8 May 2017

Millennium bcp earnings release as at 31 March 2017

Profitability and efficiency

Improvement of recurring earnings

- **Net profit of Euro 50.1 million** (Euro 46.7 million in the first quarter of 2016), **benefiting from the continued expansion of core net income*, which more than quintupled since the first quarter of 2013.**
- **Core net income* increased 19.5%** from the first quarter of the previous year, to stand at Euro 254.8 million, driven by the 13.7% increase in net interest income and by the 2.0% reduction in operating costs.
- Maintenance of continuous operational efficiency improvement, shown in **the reduction of 5 pp in the cost to core income ratio*,** from 53.3% in the first quarter of 2016 **to 48.3% in the first quarter of 2017**, making the bank **one of the most efficient in the Euro-zone.**

Asset quality

Coverage reinforced significantly

- **Continued NPE and NPL reduction** in Portugal**, with total coverage**, including guarantees, increasing to 100%.**
- **NPEs in Portugal down** to Euro 8.3 billion as at 31 March 2017**, showing a strong pace of reduction from 2013**: Euro 1.4 billion per year, on average.
- NPL>90 days down to Euro 4.8 billion as at 31 March 2017, **with a significant reduction in net new entries to Euro 21 million** in the first quarter of 2017.

Business performance

Strengthened balance sheet

- **Commercial gap improved** further, with net loans as a percentage of on-balance sheet total customers funds **now standing at 94%**.
- **Reversal of the decreasing credit trend**, particularly visible in the performing portfolio, **up by Euro 247 million in the first quarter of 2017**.
- **ECB funding usage down to Euro 3.7 billion** from Euro 4.4 billion as at the end of 2016 and Euro 5.3 billion as at 31 March 2016.

Capital

Adequate position

- **Common equity tier 1 phased-in ratio estimated at 13.0%** as at 31 March 2017, comparing favourably to 12.4% in the previous quarter.
- Capital strengthened in early February, allowing for the **full repayment of CoCos** and bringing the **fully implemented CET1 ratio to 11.2%** from 9.7% as at 31 December 2016.

* Core income = net interest income + net fees and commission income; Core net income = core income – operating costs.
**By loan-loss reserves, expected loss gap and collaterals. Note: The business figures presented exclude the former BMA.

BANCO COMERCIAL PORTUGUÊS, S.A.,
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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
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Financial Highlights

Euro million

	31 Mar. 17	31 Mar. 16	Change 17 / 16
Balance sheet			
Total assets [(1)]	72,077	74,383	-3.1%
Loans to customers (gross) [(1)]	52,242	53,787	-2.9%
Total customer funds [(1)]	65,110	63,818	2.0%
Balance sheet total customer funds [(1)]	51,673	51,677	0.0%
Resources from customers [(1)]	50,138	49,553	1.2%
Loans to customers, net / Resources from customers [(2)]	97%	101%	
Loans to customers, net / Balance sheet total customer funds [(3)]	94%	96%	
Results			
Net income	50.1	46.7	7.4%
Net interest income	332.3	292.4	13.7%
Net operating revenues	534.0	488.1	9.4%
Operating costs	238.3	243.1	-2.0%
Loan impairment charges (net of recoveries)	148.9	160.7	-7.3%
Other impairment and provisions	54.3	15.4	253.9%
Income taxes			
Current	27.9	24.6	
Deferred	(8.8)	(9.6)	
Profitability			
Net operating revenues / Average net assets [(2)]	3.0%	2.6%	
Return on average assets (ROA) [(4)]	0.4%	0.4%	
Income before tax and non-controlling interests / Average net assets [(2)]	0.5%	0.5%	
Return on average equity (ROE)	4.1%	4.1%	
Income before tax and non-controlling interests / Average equity [(2)]	6.3%	7.0%	
Credit quality			
Overdue loans and doubtful loans / Total loans [(2)]	8.6%	9.4%	
Overdue loans and doubtful loans, net / Total loans, net [(2)]	1.6%	3.3%	
Credit at risk / Total loans [(2)]	10.4%	11.5%	
Credit at risk, net / Total loans, net [(2)]	3.6%	5.5%	
Impairment for loan losses / Overdue loans by more than 90 days [(1)]	109.8%	86.0%	
Efficiency ratios [(2) (5)]			
Operating costs / Net operating revenues	43.2%	49.4%	
Operating costs / Net operating revenues (Portugal activity)	42.5%	49.6%	
Staff costs / Net operating revenues	24.2%	28.0%	
Capital [(6)]			
Common equity tier I phased-in	13.0%	12.8%	
Common equity tier I fully implemented	11.2%	10.0%	
Branches [(3)]			
Portugal activity	615	662	-7.1%
Foreign activity	542	667	-18.7%
Employees [(3)]			
Portugal activity	7,327	7,436	-1.5%
Foreign activity	8,469	9,673	-12.4%

(1) Adjusted from the effect related to the classification of Banco Millennium Angola as discontinued operation in 2016.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version. Given the booking of Banco Millennium Angola as a discontinued operation between March and May 2016, the consolidated balance sheet includes Banco Millennium Angola until its derecognition, determined by the completion of the merger with Banco Privado Atlântico, in May 2016, while the respective contribution to consolidated result is reflected in income from discontinued operations and non-controlling interests during that period, not influencing the remaining items of the consolidated income statement.
(3) Includes discontinued operations in 2016.
(4) Considering net income before non-controlling interests.
(5) Excludes specific items related with restructuring costs and the revision of Collective Labour Agreement of Euro 1.8 million in 2016 and Euro 7.7 million in 2017.
(6) March 2017 and March 2016 include the accumulated net income of each period. March 2017 figures are estimated.

RESULTS AND ACTIVITY IN THE FIRST QUARTER OF 2017

In the context of the merger process between Banco Millennium Angola and Banco Privado Atlântico, Banco Millennium Angola was considered a discontinued operation in March 2016 with the impact of its results presented as “income arising from discontinued operations”. On the consolidated balance sheet, the assets and liabilities of Banco Millennium Angola, S.A. continued to be consolidated by the full consolidation method up to April 2016.

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

RESULTS

The **core income** of Millennium bcp increased 19.5%, to stand at Euro 254.8 million in the first quarter of 2017 (Euro 213.2 million in the same period of the previous year), reflecting both the increase of 13.7% in net interest income and the 2.0% decrease in operating costs, determining a favourable evolution in operating efficiency, translated into a reduction of the cost to core income ratio from 53.3% as at 31 March 2016 to 48.3% as at 31 March 2017.

Net income in the first quarter of 2017 stood at Euro 50.1 million compared to Euro 46.7 million achieved in the first quarter of 2016, an increase of 7.4% supported by the activity in Portugal.

In the activity in Portugal, net income increased by Euro 7.1 million compared to the first quarter of the previous year, totalling Euro 9.0 million, benefiting from the positive impact from the repayment of CoCos, concluded in February 2017 and from the maintenance of the commercial dynamics and the strict cost control.

In the international activity, net income amounted to Euro 41.1 million in the first quarter of 2017, comparing to Euro 44.8 million registered in the same period of the previous year, hindered by the lower contribution of the operation in Angola, despite the favourable evolution of the remaining operations, notwithstanding the penalising effect of the mandatory contributions in Poland, namely the recognition of the annual cost of the contribution to the Resolution Fund, which was accrued in 2016, and the new banking tax introduced in February 2016, as well as unfavourable exchange rate differences. Excluding exchange rate effects, net income would have increased by 1.0% compared to the first quarter of 2016.

Net interest income amounted to Euro 332.3 million in the first quarter of 2017, increasing 13.7% from Euro 292.4 million posted in the same period of 2016. This performance was due to the positive contribution of both Portugal and the international activity.

In the activity in Portugal, net interest income registered an increase of 13.2% compared to the first quarter of 2016, standing at Euro 194.1 million, reflecting the lower cost of funding determined by the positive impact of CoCos’ repayment and the continued effort to reduce interest rates of term deposits, which supported the favourable performance of the commercial margin.

In the international activity, net interest income increased 14.4% in the first quarter of 2017, compared to the same period of 2016 while, excluding the exchange rate impact, it would have increased 24.9%, on the back of the increases in the reference interest rate in Mozambique and the favourable performance of volumes and intermediation rates in Poland.

Net interest margin in the first three months of the year stood at 2.17%, compared to 1.81% in the same period of the previous year. Excluding the impact from the cost of CoCos, net interest margin reached 2.21% in the first quarter of 2017 and 1.91% in the same period of 2016.

AVERAGE BALANCES *Euro million*

	31 Mar.17		31 Mar.16	
	Amount	Yield %	Amount	Yield %
Deposits in banks	2,877	0.84	3,351	0.49
Financial assets	10,145	2.29	10,057	2.17
Loans and advances to customers	48,188	3.36	50,509	3.27
Interest earning assets	**61,210**	**3.07**	**63,917**	**2.95**
Discontinued operations (1)	0		2,009	
Non-interest earning assets	10,580		9,886	
	71,790		**75,812**	
Amounts owed to credit institutions	9,713	0.22	10,106	0.45
Resources from customers	49,521	0.68	49,275	0.81
Debt issued	3,238	3.31	4,668	3.51
Subordinated debt	1,145	7.16	1,654	7.38
Interest bearing liabilities	**63,617**	**0.86**	**65,703**	**1.11**
Discontinued operations (1)	0		1,858	
Non-interest bearing liabilities	2,197		2,590	
Shareholders' equity and non-controlling interests	5,976		5,661	
	71,790		**75,812**	
Net interest margin		2.17		1.81
Net interest margin (excl. cost of CoCos)		2.21		1.91

Note: Interest related to hedge derivatives were allocated, in March 2017 and 2016, to the respective balance sheet item.
(1) Includes the activity of the subsidiary in Angola (in 2016), as well as the respective consolidation adjustments.

Net commissions totalled Euro 160.8 million in the first three months of 2017, from Euro 163.9 million posted in the same period of 2016, reflecting the performance of the activity in Portugal, which was not completely offset by the positive contribution of the international activity.

The performance of net commissions in the first quarter of 2017 was influenced by the 3.0% decrease in commissions associated with the banking activity, mainly reflecting a higher one-off amount recorded in the first quarter of 2016 in the activity in Portugal, despite the increase in cards and transfers and current account-associated commissions, as well as the increase in market-related commissions, which was induced by the growth of asset management commissions, showing a 3.3% increase from the first quarter of 2016.

Net trading income amounted to Euro 36.4 million in the first quarter of 2017, outperforming the Euro 28.3 million registered in the same period of 2016, due to the favourable performance of the activity in Portugal which was partially mitigated by the lower results from the international activity, namely in Mozambique and, to a lesser extent, in Poland.

Other net operating income was negative by Euro 15.2 million in the first quarter of 2017, compared to the negative Euro 12.4 million posted in the same period of the previous year, reflecting the contribution from international activity, despite the positive performance of the activity in Portugal.

The contribution from the international activity was hindered by the accounting of the estimated annual contribution for the Resolution Fund in Poland, which was accrued until then, and by the new tax on Polish banks, which was introduced only in February 2016.

Dividends from equity instruments, which comprises dividends received from investments in financial assets available for sale, and **equity accounted earnings**, jointly reached Euro 19.7 million in the first quarter of 2017, increasing from the Euro 15.9 million registered in the same period of 2016, namely due to the results from the shareholding in Banco Millennium Atlântico, the new entity that resulted from the merger of Banco Millennium Angola with Banco Privado Atlântico, from May 2016 onwards.

OTHER NET INCOME

Euro million

	31 Mar. 17	31 Mar. 16	Change 17/16
Net commissions	**160.8**	**163.9**	**-1.9%**
Banking commissions	132.2	136.3	-3.0%
Cards and transfers	37.6	35.0	7.3%
Credit and guarantees	38.7	38.9	-0.4%
Bancassurance	19.9	20.2	-1.5%
Current account related	23.2	22.6	2.8%
Other commissions	12.9	19.6	-34.4%
Market related commissions	28.6	27.7	3.3%
Securities	18.6	19.1	-2.7%
Asset management	10.0	8.6	16.4%
Net trading income	**36.4**	**28.3**	28.4%
Other net operating income	**(15.2)**	**(12.4)**	**-**
Dividends from equity instruments	**0.1**	**2.0**	**-95.3%**
Equity accounted earnings	**19.6**	**13.9**	**41.5%**
Total other net income	**201.7**	**195.8**	**3.0%**
Other net income / Net operating revenues	37.8%	40.1%	

Operating costs, excluding the effect of specific items related to the Collective Labour Agreement's revision and restructuring costs, totalled Euro 230.6 million in the first quarter of 2017, showing a 4.4% decrease from the Euro 241.3 million registered in the same period of 2016, determined by both the activity in Portugal and the international activity.

In the first quarter of 2017, operating costs in the activity in Portugal, excluding the above-mentioned specific items, decreased 5.3%, amounting to Euro 144.9 million, mainly reflecting staff costs savings, induced by the reduction in number of employees, and other administrative costs savings.

In the international activity, operating costs decreased 2.8% from the first quarter of 2016. Excluding the exchange rate effect, operating costs increased 4.5%, mainly influenced by the performance of the subsidiary in Mozambique.

Staff costs, excluding the impact of specific items, amounted to Euro 129.2 million in the first quarter of 2017, showing a 5.4% reduction compared to Euro 136.6 million posted in the same period of 2016, driven by the decrease of 109 employees in the activity in Portugal from the end of March 2016, while in the international activity, excluding exchange rate effects, staff costs increased 6.2% determined by the operations in Mozambique and Poland.

Other administrative costs stood at Euro 88.7 million in the first quarter of 2017, decreasing 3.4% from the Euro 91.8 million accounted in the same period of 2016, benefiting from the impact of the rationalisation and cost containment measures that have been implemented in Portugal, namely the resizing of the distribution network in Portugal, from 662 branches at the end of March 2016 to 615 at the end of March 2017. In the international activity, excluding exchange rate effects, there was a 3.6% increase in other administrative costs determined by the activity in Mozambique.

Depreciation costs amounted to Euro 12.7 million in the first quarter of 2017, compared to Euro 12.8 million posted in the same period of 2016, to which contributed the performance of the international activity that, excluding exchange rate effects, decreased by 4.9%. In the activity in Portugal, there was an increase of 12.9%, influenced by higher IT equipment and software depreciation costs.

OPERATING COSTS

Euro million

	31 Mar. 17	31 Mar. 16	Change 17/16
Staff costs	129.2	136.6	-5.4%
Other administrative costs	88.7	91.8	-3.4%
Depreciation	12.7	12.8	-0.6%
Subtotal [(1)]	**230.6**	**241.3**	-4.4%
Specific items			
Restructuring costs and Collect. Lab. Agreem. revision	7.7	1.8	
Operating costs	**238.3**	**243.1**	**-2.0%**
Of which:			
Portugal activity [(1)]	144.9	153.0	-5.3%
Foreign activity	85.8	88.2	-2.8%

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

Impairment for loan losses (net of recoveries) stood at Euro 148.9 million in the first quarter of 2017, decreasing 7.3% from Euro 160.7 million posted in the first quarter of 2016, influenced by the activity in Portugal. The cost of risk, adjusted for the effect of discontinued operations, showed a favourable performance from 119 basis points in the first quarter of 2016 to 114 basis points in the same period of 2017.

Other impairment and provisions totalled Euro 54.3 million in the first quarter of 2017, comparing to Euro 15.4 million in the same period of the previous year, essentially reflecting a higher level of provisions related with guarantees, corporate restructuring funds and other assets.

Income tax (current and deferred) totalled Euro 19.1 million, in the first quarter of 2017, compared with Euro 15.0 million posted in the same period of the previous year.

These taxes include current tax cost of Euro 27.9 million (Euro 24.6 million in the first quarter of 2016), net of deferred tax income of Euro 8.8 million (Euro 9.6 million in the first quarter of 2016).

BALANCE SHEET

Total assets, excluding the impact of Banco Millennium Angola, classified as a discontinued operation, amounted to Euro 72,077 million as at 31 March 2017, comparing with Euro 74,383 million as at 31 March 2016, essentially resulting from the retraction of loans to customers and securities portfolio, namely Portuguese sovereign debt securities, partially offset by deferred tax assets increase.

Loans to customers (gross) stood at Euro 52,242 million as at 31 March 2017, compared with Euro 53,787 million registered at the same date of the previous year, excluding discontinued operations, influenced by the decrease in the activity in Portugal, despite the increase showed by the international activity.

In the activity in Portugal, loans to customers decreased 4.4% from 31 March 2016, reflecting the decreases of 5.6% in loans to companies and of 4.4% in mortgage loans, influenced by the aim of reducing NPL, notwithstanding the initiatives focused on meeting the financing needs of companies and individuals. However, it is worth mentioning the reversal of the decreasing trend in loans to customers, in the first quarter of 2017, reflected in the increase of Euro 25 million in gross loans and in particular of performing credit, that increased by Euro 247 million from the end of 2016.

Loans to customers in the international activity increased 10.5% from 31 March 2016, excluding the impact of the loan portfolio associated with the operation in Angola, classified as a discontinued operation, and the exchange rate effects, influenced by the growth of loans to companies in the subsidiary in Mozambique and loans to companies and individuals in Poland.

LOANS TO CUSTOMERS (GROSS)

Euro million

	31 Mar. 17	31 Mar. 16	Change 17/16
Individuals	**28,126**	**28,784**	**-2.3%**
Mortgage	23,892	24,807	-3.7%
Consumer and others	4,235	3,977	6.5%
Companies	**24,116**	**25,003**	**-3.5%**
Services	9,134	9,858	-7.3%
Commerce	3,259	3,206	1.7%
Construction	2,813	3,309	-15.0%
Other	8,909	8,631	3.2%
Subtotal	**52,242**	**53,787**	**-2.9%**
Discontinued operations	--	847	
Total	**52,242**	**54,634**	**-4.4%**
Of which [1]:			
Portugal activity	39,386	41,178	-4.4%
Foreign activity	12,856	12,609	2.0%

(1) Excludes the impact from discontinued operations (Banco Millennium Angola) in 2016.

The structure of the loans to customers' portfolio showed identical and stable levels of diversification between the end of March 2016 and March 2017, with loans to companies representing 46% of total loans to customers as at 31 March 2017.

Credit quality, determined by loans overdue by more than 90 days as a percentage of total loans, adjusted for discontinued operations, showed a favourable performance from 7.4% as at 31 March 2016 to 6.5% as at 31 March 2017, while the corresponding coverage ratio for loans overdue by more than 90 days improved from 86.0% as at 31 March 2016 to 109.8% in the same date of 2017.

The credit at risk ratio reached 10.4% as at 31 March 2017, which compares favourably with 11.5% on the same date of the previous year. As at 31 March 2017, the restructured loans ratio stood at 9.4% of total loans, from 9.9% registered as at 31 March 2016, and the ratio of restructured loans not included in the credit at risk stood at 5.4% of total loans compared to 5.7% at the same date of 2016.

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 31 MARCH 2017

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	**759**	**778**	**2.7%**	**102.4%**
Mortgage	272	309	1.1%	113.7%
Consumer and others	488	469	11.5%	96.1%
Companies	**2,619**	**2,931**	**10.9%**	**111.9%**
Services	1,007	1,551	11.0%	154.0%
Commerce	234	196	7.2%	83.7%
Construction	799	637	28.4%	79.7%
Other	578	546	6.5%	94.5%
Total	**3,379**	**3,709**	**6.5%**	**109.8%**

Total customer funds, excluding the impact associated with discontinued operations, amounted to Euro 65,110 million as at 31 March 2017, a 2.0% increase compared to Euro 63,818 million as at 31 March 2016.

Total customers funds in the activity in Portugal, stood at Euro 48,028 million as at 31 March 2017, compared to Euro 47,750 million at the same date of 2016, reflecting a Euro 1,158 million increase posted in off-balance sheet customer funds, namely in capitalisation products and assets under management that grew Euro 760 million and Euro 399 million, respectively, notwithstanding the reductions of Euro 601 million and Euro 279 million in debt securities owed to customers and in resources from customers.

In the international activity, total customer funds, excluding the impact associated with discontinued operations, totalled Euro 17,082 million as at 31 March 2017, increasing 6.3% from Euro 16,068 million posted at the same date of the previous year, despite the adverse exchange rate effect. Excluding exchange rate effects, total customer funds would have increased 14.7% compared to 31 March 2016 figures, on the back of the growth registered in resources from customers, in particular in the subsidiary in Poland.

As at 31 March 2017, excluding discontinued operations, balance sheet total customer funds represented 79% of total customer funds, with resources from customers representing 77% of total customer funds.

According to Bank of Portugal's Instruction no. 16/2004, which includes Banco Millennium Angola in the balance sheet in March 2016, the loan to deposits ratio improved from 101% as at 31 March 2016 to 97% as at 31 March 2017, benefiting from the Euro 1.8 billion reduction of the commercial gap. The same ratio, considering the total on-balance sheet customers' funds, stood at 94% (96% as at 31 March 2016).

TOTAL CUSTOMER FUNDS (1)

Euro million

	31 Mar. 17	31 Mar. 16	Change 17/16
Balance sheet total customer funds	**51,673**	**51,677**	**0.0%**
Resources from customers	50,138	49,553	1.2%
Debt securities	1,536	2,124	-27.7%
Off-balance sheet customer funds	**13,437**	**12,141**	**10.7%**
Assets under management	4,297	3,778	13.7%
Capitalisation products	9,139	8,363	9.3%
Total	**65,110**	**63,818**	**2.0%**

(1) Excludes the impact from discontinued operations (Banco Millennium in Angola) in the amount of Euro 1,461 million in March 2016.

The **securities portfolio**, excluding discontinued operations, stood at Euro 12,378 million as at 31 March 2017, compared with Euro 13,502 million posted at the same date of the previous year, representing 17.2% of total assets as at 31 March 2017, below the 18.2% at the same date of 2016, essentially reflecting the performance of Portuguese sovereign debt securities.

LIQUIDITY MANAGEMENT

During the first quarter of 2017 the wholesale funding consolidated needs of the Bank decreased by approximately Euro 2.3 billion, compared to the fourth quarter of 2016, mainly due to the share capital increase of the Bank (Euro 1.3 billion), to the reduction of the commercial gap in Portugal (Euro 0.6 billion) and to the reduction of funding needs in the Polish operation (Euro 0.3 billion).

The decrease of the wholesale funding needs caused a change in the funding structure through the full repayment of CoCos (Euro 0.7 billion), the redemption of MTN (Euro 0.3 billion), the lower use of money market instruments (Euro 0.3 billion) and the decrease of collateralised funding from the Eurosystem (Euro 0.7 billion from December 2016, to Euro 4.2 billion in March 2017).

In net terms, the funding with the Eurosystem decreased by Euro 0.8 billion in the first quarter of 2017, to Euro 3.7 billion.

The significant decrease of the net funding from the Eurosystem allowed a reinforcement of the liquidity buffer by Euro 0.3 billion compared to December 2016, to Euro 9.4 billion at the end of March 2017.

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 a 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, which also includes Tier 2 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, the CET1 ratio phased-in estimated as at 31 March 2017 reached 13.0%, comparing with 12.4% as at 31 December 2016. The fully implemented CET1 ratio evolved favourably from 9.7% at the end of 2016 to an estimated value of 11.2% as at 31 March 2017.

The increase of the CET1 ratio in the first quarter of 2017 mainly reflects the share capital increase completed in February 2017 and the net income recorded in the first quarter of 2017, despite the reimbursement of the remaining amount of CoCos and, in what refers the phased-in ratio, the negative effect of its progression, which occurred on 1 January 2017.

SOLVENCY RATIOS (CRD IV/CRR) Euro million

	31 Mar. 17	31 Dec. 16
	PHASED-IN	
Own funds		
Common equity tier 1 (CET1)	5,035	4,874
Tier 1	5,035	4,874
Total Capital	**5,493**	**5,257**
Risk weighted assets	**38,764**	**39,160**
Solvency ratios		
CET1	13.0%	12.4%
Tier 1	13.0%	12.4%
Total capital	14.2%	13.4%
	FULLY IMPLEMENTED	
CET1 ratio	11.2%	9.7%

Note: 31 March 2017 capital ratios are estimated and include the net income of the year.

SIGNIFICANT EVENTS

Reinforcement of the balance sheet, improving capital and risk positions, supported by the share capital increase of Euro 1.3 billion, in addition to the private placement of Euro 175 million subscribed by a subsidiary of Fosun Industrial Holdings Limited, completed on 18 November 2016, and by the continuing reduction of non-performing exposures, with the purpose of accelerating the return of the Bank's activity to normality, without the existing constraints until then.

Highlights during this period include:

- Resolution by the Board of Directors taken on 9 January 2017, to be ratified at the upcoming General Meeting of Shareholders, to co-opt Lingjiang Xu as a non-executive member and João Nuno Palma as an executive member of the Board of Directors, to complete the term-of-office.
- Resolution of the Board of Directors taken on 9 January 2017, with the prior favourable opinion of the Audit Committee, to increase the share capital from Euro 4,268,817,689.20 to Euro 5,600,738,053.72 made through a Rights Offering addressed to shareholders in the exercise of their preference rights and remaining investors who purchased subscription rights, through the issue of 14,169,365,580 new ordinary, nominative and book-entry shares without nominal value, with the number of ordinary shares of BCP totalling 15,113,989,952 as a result of the transaction.
- Early repayment to the Portuguese State, on 9 February 2017, of the remaining Core Tier 1 capital hybrid instruments (CoCos), amounting to Euro 700 million, which represented the return to normalisation of the activities carried out by BCP and had been previously approved by the European Central Bank, provided that BCP's share capital increase proved successful.
- Upgrade by S&P Global Ratings of the long-term senior unsecured debt ratings on Millennium bcp's, to "BB-" from "B+", following the upgrade of the intrinsic rating (Stand Alone Credit Profile – SACP) to "bb-" from "b+", upgrade of the counterparty credit rating on Millennium bcp to "BB-" from "B+" and its subordinated debt rating to "B-" from "CCC", after Millennium bcp's completion of its share capital increase.
- Bank Millennium was for the ninth time included in the Respect Index – an index of socially responsible companies listed on the Warsaw Stock Exchange.
- Millennium bim named "Mozambique's Best Bank in 2017" and "Mozambique's Best Bank for Trade Finance in 2017" by Global Finance.

MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) projects an acceleration of the world economy in 2017, from 3.1% to 3.5%, in a context of gradual recovery in the growth of activity both in developed and in emerging economies. Notwithstanding the greater optimism, the IMF considers that the risks to its forecasts are mainly tilted to the downside and relate to issues of a political and geostrategic nature.

Despite the improvement of economic performance in the majority of the Eurozone countries, the more favourable external environment and the rise of inflation associated with the jump in oil prices, the European Central Bank (ECB) has not changed its monetary policy, claiming that the process of economic recovery and dissipation of disinflationary risks still requires confirmation. Still, the generalised expectation that the ECB could intensify the pace of reduction of the debt securities purchase programme towards the end of the current year triggered a rise in interest rates, especially in the longer maturities, since those attached to the shorter term are anchored to the ECB’s deposit facility rate (-0.40%).

In the US, the frailty of investment and the negative contribution of net exports resulted in the deceleration of GDP in 2016 to the lowest rate since 2011. Notwithstanding, the strength of private consumption sustained employment gains, especially in the sectors of restaurants, hospitality and health. This set of circumstances and the perspective of greater expansion of the fiscal policy led the Federal Reserve to raise its key rate at the March meeting and for the third time in the present cycle and to also hint at further rises, save some unwarranted structural change in the economic and financial situation.

Throughout the first three months of the current year there was a consolidation of the optimism in the international financial markets that followed the election of US President Donald Trump, which has translated into a generalised rise in equity indices, the increase of the US government bond yields to highest levels since 2014 and the appreciation of the main emerging currencies. As for the euro money markets, the highlight was the stability of the Euribor rates, which have stood at negative values for all maturities.

According to Statistics Portugal, Portugal’ GDP grew 2.0% on an annual basis in the last quarter of 2016, which corresponds to an acceleration vis-à-vis the three previous months. The greater vigour of activity stemmed from the expressive increase in domestic demand, namely of private consumption and investment. In contrast, the net external demand exerted a downward pressure on growth due to the strong dynamism of imports whose effect overshadowed the positive performance of exports. As of the most recent European Commission forecasts, the process of recovery of the Portuguese economy should consolidate in 2017, with GDP growth projected at 1.6% (above the 1.4% recorded in the preceding year), supported exclusively by domestic demand, which is bound to benefit from diminished interest rate levels, the gradual improvement of the labour market and the high levels of consumer and business confidence. The uncertainty surrounding the national banking system as well as the higher volatility in international financial markets, associated with fears pertaining to the outcome of the French electoral process triggered a rise in the government bonds, which materialised in a widening of the risk premia of the Portuguese Republic against the majority of the Euro Area’s countries, a movement that has partially unwound toward the end of the first quarter.

In 2016, the Polish economy recorded a considerable slowdown, with the GDP growth rate falling from 3.9% to 2.8%. This loss of strength was due to a substantial fall in investment, in a context of transition between European Union programs of structural funds. In contrast, private consumption remained robust, benefiting from the dynamism of employment and wages along with a set of fiscal stimulus measures especially targeted at families. For 2017, the European Commission forecasts a recovery in the pace of economic activity to 3.2%, in a framework of rebounding investment and consumption strength. In the first quarter of the current year, the Zloty followed an appreciating trend against the Euro, an evolution that offset the inflationary pressures stemming from the quick rise in oil prices, thus allowing the National Bank of Poland to maintain the expansionary stance of monetary policy.

The economic activity in Mozambique recorded its slowest pace since 2000 (from 6.6% in 2015 to 3.3% in 2016) due to the contraction of activity in agriculture, mining and manufacturing, despite the robust growth of services, namely within the financial sector. For 2017, the IMF expects an acceleration of GDP to 4.5%, in a climate that is expected to be more favourable to the commodity-producing countries. For Angola, the IMF forecasts an increase in the pace of expansion of GDP from 0.0% to 1.3%, reflecting the partial recovery of oil prices.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Mar 17	Mar 16	Change	Mar 17	Mar 16	Change	Mar 17	Mar 16	Change
Income statement									
Net interest income	332.3	292.4	13.7%	194.1	171.5	13.2%	138.2	120.8	14.4%
Dividends from equity instruments	0.1	2.0	-95.3%	-	2.0	-98.6%	0.1	-	-
Net fees and commission income	160.8	163.9	-1.9%	108.2	118.2	-8.5%	52.6	45.7	15.1%
Other operating income	(15.2)	(12.4)	22.3%	5.5	(1.8)	>200%	(20.7)	(10.6)	94.8%
Net trading income	36.4	28.3	28.4%	20.9	4.7	>200%	15.5	23.6	-34.4%
Equity accounted earnings	19.6	13.9	41.5%	12.0	13.9	-13.4%	7.6	-	-
Net operating revenues	**534.0**	**488.1**	**9.4%**	**340.7**	**308.6**	**10.4%**	**193.3**	**179.6**	**7.6%**
Staff costs	136.9	138.4	-1.1%	89.8	91.5	-1.8%	47.1	46.9	0.3%
Other administrative costs	88.7	91.8	-3.4%	54.7	56.3	-2.8%	33.9	35.5	-4.5%
Depreciation	12.7	12.8	-0.6%	8.0	7.1	12.9%	4.8	5.8	-17.2%
Operating costs	**238.3**	**243.1**	**-2.0%**	**152.5**	**154.9**	**-1.5%**	**85.8**	**88.2**	**-2.8%**
Operating profit before impairment and provisions	**295.8**	**245.1**	**20.7%**	**188.2**	**153.7**	**22.4%**	**107.5**	**91.4**	**17.7%**
Loans impairment (net of recoveries)	148.9	160.7	-7.3%	125.9	142.0	-11.3%	22.9	18.7	22.7%
Other impairment and provisions	54.3	15.4	>200%	56.8	15.9	>200%	(2.4)	(0.6)	>200%
Profit before income tax	**92.5**	**69.1**	**34.0%**	**5.5**	**(4.2)**	**>200%**	**87.0**	**73.2**	**18.8%**
Income tax	19.1	15.0	27.4%	(3.5)	(5.7)	-38.3%	22.6	20.7	9.4%
Income after income tax from continuing operations	**73.4**	**54.1**	**35.8%**	**9.0**	**1.5**	**>200%**	**64.4**	**52.6**	**22.5%**
Income arising from discontinued operations	-	29.0	-100.0%	-	-	-	-	29.0	-100.0%
Non-controlling interests	23.3	36.4	-35.9%	-	(0.4)	-90.7%	23.3	36.8	-36.6%
Net income	**50.1**	**46.7**	**7.4%**	**9.0**	**1.9**	**>200%**	**41.1**	**44.8**	**-8.3%**
Balance sheet and activity indicators									
Total assets	**72,077**	**76,295**	**-5.5%**	**52,686**	**55,681**	**-5.4%**	**19,391**	**20,614**	**-5.9%**
Total customer funds (1)	**65,110**	**63,818**	**2.0%**	**48,028**	**47,750**	**0.6%**	**17,082**	**16,068**	**6.3%**
Balance sheet total customer funds (1)	**51,673**	**51,677**	**-0.0%**	**36,071**	**36,950**	**-2.4%**	**15,603**	**14,727**	**5.9%**
Resources from customers	50,138	49,553	1.2%	34,632	34,910	-0.8%	15,506	14,643	5.9%
Debt securities	1,536	2,124	-27.7%	1,439	2,040	-29.5%	97	84	15.1%
Off-balance sheet customer funds (1)	**13,437**	**12,141**	**10.7%**	**11,958**	**10,799**	**10.7%**	**1,479**	**1,341**	**10.3%**
Assets under management	4,297	3,778	13.7%	3,289	2,891	13.8%	1,008	887	13.6%
Capitalisation products	9,139	8,363	9.3%	8,668	7,908	9.6%	471	454	3.8%
Discontinued operations	-	**1,461**	**-100.0%**	-	-	-	-	**1,461**	**-100.0%**
Loans to customers (gross) (1)	**52,242**	**53,787**	**-2.9%**	**39,386**	**41,178**	**-4.4%**	**12,856**	**12,609**	**2.0%**
Individuals (1)	**28,126**	**28,784**	**-2.3%**	**20,038**	**20,680**	**-3.1%**	**8,088**	**8,104**	**-0.2%**
Mortgage	23,892	24,807	-3.7%	17,506	18,319	-4.4%	6,386	6,488	-1.6%
Consumer and others	4,235	3,977	6.5%	2,533	2,361	7.3%	1,702	1,616	5.4%
Companies (1)	**24,116**	**25,003**	**-3.5%**	**19,347**	**20,497**	**-5.6%**	**4,769**	**4,505**	**5.8%**
Services	9,134	9,858	-7.3%	8,179	8,960	-8.7%	956	898	6.5%
Commerce	3,259	3,206	1.7%	2,204	2,187	0.8%	1,055	1,018	3.6%
Construction	2,813	3,309	-15.0%	2,484	2,976	-16.5%	329	333	-1.1%
Other	8,909	8,631	3.2%	6,481	6,375	1.7%	2,428	2,256	7.6%
Discontinued operations	-	**847**	**-100.0%**	-	-	-	-	**847**	**-100.0%**
Credit quality									
Total overdue loans (1)	3,540	4,204	-15.8%	3,211	3,898	-17.6%	329	306	7.4%
Overdue loans by more than 90 days (1)	3,379	3,958	-14.6%	3,107	3,695	-15.9%	272	263	3.5%
Overdue loans by more than 90 days /Total loans (1)	6.5%	7.4%		7.9%	9.0%		2.1%	2.1%	
Total impairment (balance sheet) (1)	3,709	3,406	8.9%	3,280	2,999	9.4%	429	407	5.4%
Total impairment (balance sheet) /Total loans (1)	7.1%	6.3%		8.3%	7.3%		3.3%	3.2%	
Total impairment (balance sheet) /Overdue loans by more than 90 days (1)	109.8%	86.0%		105.6%	81.2%		157.6%	154.7%	
Cost of risk (net of recoveries, in b.p.) (1)	114	119		128	138		71	59	
Restructured loans / Total loans (2)	9.4%	9.9%							
Restructured loans not included in the credit at risk / Total loans (2)	5.4%	5.7%							
Cost-to-income (3)	43.2%	49.4%		42.5%	49.6%		44.4%	49.1%	

(1) Adjusted from the effect related to operations classified under the line item of discontinued operations in March 2016.

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

(3) Excludes the impact of specific itens.

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statements
for the three months periods ended 31 March 2017 and 2016

	31 March 2017	31 March 2016
	(Thousands of Euros)	
Interest and similar income	475,498	486,669
Interest expense and similar charges	(143,171)	(194,310)
Net interest income	332,327	292,359
Dividends from equity instruments	96	2,044
Net fees and commission income	160,810	163,949
Net gains / (losses) arising from trading and hedging activities	29,132	15,577
Net gains / (losses) arising from available for sale financial assets	7,243	12,755
Net gains from insurance activity	740	1,962
Other operating income / (costs)	(17,566)	(9,331)
Total operating income	512,782	479,315
Staff costs	136,906	138,444
Other administrative costs	88,651	91,817
Depreciation	12,740	12,815
Operating costs	238,297	243,076
Operating net income before provisions and impairments	274,485	236,239
Loans impairment	(148,891)	(160,657)
Other financial assets impairment	(20,664)	(16,241)
Other assets impairment	(25,638)	(5,442)
Goodwill impairment	(4)	-
Other provisions	(8,027)	6,330
Operating net income	71,261	60,229
Share of profit of associates under the equity method	19,628	13,874
Gains / (losses) from the sale of subsidiaries and other assets	1,637	(5,046)
Net (loss) / income before income tax	92,526	69,057
Income tax		
Current	(27,928)	(24,554)
Deferred	8,822	9,556
Net (loss) / income after income tax from continuing operations	73,420	54,059
Income arising from discontinued operations	-	29,005
Net income after income tax	73,420	83,064
Attributable to:		
Shareholders of the Bank	50,113	46,678
Non-controlling interests	23,307	36,386
Net income for the period	73,420	83,064

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 31 March 2017 and 31 December 2016

	31 March 2017	31 December 2016
	(Thousands of Euros)	
Assets		
Cash and deposits at central banks	1,684,423	1,573,912
Loans and advances to credit institutions		
Repayable on demand	258,291	448,225
Other loans and advances	1,337,776	1,056,701
Loans and advances to customers	48,533,697	48,017,602
Financial assets held for trading	1,021,093	1,048,797
Other financial assets held for trading at fair value through profit or loss	147,266	146,664
Financial assets available for sale	10,715,144	10,596,273
Assets with repurchase agreement	30,252	20,525
Hedging derivatives	73,604	57,038
Financial assets held to maturity	464,495	511,181
Investments in associated companies	611,169	598,866
Non current assets held for sale	2,225,447	2,250,159
Investment property	12,576	12,692
Other tangible assets	482,492	473,866
Goodwill and intangible assets	162,309	162,106
Current tax assets	17,654	17,465
Deferred tax assets	3,193,151	3,184,925
Other assets	1,106,085	1,087,814
	72,076,924	71,264,811
Liabilities		
Resources from credit institutions	9,284,053	9,938,395
Resources from customers	50,137,524	48,797,647
Debt securities issued	2,962,745	3,512,820
Financial liabilities held for trading	509,728	547,587
Hedging derivatives	287,523	383,992
Provisions	341,596	321,050
Subordinated debt	846,123	1,544,555
Current tax liabilities	38,547	35,367
Deferred tax liabilities	2,341	2,689
Other liabilities	931,997	915,528
Total Liabilities	65,342,177	65,999,630
Equity		
Share capital	5,600,738	4,268,818
Treasury shares	(728)	(2,880)
Share premium	16,471	16,471
Preference shares	59,910	59,910
Other capital instruments	2,922	2,922
Legal and statutory reserves	245,875	245,875
Fair value reserves	(103,079)	(130,632)
Reserves and retained earnings	(90,879)	(102,306)
Net income for the period attributable to Shareholders	50,113	23,938
Total Equity attributable to Shareholders of the Bank	5,781,343	4,382,116
Non-controlling interests	953,404	883,065
Total Equity	6,734,747	5,265,181
	72,076,924	71,264,811

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 for risk of credit 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 divided by 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 (NPE, 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 loans (NPL) – 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 – Loans more than 90 days overdue and doubtful loans reclassified as overdue for provisioning purposes 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 interim condensed consolidated financial statements, for the three month period ended 31 March 2017, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

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

The three month periods ended 31 March 2017 and 31 March 2016 figures were not audited or reviewed.