29 July 2016

Millennium bcp earnings release as at 30 June 2016

Stress tests

Strong results

- **Strong results on ECB's stress tests** (relevant for the calculation of minimum capital): **phased-in common equity tier 1 in excess of 7% under the adverse scenario**, compared to a reference value of 5.5% and to 2.99% in the 2014 stress tests.

Capital

Adequate position

- **Common equity tier 1 ratio at 12.3%** according to phased-in criteria. This ratio stood at **9.6% under a fully implemented basis**, the same figure posted as at 30 June 2015 (estimates).

Asset quality

Coverage reinforced significantly

- **NPE coverage** by provisions, expected loss gap and collaterals **strengthened to 97%** (91% as at 30 June 2015), supporting the plan to **bring NPEs down by more than Euro 2 billion in December 2017**.
- **Non-performing loans ratio down** to 11.5% as at the end of the 1st half of 2016 from 12.1% as at the same date of 2015; **NPL coverage by provisions strengthened** to 61.4% (53.4% as at 30 June 2015), 113.0% including real and financial guarantees.

Profitability and efficiency

Earnings excluding non-usual items reinforced

- Net result of Euro -197.3 million in the 1st half of 2016. **Excluding non-usual items*, net profits amounted to Euro 56.2 million in 1H16**, compared to Euro 21.2 million losses in 1H15.
- **Core net income** up 10.3%** to Euro 437.1 million, resulting in **cost to core income** improving by 4pp to 52.5%** (cost to income of 45.7%).

Business performance

Healthy balance sheet

- **Commercial gap improved further**, with net loans as a percentage of on-balance sheet customer funds **now standing at 97%**. As a percentage of deposits (BoP criteria)***, net loans improved to 102% (107% as at 30 June 2015).
- **Customer deposits** totalled Euro 48.8 billion, with **deposits from individuals in Portugal up by 3.7%**.
- More than **5.3 million customers, 5.9% up** from the end of the 1st half of 2015.

* Non-usual items in 1H16: gains on Visa transaction, devaluation of corporate restructuring funds, additional impairment charges to increase coverage; non-usual items in 1H15: capital gains on Portuguese sovereign debt and devaluation of corporate restructuring funds.
** Core income = net interest income + net fees and commission income; Core net income = core income - operating costs.
*** According to the current version of Notice 16/2004 of the Bank of Portugal.
Note: The business figures presented exclude the former Banco Millennium in Angola.

BANCO COMERCIAL PORTUGUÊS, S.A.,
a public company (sociedade aberta)
having its registered office at Praça D. João I, 28, Oporto,
registered at the Commercial Registry of Oporto,
with the single commercial and tax identification number 501 525 882
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Financial Highlights

Euro million

	30 Jun. 16	30 Jun. 15	Change 16 / 15
Balance sheet			
Total assets (1)	73,068	76,775	-4.8%
Loans to customers (gross) (1)	52,930	56,137	-5.7%
Total customer funds (1)	62,823	64,241	-2.2%
Balance sheet customer funds (1)	50,500	51,647	-2.2%
Customer deposits (1)	48,762	49,100	-0.7%
Loans to customers, net / Customer deposits (2)	102%	107%	
Loans to customers, net / Balance sheet customer funds (3)	97%	100%	
Results			
Net income	(197.3)	240.7	
Net interest income	600.8	571.5	5.1%
Net operating revenues	1,059.4	1,369.2	-22.6%
Operating costs	484.1	511.2	-5.3%
Loan impairment charges (net of recoveries)	618.7	463.7	33.4%
Other impairment and provisions	198.0	91.6	116.1%
Income taxes			
Current	56.4	44.8	
Deferred	(134.7)	1.3	
Profitability			
Net operating revenues / Average net assets (2)	2.8%	3.6%	
Return on average assets (ROA) (4)	-0.3%	0.8%	
Income before tax and non-controlling interests / Average net assets (2)	-0.5%	0.9%	
Return on average equity (ROE)	-8.8%	11.4%	
Income before tax and non-controlling interests / Average equity (2)	-7.2%	13.8%	
Credit quality			
Overdue loans and doubtful loans / Total loans (2)	9.7%	9.7%	
Overdue loans and doubtful loans, net / Total loans, net (2)	2.8%	3.5%	
Credit at risk / Total loans (2)	11.9%	12.4%	
Credit at risk, net / Total loans, net (2)	5.2%	6.4%	
Impairment for loan losses / Overdue loans by more than 90 days (1)	93.9%	86.1%	
Efficiency ratios (2) (5)			
Operating costs / Net operating revenues	45.6%	37.3%	
Operating costs / Net operating revenues (Portugal)	47.5%	33.3%	
Staff costs / Net operating revenues	25.7%	21.1%	
Capital (6)			
Common equity tier I phased-in	12.3%	13.1%	
Common equity tier I fully implemented	9.6%	9.6%	
Branches (3)			
Portugal activity	646	691	-6.5%
Foreign activity	563	669	-15.8%
Employees (3)			
Portugal activity	7,402	7,599	-2.6%
Foreign activity	8,496	9,699	-12.4%

(1) Adjusted from the effect related to the classification of Banco Millennium in Angola as discontinued operation in 2015.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version including Banco Millennium in Angola.
(3) Includes discontinued operations in 2015.
(4) Considering net income before non-controlling interests.
(5) Excludes the impact of specific items: restructuring costs (Euro 1.2 million in 2016).
(6) According with CRD IV/CRR.

RESULTS AND ACTIVITY IN THE FIRST HALF OF 2016

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

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

Similarly, in the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, Banco Millennium in Angola was also considered as a discontinued operation in March 2016 and its financial statements presented in accordance with the criteria referred to in relation to Millennium bcp Gestão de Activos, including the financial statements of the same period of 2015.

After the completion of the merger, in May 2016, the assets and liabilities of Banco Millennium in Angola stopped being considered in the consolidated balance sheet and the investment of 22.5 % in Banco Millennium Atlântico, the new merged entity, started being consolidated using the equity method and its contribution to the Group's results have been recognized in the consolidated accounts from May 2016 onwards.

RESULTS

The **core income** of Millennium bcp amounted to Euro 437.1 million in the first half of 2016, increasing 10.3% from the Euro 396.4 million registered in the same period of 2015 inducing a 4 percentage points improvement in cost to core income between the first half of 2015 and 2016, reaching 52.5%.

Net income in the first half of 2016 stood at Euro -197.3 million, hindered by the impact of non-usual items. Excluding this impact, net income would have been positive at Euro 56,2 million in the first half of 2016, compared to a loss of Euro 21,2 million posted in the same period of 2015.

Non-usual items, net of tax, include the gains related with the sale of Portuguese sovereign debt securities in the amount of Euro 273.6 million in the first half of 2015, with no correspondence in the same period of 2016, the booking of additional impairment charges of EUR 211,5 million to increase coverage, the devaluation of corporate restructuring funds, which stood at Euro 77,3 million, mitigated by gains related with the purchase of Visa Europe by Visa Inc., in the Bank in Portugal and in Bank Millennium in Poland, amounting to respectively Euro 20.9 million and Euro 26.2 million.

Net income in the international activity totalled Euro 99.4 million in the first half of 2016, compared to Euro 104.6 million recorded in the same period of 2015, benefiting from the gain booked in the subsidiary in Poland associated with the purchase of Visa Europe by Visa Inc., in spite of the penalizing effect of the introduction of a new tax on the Polish banking sector and the effect derived from the depreciation of the local currencies of the various geographies against the euro, with a special focus on the metical.

Net interest income reached Euro 600.8 million in the first half of 2016, a year-on-year increase of 5.1% from the Euro 571.5 million accounted in the same period of 2015, on the back of the positive performance of both Portugal and international activity.

In the activity in Portugal, net interest income increased by 8.8% compared with the first half of 2015 amounting to Euro 358.1 million, determined by the sustained reduction of term deposits cost, materialised in a 77 basis points reduction from the first half of 2015, in spite of the decrease of the yield of the Portuguese sovereign debt portfolio related with the interest rates trend.

Net interest income in the international activity totalled Euro 242.7 million in the first half of 2016, a 16.3% increase, excluding exchange rate impact, grounded on loans to customers and deposits volume's increases, mainly in the subsidiary in Mozambique.

Net interest margin in the first half of 2016 reached 1.86%, compared to 1.72% in the same period of 2015. Excluding the impact from the cost of CoCos, net interest margin stood at 1.96% in the first half of 2016 and 1.82% in the same period of 2015.

AVERAGE BALANCES

Euro million

	30 Jun.16		30 Jun.15	
	Amount	Yield %	Amount	Yield %
Deposits in banks	3,194	0.56	3,171	0.85
Financial assets	10,479	2.09	9,860	2.89
Loans and advances to customers	50,141	3.26	53,076	3.43
Interest earning assets	**63,814**	**2.93**	**66,107**	**3.22**
Discontinued operations (1)	1,471		2,001	
Non-interest earning assets	9,920		9,609	
	75,205		**77,717**	
Amounts owed to credit institutions	10,513	0.36	11,378	0.58
Amounts owed to customers	49,124	0.76	48,494	1.27
Debt issued	4,460	3.28	5,574	3.38
Subordinated debt	1,654	7.40	2,011	6.25
Interest bearing liabilities	**65,751**	**1.04**	**67,457**	**1.47**
Discontinued operations (1)	1,375		1,779	
Non-interest bearing liabilities	2,511		3,125	
Shareholders' equity and non-controlling interests	5,568		5,356	
	75,205		**77,717**	
Net interest margin		1.86		1.72
Net interest margin (excl. cost of CoCos)		1.96		1.82

Note: Interest related to hedge derivatives were allocated, in June 2016 and 2015, to the respective balance sheet item.
(1) Includes the activity of the subsidiary in Angola and of Millennium bcp Gestão de Ativos (in 2015), as well as the respective consolidation adjustments.

Net commissions amounted to Euro 320.3 million in the first half of 2016 from Euro 336.1 million in the same period of 2015. In the activity in Portugal, net commissions totalled Euro 229.5 million, a year-on-year increase of 2.0%, which was offset by the decrease of 7.6%, excluding exchange rate effect, registered in the international activity.

The performance of net commissions in the first half of 2016 reflects the decrease in commissions associated with financial markets by 11.5% and with the banking business by 3.1%, influenced by the lower level of commissions recorded in international activity , despite the higher current accounts-related commissions in the activity in Portugal.

Net trading income stood at Euro 182.8 million in the first half of 2016, compared to Euro 479.0 million posted in the same period of 2015, reflecting the gains related with Portuguese sovereign debt securities in the amount of Euro 388.1 million booked in the first half of 2015, in spite of the gain of Euro 91.0 million related with the purchase, by Visa Inc., of the shareholdings held by the Bank in Portugal and Bank Millennium in Poland in Visa Europe in the second quarter of 2016.

Other net operating income was negative by Euro 88.1 million in the first half of 2016 from Euro 41.2 million registered in the same period of 2015.

In the activity in Portugal, this heading includes the contributions for the banking sector, for the Deposit Guarantee Fund, for the Resolution Fund and for the Single Resolution Fund, with the last only being registered in the fourth quarter of 2015, compared with the booking of Euro 21.2 million in the second quarter of 2016, while in the international activity were greatly affected by the introduction of a new banking tax on the banking sector in Poland

Dividends from equity instruments, which comprises dividends received from investments in financial assets available for sale, and **equity accounted earnings**, jointly amounted to Euro 43.5 million in the half of 2016, a Euro 19.7 million increase compared with the Euro 23.8 million posted in the same period of 2015, mainly determined by higher gains from UNICRE, influenced by the transaction of its shareholding in Visa Europe.

OTHER NET INCOME *Euro million*

	30 Jun. 16	30 Jun. 15	Change 16/15
Net commissions	**320.3**	**336.1**	**-4.7%**
Banking commissions	263.1	271.4	-3.1%
Cards and transfers	71.1	79.8	-10.9%
Credit and guarantees	81.1	84.5	-4.0%
Bancassurance	39.1	37.7	3.6%
Current account related	45.4	39.8	14.0%
Other commissions	26.5	29.6	-10.7%
Market related commissions	57.3	64.7	-11.5%
Securities	38.9	44.8	-13.1%
Asset management	18.3	19.9	-8.1%
Net trading income	**182.8**	**479.0**	-61.8%
Other net operating income	**(88.1)**	**(41.2)**	-
Dividends from equity instruments	**5.8**	**3.2**	**81.0%**
Equity accounted earnings	**37.7**	**20.6**	**82.9%**
Total other net income	**458.6**	**797.7**	**-42.5%**
Other net income / Net operating revenues	43.3%	58.3%	

Operating costs, excluding the effect of specific items related with restructuring costs, decreased 5.5% standing at Euro 482.8 million in the first half of 2016, compare to Euro 511.2 million posted in the same period of 2015, materialising the cost saving initiatives in Portugal established in the Strategic Plan.

In the activity in Portugal, excluding specific items, operating costs totalled Euro 308.6 million in the first half of 2016, a decrease of 3.5% compared to the same period of 2015, reflecting staff costs savings, embodied in the reduction of the number of employees, together with other administrative costs.

In the international activity, operating costs decreased 9.0%; however, excluding the exchange rate effect, operating costs increased 5.1% compared to the first half of 2015, mainly influenced by the subsidiary in Mozambique.

Staff costs, excluding the impact of the above-mentioned specific items, amounted to Euro 272.5 million in the first half of 2016, a 5.6% reduction from the same period of 2015, boosted by the decrease observed in the activity in Portugal, which benefited from the 197 reduction in the number of employees from the end of the first half of 2015, in spite of the 3.9% increase in the international activity, excluding exchange rate effects.

Other administrative costs totalled Euro 184.9 million in the first half of 2016, a decrease of 5.1% from Euro 194.9 million recorded in the same period of 2015, as a result of the impact of the above-mentioned operational efficiency improvement and cost savings initiatives, namely the resizing of the distribution network in Portugal, from 691 branches in the first half of 2015 to 646 in the same period of 2016. In the international activity, other administrative costs increased 5.6%, excluding exchange rate effects, determined by the operation in Mozambique.

Depreciation costs stood at Euro 25.5 million in the first half of 2016, a 7.9% year-on-year decrease from the Euro 27.7 million accounted in the same period of 2015, supported by the activity in Portugal (-7.3%), induced by lower real estate and software-related depreciation costs. In the international activity, depreciation costs increased, excluding the exchange rate impact, 13.4% compared to the first half of 2015, influenced by the subsidiaries in Poland and Mozambique.

OPERATING COSTS

Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Staff costs	272.5	288.6	-5.6%
Other administrative costs	184.9	194.9	-5.1%
Depreciation	25.5	27.7	-7.9%
Subtotal [(1)]	**482.8**	**511.2**	-5.5%
Specific items			
Restructuring costs	1.2	-	
Operating costs	**484.1**	**511.2**	**-5.3%**
Of which:			
Portugal activity [(1)]	308.6	319.7	-3.5%
Foreign activity	174.3	191.5	-9.0%

(1) Excludes the impact of specific items presented in the table.

Impairment for loan losses (net of recoveries) totalled Euro 618.7 million in the first half of 2016, compared to Euro 463.7 million posted in the same date of 2015, reflecting the booking of additional impairment charges that enabled the strengthening of the respective coverage levels, namely reflected in an improvement of overdue loans coverage ratio for more than 90 days per impairments, adjusted for the effect of discontinued operations, from 86.1% as at 30 June 2015 to 93.9% in the same period of 2016.

Other impairment and provisions stood at Euro 198.0 million in the first half of 2016, compared to Euro 91.6 million in the same period of 2015, influenced by the impact of Euro 126.3 million related with the previously-mentioned devaluation of corporate restructuring funds, in spite of lower provisions for repossessed assets and for other liabilities and charges.

Income tax (current and deferred) amounted to Euro -78.3 million in the first half of 2016, compared with Euro 46.1 million posted in the same period of 2015.

These taxes include current tax costs of Euro 56.4 million (Euro 44.8 million in the first half of 2015) net of deferred tax income of Euro -134.7 million (Euro 1.3 million in the same period of 2015).

BALANCE SHEET

Total assets, excluding the impact of Banco Millennium in Angola, reached Euro 73,068 million as at 30 June 2016, compared with Euro 76,775 million as at 30 June 2015, reflecting loans to customers' portfolio retraction, together with the decrease in the securities portfolio, mainly related with the sale of Portuguese sovereign debt securities in the first half of 2015.

Loans to customers (gross), excluding discontinued operations, totalled Euro 52,930 million as at 30 June 2016, compared with Euro 56,137 million posted in the same date of 2015, induced by the decrease in the activity in Portugal, in spite of the increase recorded in the international activity, excluding the exchange rate effect.

In the activity in Portugal, loans to customers decreased 5.0% compared to 30 June 2015, as a result of the performance of both loans to individuals and loans to companies, which decreased 3.6% and 6.4% respectively, hindered by the still moderate recovery of the Portuguese economy, in spite of the continued commitment in offering solutions to companies and individuals financing needs.

In the international activity, loans to customers, excluding the impact of the loan portfolio associated with the operation in Angola, classified as discontinued operation, and the exchange rate effect, increased 1.5% compared to 30 June 2015, driven by loans to companies increase mainly in the subsidiary in Mozambique.

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Individuals	**28,413**	**29,807**	**-4.7%**
Mortgage	24,494	25,820	-5.1%
Consumer and others	3,918	3,988	-1.7%
Companies	**24,518**	**26,330**	**-6.9%**
Services	9,686	10,375	-6.6%
Commerce	3,132	3,206	-2.3%
Construction	3,166	3,789	-16.5%
Other	8,534	8,960	-4.8%
Subtotal	**52,930**	**56,137**	**-5.7%**
Discontinued operations	--	948	
Total	**52,930**	**57,085**	**-7.3%**
Of which [(1)]:			
Portugal activity	40,719	42,872	-5.0%
Foreign activity	12,211	13,265	-7.9%

(1) Excludes the impact from discontinued operations (Banco Millennium in Angola) in 2015.

The structure of the loans to customers' portfolio showed identical and stable levels of diversification between the end of June 2015 and 2016, with loans to companies representing 46% of total loans to customers as at 30 June 2016.

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 30 JUNE 2016

Euro million

	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans by more than 90 days /Total loans	Coverage ratio (Impairment/ Overdue >90 days)
Individuals	**868**	**805**	**3.1%**	**92.7%**
Mortgage	293	354	1.2%	121.1%
Consumer and others	575	451	14.7%	78.3%
Companies	**3,122**	**2,939**	**12.7%**	**94.2%**
Services	1,226	1,420	12.7%	115.9%
Commerce	303	271	9.7%	89.6%
Construction	1,006	629	31.8%	62.6%
Other	587	619	6.9%	105.4%
Total	**3,989**	**3,744**	**7.5%**	**93.9%**

Credit quality, determined by loans overdue by more than 90 days as a percentage of total loans, adjusted for discontinued operations, reached 7.5% as at 30 June 2016, at the same level as the ratio on the same date of 2015, and the coverage ratio for loans overdue by more than 90 day improved from 86.1% as at 30 June 2015 to 93.9% as at 30 June 2016.

The credit at risk ratio stood at 11.9% of total loans as at 30 June 2016, which compares with 12.4% as at 30 June 2015. As at 30 June 2016, the restructured loans ratio reached 10.0% of total loans, a favourable performance from the 10.4% registered at the end of June 2015 and the restructured loans not included in credit at risk ratio stood at 5.4% of total loans as at 30 June 2016 (6.4% as at 30 June 2015).

Total customer funds, excluding the impact associated with discontinued operations, decreased 2.2% amounting to Euro 62,823 million as at 30 June 2016, compared to Euro 64,241 million posted in the same date of 2015.

In the activity in Portugal, total customer funds totalled Euro 47,213 million as at 30 June 2016, from Euro 47,704 million in the same date of 2015. Notwithstanding the increases of Euro 320 million and Euro 112 million registered, respectively, in customer deposits and assets under management, total customer funds performance was hindered by the decreases of Euro 808 million in debt securities owed to customers and Euro 116 million in capitalisation products.

In the international activity, total customer funds, excluding the impact associated with discontinued operations, reached Euro 15,610 million as at 30 June 2016, from Euro 16,537 million as at 30 June 2015, penalised by the depreciation of the zloty, the metical and the swiss franc against the euro. Excluding exchange rate effect, total customer funds increased 4.1% compared to 30 June 2015, mainly grounded on customer deposits' 5.9% increase in most geographies, namely in the subsidiary in Poland.

As at 30 June 2016, excluding discontinued operations, balance sheet customer funds represented 80% of total customer funds, with customer deposits representing 78% of total customer funds.

Improvement of loan to deposits ratio to stand at 102% as at 30 June 2016, compared to 107% as at the same period of 2015, benefiting from the reduction of the commercial gap by Euro 2.4 million. The same ratio, considering total balance sheet customer funds, was 97% (100% as at 30 June 2015).

TOTAL CUSTOMER FUNDS (1)

Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Balance sheet customer funds	**50,500**	**51,647**	**-2.2%**
Deposits	48,762	49,100	-0.7%
Debt securities	1,738	2,547	-31.7%
Off-balance sheet customer funds	**12,323**	**12,594**	**-2.2%**
Assets under management	3,847	3,890	-1.1%
Capitalisation products	8,476	8,704	-2.6%
Total	**62,823**	**64,241**	**-2.2%**

(1) Excludes the impact from discontinued operations (Banco Millennium in Angola) in the amount of Euro 1,501 million in June 2015.

The **securities portfolio**, excluding discontinued operations, totalled Euro 12,832 million as at 30 June 2016, compared with Euro 13,832 million in the same period of 2015, representing 17.6% of total assets as at 30 June 2016, in line with the amount registered as at 30 June 2015.

LIQUIDITY MANAGEMENT

During the first half of 2016 the wholesale funding consolidated needs of the Bank increased by approximately Euro 2.6 billion, mainly due to the reinforcement of the portfolio of Portuguese public debt (Euro 1.5 billion), to the increase of the liquidity deposited in the Bank of Portugal (Euro 0.6 billion) and the growth of the private debt portfolio (Euro 0.2 billion).

With the refinancing of medium-long term debt limited to Euro 0.3 billion, mainly through early redemption of liabilities, the increase of funding needs compared to December 2015 was enabled through the increases of repo net funding in Portugal (by Euro 2.1 billion to a balance of Euro 3.1 billion), in medium and long term loans from banks (from Euro 0.3 billion to a balance of Euro 1.3 billion) and in borrowings with the Eurosystem (increase of Euro 0.3 billion, to Euro 5.8 billion).

In net terms, the funding with the Eurosystem compared with December 2015 decreased Euro 0.4 billion, to Euro 4.9 billion, which managed to keep the liquidity buffer at a comfortable level of Euro 7.9 billion.

CAPITAL

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

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

According to our interpretation of CRD IV/CRR to date, CET1 phased-in estimated ratio reached 12.3% as at 30 June 2016, compared to 12.8% as at 31 March 2016.

The performance of the phased-in CET1 ratio in the second quarter of 2016 was mainly driven by the positive effects of the merger between Banco Millennium Angola and Banco Privado Atlântico and the decrease of capital requirements for credit and market risks, even though they were offset by the impact of the net income recorded in this period, by the actuarial losses of the Pension Fund and by the poor performance of other reserves, namely from foreign exchange differences, mainly of the metical, and the devaluation of non-sovereign securities available for sale, as well as by the increased deduction of deferred tax assets. The fully implemented CET1 ratio was also affected by the devaluation of sovereign debt held for sale, by the neutrality of the merger in Angola and by deferred tax assets.

SOLVENCY RATIOS (CRD IV/CRR) (*)

Euro million

	30 Jun. 16	31 Mar. 16
	PHASED-IN	
Own funds		
Common equity tier 1 (CET1)	4,709	5,436
Tier 1	4,709	5,436
Total Capital	**5,120**	**5,889**
Risk weighted assets	**38,442**	**42,512**
Solvency ratios		
CET1	12.3%	12.8%
Tier 1	12.3%	12.8%
Total capital	13.3%	13.9%
	FULLY IMPLEMENTED	
CET1 ratio	9.6%	10.0%

(*) Considers the new DTA regime for capital purposes (according to IAS) and includes the cumulative net income recorded in each period.

March 2016 CET1 ratio without the cumulative net income stood at 12.7%

SIGNIFICANT EVENTS

Continued implementation of Millennium bcp's Strategic Plan, refocusing ongoing initiatives, aiming to redefine the distribution model and digital transformation, with the second quarter marked simultaneously by initiatives of close proximity to customers.

Highlights during this period include:

- General Shareholders Meeting held with 45% of the share capital represented and with all the proposals approved with a percentage of votes in favor between 94% and 99%, to be highlighted the approval of the 2015 Annual Report, the proposal to consider a reverse stock split if the securities code is revised to specifically allow such an operation, and empowering management to raise capital if needed via a share issue of up to 20% of the bank's total number of shares that suppresses preferential rights.
- Launching of M2020, the first App exclusively for Millennium customers intended to help companies organize and assist in managing their Portugal 2020 projects, anywhere and from any equipment.
- Release of a new version of the Millennium App, simpler yet innovative and including additional features to improve users' experience.
- Restyling of ActivoBank's website, which now presents a simpler homepage, with a larger image and up-to-date icons; the pages have a different design, with the brand's font, which provides a much more contemporary appearance; the online banking facility is now displayed on full screen, thus improving usability and making it easier for customers to access the range of available transactions.
- Millennium bcp launched another new groundbreaking feature for its website, a data collection process for opening an account, which simplifies the process of opening an account at the bank, as it allows customers and non-customers to perform an important part of the procedure online.
- Millennium bcp joined the delegation of Portuguese corporations led by AIP, first visiting Dubai International Property Show, followed by the International Property & Investment Expo/Spring in Beijing.
- Millennium bcp sponsored the "Fórum de Investimento francês", a French investment event held by the Portuguese-French Chamber of Commerce.
- Millennium bcp attended the investors' forum at Madrid's major real estate exhibition, facilitating contacts with local intermediaries and investors who believe Portugal to be a profitable place to develop their business and was also present at the Portuguese real estate exhibition in Paris.
- The Poland-Portugal-Angola-Brazil-Mozambique Business Forum, organized by the Polish-Portuguese Chamber of Commerce with the support of the Embassies of Portugal, Angola and Brazil in Warsaw, and the Embassy of Mozambique in Berlin was sponsored by Bank Millennium.
- According to DATA E (Companies Financial Barometer 2016), Millennium bcp is the "best bank for companies", has the "most suitable products to companies", is the bank "most innovative", the bank "closer to customers", the "most efficient" and the "companies' main bank".
- "Best Bank in Mozambique 2016" award granted by Global Finance to Millennium bim.
- Bank Millennium was hailed the "Most Innovative Bank of 2015" during the Great Gala of Leaders of the World of Banking and Insurance.

MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) estimates that the world economy will continue to record modest growth levels in 2016 (3.1%) due to a persistent slowdown in emerging countries, the moderation of activity in developed economies and the instability of financial markets. To these factors accrue risks of a non-economic nature, namely those related with the existence of several tense geopolitical disputes, which can negatively affect the performance of the global economy.

After a year start marked by high volatility in the financial markets, the global economic context has since been stabilizing mainly due to an increase in the oil price together with an improvement in the economic indicators of some of the most important emerging economies, including China. Following this more favorable scenario, the ECB decided not to make any changes to the monetary policy stance defined earlier in March despite the risk of an inflation level persistently below 2%. In the US, the evolution of the economy was not positive enough for the Federal Reserve to resume with its policy of normalizing interest rates.

With the exception of the days that followed the referendum on UK’s permanence in the European Union (EU) in late June, the levels of volatility in financial markets decreased when compared to the more extreme values witnessed in the first two months of 2016, which has translated into an appreciation of the main world stock indexes, particularly in the US. Despite the notable improvement in investor confidence, yields on the government debt of low-risk countries, such as Germany or the US, dropped to even lower levels, and precious metals continued to appreciate. Such developments can be mainly explained by expectations of a prolonged accommodative global monetary policy stance. Regarding the euro interbank monetary market, the existence of ample liquidity and negative yields in the safest European government bonds pressured Euribor rates down.

According to Statistics Portugal, Portuguese GDP grew 0.9% in annual terms in the first quarter of 2016, which corresponds to a slight deceleration vis-à-vis the previous quarter growth of 1.3%. The slower pace in the recovery of the economic activity was the result of a slowdown of investment along with a slackening of exports. In clear contrast, private consumption accelerated from 2.3% to 2.9%, benefiting from low interest rates and energy costs, and from the restitution of civil servants salaries, as defined by the 2016 State Budget. However, since the increase in household spending exceeded the rise in disposable income, the saving rate fell to a new historical low of 3.5%. In this less dynamic context, the European Commission revised its forecast for the Portuguese economy in 2016, and now foresees a slightly lower GDP growth of 1.5%, similar to what was observed in last year. Less favorable perspectives on the evolution of economic activity and on the financial condition of banking system, together with higher volatility in the international financial markets, prompted a depreciation of the Portuguese stock index in excess of 15% in the first semester and an increase in the risk premia on both public and private sector debt.

The Polish economy grew 2.6% in annual terms in the first quarter of the year, a figure that though elevated when compared to the remainder of the EU, corresponds to a deceleration vis-à-vis the level attained in 2015 (3.6%). This resulted from the slowdown of public spending, after the set of stimulus measures taken at the end of the previous year, and also of exports. In contrast, private consumption continued to show strong dynamism, benefiting from the gradual improvement in the labor market, with employment reaching levels not seen since the 1990s. Despite the economic dynamism, the persistence of the inflation rate at negative levels has contributed to keep an expansionary stance on the monetary policy of the National Bank of Poland, which along the uncertainty witnessed in the international financial markets has penalized the Zloty. In Mozambique, the need for an IMF economic assistance program, triggered by the worsening of the country’s public debt, calls for important measures to reinforce the country’s economic and financial conditions, which might be painful in short-run growth, but should contribute to a greater robustness of the Mozambican economy over the medium run. In this context, the Metical has been depreciating, driving the Central Bank to raise interest rates. In Angola, the steady increase in inflation has required a more restrictive monetary policy, which has helped the kwanza to stabilize, after the strong decrease recorded in the beginning of the year.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Jun 16	Jun 15	Change	Jun 16	Jun 15	Change	Jun 16	Jun 15	Change
Income statement									
Net interest income	600.8	571.5	5.1%	358.1	329.2	8.8%	242.7	242.2	0.2%
Dividends from equity instruments	5.8	3.2	81.0%	5.4	2.9	87.9%	0.4	0.3	
Net fees and commission income	320.3	336.1	-4.7%	229.5	225.0	2.0%	90.9	111.1	-18.2%
Other operating income	(88.1)	(41.2)	-	(54.6)	(42.6)	-	(33.5)	1.4	-
Net trading income	182.8	479.0	-61.8%	75.9	426.0	-82.2%	107.0	53.0	101.8%
Equity accounted earnings	37.7	20.6	82.9%	34.8	21.0	65.9%	3.0	(0.3)	-
Net operating revenues	**1,059.4**	**1,369.2**	**-22.6%**	**649.0**	**961.4**	**-32.5%**	**410.4**	**407.8**	**0.6%**
Staff costs	273.7	288.6	-5.2%	181.5	187.2	-3.1%	92.2	101.4	-9.0%
Other administrative costs	184.9	194.9	-5.1%	114.0	117.0	-2.6%	70.9	77.9	-9.0%
Depreciation	25.5	27.7	-7.9%	14.3	15.4	-7.3%	11.2	12.2	-8.5%
Operating costs	**484.1**	**511.2**	**-5.3%**	**309.8**	**319.7**	**-3.1%**	**174.3**	**191.5**	**-9.0%**
Operating profit before impairment and provisions	**575.4**	**858.0**	**-32.9%**	**339.2**	**641.7**	**-47.1%**	**236.1**	**216.3**	**9.2%**
Loans impairment (net of recoveries)	618.7	463.7	33.4%	582.6	419.6	38.8%	36.1	44.0	-18.1%
Other impairment and provisions	198.0	91.6	116.1%	190.3	88.3	115.5%	7.6	3.3	-
Profit before income tax	**(241.3)**	**302.8**	**179.7%**	**(433.7)**	**133.8**	-	**192.4**	**169.0**	**13.9%**
Income tax	(78.3)	46.1	>200%	(127.9)	12.7	-	49.6	33.4	48.3%
Income after income tax from continuing operations	**(163.0)**	**256.7**	**163.5%**	**(305.8)**	**121.1**	**>200%**	**142.9**	**135.6**	**5.4%**
Income arising from discontinued operations	45.2	52.9	-14.6%	-	-	-	36.8	38.2	-3.6%
Non-controlling interests	79.5	68.9	15.5%	(0.7)	(0.3)	-	80.2	69.2	16.0%
Net income	**(197.3)**	**240.7**	**181.9%**	**(305.1)**	**121.4**	-	**99.4**	**104.6**	**-4.9%**
Balance sheet and activity indicators									
Total assets	**73,068**	**78,730**	**-7.2%**	**54,833**	**56,621**	**-3.2%**	**18,234**	**22,109**	**-17.5%**
Total customer funds (1)	**62,823**	**64,241**	**-2.2%**	**47,213**	**47,704**	**-1.0%**	**15,610**	**16,537**	**-5.6%**
Balance sheet customer funds (1)	**50,500**	**51,647**	**-2.2%**	**36,173**	**36,661**	**-1.3%**	**14,327**	**14,986**	**-4.4%**
Deposits	48,762	49,100	-0.7%	34,531	34,211	0.9%	14,231	14,889	-4.4%
Debt securities	1,738	2,547	-31.7%	1,641	2,449	-33.0%	97	97	-0.4%
Off-balance sheet customer funds (1)	**12,323**	**12,594**	**-2.2%**	**11,040**	**11,044**	**-0.0%**	**1,283**	**1,551**	**-17.3%**
Assets under management	3,847	3,890	-1.1%	3,000	2,888	3.9%	846	1,003	-15.6%
Capitalisation products	8,476	8,704	-2.6%	8,040	8,156	-1.4%	436	548	-20.4%
Discontinued operations	-	**1,501**	**-100.0%**	-	-		-	**1,501**	**-100.0%**
Loans to customers (gross) (1)	**52,930**	**56,137**	**-5.7%**	**40,719**	**42,872**	**-5.0%**	**12,211**	**13,265**	**-7.9%**
Individuals (1)	**28,413**	**29,807**	**-4.7%**	**20,493**	**21,259**	**-3.6%**	**7,920**	**8,548**	**-7.3%**
Mortgage	24,494	25,820	-5.1%	18,145	18,868	-3.8%	6,349	6,952	-8.7%
Consumer and others	3,918	3,988	-1.7%	2,348	2,392	-1.8%	1,571	1,596	-1.6%
Companies (1)	**24,518**	**26,330**	**-6.9%**	**20,226**	**21,613**	**-6.4%**	**4,292**	**4,717**	**-9.0%**
Services	9,686	10,375	-6.6%	8,859	9,457	-6.3%	828	918	-9.9%
Commerce	3,132	3,206	-2.3%	2,182	2,152	1.4%	951	1,054	-9.8%
Construction	3,166	3,789	-16.5%	2,849	3,299	-13.6%	316	490	-35.5%
Other	8,534	8,960	-4.8%	6,336	6,705	-5.5%	2,197	2,254	-2.5%
Discontinued operations	-	**948**	**-100.0%**	-	-	-	-	**948**	**-100.0%**
Credit quality									
Total overdue loans (1)	4,130	4,319	-4.4%	3,848	3,996	-3.7%	283	323	-12.6%
Overdue loans by more than 90 days (1)	3,989	4,211	-5.3%	3,749	3,944	-4.9%	241	268	-10.0%
Overdue loans by more than 90 days /Total loans (1)	7.5%	7.5%		9.2%	9.2%		2.0%	2.0%	
Total impairment (balance sheet) (1)	3,744	3,625	3.3%	3,348	3,188	5.0%	396	436	-9.2%
Total impairment (balance sheet) /Total loans (1)	7.1%	6.5%		8.2%	7.4%		3.2%	3.3%	
Total impairment (balance sheet) /Overdue loans by more than 90 days (1)	93.9%	86.1%		89.3%	80.8%		164.5%	163.0%	
Cost of risk (net of recoveries, in b.p.) (1)	234	165		286	196		59	66	
Restructured loans / Total loans (2)	10.0%	10.4%							
Restructured loans not included in the credit at risk / Total loans (2)	5.4%	6.4%							
Cost-to-income (3)	45.6%	37.3%		47.5%	33.3%		42.5%	47.0%	

(1) Adjusted from the effect related to operations classified under the line item of discontinued operations in 2015.

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

(3) Excludes the impact of specific itens.

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the six months period ended 30 June, 2016 and 2015

	30 June 2016	30 June 2015
	(Thousands of Euros)	
Interest and similar income	965,476	1,092,105
Interest expense and similar charges	(364,672)	(520,646)
Net interest income	600,804	571,459
Dividends from equity instruments	5,804	3,206
Net fees and commission income	320,331	336,125
Net gains / losses arising from trading and hedging activities	74,564	71,894
Net gains / losses arising from available for sale financial assets	108,259	407,097
Net gains from insurance activity	2,748	5,211
Other operating income	(86,328)	(33,993)
Total operating income	1,026,182	1,360,999
Staff costs	273,686	288,620
Other administrative costs	184,885	194,914
Depreciation	25,480	27,656
Operating costs	484,051	511,190
Operating net income before provisions and impairments	542,131	849,809
Loans impairment	(618,678)	(463,667)
Other financial assets impairment	(171,996)	(26,977)
Other assets impairment	(13,971)	(54,242)
Goodwill impairment	(2,512)	-
Other provisions	(9,472)	(10,369)
Operating net income	(274,498)	294,554
Share of profit of associates under the equity method	37,716	20,616
Gains / (losses) from the sale of subsidiaries and other assets	(4,480)	(12,411)
Net (loss) / income before income tax	(241,262)	302,759
Income tax		
Current	(56,447)	(44,804)
Deferred	134,748	(1,305)
Net (loss) / income after income tax from continuing operati	(162,961)	256,650
Income arising from discontinued operations	45,227	52,946
Net income after income tax	(117,734)	309,596
Attributable to:		
Shareholders of the Bank	(197,251)	240,744
Non-controlling interests	79,517	68,852
Net income for the period	(117,734)	309,596
Earnings per share (in euros)		
Basic	(0.007)	0.010
Diluted	(0.007)	0.009

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 June, 2016 and 2015 and 31 December, 2015

	30 June 2016	31 December 2015	30 June 2015
		(Thousands of Euros)	
Assets			
Cash and deposits at central banks	2,178,315	1,840,317	2,426,845
Loans and advances to credit institutions			
Repayable on demand	415,547	776,413	1,140,761
Other loans and advances	1,389,207	921,648	831,021
Loans and advances to customers	49,186,077	51,970,159	53,408,642
Financial assets held for trading	1,234,270	1,188,805	2,216,887
Other financial assets held for trading			
at fair value through profit or loss	144,946	152,018	-
Financial assets available for sale	11,023,430	10,779,030	11,703,642
Assets with repurchase agreement	10,561	-	31,273
Hedging derivatives	115,022	73,127	80,927
Financial assets held to maturity	419,025	494,891	436,742
Investments in associated companies	558,736	315,729	305,399
Non current assets held for sale	1,906,134	1,765,382	1,674,727
Investment property	133,228	146,280	166,383
Property and equipment	475,150	670,871	706,101
Goodwill and intangible assets	194,975	210,916	207,162
Current tax assets	36,113	43,559	40,549
Deferred tax assets	2,767,402	2,561,506	2,544,567
Other assets	879,395	974,228	808,769
	73,067,533	74,884,879	78,730,397
Liabilities			
Amounts owed to credit institutions	11,228,648	8,591,045	12,412,919
Amounts owed to customers	48,762,037	51,538,583	50,601,098
Debt securities	4,018,060	4,768,269	5,262,904
Financial liabilities held for trading	613,595	723,228	824,229
Hedging derivatives	484,329	541,230	779,339
Provisions for liabilities and charges	290,491	284,810	302,817
Subordinated debt	1,659,530	1,645,371	1,660,517
Current income tax liabilities	18,151	22,287	6,530
Deferred income tax liabilities	1,722	14,810	13,081
Other liabilities	977,325	1,074,675	1,216,093
Total Liabilities	68,053,888	69,204,308	73,079,527
Equity			
Share capital	4,094,235	4,094,235	4,094,235
Treasury stock	(3,671)	(1,187)	(120,090)
Share premium	16,471	16,471	16,471
Preference shares	59,910	59,910	171,175
Other capital instruments	2,922	2,922	9,853
Fair value reserves	(52,122)	23,250	(100,881)
Reserves and retained earnings	238,150	192,224	313,670
Net income for the period attributable to Shareholders	(197,251)	235,344	240,744
Total Equity attributable to Shareholders of the Bank	4,158,644	4,623,169	4,625,177
Non-controlling interests	855,001	1,057,402	1,025,693
Total Equity	5,013,645	5,680,571	5,650,870
	73,067,533	74,884,879	78,730,397

GLOSSARY

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 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 more than 90 days overdue coverage - total BS impairments accumulated for risk of credit divided by total amount of loans overdue with installments 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 installments 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.

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.

"Disclaimer"

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

The figures presented do not constitute any form of commitment by BCP in regard to future earnings.

First half figures for 2015 and 2016 were not audited yet.

Assumes maintenance of the framework regulating the limits to the deductions of credit impairment effective as at 31 December 2015.

The European Central Bank (ECB) did not require or endorsed the publication of the outcome of the stress tests referred herein. Any references are to the stress test's bottom-up outcome, and it is not possible to infer from such references any information regarding the ECB's top-down projections or issues discussed in the quality assurance process.