Millennium bcp

ÁGIL

MODERNO

PRÓXIMO

SIMPLES

SUSTENTÁVEL

€1.3bn Rights Issue

MILLENNIUM. AQUI CONSIGO.

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Executive Summary

- Underwritten **€1.3bn rights issue**, expected to be completed on February 9, in addition to the **private placement of €175mn*** subscribed by an affiliate of Fosun Industrial Holdings Limited ("Fosun"), completed on November 18;
- Proceeds to be allocated to **repayment of the remaining €700mn in State CoCos** (following repayment of €50mn in December)** and **strengthening of the balance sheet** to **bring fully implemented CET1 ratio and Texas ratio*** in line with new industry benchmarks**;
- The rights issue aims to accelerate the return to **normalization of the Bank's activity, including the potential return to dividend payment**, in lieu of the phased approach pursued until now; and
- **The rights issue reinforces the objectives of the strategic plan** – P&L improvements driven by enhanced net interest income (supported by lower cost of funding due to CoCo repayment and ongoing deposit repricing), cost control and normalization of the cost of risk in Portugal; and strengthening of the balance sheet, with improved capital and risk positions supported by an on-going reduction of non-performing exposures.

* Shares have been issued but not listed yet.
** Approval received from ECB to repay CoCos, subject to successful completion of the rights issue.
***Texas ratio = NPE / (Tangible equity + LLRs).

Agenda

- **Overview and rationale**
- Strategic plan
- Investment case

Overview of €1.3bn rights issue

Amount and structure	• Total of 944,624,372 shares presently outstanding, following 75:1 reverse stock split (effective date: October 24) and private placement of €175mn* subscribed by Fosun (completed on November 18) • €1.3bn rights issue with transferable pre-emptive subscription rights • Tangible book value to increase to approximately €5,364mn (net of fees) after rights issue, from €3,888mn as of September 30, 2016 (€4,063mn adjusted for private placement subscribed by Fosun) • Approx. 14,169 million new shares to be issued
Terms and conditions	• Subscription ratio: 15 new shares per existing share • Subscription price: €0.0940 per new share • 38.6% discount to TERP based on closing price of January 9 • Listing: Euronext Lisbon • Voting right limit has been increased to 30% as per December's EGM resolution • Fosun presented an anticipated subscription order of an amount of shares that might increase its holding in the Bank's share capital up to a maximum of 30% • Sonangol was authorised by ECB to increase its holding in the Bank's share capital up to approximately 30% (the Bank has no information regarding Sonangol's decision as to the exercise, sale and/or purchase of subscription rights) • Syndicate of banks underwriting the rights issue: Goldman Sachs International and J.P. Morgan Securities plc as Joint Global Coordinators and Joint Bookrunners, Credit Suisse Securities (Europe) Limited, Mediobanca-Banca di Credito Finanziario S.p.A. and Merrill Lynch International as Joint Bookrunners

* Shares have been issued but not listed yet.

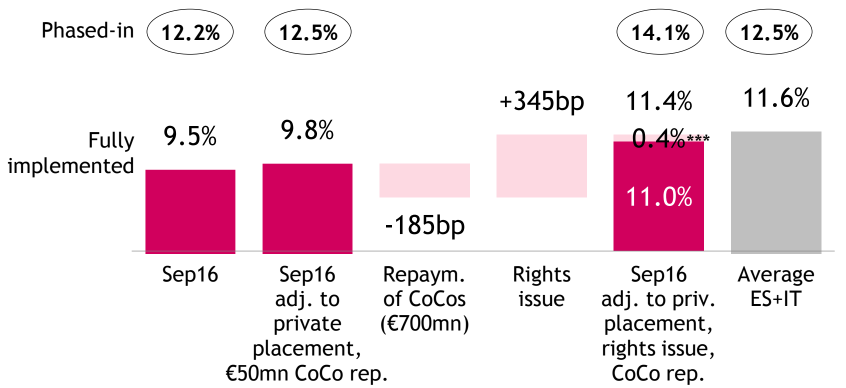
Rationale: accelerate the return to normalization of the bank's activity

Reimbursement of State-held CoCos*	• Bring forward full repayment of remaining CoCos (€700mn, following repayment of €50mn in December), the cost of which currently exceeds €65mn per annum, pre-tax • Removal of key State-aid related restrictions, including dividend ban, risk of potential sale of core businesses and tail risk of conversion
Strengthening the balance sheet	• Improvement of fully implemented CET1 ratio and Texas ratio, bringing them in line with new industry benchmarks and above current regulatory requirements • Figures as of September 30, 2016, assuming successful completion of the rights issue, post CoCo repayment: – Fully implemented CET1 ratio >11%, fulfilling 2018 target in advance; minimum required phased-in CET1 (SREP): 8.15% in 2017 – Texas ratio of 109%, to be favourably impacted by the on-going NPE reduction plan – Phased-in CET1 ratio in the adverse scenario of the stress test of 8.8%, compared to the 5.5% threshold
Focus on profitability and shareholder value	• Target ROE ≈10% in 2018 on a stronger equity base (with a 11% fully implemented CET1) • Potential return to dividend payment, with an intended pay-out ratio of ≥40% by 2018, subject to regulatory requirements

* Approval received from ECB to repay CoCos, subject to successful completion of the rights issue.
The targets presented are not forecasts. There can be no assurance that these targets can or might be met and these may not be interpreted as profit forecasts or estimates.

Rights issue is expected to allow for an immediate repayment of CoCos* and balance sheet strengthening to new industry benchmarks

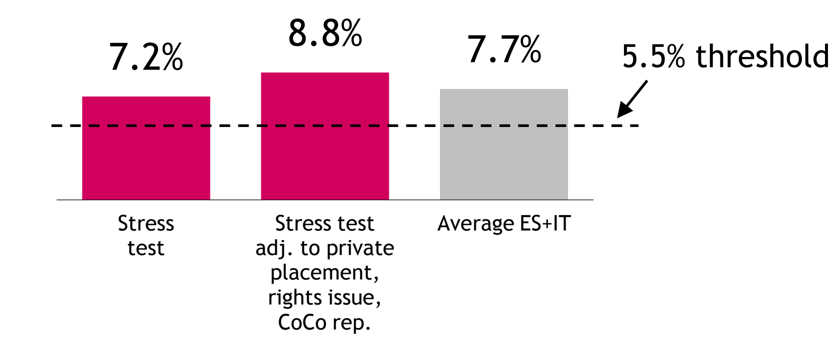
Impact on CET1 ratio**



Minimum required phased-in CET1 (SREP): 8.15% in 2017

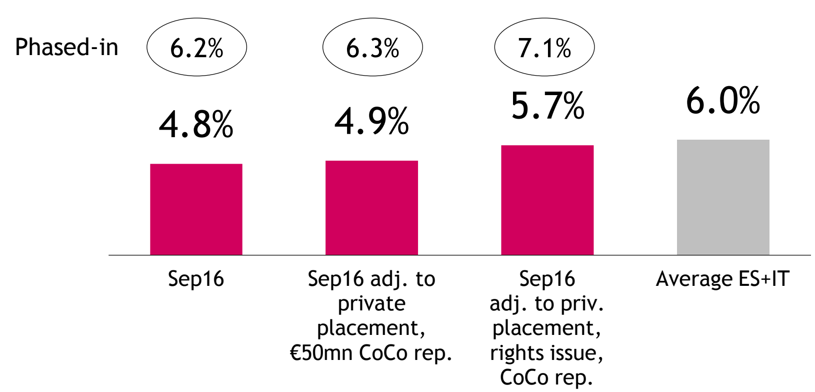
Impact on stress test results**

(Phased-in CET1 ratio 2018, adverse scenario)

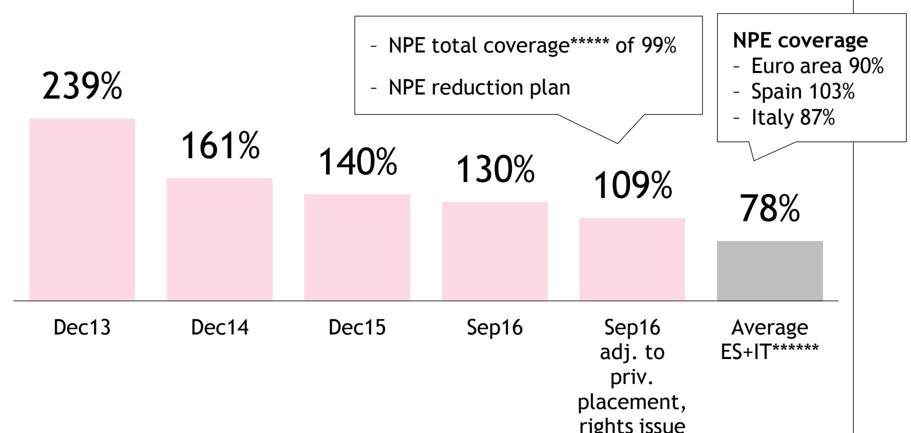


Impact on leverage ratio**

(Fully implemented)



Impact on Texas ratio****



*Approval received from ECB to repay CoCos, subject to successful completion of the rights issue. | **Does not include positive indirect impacts resulting from lower deductions associated to DTAs and investments in financial institutions above the Basel III thresholds. | ***Capital buffer vs 11% target CET1 ratio to address possible future regulatory impacts and/or to increase NPE coverage. In particular, adjustments to credit risks models, with a view to their better calibration in light of possible context changes, requested by the Supervisory Authorities or as a result of a Bank's initiative, may imply an upward revision of the amount of Risk Weighted Assets and, consequently, will have a negative impact on the capitalization level of the Bank. | ****Texas ratio = NPE / (Tangible equity + LLRs). | *****Coverage by LLRs, collateral and expected loss gap. | ******As of EBA analysis based on figures as of December 31, 2015.

Timetable

January 9	Announcement of rights issue terms
January 12	Approval of prospectus by CMVM
January 17	Ex-rights date
January 19 - January 30	Rights trading period
January 19 - February 2	Rights subscription period
February 3	Rights issue take-up announcement
February 3	Settlement of exercised rights
February 9	New shares start trading

Agenda

- Overview and rationale
- **Strategic plan**
- Investment case

Key highlights of the strategic plan

1. **Resilient pre-provision income generation** (€1,041 million in the last 12 months, out of which €649 million in Portugal):

   Net interest income to benefit from continuing reduction in cost of deposits and repayment of CoCos: NIM of 1.9% in the first 9 months of 2016 (Portugal :1.6%, up from 0.6% in 2013)

   Consistent track record of delivering reduction in operating costs: cost to core-income of 52% vs Eurozone's 77%. Largest operating restructuring in Portugal, with operating costs down ≈40% from 2011 (pre-programme)

2. **Focused NPE management through a dedicated recovery strategy** in Portugal: NPE reduction of €3.5bn from €12.8bn at year-end 2013 to €9.3bn at September 30, 2016. Plan to reduce NPEs to <€7.5bn by year-end 2017. Total coverage* of 99% at September 30, 2016

3. **Resilient international earnings contribution** of €135mn in the first 9 months of 2016

4. **Sustainable funding strategy**: loans to deposits ratio at 100% as of September 30, 2016

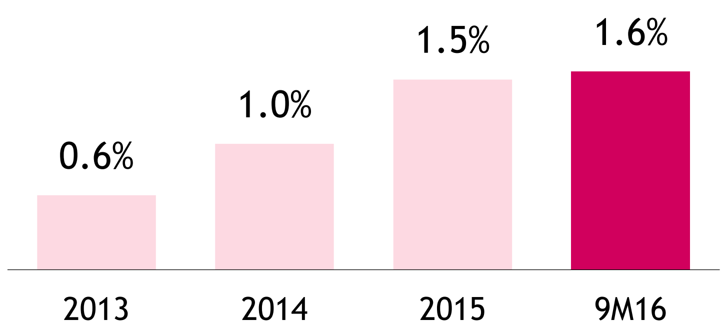
5. **Enhanced capital position**: fully implemented CET1 ratio >11%, fulfilling 2018 target in advance; minimum required phased-in CET1 (SREP): 8.15% in 2017

*Coverage by LLRs, collateral and expected loss gap.

Stronger profitability prospects driven by improved NII, efficiency gains, cost of risk normalisation in Portugal* and contribution of international operations

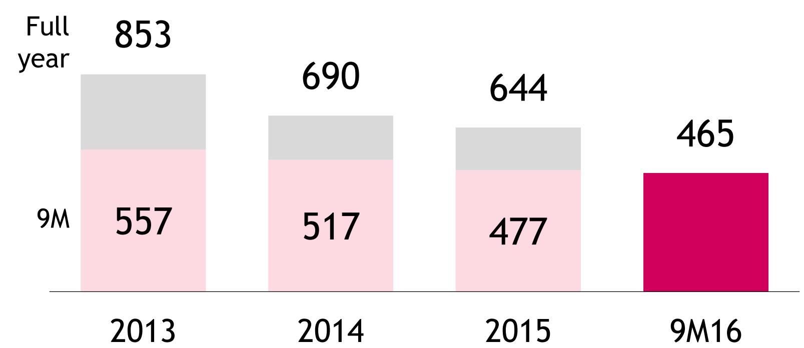
1 Pre-provision income

Net interest margin



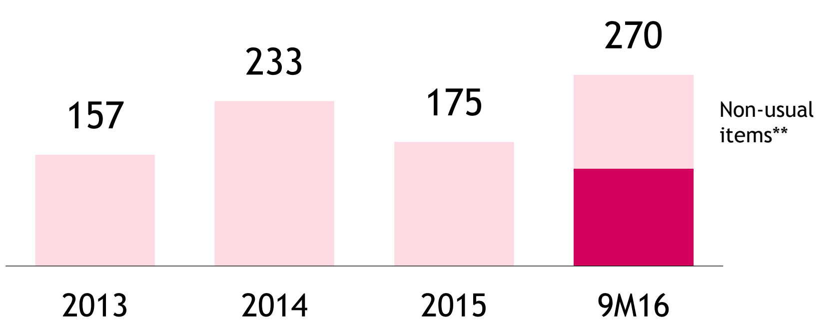
Operating costs

(€ mn)



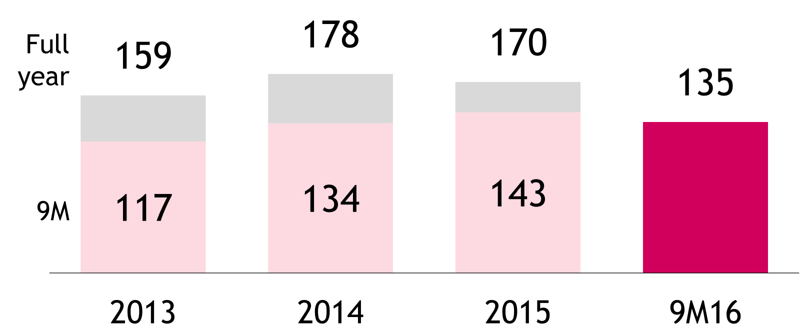
2 Cost of risk

(bps)



3 Contribution from international operations***

(€ mn)

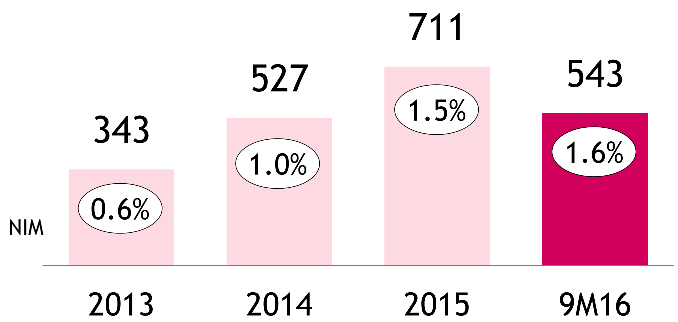


* indicates activity in Portugal.
** Impairment charges of €400mn, to reinforce NPE coverage.
*** To consolidated net income. Comparable, assuming shareholding in Bank Millennium (Poland) constant at 50.1% and excluding discontinued operations.

1 Net interest income to benefit from continuing reduction in cost of deposits and repayment of CoCos

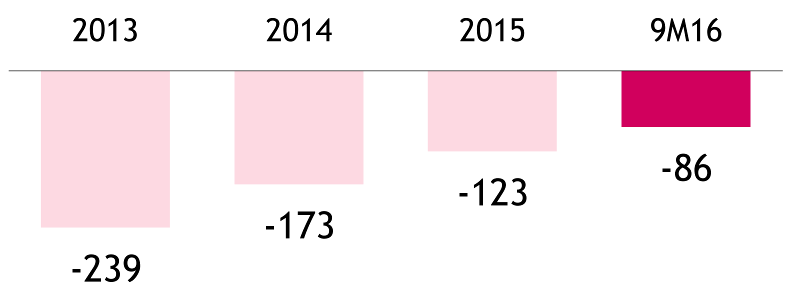
Net Interest Income

(€ mn)



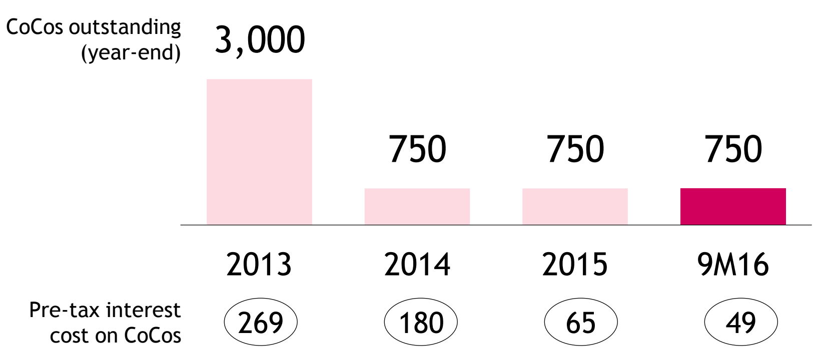
NII to improve, as cost of time deposits keeps decreasing ...

(Portugal, spread on TDs book vs 3m Euribor, bps)



... and CoCos are repaid

(€ mn)



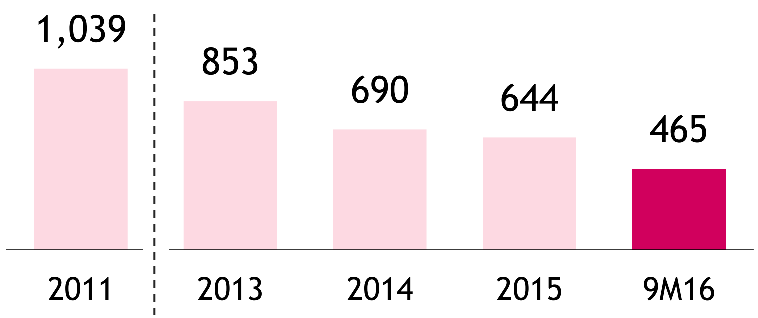
- Expansion of the net interest margin over the last years: up to 1.6% in the first 9 months of 2016 (1.7% excluding interest on CoCos) from 0.6% in 2013
- Continued improvement of the spread of the portfolio of term deposits: from -239bp in 2013 to -86bp in the first 9 months of 2016; front book priced at an average spread of -59bp in September 2016
- Less than 4% on net interest income as of 9M16 coming from carry-trade: no significant impact of unwinding of carry-trades on Portuguese Government bonds is expected

1

Consistent track record of delivering reduction in operating costs…

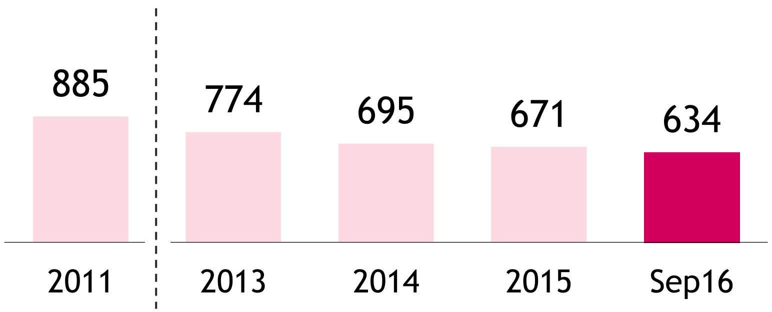
Operating costs down by ≈40% vs 2011 (pre-programme) …

Operating costs (€ mn)



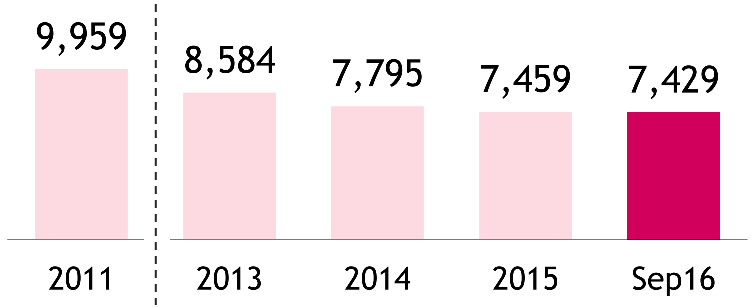
…with a >20% reduction in branches…

Branches (#)



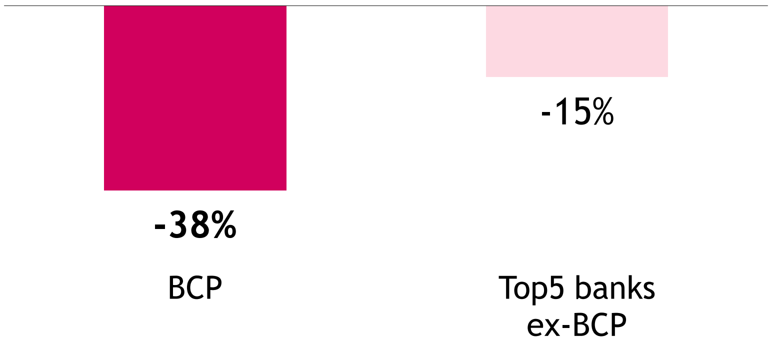
… and employees

Employees (#)



Largest operating restructuring in Portugal

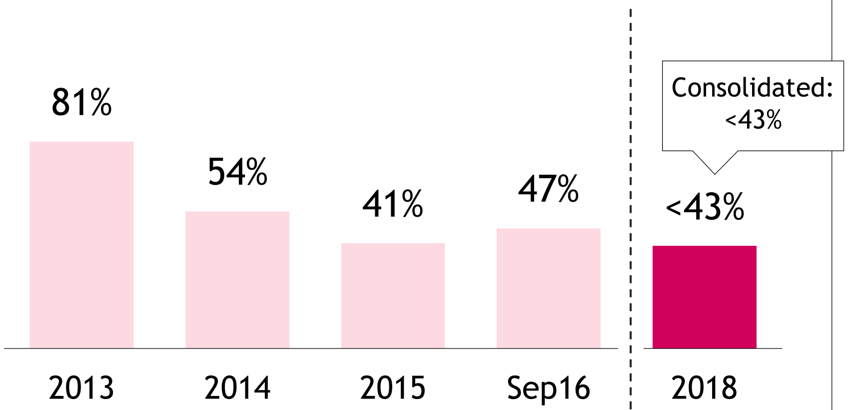
*Operating costs cumulative performance 2011-2015**



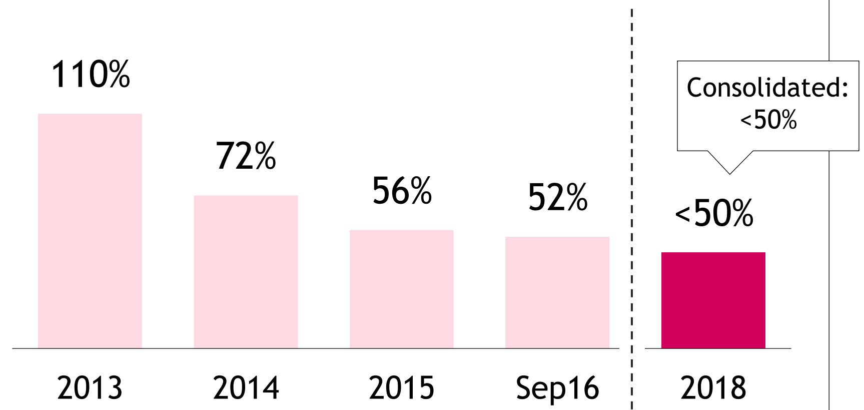
* Source: Companies' financials.

1 ... to be continued, leveraging on a transformational project

Cost-income ratio

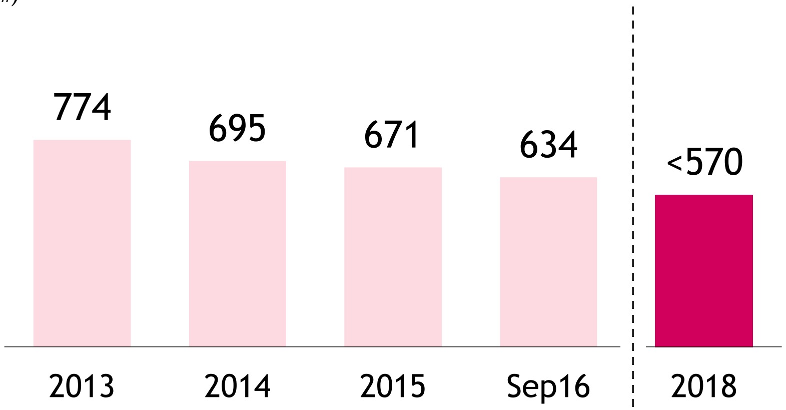


Cost-core income* ratio



Branches

(#)



- Millennium bcp is one of the most efficient European banks: cost-income of 47% in Portuguese business, down from 81% in 2013; cost-core income of 52%, down from 110% in 2013
- A transformational project to prepare Millennium bcp for the future is now being rolled-out, focusing on digital, and including a redesign and simplification of the operational model
- This project is expected to allow a further reduction of the physical footprint and to yield further cost savings, thus resulting in cost-income not to exceed 43% in 2018 (cost-core income not to exceed 50%)

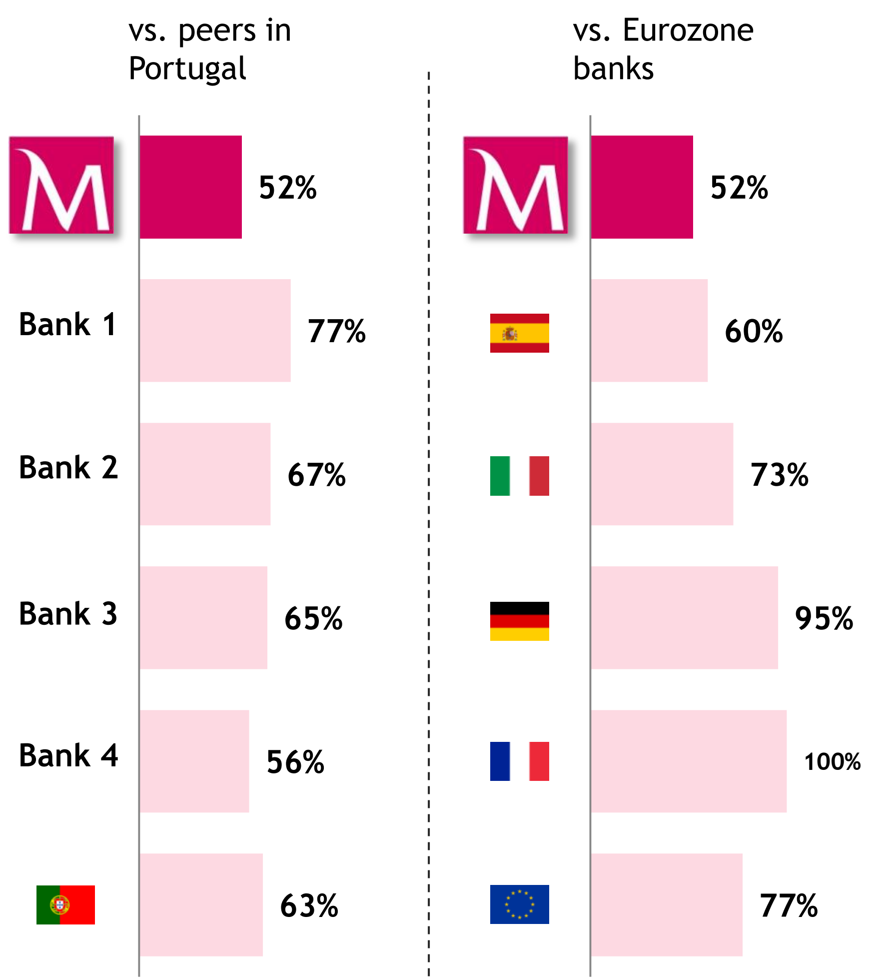
The targets presented are not forecasts. There can be no assurance that these targets can or might be met and these may not be interpreted as profit forecasts or estimates.
* Core Income = net interest income + net fees and commissions

Millennium bcp is one of the most efficient banks in Portugal and in the Eurozone

1

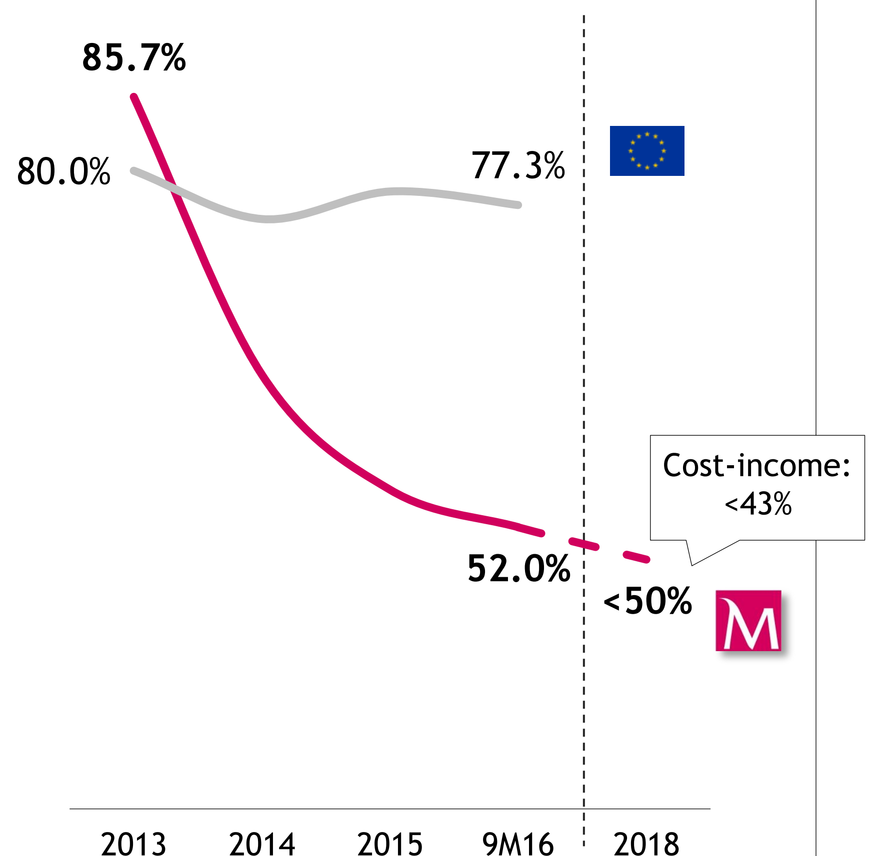
Consolidated* cost-core income**

9M16 if available, 1H16 otherwise. Source: SNL financial



Consolidated* cost-core income**

Source: SNL financial



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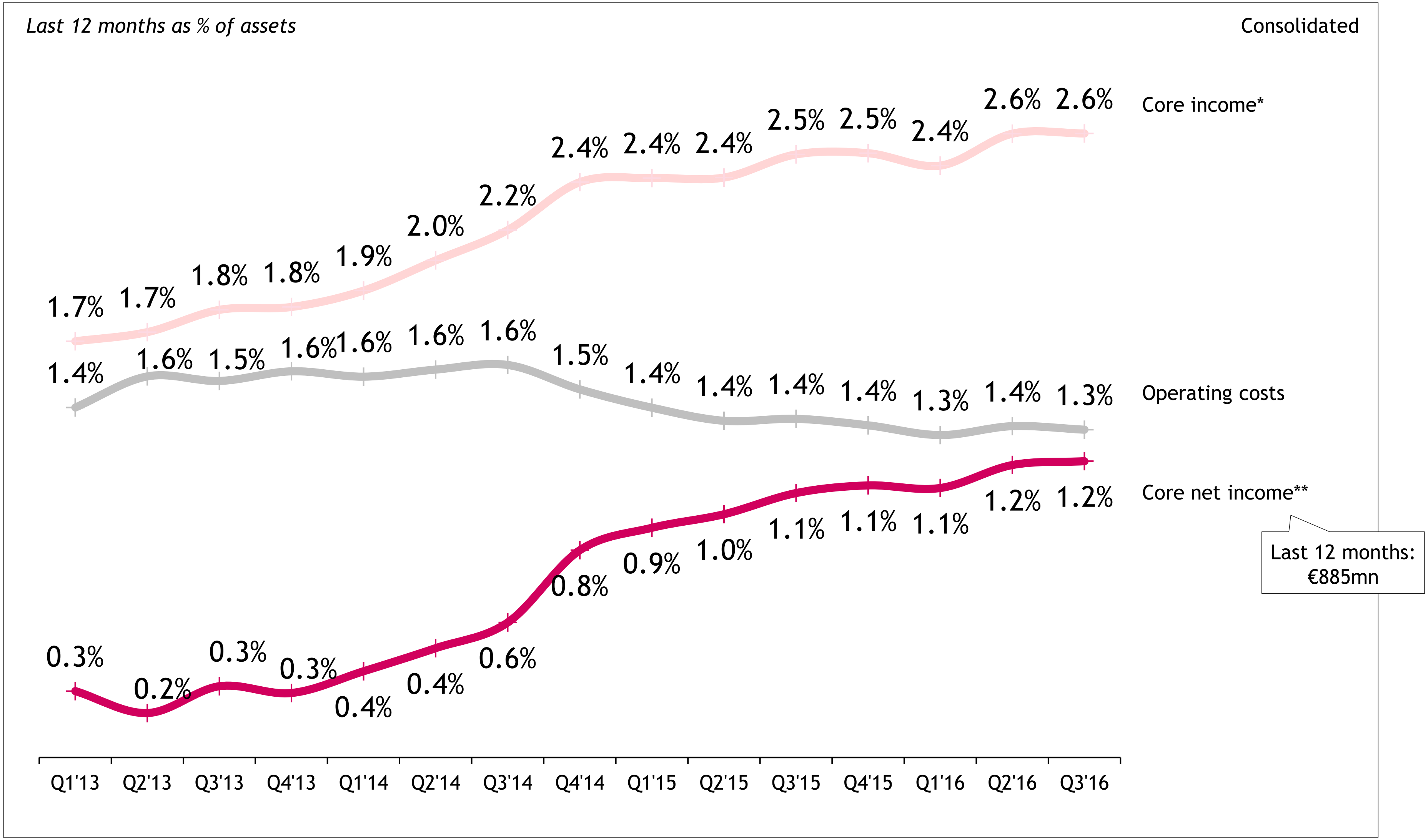
* BCP Group.
** Core Income = net interest income + net fees and commissions.

① Continued track record of improvement in operating performance

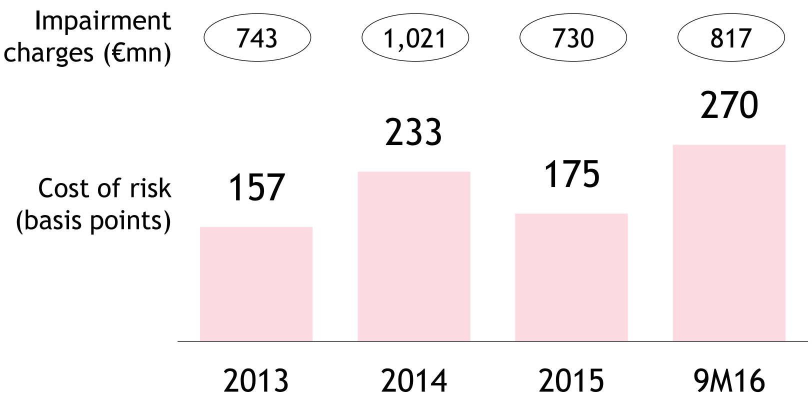


* Core income = net interest income + net fees and commission income (last 12 months)
** Core net income = net interest income + net fees and commission income – operating costs (last 12 months)

② Asset quality metrics to benefit further from continued focus on NPE reduction

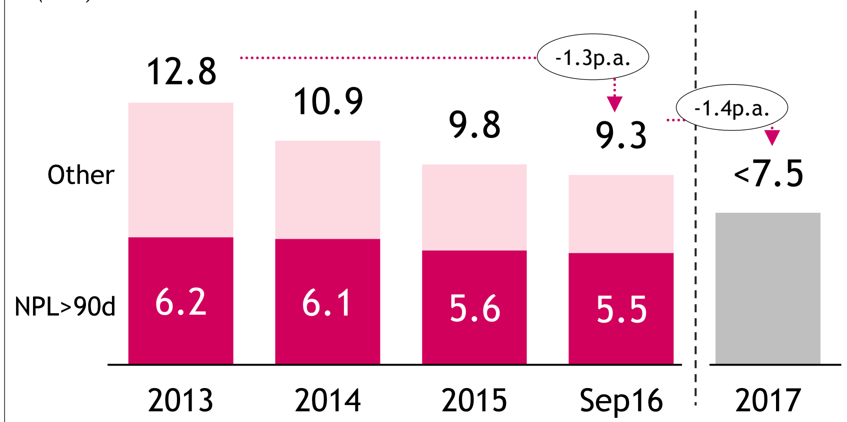
Cost of risk and loan-loss reserves

(Basis points)

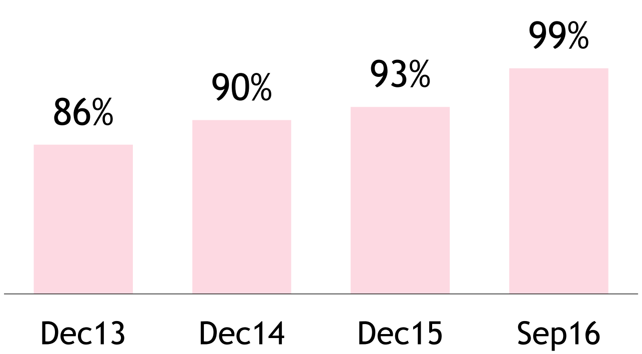


NPE (EBA definition)*

(€ bn)



NPE total coverage**



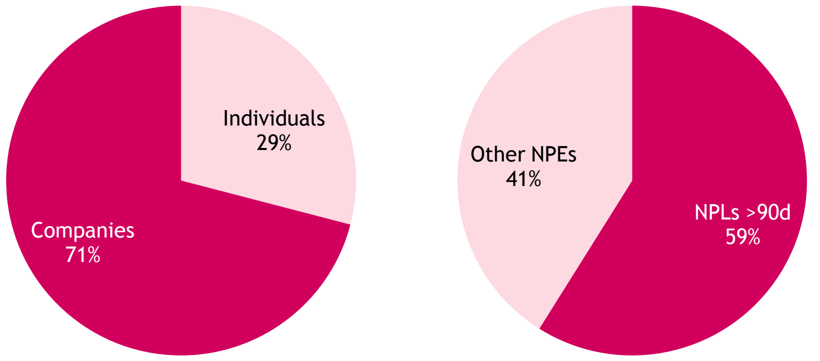
- Continued decrease of NPEs over the last 3 years at a pace of €1.3bn per year as a result of a stabilisation of the macro environment and the measures implemented, including (i) strengthening of the monitoring of credit quality, (ii) new assessment models, (iii) new internal regulations and recovery model, and (iv) improvement to risk governance
- Reduction of €3.5bn in almost 3 years to September 2016 comprised of decrease of net new entries (€1.7bn), write-offs (€1.5bn) and sales (€0.4bn)
- Implementing plan to reduce NPEs to <€7.5bn by year-end 2017, with the following key measures: (i) step-up write-offs, (ii) loan sales, (iii) prevent mortgages in arrears to reach courts and (iv) reduce recovery times for cases handled by external law offices
- Cost of risk still high (270bps in 9M16) to reinforce NPE total coverage** (99% at September 30, 2016).

The targets presented are not forecasts. There can be no assurance that these targets can or might be met and these may not be interpreted as profit forecasts or estimates. | * NPEs include NPL>90d, cross-default and restructured loans (78% of all restructured loans are included under NPEs; the remaining 22% are related to restructuring for commercial purposes). | ** Coverage by LLRs, collateral and expected loss gap.

② Strong coverage levels

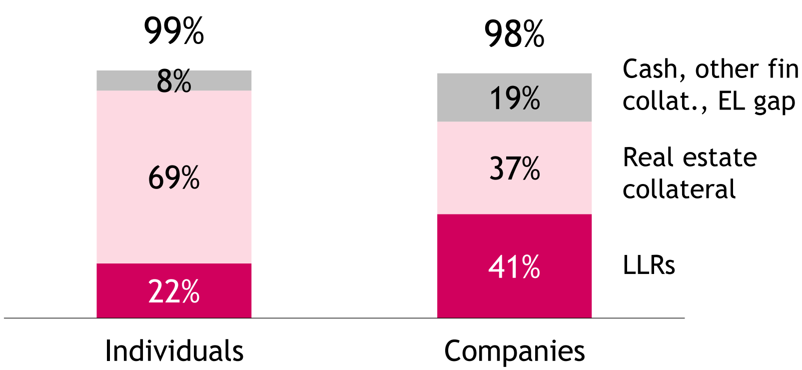
NPE breakdown — Total NPEs: €9.3bn

(September 2016)



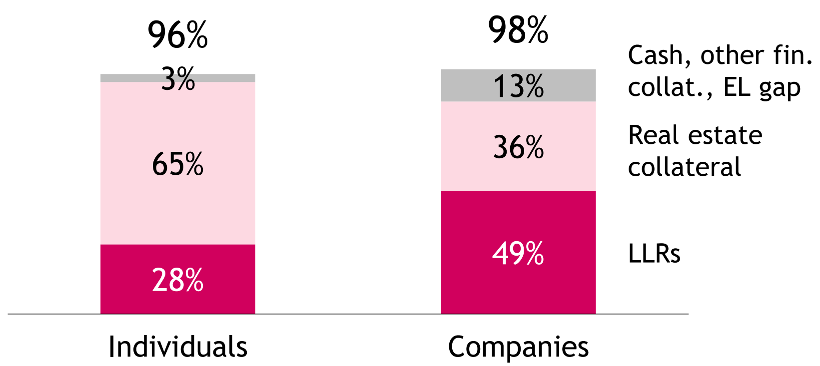
NPE coverage — Total: 99%

(September 2016)



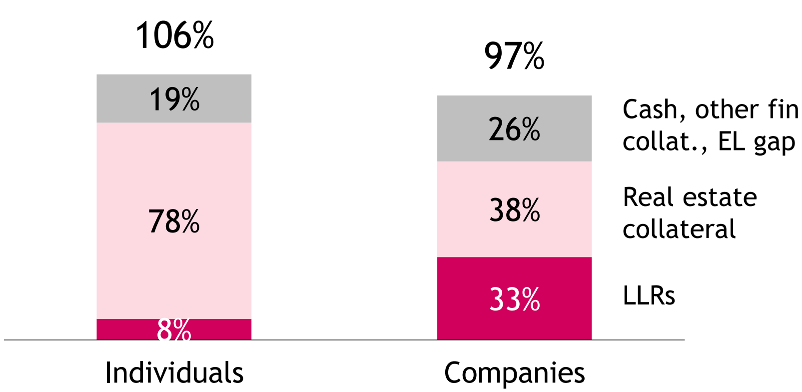
NPL >90d coverage

(September 2016)



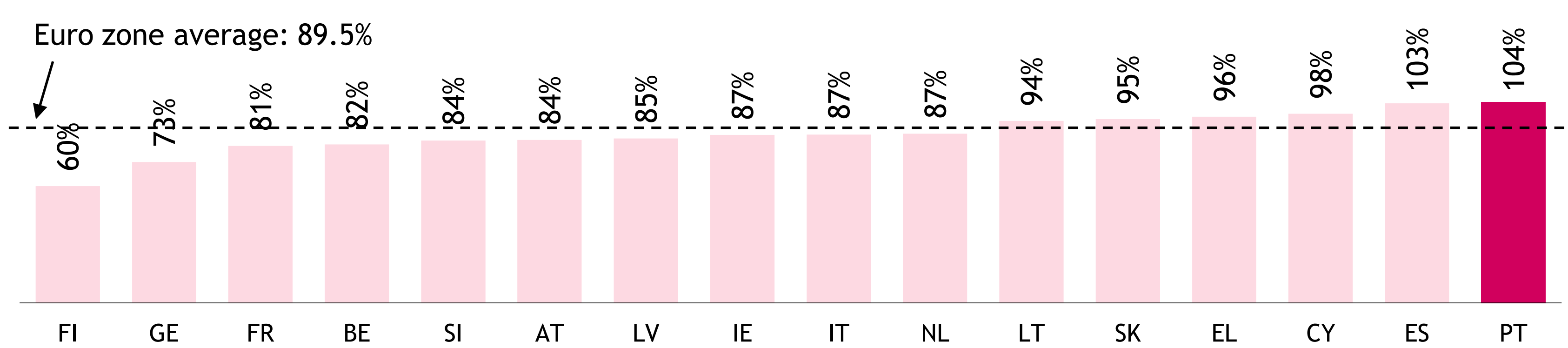
Other NPE coverage

(September 2016)



② Ample coverage by LLRs and collateral in Portugal, although long judicial processes hamper swift collateral repossession

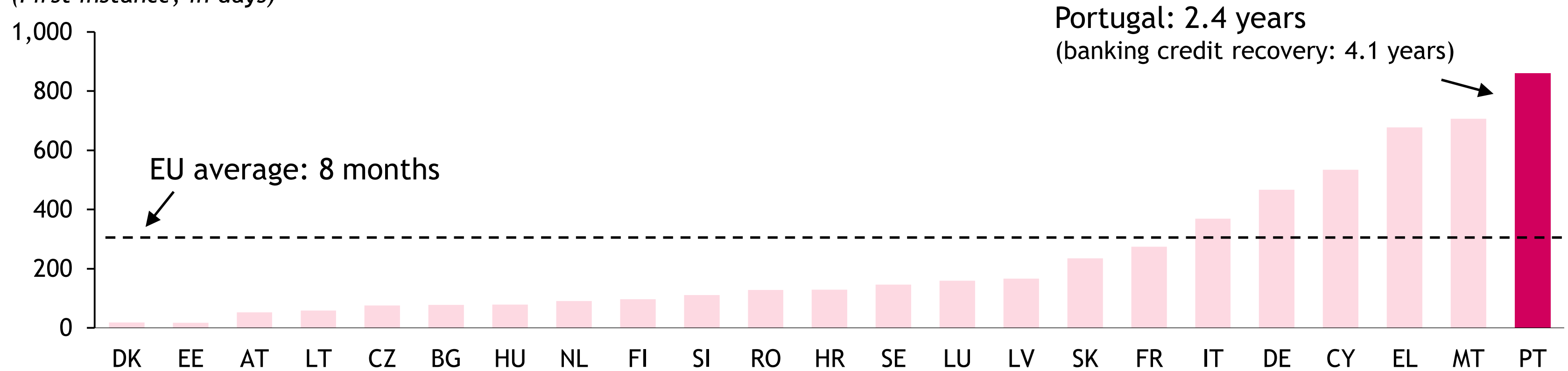
NPE coverage by LLRs and collaterals



Source: ECB, Risks and vulnerabilities for euro area financial stability, 6 April 2016.

Time to resolve civil, commercial, administrative and other cases

(First instance, in days)

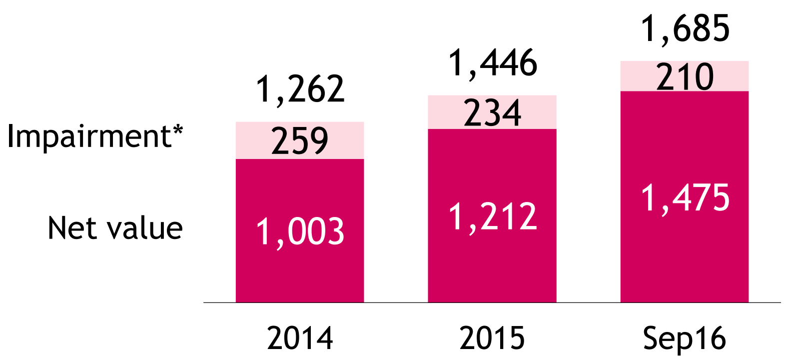


Source: CEPEJ (EC), 2015 Study on the functioning of judicial systems in the EU Member States.

Foreclosed assets consistently sold above net book value

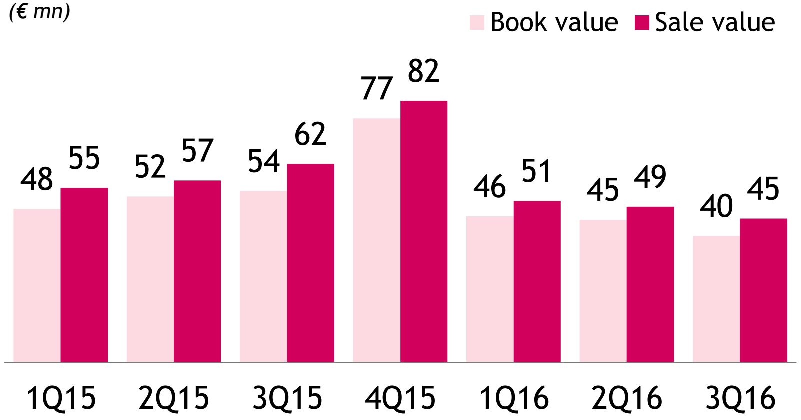
Foreclosed assets

(€ mn)



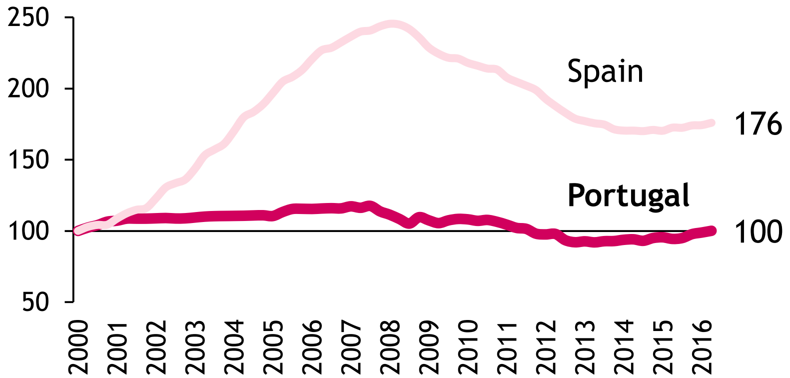
Foreclosed asset sales

(€ mn)



Property prices

(Q1'2000=100)



Source: BIS.

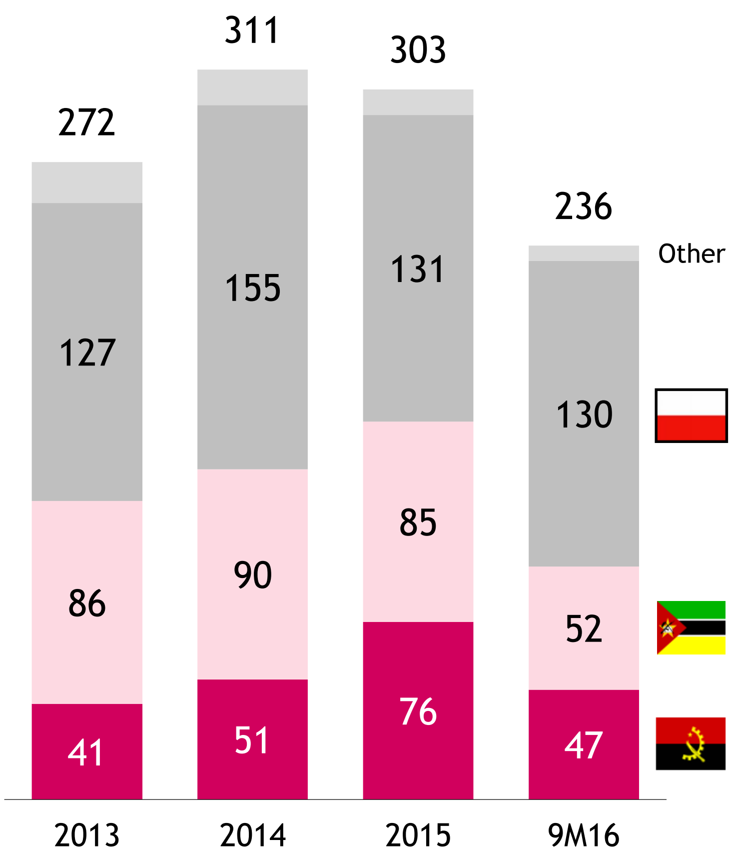
- Foreclosed assets are re-valued when repossessed, based on conservative assumptions (17% below market values, on average)
- Real-estate prices in Portugal have been fairly stable over the last years
- Since 2015, foreclosed assets have consistently been sold at a gain over the book value

* Impairment for foreclosed assets.

3 Diversified and coherent international exposure delivering resilient contribution

Net income

(€ mn, before non-controlling interests)

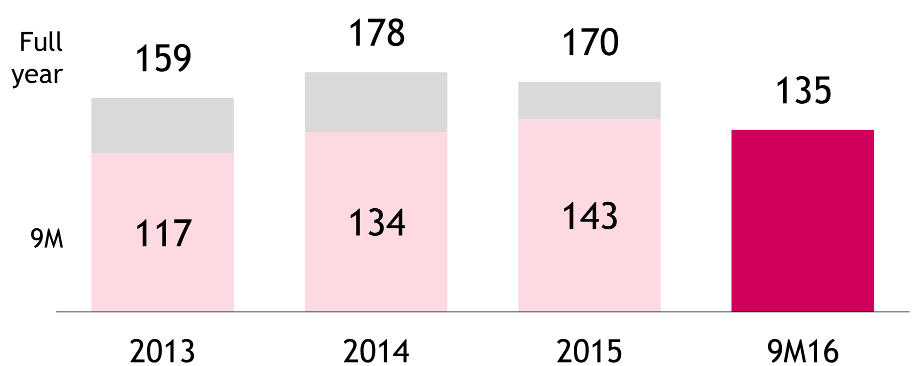


Real GDP growth*

	2015	2018	2021
Poland	+3.7%	+3.3%	+3.0%
Mozambique	+6.6%	+6.7%	+6.8%
Angola	+3.0%	+2.4%	+3.5%

Contribution to consolidated results**

(€ mn)

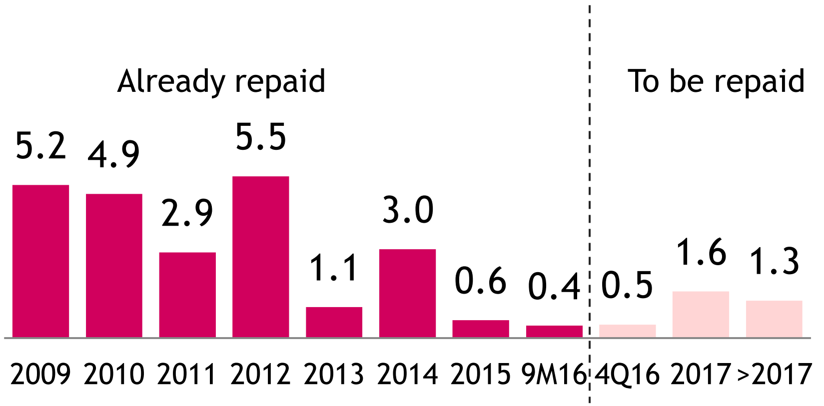


* Source: IMF – WEO October 2016.
** Comparable, assuming shareholding in Bank Millennium (Poland) constant at 50.1% and excluding discontinued operations.

4 Stronger funding and liquidity…

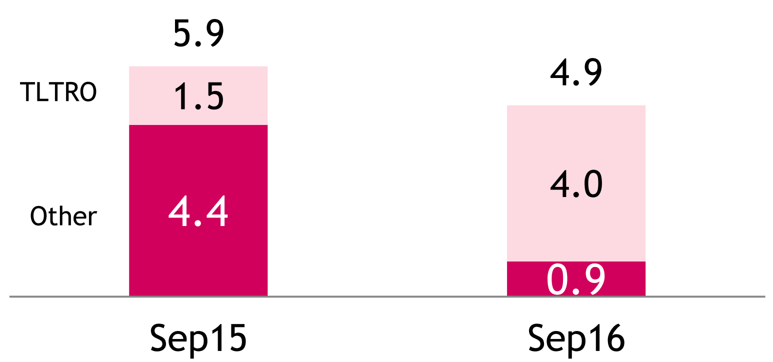
Outstanding debt repayments (medium-long term)

(€ bn, CoCos not included)



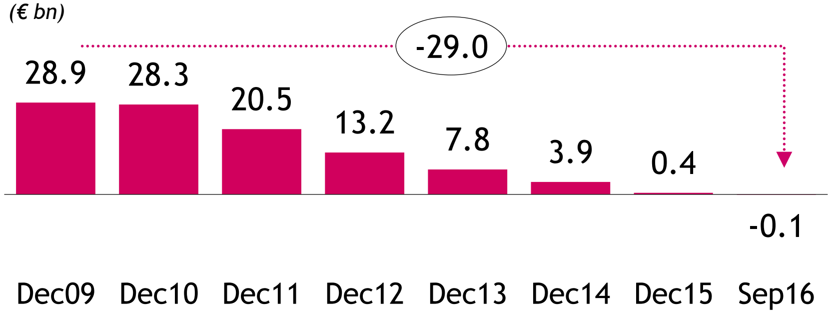
ECB funding

(€ bn)



Commercial gap (net loans – deposits)

(€ bn)



162% ← Loans to deposits ratio → 100%

147% ← Loans to on BS funds ratio → 97%

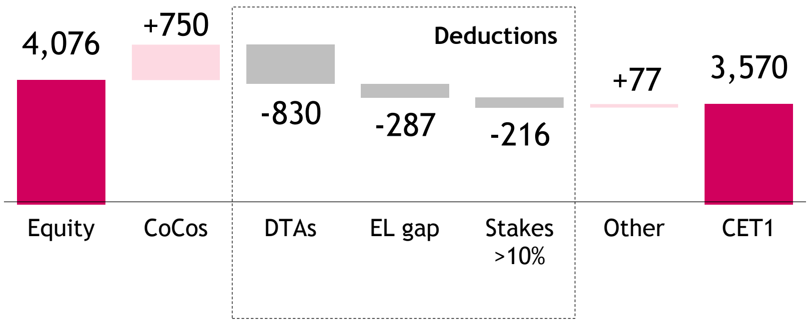
- Future debt repayments (medium-long term) significantly lower than in the past
- Net usage of ECB funding at €4.9 billion (€4.0 billion related to TLTRO), compared to €5.9 billion at September 30, 2015 (TLTRO: €1.5 billion)
- €13.1 billion (net of haircut) of eligible assets available for refinancing operations with ECB, of which €2.0 billion are related to Portuguese sovereign debt, with a €8.2 billion buffer
- Customer deposits account for 78% of funding
- Loans to deposit ratio at 100%, 97% if all balance-sheet Customer funds are included

... as well as an enhanced capital position, following rights issue

5

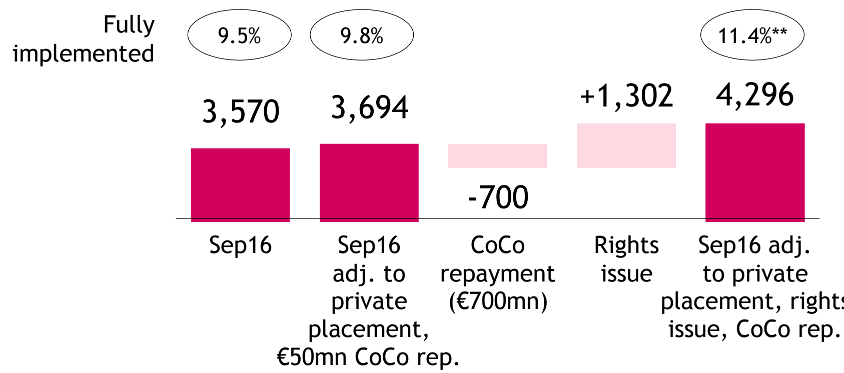
From equity to CET1 capital

(€ mn, September 2016)



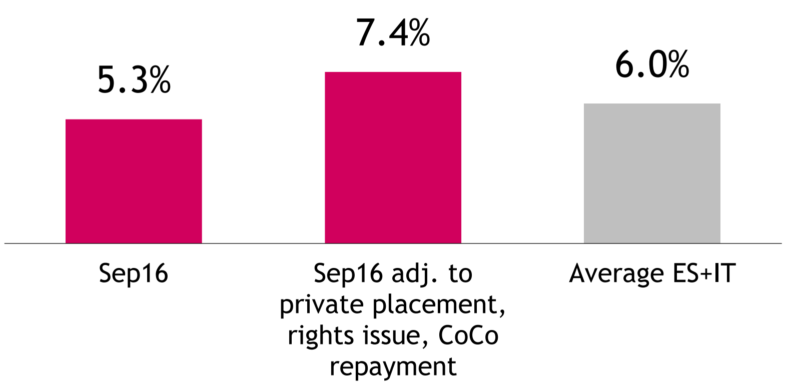
Impact on CET1 capital*

(€ mn)



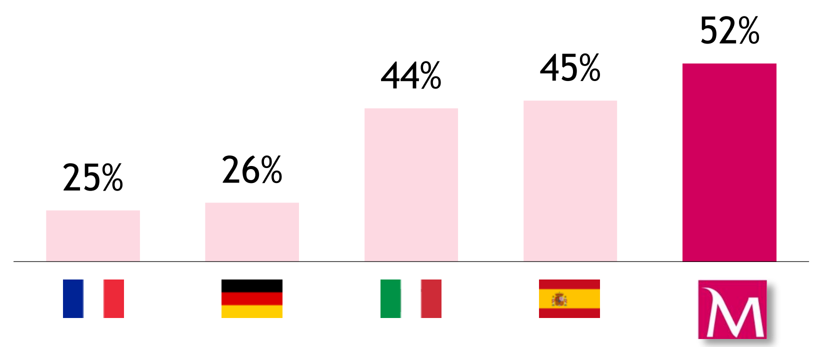
Minimum required phased-in CET1 (SREP): 8.15% in 2017

Tangible equity as % of tangible assets



RWA density

September 2016 if available, June 2016 otherwise. Source: SNL financial



*Does not include positive indirect impacts resulting from lower deductions associated to DTAs and investments in financial institutions above the Basel III thresholds. | **Capital buffer vs 11% target CET1 ratio to address possible future regulatory impacts and/or to increase NPE coverage. In particular, adjustments to credit risks models, with a view to their better calibration in light of possible context changes, requested by the Supervisory Authorities or as a result of a Bank's initiative, may imply an upward revision of the amount of Risk Weighted Assets and, consequently, will have a negative impact on the capitalization level of the Bank.

Agenda

- Overview and rationale
- Strategic plan
- **Investment case**

Investment case

The rights issue is expected to accelerate the return to normalization and to allow Millennium bcp to focus on its core strengths

Distinct position

1. Reference private sector bank in Portugal, and well-positioned in a rapidly changing landscape
2. Profitable commercial banking business model with highly recurrent operating results, supported by a continued track record of improvement in operating performance
3. Profitable and self-funded international operations
4. Strong balance sheet reinforced by rights issue
5. Sound corporate governance and highly qualified management team

Strategic plan for 2018 reaffirmed on a stronger equity base

Consolidated

	Past Worst result since end-2008	9M16	2018
CT1 / CET1	**4.2%** Core Tier 1 Bank of Portugal, Mar 08	**12.2%*** phased-in, **9.5%*** fully imp. Adjusted to private placement, rights issue and CoCo repayment: **14.1%** phased-in, **11.4%** fully imp.	**≈ 11%**
Loans to Deposits	**175%** Mar 09	**100%**	**< 100%**
Cost - Income	**76.5%** 6M13	**46.0%**	**< 43%**
Cost - Core Income	**85.7%** 2013	**52.0%**	**< 50%**
Cost of Risk	**194 bp** Dec 14	**221 bp**	**< 75 bp**
ROE	**-35.4%** 2012	**-7.7%**	**≈ 10%**** With a 11% fully implemented CET1

The targets presented are not forecasts. There can be no assurance that these targets can or might be met and these may not be interpreted as profit forecasts or estimates.
*As per the earnings presentation. | **Revised from a target of greater than 11%, which did not take into account adjustments based on the capital increase completed on 18 November 2016 and this rights offering.

Appendices

- Company overview
- Macro environment in Portugal
- Asset quality indicators

Millennium bcp is a brand with unique international presence focused on key strategic markets

Single brand Millennium

Portugal

Market share: 18.0% on loans and 17.0% on deposits
Loans to customers (gross): €40,291mn
Customer funds: €47,301mn
Employees: 7,429
Branches: 634

Macau

Millennium BCP onshore branch
Loans to customers (gross): €544mn
Customer funds: €963mn
Employees: 12
Branches: 1

Poland

Market share: 4.5% on loans and 5.1% on deposits
Loans to customers (gross): €11,063mn
Customer funds: €14,208mn
Customers: 1.4 million
Employees: 5,839
Branches: 381
BCP shareholding: 50.1%

China (Guangzhou)

Millennium BCP Representative office based in Guangzhou
Employees: 2

Angola

ATLANTICO
BANCO MILLENNIUM ATLANTICO

Loans to customers market share up to 11%
Customer funds market share up to 9%
Customers: >600,000
Employees: >2,000
Branches: 153
BCP shareholding: 22.5%
De-consolidated from June 2016

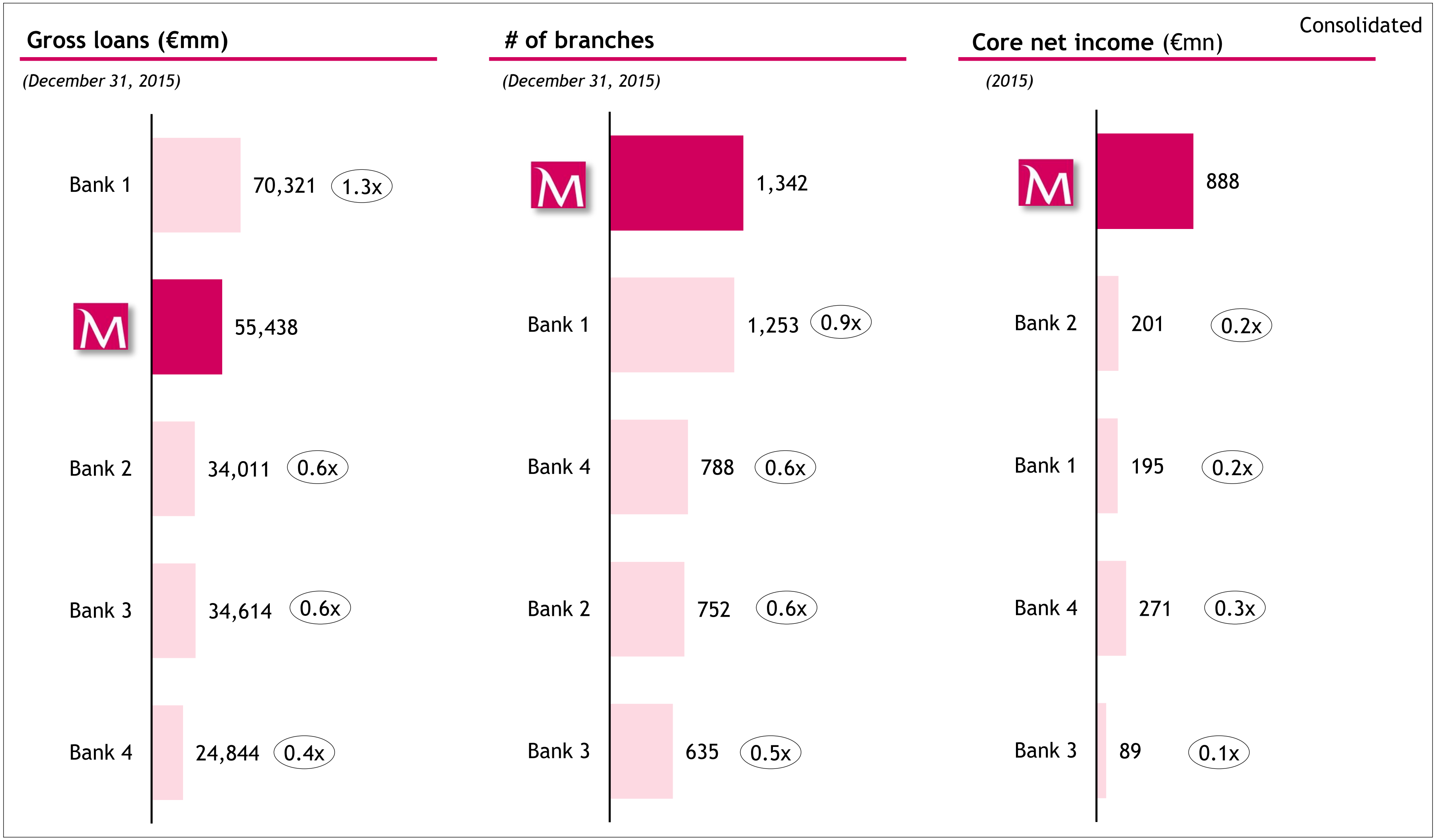
Mozambique

Market share: 28.8% on loans and 28.2% on deposits
Loans to customers (gross): €964mn
Customer funds: €1,172mn
Customers: 1.5 million
Employees: 2,536
Branches: 173
BCP shareholding: 66.7%

Data as at September 2016.

Millennium bcp delivers comparably higher pre-provision profitability vs. peers

X.Xx Other Portuguese banks vs. Millennium bcp

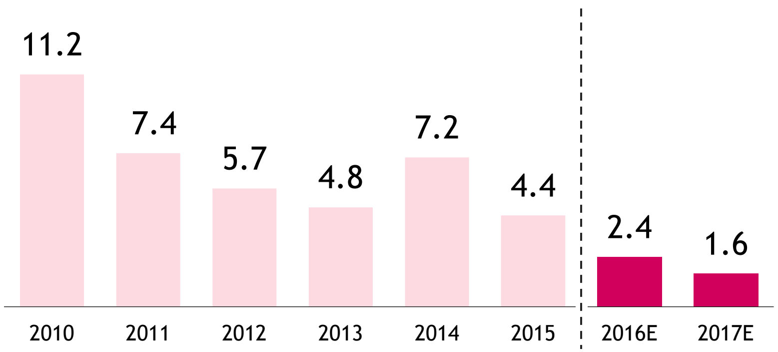


* Core income = net interest income + net fees and commission income
** Core net income = net interest income + net fees and commission income - operating costs

Fiscal consolidation creates the conditions for the sustainability of the public debt, leading to normalisation of yields on sovereign debt

Budget deficit decreases…

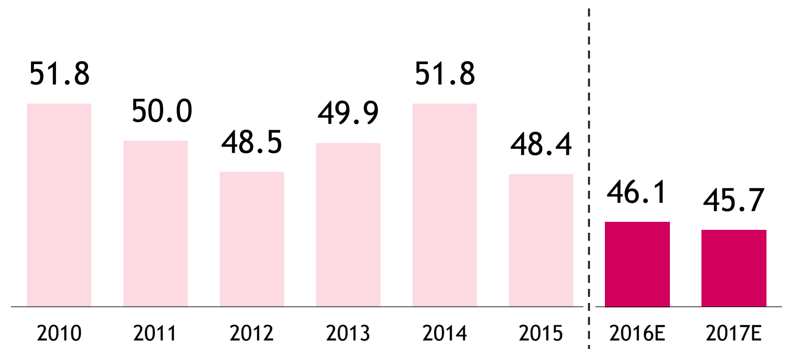
(% of GDP)



Source: Statistics Portugal; Ministry of Finance.

…with significant effort on expenditure

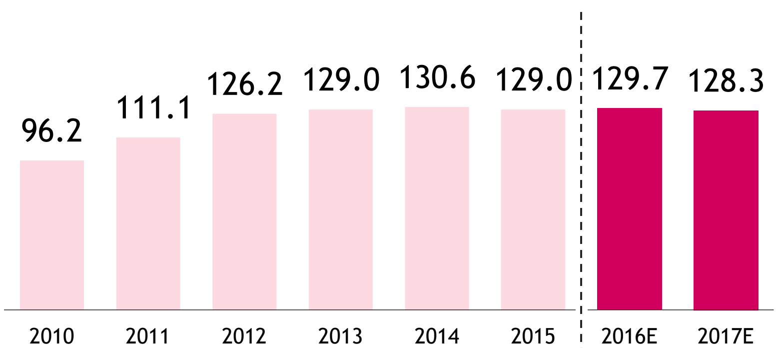
(total expenditure, % of GDP)



Source: Bank of Portugal; Ministry of Finance.

Debt level is already decreasing

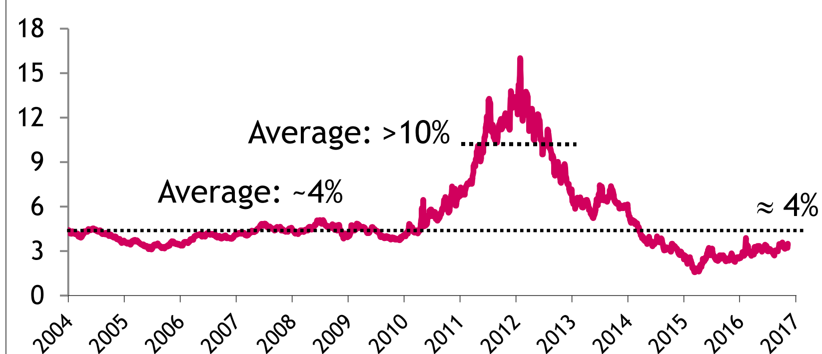
(Public debt, % of GDP)



Source: Statistics Portugal; Ministry of Finance.

Yields have been decreasing

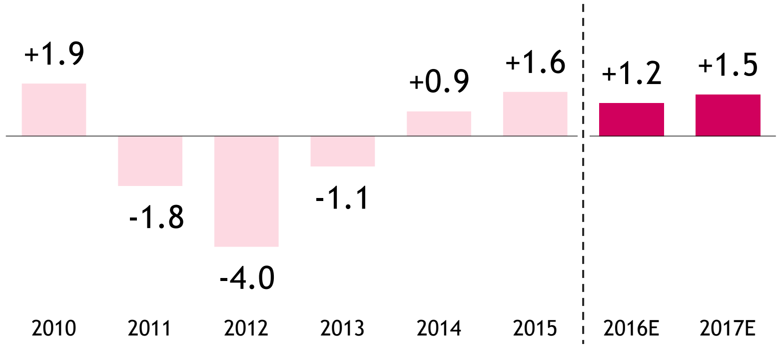
10y Portuguese bonds (yield, %)



Source: Thomson Reuters.

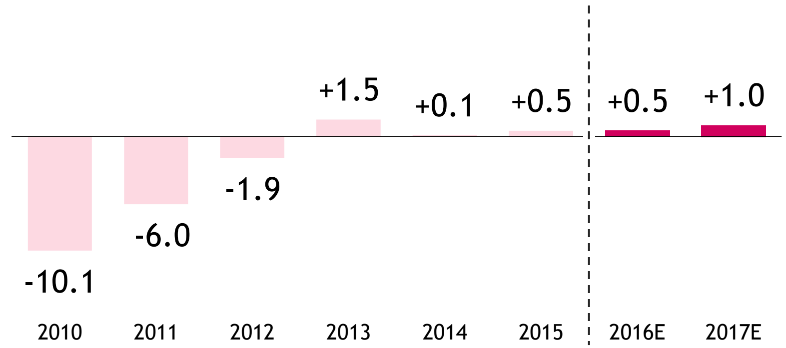
Portugal has been undergoing profound structural reforms, which are already showing positive results

Real GDP growth rate (yoy)



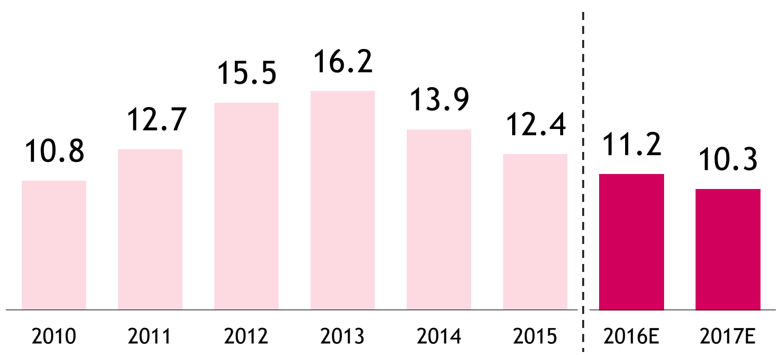
Source: Statistics Portugal; Ministry of Finance.

Current account balance (% of GDP)



Source: Statistics Portugal; Ministry of Finance.

Unemployment rate (%)



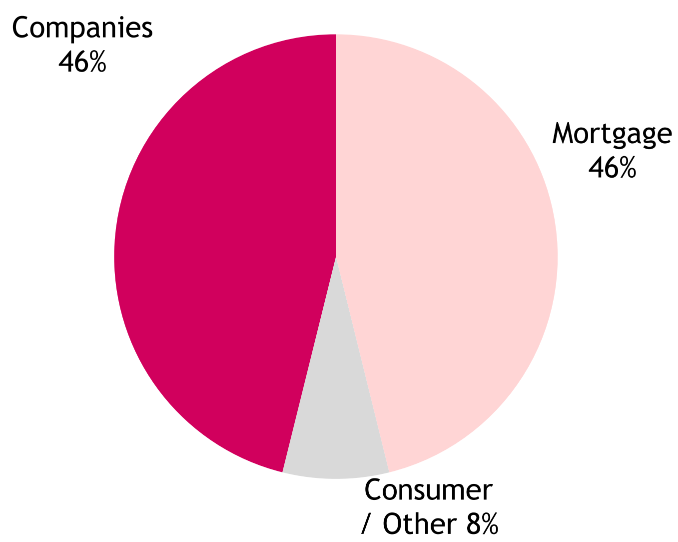
Source: Statistics Portugal; Ministry of Finance.

- Budget deficit expected at 2.4% in 2016, lower than EU's 2.5% target. This is a 2.0pp improvement from 2015, on the back of a 2.3pp decrease of expenditure as a percentage of GDP
- Portugal's State budget for 2017 forecasts a 1.6% deficit as a percentage of GDP, a 0.9pp improvement from 2016, reflecting both increased revenues (+0.5pp as a percentage of GDP) and lower expenditure (-0.4pp).
- The 2017 State budget also forecasts a 1.5% GDP growth (chiefly on the back of external demand and investment), unemployment decreasing to 10.3% and the current account surplus expanding to 1.0% of GDP.

Diversified and collaterised portfolio

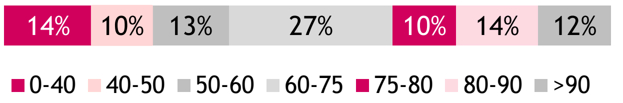
Loan portfolio

Consolidated



Loans by collateral

LTV of mortgage portfolio in Portugal

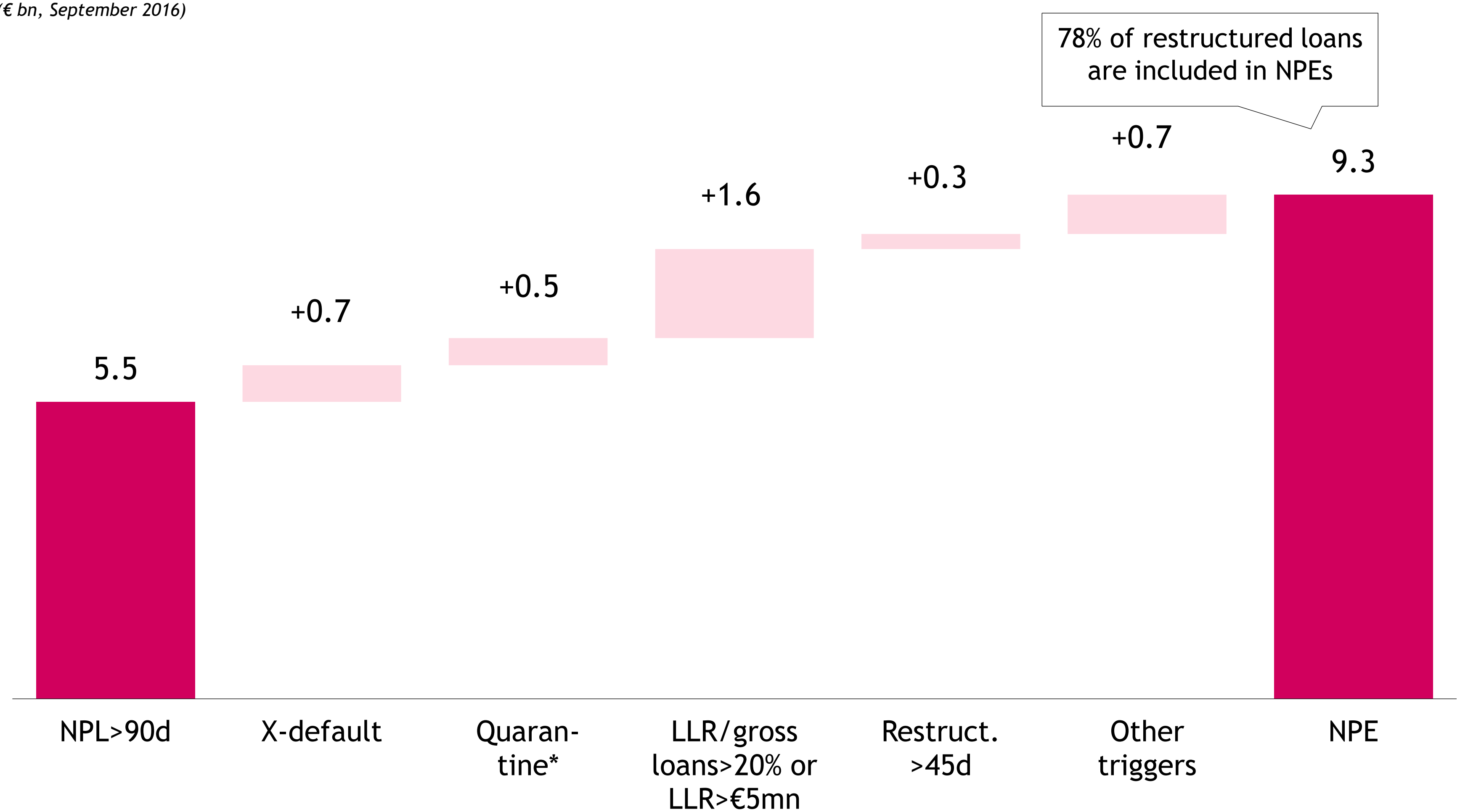


- Loans to companies accounted for 46% of the loan portfolio at September 30, 2016, including 10% to construction and real-estate sectors
- Mortgage accounted for 46% of the loan portfolio, with low delinquency levels and an average LTV of 67%
- 92% of the loan portfolio is collateralised
- Real estate accounts for 87% of total collaterals
- 82% of the real estate collateral is residential

Reconciliation of NPL>90d with NPEs (EBA definition)

From NPL>90d to NPEs (EBA definition)

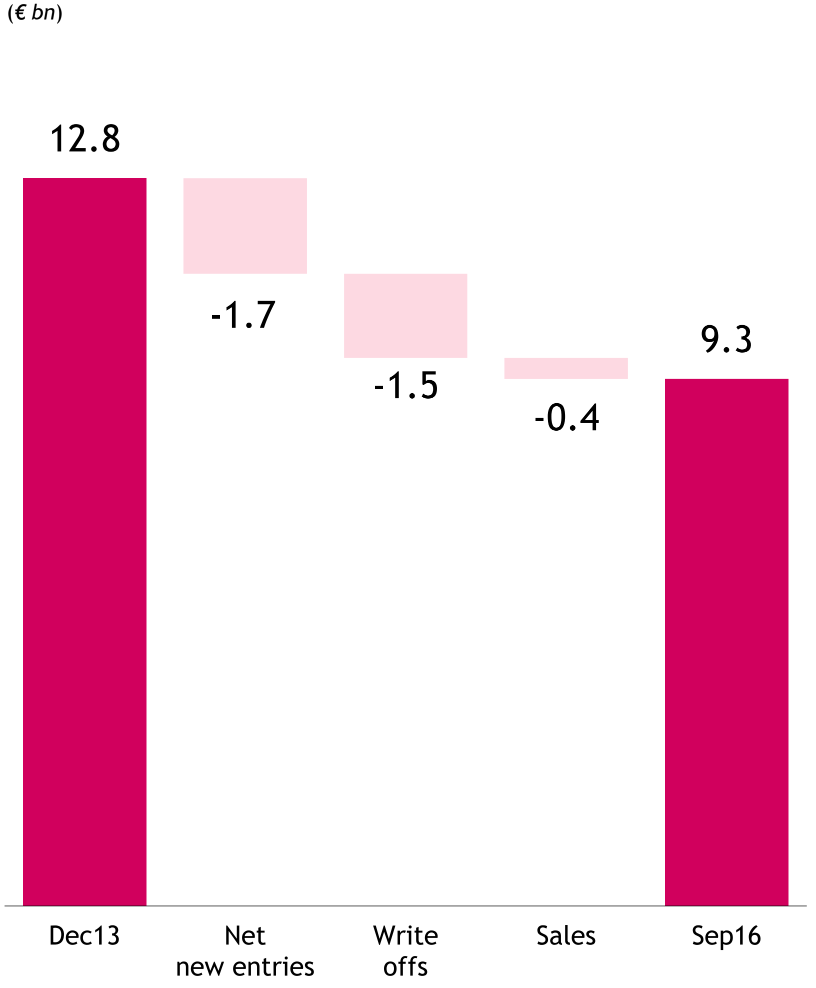
(€ bn, September 2016)



* 9 months following payment is resumed for loans to companies, 3 months for retail loans.

A NPE reduction plan is in place

NPEs down >€3bn from end-2013



- Measures implemented in the last years with reducing impact on NPEs: strengthening of the monitoring of credit quality, new assessment models, new internal regulations and recovery model, improvement to the risk management governance model
- We have a plan aimed at bringing down the level of NPEs significantly to <€7.5bn until December 2017. Key measures under this plan include:
  - *Reduction of net new entries*: focus on restructuring loans and on quarantine, preventing mortgage cases from reaching courts and reducing the recovery period for cases handled by external law offices
  - *Write-offs*: step-up write-offs resolved at courts
  - *Sales*: focus on selling strongly-collateralised corporate loans and, for individuals, loans with low likelihood of recovery

The targets presented are not forecasts. There can be no assurance that these targets can or might be met and these may not be interpreted as profit forecasts or estimates.

Outcome of the stress tests

Assumptions, adverse scenario

Adverse scenario	Euro Area			Portugal		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
GDP growth	-1.0%	-1.3%	0.6%	**-2.1%**	**-2.6%**	**-0.6%**
HIPC inflation	-0.9%	-0.1%	0.1%	-1.3%	-1.9%	-1.0%
Unemployment rates	11.0%	11.7%	12.4%	12.4%	13.3%	15.2%
Residential property prices	-7.3%	-2.3%	0.1%	**-7.3%**	**-3.4%**	**-1.2%**
Prime commercial property prices	-4.5%	-5.7%	-1.5%	-4.9%	-5.9%	-2.0%
Public debt long term yields	2.1%	2.4%	2.3%	3.8%	3.9%	3.8%

Source: EBA.

Outcome for Millennium bcp

CET1 ratio	Adverse scenario		
	2016	**2017**	**2018**
Phased-in	**9.9%**	**8.6%**	**7.2%**
Fully implemented	6.3%	6.3%	6.1%

8.8% adjusted to private placement, rights issue and CoCo repayment

7.8% adjusted to private placement, rights issue and CoCo repayment

Source: ECB.

- As regard the Portuguese banks, the adverse scenario consisted of an economic recession, together with deflation, increase in unemployment, increase in public debt yields and a massive real estate devaluation.
- BCP's CET1 phased-in ratio stood at 7.2% under the adverse scenario (2.99% in the stress test of 2014).
- The minimum 5.5% CET1 ratio (phased-in) required in 2014 was kept as a reference in the adverse scenario.
- Test involved a significant sample of banks in the European Union; outcomes were disclosed for 51 banks, of which 37 directly supervised by the ECB, covering 70% of banking assets in the euro area.
- Led by EBA in articulation with the ECB. EBA was responsible for running the exercise for the major banks in the Euro Area. ECB has conducted a parallel stress test for the additional significant banks, including Millennium bcp.
- No minimum capital was set, but the outcome of the stress tests was taken as an input for the 2016 Supervisory Review and Evaluation Processes (SREP).

Glossary (1/2)

Capitalisation products – includes unit linked saving products and retirement saving plans (“PPR”, “PPE” and “PPR/E”).

Commercial gap – total loans to customers net of BS impairments accumulated minus on-balance sheet customer funds.

Cost of risk, gross (expressed in bp)- ratio of impairment charges accounted in the period to customer loans (gross).

Cost of risk, net (expressed in bp)- ratio of impairment charges (net of recoveries) accounted to customer loans (gross).

Cost to income – operating costs divided by net operating revenues.

Cost to core income - operating costs divided by the net interest income and net fees and commission income.

Core income - net interest income plus net fees and commission income.

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

Coverage of credit at risk by balance sheet impairments – total BS impairments accumulated for risks of credit divided by credit at risk (gross)

Coverage of credit at risk by balance sheet impairments and real/financial guarantees -total BS impairments accumulated for risks of credit plus real and financial guarantees divided by credit at risk (gross).

Coverage of non-performing loans by balance sheet impairments – total BS impairments accumulated for risks of credit divided by NPL

Credit at risk – definition broader than the non performing loans which includes also restructured loans whose changes from initial terms have resulted in the bank being in a higher risk position than previously; restructured loans which have resulted in the bank becoming in a lower risk position (e.g. reinforced collateral) are not included in credit at risk.

Credit at risk (net) – credit at risk deducted from BS impairments accumulated for risks of credit.

Customer spread – Difference between the spread on the loans to customers book over 3 months Euribor and the spread on the customers’ deposits portfolio over 3 months Euribor.

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

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

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

Loan book spread - average spread on the loan portfolio over 3 months Euribor.

Loan to value ratio (LTV) – Mortgage amount divided by the appraised value of property.

Loan to Deposits ratio (LTD) – Total loans to customers net of accumulated BS impairments for risks of credit to total customer deposits.

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

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

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

Non-performing exposures (according to EBA definition) – Non-performing loans and advances to customers more than 90 days past-due or unlikely to be paid without collateral realisation, even if they recognised as defaulted or impaired. Considers also all the exposures if the on-BS 90 days past due reaches 20% of the outstanding amount of total on-BS exposure of the debtor, even if no pull effect is used for default or impairment classification. Includes also the loans in quarantine period over which the debtor has to prove its ability to meet the restructured conditions, even if forbearance has led to the exit form default or impairments classes.

Non-performing exposures coverage ratio – Total BS impairments plus collaterals and expected loss gap divided by non-performing exposures.

Glossary (2/2)

Non-performing loans – Overdue loans more than 90 days including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Non-performing loans ratio (net) – Loans more than 90 days overdue and doubtful loans reclassified as overdue for provisioning purposes less BS impairments accumulated for credit risk divided by total loans (gross).

Non-performing loans coverage ratio – Total BS impairments accumulated for credit risk divided by overdue and doubtful loans divided.

Loans losses reserves - Total BS impairments.

Loans more than 90 days overdue coverage - total BS impairments accumulated for risk of credit divided by total amount of loans overdue with instalments of capital and interest overdue more than 90 days.

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

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

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

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

Overdue loans - loans in arrears, not including the non-overdue remaining principal.

Overdue loans coverage ratio – total BS impairments accumulated for risks of credit divided by total amount of loans overdue with instalments of capital and interest overdue.

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

Return on equity (ROE) – Net income (including the minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments.

Return on average assets (ROA) – Net income (including minority interests) divided by the average total assets.

Securities portfolio - financial assets held for trading, financial assets available for sale, assets with repurchase agreement, financial assets held to maturity and other financial assets held for trading at fair value through net income.

Spread on term deposits portfolio – average spread on terms deposits portfolio over 3 months Euribor.

Tangible Equity – Shareholders equity minus goodwill and intangible assets.

Texas ratio – Non performing exposures divided by the sum of Tangible equity and Loan Losses Reserves i.e. NPE / (Tangible equity + LLRs).

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

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

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