activity in Portugal and the international activity, which increased by 1,724 million Euros and 3,875 million Euros, respectively. In the international activity, despite the growth in the subsidiary in Mozambique, it was the operation in Poland that boosted the growth revealed by deposits and other resources from customers both through the acquisition of Euro Bank S.A. and the expansion of the commercial business of the subsidiary itself.

Debt securities placed with customers, which correspond to the debt securities issue by the Group subscribed by customers, evolved favourably with an increase of 31.6% from the end of 2018, standing at 1,760 million Euros on 31 December 2019, mainly reflecting the evolution of the activity in Portugal. The international activity, namely the Polish subsidiary, also increased in that period, although to a lesser extent.

Off balance sheet customer funds, which include assets under management, assets placed with customers and insurance products (savings and investment) totalled 19,069 million Euros at the end of December 2019, up 9.4% from 17,438 million Euros at the same date in the previous year. The most significant increase resulted from the activity in Portugal, whose off balance sheet customer funds rose from 14,361 million Euros on 31 December 2018 to 15,751 million Euros at the end of 2019.

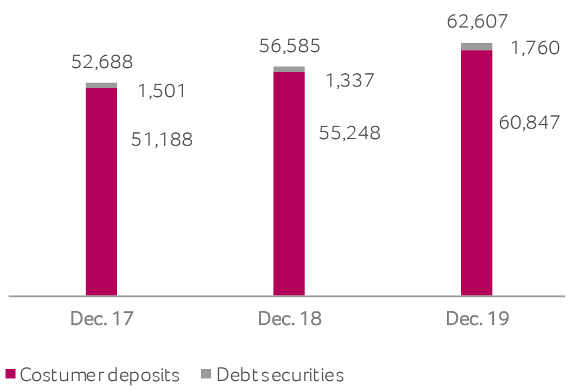
Assets under management, which result from the provision of portfolio management services under existing placement and management agreements, amounted to 5,745 million Euros on 31 December 2019, up 14.5% from 5,018 million Euros at the end of 2018, due to the performance of both the activity in Portugal and the international activity, where the amount of assets under management rose 17.0% and 11.1% respectively.

Assets placed with customers, which correspond to the amounts held by customers third-party products that contribute to, also performed favourably in 2019, having increased 13.7% from the 3,793 million Euros recorded on 31 December 2018, amounting to 4,312 million Euros. The 511 million Euros increase in the activity in Portugal was the main reason for this progression, with assets placed with customers in international activity also being higher than at the end of 2018.

Insurance products (savings and investments) amounted to 9,011 million Euros on 31 December 2019, up 4.5% on the 8,627 million Euros recorded on the same date of the previous year, determined by the 387 million Euros increase in the activity in Portugal.

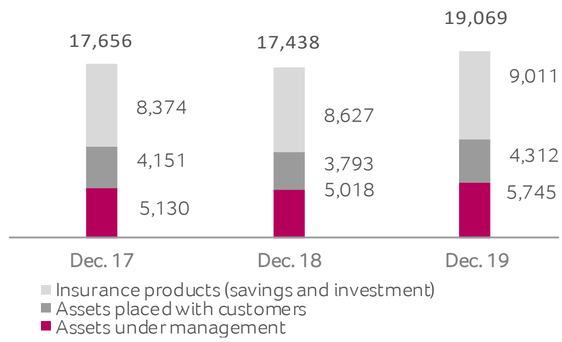
BALANCE SHEET CUSTOMER FUNDS

Million euros



OFF BALANCE SHEET CUSTOMER FUNDS

Million euros



TOTAL CUSTOMER FUNDS

million euros

	2019	2018	2017	Chan. % 19/18
BALANCE SHEET TOTAL CUSTOMER FUNDS				
Activity in Portugal	41,016	38,900	36,681	5.4%
International Activity	21,591	17,685	16,007	22.1%
	62,607	56,585	52,688	10.6%
OFF BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	15,751	14,361	14,226	9.7%
International Activity	3,318	3,077	3,430	7.8%
	19,069	17,438	17,656	9.4%
TOTAL CUSTOMER FUNDS				
Activity in Portugal	56,767	53,261	50,907	6.6%
International Activity	24,909	20,763	19,437	20.0%
TOTAL	81,675	74,023	70,344	10.3%

SECURITIES PORTFOLIO

The securities portfolio, as defined above, amounted to 15,671 million Euros in 31 December 2019, compared to 16,380 million Euros on the same date last year, representing 19.2% of total assets compared to 21.6% at the end of 2018. In this evolution, we must point out the decrease of 664 million Euros in the public debt securities portfolio, which decreased from 13,089 million Euros at the end of 2018 to 12,426 million Euros in 31 December 2019, still representing 79.3% of the total amount of the securities portfolio in line with the 79.9% at the same date of the previous year.

The performance of the securities portfolio of the Group was determined by the reduction of 801 million Euros in the portfolio of the activity in Portugal, whose balance sheet amount stood at 9,482 million Euros at the end of 2019 compared to 10,283 million Euros on 31 December 2018. This reduction was largely due to the sale of Portuguese sovereign debt.

SECURITIES PORTFOLIO

Euro million

	2019	2018	2017	Change 18/17
Financial assets measured at amortised cost (1)	1,111	1,104	(0)	0.7%
Financial assets measured at fair value through profit or loss (2)	1,343	1,372	299	-2.1%
Financial assets measured at fair value through other comprehensive income	13,217	13,846	--	-4.5%
Financial assets available for sale	--	--	11,472	-
Financial assets held to maturity	--	--	412	-
Assets with repurchase agreement	--	58	--	-100.0%
TOTAL	15,671	16,380	12,182	-4.3%
of which:				
Activity in Portugal	9,482	10,283	7,047	-7.8%
International activity	6,189	6,097	5,135	1.5%

(1) Corresponds to debt instruments not associated to credit operations.

(2) Excluding the amounts related to loans to customers and trading derivatives.

LOANS AND AMOUNTS OWED TO CREDIT INSTITUTIONS

Resources from other credit institutions, net of cash and loans and advances to other credit institutions, totalled 5,153 million Euros at the end of 2019, compared to 6,536 million Euros on 31 December 2018, reflecting a reduction in net wholesale funding needs in the Portuguese operation, despite the increase in Bank Millennium, in this case resulting mainly from the acquisition of Euro Bank S.A.

The developments in Portugal were due to the impact, in decreasing order of materiality, of the reduction in the commercial gap and in the investments in sovereign debt, cash flow from operations, sale of other assets and reduction of the corporate securities portfolio.

The value of collateralised borrowings with the ECB remained at 4.0 billion Euros, corresponding to the balance of targeted longer-term refinancing operations (TLTRO), which will mature in 2020. Net debt with the ECB, which deducts from the value of the gross borrowings the liquidity deposited with the Bank of Portugal and other liquidity denominated in Euros in excess of the minimum cash reserves, reached the lowest value since the Bank borrows from the central bank at 283 million Euros, a reduction of 2.4 billion Euros over the previous year.

The "Liquidity Risk" section presents an analysis of the main lines of action and objectives of Millennium bcp regarding the liquidity management priorities defined in the Liquidity Plan for the year under analysis, namely the management of the portfolio of assets eligible for refinancing operations, so as to guarantee the appropriate funding of the activity in the short-term and in the medium- to long-term.

OTHER ASSET ITEMS

Other asset items, which include hedging and trading derivatives, investments in associates, non-current assets held for sale, investment property, other tangible assets, goodwill and intangible assets, current and deferred tax assets and other assets, amounted to 7,317 million Euros on 31 December 2019, representing 9.0% of total consolidated assets. At the end of 2018, other asset items represented 9.8% of the total consolidated assets, totalling 7,449 million Euros.

EQUITY

On 31 December 2019, total equity (including non-controlling interests) amounted to 7,381 million Euros, up 6.0% from 6,964 million Euros at the same date in 2018. This increase mainly reflects the evolution of equity attributable to the Bank's shareholders, from 5,780 million Euros at the end of December 2018 to 6,120 million Euros on 31 December 2019, driven by the placement in January 2019 of an Additional Tier 1 issue in the amount of 400 million Euros, by the positive impact of the fair value reserve which increased by 91 million Euros net of tax and by the generation of capital associated with the net income for the year totalling 302 million Euros. Conversely, equity was penalised by negative actuarial deviations associated with the pension fund of the Group, which totalled 336 million Euros after tax, by exchange rate differences on consolidation, totalling 36 million Euros, which resulted mainly from the evolution of the stake in Banco Millennium Angola which was strongly influenced by the devaluation of the Kwanza in 2019, by the impact associated with the distribution of dividends, amounting to 30 million Euros, and by interest on the bonds of the Additional Tier 1 issue, which amounted to 28 million Euros.

At the same time, non-controlling interests stood at 1,262 million Euros on 31 December 2019, up 6.6% from 1,183 million Euros at the same date last year.

Business Areas

Activity per Segments

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

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

(*) Excludes the Specialized Credit and Real Estate Division from the commercial network, which are included under "Other".

(**) From Treasury and Markets International Division.

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

(****) Consolidated by the equity method.

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

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

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

Operating costs related to the business segments do not include restructuring costs and other costs considered as specific items recorded in 2019 and 2018, respectively.

The information presented below was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 31 December 2019

RETAIL

Mass Market

- Focus on the capture of new Mass Market clients, (200,000 new Clients were captured), on increasing the current Client's loyalty and on enhancing the digital involvement of Clients with the Bank;
- Campaign "A Escolha certa, agora com mais 4 vantagens" (the right choice, now with 4 additional benefits), following the award to Millennium bcp of the "Consumer's Choice" prize for two consecutive years; this campaign offered 4 exclusive benefits for new clients: integrated solutions, credit card, receiving the wage through the bank and access to the term deposit "Depósito #1";
- Campaign "Summer Festivals 2019" targeting new clients, offering 1 ticket for all the most significant summer festivals: MEO Sudoeste, Super Bock Super Rock, Sumol Summer Fest and Galp Beach Party;
- Campaign "Ser Millennium é ter mais" (being Millennium means having more) based on the draw of nine upper-range mobile phones, addressed to current and new clients, with the purpose of increasing the number of new clients and the loyalty of current ones;
- Promotion of several one-off tailored marketing actions with the purpose of increasing cross-selling of clients with greater appetite for acquiring key financial products;
- The recommendation of the Bank by clients to their family members continued to be promoted by means of the product Vantagem Família (Family Advantage), according to which the subscribers of an Integrated Solution may extend some of its exclusive benefits (credit, insurances, integrated solutions) to their direct family members;
- The Bank was able to achieve historical highs in terms of Customer Experience indicators through the implementation of several improvement actions;
- The Bank was able to achieve a significant improvement of efficiency in Mass Market branches of the Retail network, notably in operating efficiency, by reducing transactions and focusing on digitalisation;
- Ongoing focus on digital enabled the Bank to reach 1.7 million accounts with e-statement, representing a penetration rate in excess of 70%.

Prestige

- Significant increase in the number of Prestige customers, keeping up with the 2018 momentum via the improvement in the commercial systematic, cross-networking and member get member initiatives and also by the establishment of protocols with companies and support to campaigns, such as the campaign "Vantagem Família" (with benefits extended to the relatives of our clients), the campaign "Consumer's Choice" and the Campaign "Médis & Móbis";
- Continuation of the Program #1 Customer Experience, with the implementation of the Diversification Action. Assessment of claims' and compensations' processes, and ongoing training in commercial and service techniques for the entire Personalised Management network, leading to an improved Manager's Net Promoter Score;
- There was an increase in credit granting to clients of the Prestige segment, both in personal loans (*online* and pre-approved), and home loans, with the launching of client-friendly services, namely the provision of after hours services and representation of the client at the deed (by means of a power of attorney). In personal loans, increase of the weight of the digital channel (website and app) in total subscriptions through the launching of new mobile services and products, such as Car Credit and pre-approved offers;
- Regarding savings and investments, the Bank pursued the activities to improve the Client's experience in all channels to be able to correspond to the Client's expectations and objectives, with the diversification of their financial assets. The Bank developed an innovative offer within the scope of Retirement Solutions – non-accumulation products offering the Customer the possibility of receiving an extra income during his/her retirement, guaranteeing an improved quality of life;
- Within the scope of financial literacy of Prestige Clients, the Bank launched the Millennium Talks, a series of online webinars;
- For Prestige Clients, the Bank also developed relationship marketing actions in sporting events, such as the Millennium Estoril Open.
- In Customized Remote Management, the Bank continued to provide a service of quality to Digital Prestige Customers.

Residents abroad

- Launching of the Foreigners Segment (residents in Portugal or abroad), separating it from the Segment of Portuguese Residing Abroad;
- The increase in the number of new Clients, namely foreigners, continued to be supported by referral, communication and strengthening of the relation with Clients in countries with the largest communities of emigrants and via protocols to attract Clients classified as Non-usual Residents and individuals with Golden Residence Permits.
- Excellent dynamics in production of home and personal loans, with a significant growth; the Clients residing abroad already represent a relevant percentage in home and personal loans;
- The Bank carried out 4 Millennium Summer Festivals in several regions of the country, involving around 10,000 individuals from amongst Clients and Suppliers, enhancing Millennium bcp's image as a bank of reference in this Segment.
- Provision of the service to obtain the Multichannel code at millenniumbcp.pt using the foreign tax identification number, a tool to leverage the commercial actions focused at increasing use of this service by clients from Portuguese worldwide communities and by foreigners.

Business

- The Bank continued to contribute towards the economic development of the country, focusing on the support to small and medium-sized companies;
- Consolidation of the main business items, recording a significant increase in credit and in new customers (+12%) versus 2018.
- Reinforcement of the value proposal for the segment, with the launching of the online factoring and confirming contracting (the first credit solution for companies that can be contracted online and whose contract can be signed through a Qualified Digital Certificate) and the launching of a new business systematic model for the follow-up of new managed customers;
- Launching of M Contabilidade, the first open banking service allowing to integrate the accounts of business customers with the platform of the Portuguese Association of Certified Accountants (online TOC), this way benefiting Entrepreneurs and Accountants by means of payment integration and support to banking reconciliation. 9 months after the launching of this service, more than 2400 corporate users and more than 1500 Accountants benefited from this service's advantages;
- For the second consecutive year the Bank was distinguished as the "Best Bank for Companies", in accordance with the survey made by DATA E, maintaining the leading position as the "Main Bank" of Companies with a market share of 18.1%;
- Millennium bcp maintained its leading position in the attribution of "PME 2019", holding to the leading position achieved in 2018;
- The Bank continued to support the brands operating in Portugal under the franchising model and 75 brands chose the Bank as its financial partner, having been once more the host of the CEO *Franchising Conference*. The Bank also attended the largest franchising fair in Portugal, the Expofranchise and was the official partner of Norte Franchise.

PRODUCTS

Personal loans

- Availability of a competitive offer adjusted to the needs of Customers;
- Strong focus on digital Channels with the development of several actions to increase business;
- Availability of a new consumer loan calculation tool in the app;
- Availability of a new online contracting product on the Millennium App, for car financing;
- Investment in the support and education of young people, through the offer of a University Credit Line with Mutual Guarantee;
- Ongoing investment in the loan contracting process, for car financing, aiming at increasing production, agility and speed in that process.

Mortgage loans

- Competitive offer, targeted towards the profile of Clients aiming at simplification, agility and speed in the processes;
- Mixed rate credit solution, for clients that prefer stability in their instalments;
- Attractive proposal for clients intending to transfer to Millennium bcp the Credit they have.
- Focus on comfort and convenience for the Client, namely through the possibility of signing contracts after hours and of being represented at the deed, free of charge for Clients.
- Availability of a specialised follow-up service in the loan contracting stage.

Investment solutions

Considering the current historically low interest rates context, the Retail Network continued to design solutions for customers to diversify their financial assets, including products such as Certificates, Indexed Deposits, Structured Bonds, Investment Funds and Financial Insurances.

- The Bank kept in mind the concern to help Customers plan their future, namely through Retirement solutions;
- For Retired Customers, *Aproveite Mais* Solutions (Enjoy More) were launched, which focus on financial non-accumulation products, within the scope of capital preservation and monthly income as a supplement to the pension;
- For investments, the process of continuous improvement of the offer continued, and of the conditions that allow the consolidation of provision of Information in investment solutions.

Integrated Solutions

- Launch of the Customer acquisition campaign with the promotion of integrated solutions for only 1 Euro/month;
- Reinforcement of "*Vantagens Família*" (Family Benefits), the most comprehensive in the banking system;
- Continuation of the reinforcement in the value proposition of integrated solutions, with the inclusion of MB WAY transfers, continuing to reward Customers with greater involvement with the Bank;
- Awards throughout the year for digital Customers (special pricing on the website);
- Launch of the campaign based on the concept "*1 milhão já tem a Solução*" (1 million already has the solution), with strong visibility;
- Reinforcement of the value proposal for self-employed individuals and small companies with the inclusion of *M Contabilidade* (M Accounting) and P@y.Me in the solution *Cliente Frequente Negócios* (Frequent Client Business).

Account opening

- Possibility to open an account faster and easier, just by presenting the Citizen Card! Simple and effective! (Protocol signed between Millennium bcp and *Agência para a Modernização Administrativa – AMA*).

ActivoBank

- In 2019, ActivoBank reached 302 thousand Customers, which represents a 32% growth in the Customer base compared to 2018, as a result of strong Customer acquisition in the 25-44 year old segment;
- Strengthening of the digital value proposal by making the Account Opening process totally digital on the website, increasing in approximately 72% the acquisition of business via digital, compared to 2018;
- Launching of the new ActivoBank App, with a re-designed user experience and new tools, of which the 100% digital personal loans process stands out, along with with a simpler and intuitive browsing.
- Significant increase in the number of users of the app, which stood at 56% versus the 49% recorded by the end of June 2018;
- Launching of the ActivoTrader investments app with a totally revamped and simplified trading experience, enabling immediate trading and management of orders using the app, access to the most important world markets and trading of Shares, ETF's, Warrants, Certificates and bonds;
- Development and implementation of a credit solution for the purchase of used cars, the Car Loan without reserved ownership.
- Launching of the personal loans campaigns, mostly in radio and in digital means, focusing mainly on the major credit purposes: Renovation works; travelling and first car, and also the Black Friday campaign throughout November with the motto "AB FRIDAY";
- 67% growth in the personal loan portfolio and 58% in the home loan portfolio;
- Launch of Travel Insurance On/Off that offers total freedom and flexibility to its Customers and can be activated/deactivated at any time, through the app. This insurance policy is available through a single contract, with a duration of three years and can be used regardless of the number of trips abroad. Customers activate it whenever they wish and only the days in which the insurance is active are charged.
- ActivoBank's positioning regarding the Mbway price list, with the campaign "*Mbway sem pagar é ABWay*" (Mbway without paying is ABWay) in partnership with the influencer "*Bumba na Fofinha*";
- Launch of the Discovery Lab, a laboratory for testing usability with Customers in order to optimise the servicing/sales processes in digital channels in line with the expectations/needs of Customers;

- Opening of the *Ponto Activo Oeiras Parque* (Branch), reinforcing the bank's physical presence to 16 branches;
- Introduction of the digital queue management system, in order to optimise customer influx at *Pontos Activo* (branches);
- Presence in the social media Hackathon, UPLoad LX reinforcing support for digital marketing and social media initiatives;
- By sponsoring sporting events, ActivoBank was at the Volleyball Nations League 2019, at the Beach VolleyBall Championship ACTIVOBANK and at several stages of the National Circuit of Beach Handball, this way, supporting physical activity and a healthy and active lifestyle.
- Banking product and net income increased by 22% and 39%, respectively, compared to 2018.

Microcredit

- Funding of 177 new operations, totalling 2,924 million Euros of credit and 368 new workstations created in 2019;
- The volume of credit granted to the 676 operations in the portfolio, until December 31, 2019, totalled 5.1 million Euros;
- Establishment of 22 new cooperation agreements for entrepreneurial action and new dynamics for accessing microcredit, 4 of which with City Councils;
- Meetings with Municipalities, Parishes, Schools, Entrepreneurial Associations and Social Economy Entities. The Bank participated, as speaker, in 45 information sessions in events for the disclosure and promotion of employment and entrepreneurial spirit and attended 18 entrepreneurial fairs.

Million euros

RETAIL BANKING in Portugal	31 Dec. 19	31 Dec. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	475	422	12.6%
Other net income	399	387	3.2%
	874	809	8.1%
Operating costs	488	467	4.5%
Impairment (excluding the impairment related to NPE in the begening of the year)	18	14	26.1%
Income before tax (excluding impairment charges for NPE)	368	328	12.3%
Impairment charges for NPE	7	(2)	
Income before tax	361	330	9.6%
Income taxes	111	103	9.2%
Income after tax	250	227	9.7%
SUMMARY OF INDICATORS			
Allocated capital	1,128	975	15.7%
Return on allocated capital	22.1%	23.3%	
Risk weighted assets	9,440	8,794	7.3%
Cost to income ratio	55.8%	57.8%	
Loans to Customers (net of impairment charges)	22,029	21,258	3.6%
Balance sheet Customer funds	30,255	28,187	7.3%

Notes:

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

Income

Income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 250 million in 2019, a 9.7% growth compared to Euros 227 million in 2018, reflecting the favourable performance of this business unit Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income went up to Euros 475 million in 2019 and grew by 12.6% compared to the previous year (Euros 422 million), positively influenced by the higher return on the loan portfolio, in particular through the increase of the existing volumes, by the continuous decrease in costs on term deposits and by the higher income arising from the internal placements of the excess of liquidity.
- Other net income rose from Euros 387 million in 2018 to Euros 399 million in 2019, showing a 3.2% increase.
- Operating costs went up 4.5% from 2018, reflecting, at the staff costs, the impact of the increase in the average number of employees throughout the year. The evolution of other administrative expenses includes, on the one hand, the effect of the reduction in the number of branches and, on the other hand, the impact of branch renewal, following the ongoing digitization project.
- Impairment charges amounted to Euros 25 million in 2019, comparing unfavourably with Euros 12 million in 2018, when impairment on non-performing exposures monitored by the Retail Recovery Division benefited from a higher level of recoveries.
- In December 2019, loans to customers (net) totalled Euros 22,029 million, 3.6% up from the position at the end of December 2018 (Euros 21,258 million), while balance sheet customer funds increased by 7.3% in the same period, amounting to Euros 30,255 million by the end of December 2019 (Euros 28,187 million recorded at the end of the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Companies and Corporate

2019 was marked by the renewal of several leading positions, and the bank was elected, for the second consecutive year, as the Best Bank for companies.

The Bank was again recognised as the Closest, Most Innovative, with the Most Suitable Products for Companies (BFin Data-E 2019). The double victory in *PME Líder* and *PME Excelência* was also regained in 2019, with a 27% market share.

The commitment to new financial solutions and support to new sectors of activities confirmed the leading position as #1 Bank in Credit Lines (BFin Data-E 2019):

- Portugal 2020: Within the support to companies with Portugal 2020 applications and investment projects approved within the scope of Portugal 2020 Programme, Millennium bcp granted new loans exceeding 573 million Euros;
- Financial Instrument for Urban Rehabilitation and Revitalisation (IFRRU): Significant increase in 2019 with a total of 28 operations, representing 32 million Euros of contracted financing;
- Local Millennium: Global solution developed for Municipalities and their Services, represented by a set of customisable solutions, with competitive conditions, promoting and boosting the economic and financial needs of Local Government;
- FEI Cosme Line: New loans amounting to 93 million Euros (cumulative) for a unique guarantee solution in Portugal that extended the Bank's offer to new Clients, New Companies or specific economic sectors such as Agriculture, Tourism, Energy, Services or Health;
- Millennium EIF Innovation II Credit Facility: New loans of 231 million Euros (cumulative), reinforcing the Bank's leading position as FEI #1 Bank in Portugal;
- Millennium IFD *Capitalizar* Mid-Caps Line: New financing solutions for loans granted by the Bank, in Portugal and in other countries of the European Union, in sectors of the economy linked to Industry, Agriculture and Tourism.

- Credit Lines with autonomous bank guarantee provided by Mutual Guarantee Societies (*SGM*): New loan agreements in excess of 234 million Euros of guarantees issued, representing a market share of 17.1%, with the Bank reaching the #2 position for the first time in the year;

- Market leading position in factoring and leasing, according to the Leasing and Factoring Association (ALF), with a 27% market share in total factoring and 19% in total leasing. In comparison with the 2018 half-year, the factoring and confirming areas surged 14% and 4%, respectively, in terms of invoice financed and credit balance. New Leasing production above 600 million Euros.

- Global leader in Exporting Companies (BFin Data-E 2019) in trade finance, with an increase of 12% in the number of new Customers, which contributed to the 15% growth in the number of new operations, representing a turnover in excess of 70.6 billion Euros in the year.

Proximity

Strengthening partnerships, constantly seeking for greater proximity and solutions that make it easier for Companies to do business:

- Consolidation of the leading position as the Most Innovative Bank, again the most used bank in NetBanking, with a 27% of market share (BFin Data-E 2019);

- Creation of the Millennium AgroNews, a distinctive and innovative quarterly publication, aimed at presenting the most significant developments in the Agricultural Sector to the market, with a commitment to the strategic strengthening of proximity and investment in this growth sector;

- The 3rd edition of the Millennium Horizontes Awards took place, which had a record number of 2,167 applications, from companies across several sectors of activity, demonstrating the growing vitality and interest that these Awards raise;

- Participation, at the invitation of AIP (*Associ-ação Industrial Portuguesa* / Portuguese Industrial Association), in the Workshops "*Aprender a Exportar*" (Learn to Export), where financing offers were presented within the scope of Portugal 2020 to entrepreneurs in the regions of Lisbon, Torres Vedras, Évora, Castelo Branco, Portalegre, Beja, Loulé, Santarém e Coimbra;

- Participation, at the invitation of NERSANT, in the "*Perspetivas da Banca e Investidores*" workshop (Banking and Investor Perspectives) under the theme "Optimisation of financial costs and access to financing - Banking sector perspective" which that took place in Rio Maior.

Investment banking

- In Corporate Finance, the Bank participated in several projects in Portugal and in international markets, providing financial advisory to its Customers and to the Bank itself in several projects, involving researching, developing and completing M&A operations, valuation of companies, corporate restructuring and reorganization processes, as well as research and economic-financial analysis of projects. In Mergers and Acquisitions, the assistance to Galp Gás Natural Distribuição in the purchase of a majority stake in Tagusgás and the assistance to 4H Investments for Health group, Tecnifar's parent company, in the sale of Imag, should be emphasised.

- In Project Finance, in Portugal, the completion of the financing operation for the EGF subsidiaries should be highlighted, an operation where Millennium investment banking acted as Mandated Lead Arranger, as well as the creation of a new business associated with the auctions for allocation of injection capacity in the electricity grid from a solar photovoltaic source. In the international area, the financial advisory mandates in Mozambique in the area of electricity production and the participation of BCP Group in the major natural gas projects, that should ultimately position Mozambique as one of the 3 largest producers of LNG in the world, stood out.

- In Structured Finance, we highlight the analysis, structuring and negotiation of new financing operations in Portugal (hotels and tourism, pharma, agribusiness, industry, transports, services, retail and distribution, utilities, among others), being particularly noteworthy the successfully closing of Bel / A Duarte Reis' acquisition finance and the Bial's investment plan financing and the financing of the almonds project developed by Rota Única in Alqueva, Alentejo. Referring to the activity abroad, several opportunities of structured finance with final guarantee from COSEC were analysed and the finance to the State of Angola for a Voice and Data Centre was completed.

  During 2019, on the debt capital markets, note should be given to the organization, structuring and placement of two bonds issues by the Autonomous Region of Madeira, of Euros 25 million and Euros 355 million, the latter issued with Government guarantee and together with a banking syndicate. The Bank maintained its regular presence in distribution public offering of bonds, having been part of the placing syndicate of the offers carried out by TAP, SIC, Benfica and Mota-Engil. Also worth of note is the structuring of several commercial paper programs, totalling over Euros 400 million, for a wide range of Portuguese corporates, including REN (Euros 150 million) and the Navigator Company (Euros 75 million). In the equity capital markets Mib acted as financial intermediary in the Acquisition Tender Offer launched over the share capital of SAG Gest and was a syndicate member of HCB's IPO in Mozambique.

- In the Sectoral Approach, ecosystems were mapped in order to create business opportunities and maximize the number of new customers, increasing, in conjunction with the Bank's networks, the added value to companies and investors.

  In the Strategic Approach area, a pre-determined number of customers was analysed, aiming at exploring and presenting, in an all-encompassing perspective, potential investment banking opportunities, therefore fostering a close relationship and structured monitoring of clients.

- Lastly, election of Millennium investment banking, for the second consecutive year, as the Best In-vestment Bank in Portugal, by Euromoney, the international magazine specialized in the financial sector in the context of the Euromoney Awards for Excellence 2019; the magazine Global Finance also considered Millennium investment banking as the Best Investment Bank in Portugal in 2019.

galp energia	FINANCIAL ADVISORY	Financial advisory in the acquisiton of 58% of Tagusgás by GGND	32.000.000 €	2019
IMAG	FINANCIAL ADVISORY	Financial advisory in the sale of IMAG to Unilabs	Undisclosed	2019
Bial	MANDATED LEAD ARRANGER	Investment plan financing	40.000.000 €	2019
Região Autónoma da Madeira	JOINT LEAD MANAGER	Bond Issue Government Guaranteed Due 2029	355.000.000 €	2019
GRUPO HOTUSA	LEAD MANAGER	Commercial Paper Programme	10.000.000 €	2019
EGF	MANDATED LEAD ARRANGER	2019-2021 Investment plan financing	30.000.000 €	2019
SAG	FINANCIAL INTERMEDIARY	Public Tender Offer	2.079.499 €	2019
(logo)	LEAD MANAGER	Commercial Paper Programme	30.000.000 €	2019
ALMINA	LEAD MANAGER	Commercial Paper Programme	16.650.000 €	2019
MOTA-ENGIL	JOINT MANAGER	Public Bond Offer 2019-2024	140.000.000 €	2019
Hidroeléctrica de Cahora Bassa / Millennium bim	JOINT MANAGER	IPO	3.297.059.112 MT	2019
RITZ Lisbon	MANDATED LEAD ARRANGER	Debt refinancing and Investment Plan Financing	65.000.000 €	2019
GRUPO BEL	MANDATED LEAD ARRANGER	Acquisition Finance	33.500.000 €	2019
elaia	MANDATED LEAD ARRANGER	Debt refinancing and Investment Plan Financing	63.000.000 €	2019
RUBiS GÁS	LEAD MANAGER	Commercial Paper Programme	10.000.000 €	2019
Rota Única	MANDATED LEAD ARRANGER	Almonds project financing	19.500.000 €	2019
Região Autónoma da Madeira	LEAD MANAGER	Bond Issue Due 2027	25.000.000 €	2019
REN	LEAD MANAGER	Commercial Paper Programme	150.000.000 €	2019
The Navigator Company	LEAD MANAGER	Commercial Paper Programme	75.000.000 €	2019
(logo)	JOINT MANAGER	Public Bond Offer 2019-2022	40.000.000 €	2019

Real estate business

- Priorities for action in 2019:
- In terms of real estate, the management of the portfolio of real estate properties non-allocated to the operation targeted the quick return of these assets to the market. This goal was translated into the management of:
    - Properties available for sale, focused on increasing sales at a fair price, supported by a high-level expertise in terms of technical and financial analysis;
    - Real-estate assets not available for sale, continuing the physical, legal and administrative fine-tuning and implementation of valuing actions / non-degradation of the real estate properties acquired for the recovery of loans or that are no longer assigned to operations in order to their disposal /sale.
    - Stakes controlled by the Bank in Entities that generate real estate risk, Funds and Companies.
- At the level of Specialised Credit management:
    - Regarding credit to real estate promotion - the analysis of the economic feasibility of real estate and tourism projects, the evaluation of the credit risk, the structuring of financing proposals, the issue of opinions underlying credit decisions and technical support to all Commercial Networks;
    - In the factoring area - the operational management of factoring contracts and their collection management, customer service and interaction with debtors, with a focus on supporting and improving the service provided and preventing credit losses.

Interfundos

- Global sales reached 90 million Euros, corresponding to 211 real estate properties in total;
- Takeover of the management of a Real Estate Investment Fund (Cimóvel);
- Transfer of the management of a Real Estate Investment Fund (Inogi Capital);
- Extension of the term for the duration of two Real Estate Investment Fund (Inogi Capital and Neudelinveste);
- Liquidation of SICAFI (Adelphi Gere);
- Ten operations of Capital decrease (Fundipar, Multiusos Oriente, Renda Predial, Imopromoção, Gestão Imobiliária, Gestimo, Imosotto, Imorenda, Intercapital e Oceanico);
- Conclusion of the process for the technical admission in Euronext Access of 44,919,000 shares of Multi24 – Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A., of 12,106,743 shares of Adelphi Gere – Sociedade
- Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A. and of 30,300,000 shares of Monumental Residence – Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A..
- Signing of the deed of sale of the real estate property and of the agreement to assign contractual rights and obligations in the Urban Rehabilitation Contract of Quarteirão de D. João I - a real estate property owned by OII AF Portfólio Imobiliário e Imopromoção;
- In 2019, the volume of assets of the 34 OIIs (Real Estate Investment Funds and SICAFI's) managed by Interfundos reached 1,309 million Euros.

International

- Growth in results in the custody, trade finance and payments business lines, in a context of ongoing change of competitive arenas, mainly through regulatory and technological means, therefore requiring a dynamic adjustment of business processes and models, in order to present innovative, competitive and very focused solutions, targeting customisation and level of service provided to each Customer.
- In the custody of securities, emphasis should be given to new services contracted with current Customers, in addition to attracting new institutional Customers.
- Strong dynamics were maintained in the provision of custodian bank services for participation units from Risk Capital Funds, resulting in the diversification of income sources, the increase in volumes under custody and, consequently, in the sustainability of the results achieved in this business, where the Bank maintained a reference position in the domestic market.
- A dynamic management of counterparties was continued, strengthening partnerships when necessary and adjusting the framework of services provided, in order to maintain appropriate trade finance solutions for any market receiving Portuguese exports or internationalisation projects and cross-border payments, where increasing volumes of transactions in different currencies are registered and handled in a secure, quick, efficient and compliant manner.
- Continuing partnerships with several multilateral entities, in particular EIB, EIF and IFD, in the support to the domestic corporate sector, especially for investment projects with longer financing cycles.

- Disclosure to the market and contract signing event in the total amount of 900 million Euros with the European Investment Fund: 400 million Euros concern the renewal of the guarantee InnovFin and 500 million Euros concern the new Guarantee denominated Cosme, being Millennium bcp the first bank in Portugal to have this instrument.
- The Bank was also forerunner in the signing of a contract with Instituição Financeira de Desenvolvimento, negotiating a 60 million Euros line of the Line Capitalizar MidCaps.
- The final results achieved translate into an important contribution to support the activity of domestic economic agents, especially those involved in international business, alongside sustained growth in business volumes and results.

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING in Portugal	31 Dec. 19	31 Dec. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	275	280	-1.9%
Other net income	136	145	-6.0%
	411	425	-3.3%
Operating costs	126	127	-1.0%
Impairment (excluding the impairment related to NPE in the begening of the year)	148	113	31.3%
Income before tax (excluding impairment charges for NPE)	137	185	-26.1%
Impairment charges for NPE	123	341	-64.0%
Income before tax	14	(156)	
Income taxes	3	(50)	
Income after tax	11	(106)	
SUMMARY OF INDICATORS			
Allocated capital	1,218	1,075	13.3%
Return on allocated capital	0.9%	-9.9%	
Risk weighted assets	11,165	10,018	11.4%
Cost to income ratio	30.7%	30.0%	
Loans to Customers (net of impairment charges)	11,971	13,093	-8.6%
Balance sheet Customer funds	7,885	7,884	-

Notes:

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

Income

Companies, Corporate and Investment Banking segment in Portugal went from a loss of Euro 106 million in 2018 to a profit of Euro 11 million in December 2019. Net income still reflects the requirements of the Bank's non-performing exposures reduction plan with an impact on the reduction of the loan portfolio and on its levels of impairment charges, although broadly lower than in the previous year. The performance of this segment in 2019 is explained by the following changes:

- Net interest income stood at Euros 275 million in 2019, 1.9% below the previous year (Euros 280 million), reflecting the negative impact arising from the loan portfolio, which remains constrained by the low interest rates environment and the lower credit volumes. Cost savings arising from the reduction of the cost of funding and term deposits partially offset the impact from the performance of the credit portfolio.
- Other net income reached Euros 136 million in December 2019, 6.0% lower compared to the amount achieved in December 2018, which is mainly explained by the lower level of commissions from the investment banking activity.
- Operating costs totalled Euros 126 million by the end of December 2019, slightly down from 31 December 2018, mainly due to Specialized Credit and Real Estate Division ceasing to be considered as a commercial network and being now included as part of the segment Other.

- Impairments showed a significant reduction, falling from Euros 454 million in December 2018 to Euros 271 million in 2019, an amount that still reflects a significant provisioning effort in the implementation of the reduction of non-performing exposures.
- As at December 2019, loans to customers (net) totalled Euros 11,971 million, 8.6% lower compared to the existing position in December 2018 (Euros 13,093 million), reflecting the effort to reduce the non-performing exposures as mentioned above. Balance sheet customer funds reached Euros 7,885 million, in line with the amount at December 2018.

PRIVATE BANKING

- Consolidation of the customer base growth process, taking advantage of the dynamics obtained with the restructuring and reinforcement of the Non-Resident and Customer acquiring Division, which allowed for greater action with non-national Customers based in Portugal and also through cross-referencing actions;
- Development of paperless processes and technological upgrade in terms of software and equipment used by Private Bankers, simplifying the processes and response time to Customers' requests without loss of rigour and security and always bearing in mind compliance principles;
- Reformulation of communication pieces for new and current Customers, to be delivered at account opening or customer servicing meetings;
- Streamlining the use of the Millennium App and MTrader App with the Commercial and Customers area, aiming at boosting the use of these applications and consequently the interaction with the Bank, via technology.
- Several relational marketing actions with numerous types of events carried out, with special mention to the exclusive Concerts for Private Customers in Porto and Lisbon, the ‘Macroeconomic Perspectives for 2020’, with Private Banking Clients also enjoying the ‘Millennium’ events, such as Millennium Estoril Open and *Festival ao Largo*;
- At the end of the year, the implementation of the Private 2.0 Project began with the purpose of significantly increasing the share of wallet, a project centred on three axes: Offer, Commercial Model and Customer Acquiring and with the expected impact in terms of diversifying the type of Customer and Offer, and the increase of Private Spaces. The tools required for this new approach have already started to be implemented, and the recruitment of new Employees is also underway.

Million euros

PRIVATE BANKING in Portugal	31 Dec. 19	31 Dec. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	10	11	-7.5%
Other net income	26	27	-4.2%
	36	38	-5.2%
Operating costs	20	17	15.8%
Impairment (excluding the impairment related to NPE in the begening of the year)	-	1	
Income before tax (excluding impairment charges for NPE)	16	20	-21.1%
Impairment charges for NPE	(1)	-	
Income before tax	17	20	-15.8%
Income taxes	5	6	-15.8%
Income after tax	12	14	-15.8%
SUMMARY OF INDICATORS			
Allocated capital	68	59	15.8%
Return on allocated capital	17.4%	23.9%	
Risk weighted assets	595	534	11.5%
Cost to income ratio	56.3%	46.1%	
Loans to Customers (net of impairment charges)	274	232	18.0%
Balance sheet Customer funds	2,288	2,053	11.5%

Notes:

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

Income

Income after tax from Private Banking business in Portugal totalled Euros 12 million in 2019, 15.8% down from Euros 14 million in 2018, mainly due to the decrease of banking income. Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Banking income stood at Euros 36 million in 2019, 5.2% down from the previous year (Euros 38 million). This reduction is explained mainly by lower net interest income, but also, to a lesser extent, by other net income. Net interest income totalled Euros 10 million in 2019, comparing to Euros 11 million in 2018, penalized mainly by the lower income generated by the loan portfolio, as a result of the reduction of credit volumes observed in the last quarter of 2018, which were only partially recovered throughout 2019. Other net income amounted to Euros 26 million in 2019, showing a decrease in comparison with Euros 27 million in 2018, benefiting in this period from higher commissions. Operating costs amounted to Euros 20 million in 2019, above operating costs in 2018.
- Impairments impacted positively the profit and loss account, with reversals reaching Euros 1 million in 2019, while in 2018 impairments charges amounted to Euros 1 million.
- Loans to customers (net) amounted to Euros 274 million by the end of December 2019, showing an increase of 18.0% compared to figures accounted in the same period of the previous year (Euros 232 million), while balance sheet customer funds grew 11.5% during the same period, from Euros 2,053 million in December 2018 to Euros 2,288 million in December 2019, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Poland

- Net earnings of €130.5 million, with ROE of 6.4%*[3].
- Net operating revenue up by 27.3%, driven by net interest income; operating costs impacted by a higher contribution to the resolution fund, by increased staff and integrations costs (Euro Bank) and by higher IT costs.
- Business volumes impacted by Euro Bank's acquisition: Customer funds up by 20.8%, while loans to Customers increased by 42.3%, excluding FX-denominated mortgage loans.
- CET1 ratio of 16.9% as of December 31, 2019, with total capital of 20.1%.
- Bank Millennium was considered best bank in Poland by Global Finance. This magazine also voted its website as the best website design in Central and Eastern Europe. Bank Millennium is also the most recommended bank and leader in Customer satisfaction in Poland (according to the survey "Customer satisfaction monitor of retail banks ARC Rynek i Opinia").

Switzerland

- Net income of 6.9 million Euros, in 2019 (+2.5%) with a 9.1% ROE.
- Increase in net operating income (+7.7%), driven by increase in net fees and comissions (+9.9%) and net Interest Income (+7.6%).
- Operating costs expanded 9.8% to 24.9 million Euros, influenced by the costs associated with recruitment to support the implementation of the Bank's expansion strategy.
- Total customer resources increased 16.8% to 3.4 billion Euros.
- Total customer funds increased 7.0% and credit portfolio expanded 11.4%.

Mozambique

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

Macao

- Net income of 10.7 million Euros (-10.0%), mainly due to the reduction in net interest income, through the decrease of the loan portfolio and the increase in funding costs, despite the positive evolution of trading income and on credit impairments.
- In december 2019, customer funds stood at 538 million Euros (+1.3%) and gross loans reached 289 million Euros (-29.9%).
- The Branch acted as a support platform for Portuguese companies doing business in Macao and Continental China.
- Financing of Macao and international business customers.
- Trade finance operations to support Portuguese companies with exports to and/or imports from China.
- Attraction of trading companies with international trade operations with China.
- Acquisition of Chinese clients who intend to invest in Portugal, either on an individual or on a business basis.
- Increase in contacts established between the Investment Banking area of Millennium bcp with Chinese companies seeking investment solutions in Portuguese-speaking countries.

Cayman Islands

- Net income of 2.7 million Euros (-39%), with a 0.8% ROE.
- Continuation of the process of reduction of commercial activity, translated into the reduction of core revenues, notwithstanding the reduction in operating costs.
- At the end of 2019, customer funds of Millennium bcp Bank & Trust stood at 2 million Euros and gross loans reached 6 million Euros.

[3] ROE excluding one-offs: 10.2%. One-offs: integration costs and additional provisions for Euro Bank, release of tax asset provision, positive revaluation of shares in PSP and provisions for FX mortgage legal risk.

Million euros

FOREIGN BUSINESS	31 Dec. 19	31 Dec. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	759	620	22.4%
Other net income (*)	245	253	-3.0%
	1,004	873	15.1%
Operating costs	495	386	28.3%
Impairment	171	90	89.6%
Income before tax	338	397	-14.7%
Income taxes	95	88	8.5%
Income after income tax	243	309	-21.3%
SUMMARY OF INDICATORS			
Allocated capital (**)	3,009	2,799	7.5%
Return on allocated capital	8.1%	11.0%	
Risk weighted assets	15,465	12,177	27.0%
Cost to income ratio	49.3%	44.2%	
Loans to Customers (net of impairment charges)	17,437	13,319	30.9%
Balance sheet Customer funds	21,591	17,685	22.1%

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

(**) Allocated capital figures based on average balance.

Income

Income after tax from Foreign Business stood at Euros 243 million in December 2019, reflecting a 21.3% decrease compared to Euros 309 million achieved in 2018. This evolution is explained mostly by the unfavourable performance of operating costs and impairments, which were influenced by the impacts arising from the acquisition and integration of Euro Bank S.A., despite higher banking income, which also benefited from the consolidation of Euro Bank, S.A..

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

- Net interest margin stood at Euros 759 million in 2019 which compares to Euros 620 million in 2018. Excluding the impact arising from the foreign exchange effects, the increase would have been 22.1%, reflecting mainly the positive performance of the subsidiary in Poland, partly mitigated by the evolution observed in the subsidiaries in Mozambique and Cayman Islands, as a consequence of the reduction of the loan portfolio exposures.

  Other net income decreased 3.0%. Excluding foreign exchange effects, other net income increased 0.2%, benefiting from the positive performance of the subsidiary in Poland, although other net income in Poland was also penalized by the increase in mandatory contributions. The Mozambican subsidiary also contributed to this growth through an increase in foreign exchange results, and also through the results arising from the insurance business and the sale of other assets. The lower contribution of Banco Millennium Atlântico, justified both by the Bank's own results that reflect the impact of increased risk coverage by impairments and provisions and by the effect of the end of the application of IAS29, mitigated the evolution of other net income between the end of December of 2018 and 2019.

- Operating costs amounted to Euros 495 million as at 31 December 2019, 28.3% up from December 2018. Excluding foreign exchange effects, operating costs would have risen 27.9%, mainly influenced by the operation in Poland, namely by the costs with the acquisition, merger and integration of Euro Bank S.A..

- Impairment charges at the end of 2019 increased 89.6%, compared to figures reported in the same period of 2018. Excluding the foreign exchange effects, it would have risen 96.4%, reflecting the unfavourable evolution showed by the Polish subsidiary, due to the impact of impairment charges for the loan portfolio of Euro Bank S.A. at the moment of its acquisition, and by the extraordinary provision booked for claims related to mortgage loans granted in Swiss francs. However, this evolution was mitigated by the positive impact arising from the end of the application of IAS 29 on Banco Millennium Atlântico.

- Loans to customers (net) stood at Euros 17,437 million at the end of December 2019, largely exceeding the amount as at 31 December 2018 (Euros 13.319 million). Excluding foreign exchange effects, the loan portfolio increased 29.5%, explained by the growth achieved by the Polish subsidiary, as a consequence not only from the impact of the Euro Bank S.A. acquisition in May 2019, but also from the organic growth of the business generated by Bank Millennium. The Foreign business' balance sheet customer funds increased 22.1% from Euros 17,685 million reported as at 31 December 2018 to Euros 21,591 million as at 31 December 2019. Excluding the foreign exchange effects, balance sheet customer funds increased 20,8%, mainly driven by the performance of the Polish subsidiary, reflecting both the Euro Bank S.A. consolidation impact and the positive evolution from its current business activity.

BANCASSURANCE BUSINESS

Sale of Insurance throught the banking channel

During 2019, all the strategic pillars and ongoing projects were continued, which allow for an excellent customer service and maintenance of the Group's leading position in the sale of insurance through the Banking channel (Bancassurance).

We also highlight the following issues:

- All strategic pillars and ongoing projects were continued, allowing for an excellent customer service and maintenance of the Group's leading position in the sale of insurance through the Banking channel (Bancassurance);
- Several cross-selling actions, with the goal to increase the offer of products held by Customers and simultaneously, to reduce the cancellation rate;
- Digital transformation and intensification of the focus on models of analytical insight supporting the appeal to clients, their management and retention, across the sections of both Life and Non-Life insurance;
- Several 'Médis' Campaigns were carried out, with advantages in the price, reinforcing the focus on prevention, and offering a sensor for children to take care of their oral health and reinforcement of cancer protection, based on 3 pillars: More insured capital; Prevention and Awareness; Customer Experience;
- Development of the "Médis Clinics" dental care network, with the opening of the Algés, Av. Roma (Lisbon) and Bom Sucesso (Porto) clinics, as well as the consolidation of Amoreiras Clinic;
- The *Proteção Flex* option was launched in the "*Proteção Ativa*" Life insurance, and the Bank participated in a fund raising campaign for *Liga Portuguesa Contra o Cancro* (Portuguese League Against Cancer).
- Launch of the life insurance risk "*Proteção Ativa Empresário*" (Active Protection for Entrepreneurs), of the product for local accommodation and of the engineering insurance for construction and/or assembly, applicable to home renovation loans, while these works are in progress;
- Launch of the campaign "*Ser Millennium é estar seguro*" (To be Millennium is to be safe), increasing the offer of the Bank in terms of risk insurance, which was communicated in radio and digital channels;
- In the main lines of business (Retirement Savings, Life Risk, Health, Automobile, Fire and Work Accidents), there is an increase in the Bancassurance market share.

Main indicators	2019	2019	Change
Market Share - Premiums			
Life Insurance	18.2%	16.9%	+1.3 p.p.
Non-Life Insurance	7.2%	7.2%	-
Market Share– Premiums in Bancassurance			
Life Insurance	22.3%	20.6%	+1.7 p.p.
Non-Life Insurance	34.6%	34.7%	-0.1 p.p.