

Millennium  
bcp

# EARNINGS PRESENTATION 2017

MILLENNIUM. AQUI CONSIGO.



AGILE



MODERN



PERSONAL



SIMPLE



SUSTAINABLE



# Disclaimer

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- The 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
- Figures for 2017 not audited

# Agenda

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- Highlights
- Group
  - Profitability
  - Liquidity
  - Capital
- Portugal
- International operations
- Conclusions

# Summary

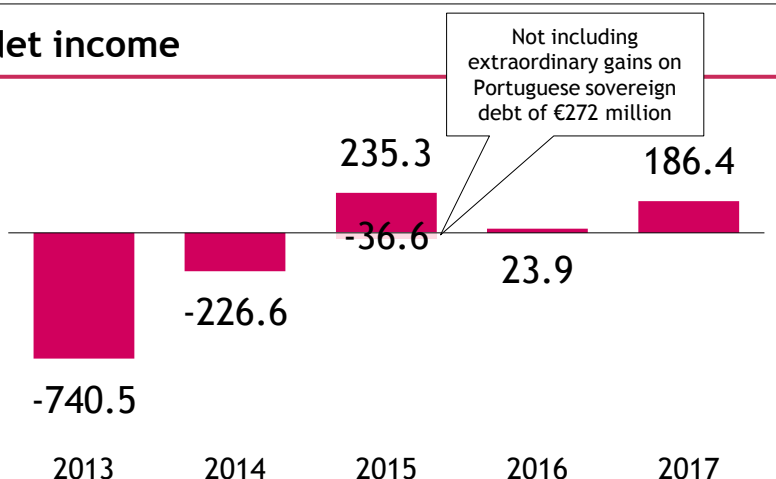
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- ① **Net profit of €186.4 million** (€23.9 million in 2016), on the back of improved earnings from the domestic activity. **Stable recurring international contribution**
- ② **NPEs in Portugal**, down by €1.8 billion in the year to €6.8 billion at year-end 2017, were **clearly lower than the €7.5 billion target**. **Total coverage, including guarantees, increased to 106%**
- ③ **The performing credit portfolio increased in Portugal in 2017 for the first time in 8 years**
- ④ **Strong business performance, with Customer acquisition standing out. Active Customers for the Group total 5.4 million**, an increase in excess of 300,000 Customers from December 31, 2016

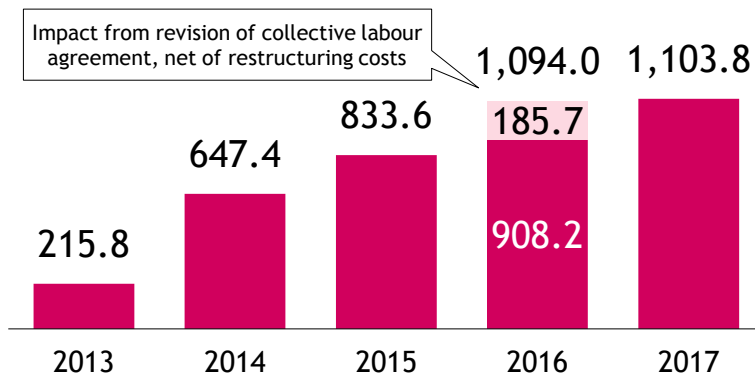
# 1 Highlights: improved profitability

(Million euros)

## Net income



## Core net income\*



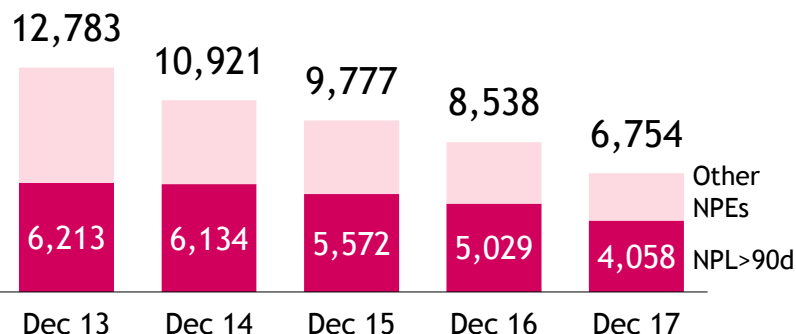
- **Net earnings of €186.4 million** in 2017, a substantial improvement from previous years
- **Improved earnings from domestic activity**, whose contribution amounted to €39.0 million
- **Stable recurring international contribution**
- **Core net income increased to €1,104 million in 2017**, supported by the continued expansion of net interest income: NIM stood at 2.2% in 2017, compared to 1.9% in 2016 and to 1.1% in 2013
- **One of the most efficient banks in the Eurozone, with cost to core income of 46%** (cost to income of 43%, compared to 73% in 2013)

## 2 Highlights: improved asset quality

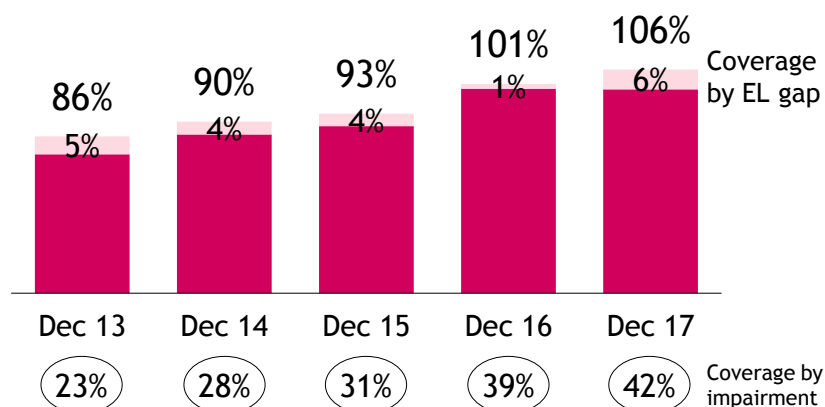


(Million euros)

### Non-performing exposures (NPEs)



### NPE coverage\*



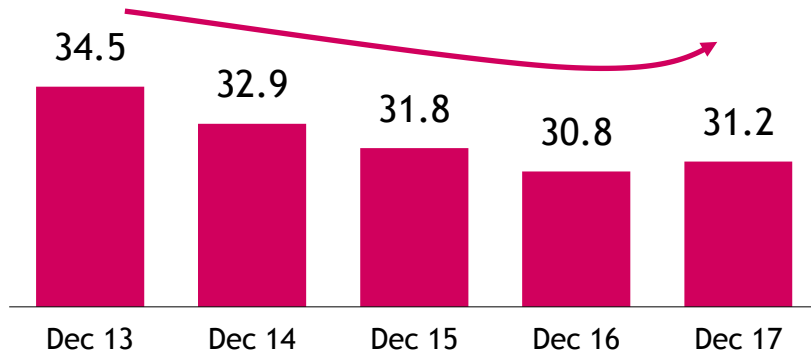
- **NPEs in Portugal down** to €6.8 billion as at December 31, 2017, **showing a strong pace of reduction from 2013** (-€1.5 billion per year, in average)
- **€1.8 billion NPE reduction in 2017**, exceeding the annual €1 billion reduction target
- The NPE decrease from December 31, 2016 is attributable to a **€1.0 billion NPL>90d reduction** and to a **€0.8 billion reduction of other NPEs**
- **NPE total coverage\* of 106%**, broken down as follows:
  - coverage by loan-loss reserves of 42%
  - coverage by real estate collateral of 45%
  - coverage by cash and other financial collateral of 13%
  - coverage by expected loss gap of 6%

### 3 Highlights: credit now growing in Portugal

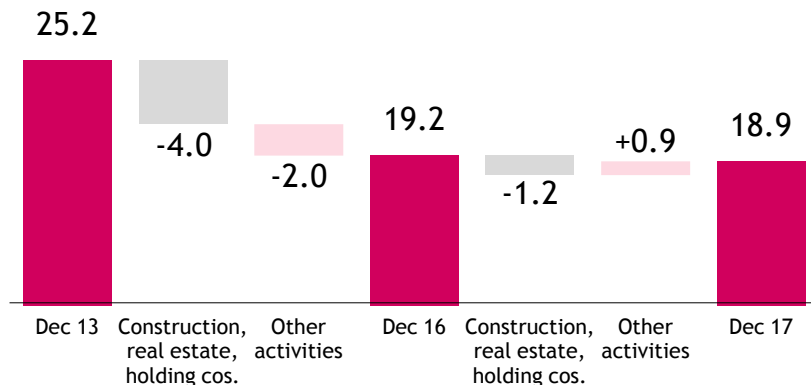


(Billion euros)

#### Performing portfolio



#### Companies portfolio



- The performing portfolio increased in Portugal in 2017 for the first time in 8 years
- Structural change to the portfolio of loans to companies over recent years, with a lower weight of construction and real estate activities and of non-financial holding companies
- Strong credit activity:
  - Individuals: more than €2.0 billion in new credit
  - Companies: more than €600 million granted under the “Portugal 2020” programme; 17.2% market share in loans to exporting companies

# Highlights: strong business performance, especially as long as Customers and service are concerned

## Group



Customer base

5.4 million active Customers  
(>300,000 vs 2016)



Digital Customers

2.5 million active digital Customers  
(+16.0% vs 2016)

## Portugal



Customer base

2.4 million active Customers  
(approximately +100,000 vs 2016)



Customer acquisition

Individuals: >220,000 Customers  
Companies: >16,000 Customers



Digital Customers

Individuals: 790,000 active  
(+15.1%)  
Companies: 99,400 active  
(+10.8%)

## Awards

### 4Q17



Consumer choice bank  
Consumer choice award | Portugal



Best bank in Mozambique  
The Banker and Global Finance | Mozambique



#1 in both traditional and mobile banking  
Newsweek Friendly Bank | Poland



Innovative Wealth Management Technology Platform  
Private Banker International Editor's Choice Award | Switzerland

### 2017



Best financial services site/app  
ACEPI Navegantes | Portugal



Best branch experience  
Best Customer Experience Awards | Portugal



Best Consumer Digital Bank  
Global Finance | Portugal and Poland



Best digital strategy  
ACEPI Navegantes | Activobank Portugal



Closest to Customers, most innovating,  
most adequate products  
Data E | Portugal



Best commercial bank  
World Finance | Activobank Portugal



Consumer choice  
Superbrands | Portugal and Moçambique



Banking category  
Marketeer | Portugal



Branch transformation model  
Celent Model Bank Award | Portugal



Best bank  
Euromoney | Mozambique



Best private bank in Portugal  
The Banker | Portugal



Best bank in trade finance  
Global Finance | Mozambique



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# Profit of €186.4 million in 2017

(million euros)	2016	2017	YoY	Impact on earnings
Net interest income + Commissions	1,874.0	2,058.0	+9.8%	+184.0
Operating costs	-780.0	-954.2	+22.3%	-174.2
<b>Core net income</b>	<b>1,094.0</b>	<b>1,103.8</b>	<b>+0.9%</b>	<b>+9.8</b>
Other income*	222.7	139.5	-37.4%	-83.2
<b>Operating net income</b>	<b>1,316.7</b>	<b>1,243.3</b>	<b>-5.6%</b>	<b>-73.4</b>
Impairment and provisions	-1,598.0	-924.8	-42.1%	+673.2
<b>Net income before income tax</b>	<b>-281.3</b>	<b>318.5</b>		<b>+599.8</b>
Income taxes, non-controlling interests and disc. operations	305.2	-132.1		-437.3
<b>Net income</b>	<b>23.9</b>	<b>186.4</b>		<b>+162.5</b>

€965.7 million excluding impact from revision of collective labour agreement, net of restructuring costs (€185.7 million)

€126.5 million excluding gains on Visa transaction (€96.2 million)

€1,034.8 million excluding impact from revision of collective labour agreement, net of restructuring costs, and gains on Visa transaction

\*Includes dividends from equity instruments, other net operating income, net trading income and equity accounted earnings.

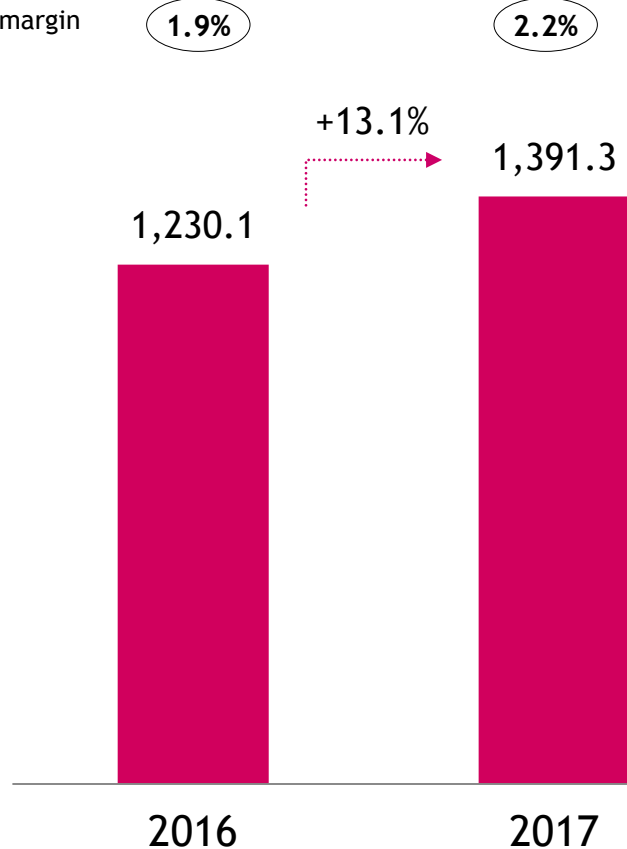
# Net interest income boosted by the continued reduction in the cost of deposits and by CoCo repayment

(Million euros)

## Net interest income

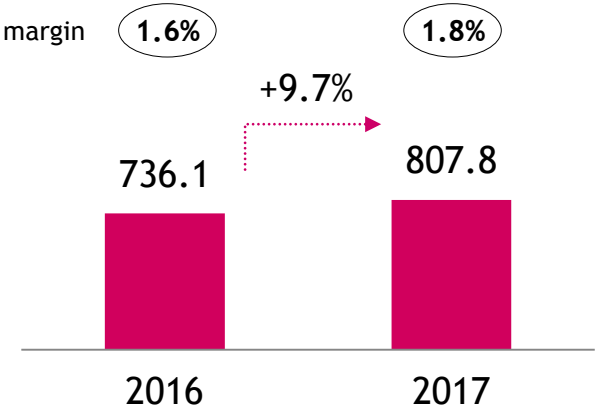
Consolidated

Net interest margin



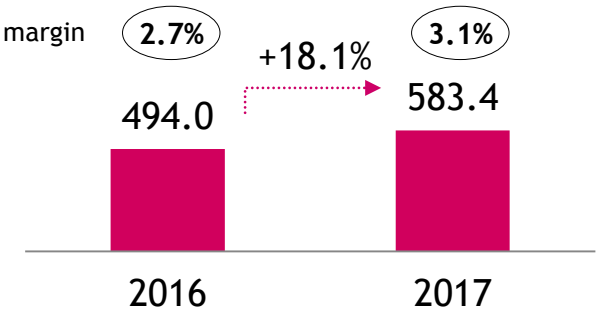
## Portugal

Net interest margin



## International operations

Net interest margin



# Increase of commissions in international operations stands out, stable in Portugal

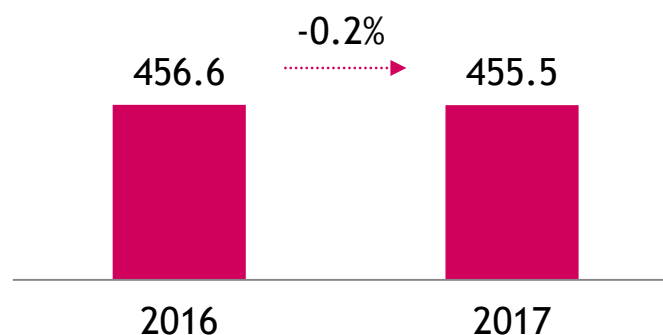
(Million euros)

## Fees and commissions

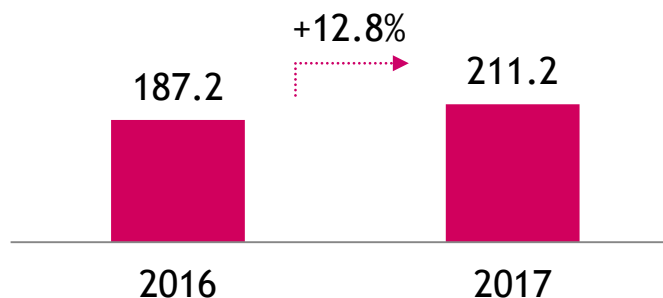
## Consolidated

	2016	2017	YoY
<b>Banking fees and commissions</b>	<b>532.3</b>	<b>546.6</b>	<b>+2.7%</b>
Cards and transfers	144.4	155.5	+7.7%
Loans and guarantees	157.9	158.0	+0.1%
Bancassurance	89.1	94.7	+6.3%
Customer account related	101.9	103.8	+1.9%
Other fees and commissions	39.0	34.5	-11.5%
<b>Market related fees and commissions</b>	<b>111.5</b>	<b>120.1</b>	<b>+7.6%</b>
Securities operations	73.3	77.5	+5.7%
Asset management	38.3	42.6	+11.3%
<b>Total fees and commissions</b>	<b>643.8</b>	<b>666.7</b>	<b>+3.6%</b>

## Portugal

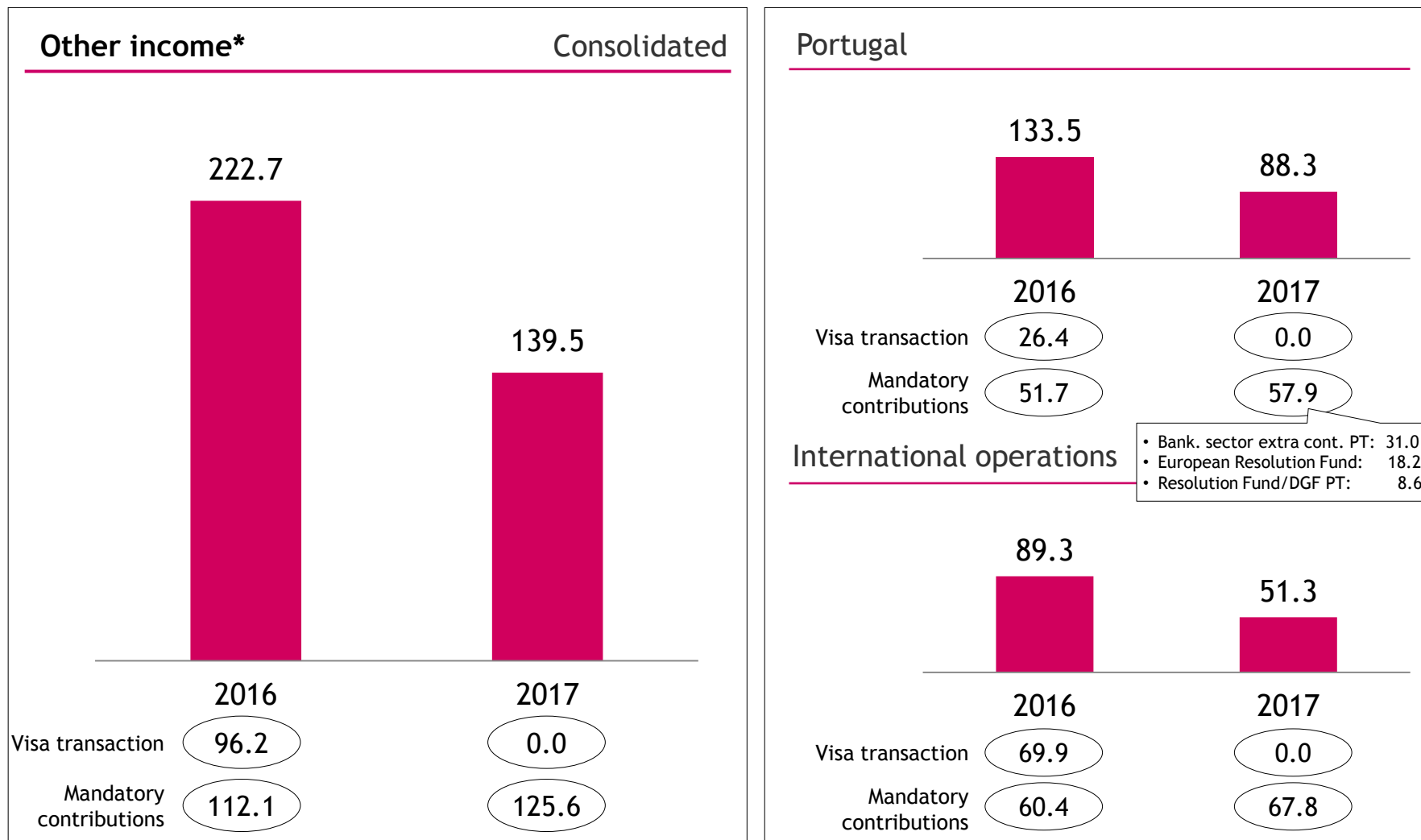


## International operations



# Other income\* influenced by higher mandatory contributions and by gains on Visa transaction in 2016

(Million euros)



\*Includes dividends from equity instruments, other net operating income, net trading income and equity accounted earnings.

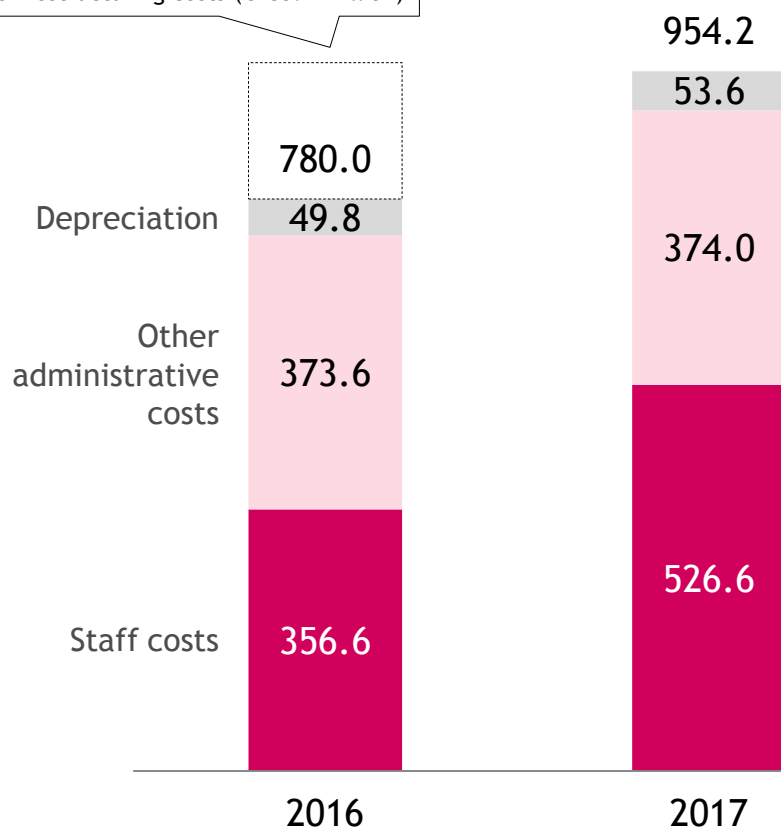
# Operating costs

(Million euros)

## Operating costs

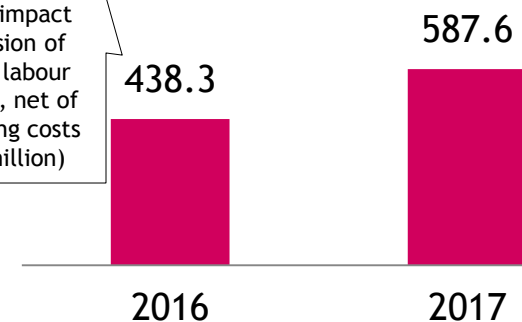
## Consolidated

€965.7 million excluding impact from revision of collective labour agreement, net of restructuring costs (€185.7 million)

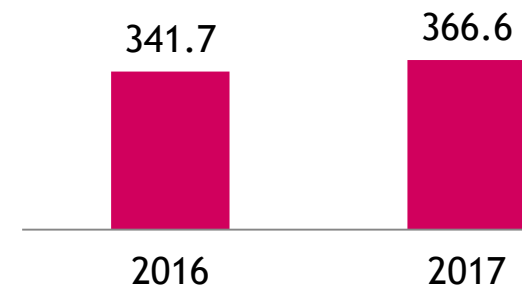


## Portugal

€624.0 million excluding impact from revision of collective labour agreement, net of restructuring costs (€185.7 million)



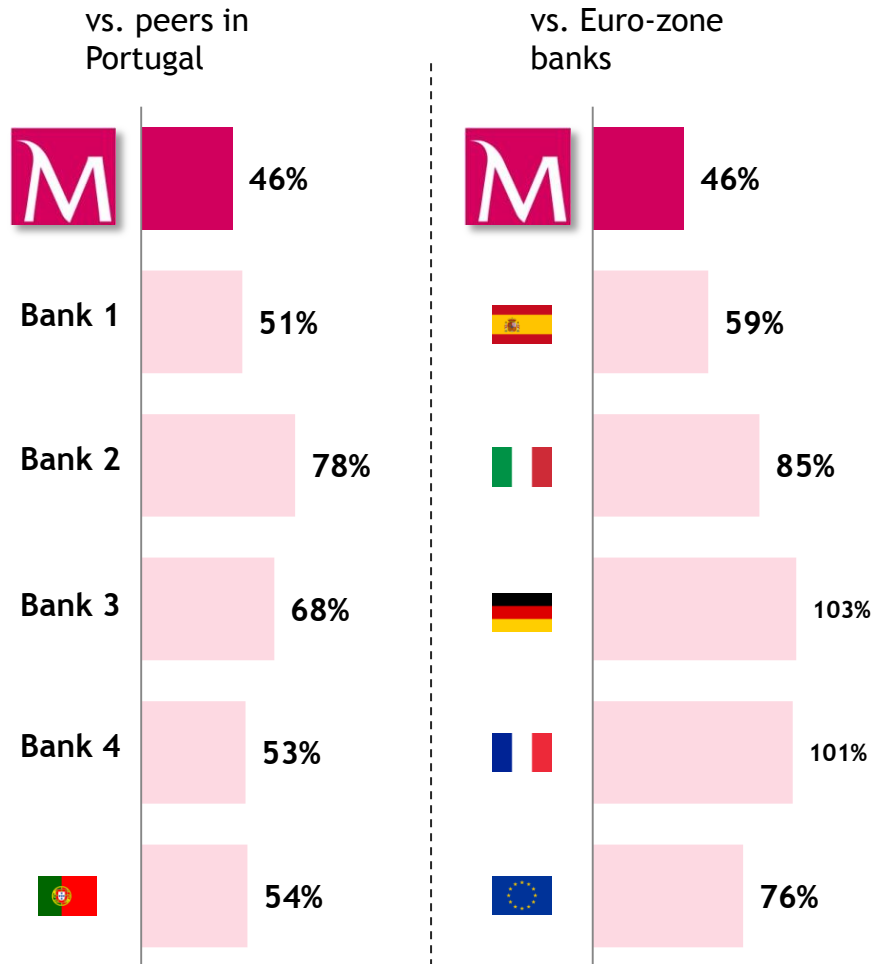
## International operations



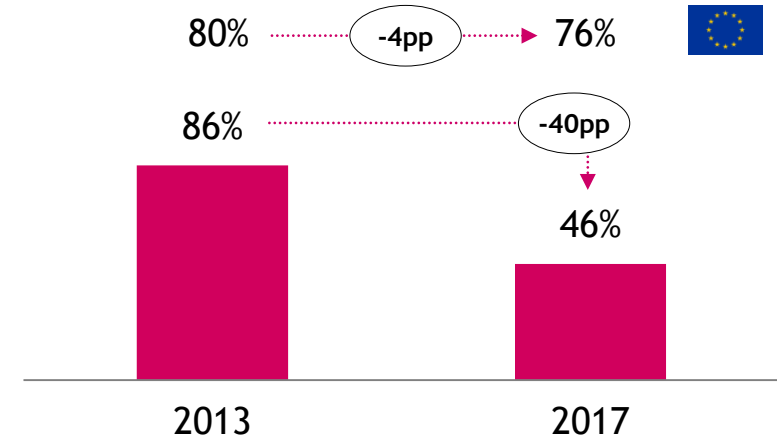
# Millennium bcp: one of the most efficient banks in the Eurozone

## Cost to core income\*

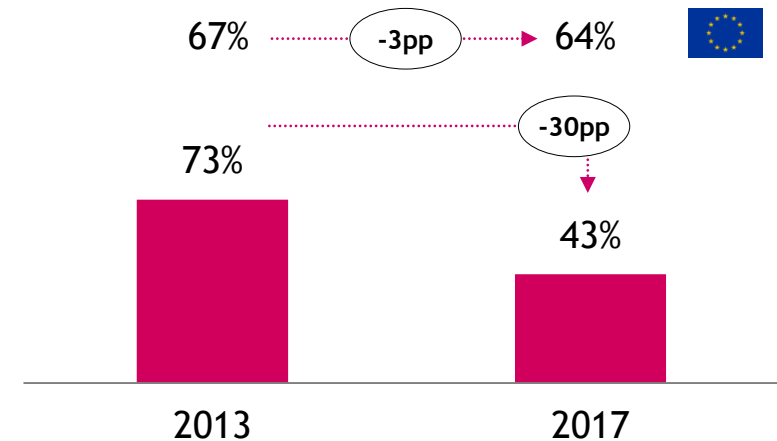
Latest available data



## Cost to core income\*



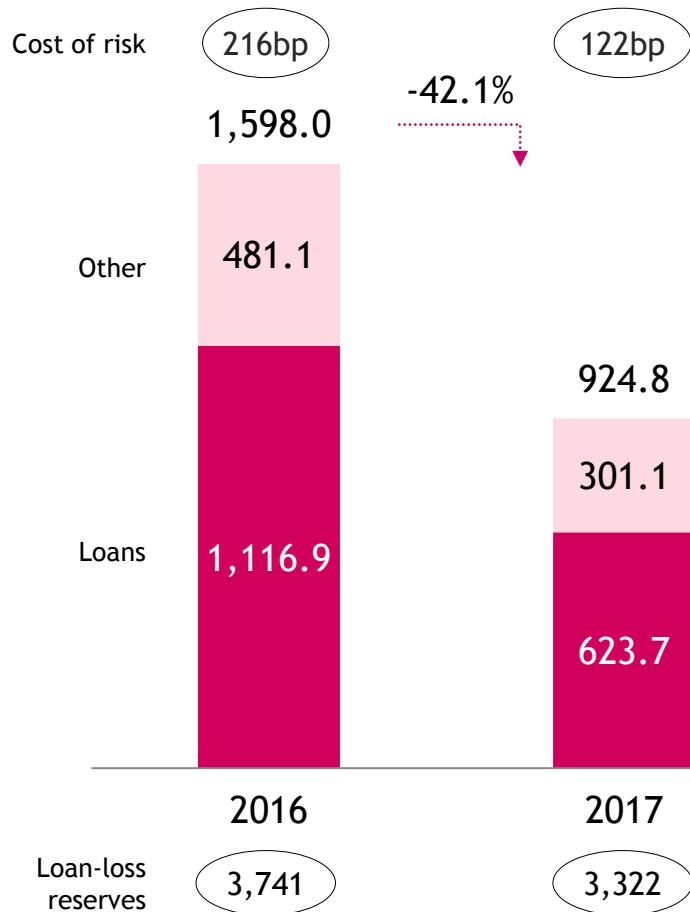
## Cost to income



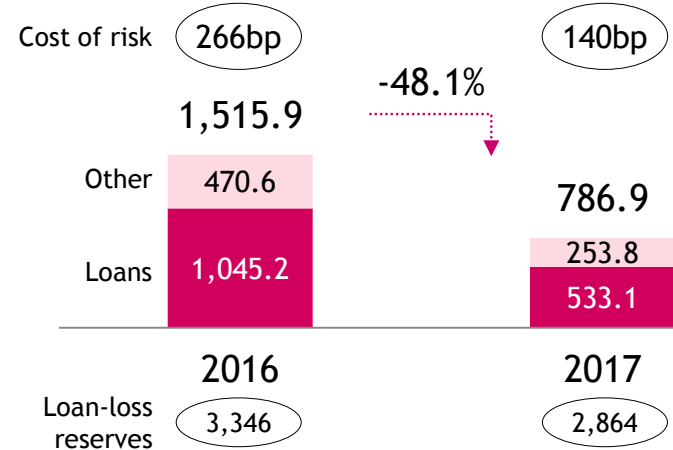
# Strengthening the balance sheet: cost of risk now trending towards normalisation

(Million euros)

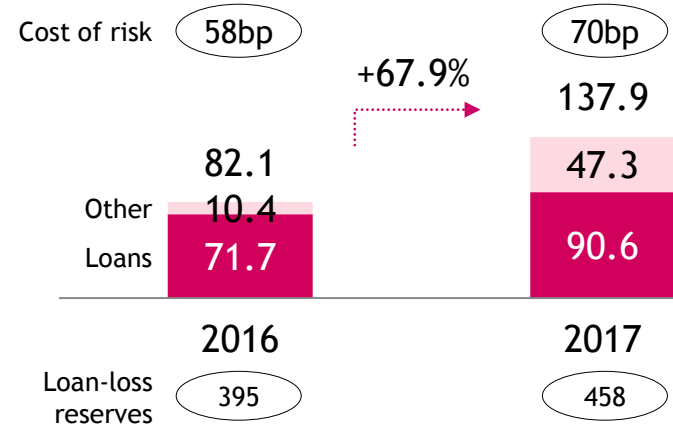
## Impairment and provision charges Consolidated



## Portugal



## International operations



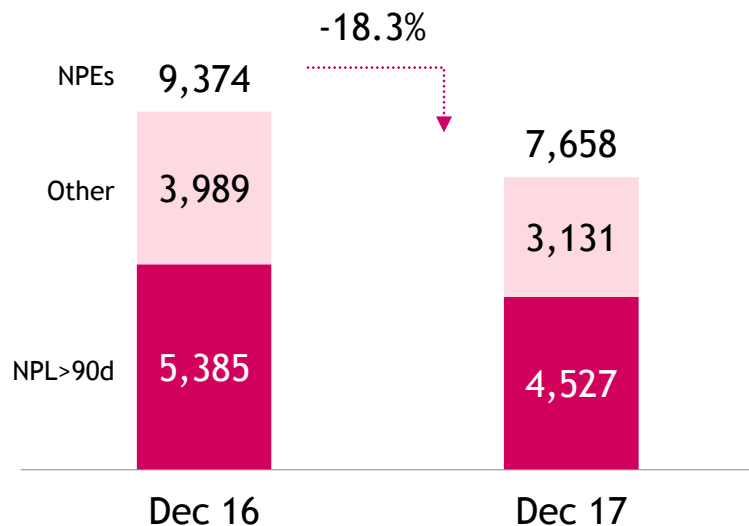


# Lower delinquency and increased coverage

(Million euros)

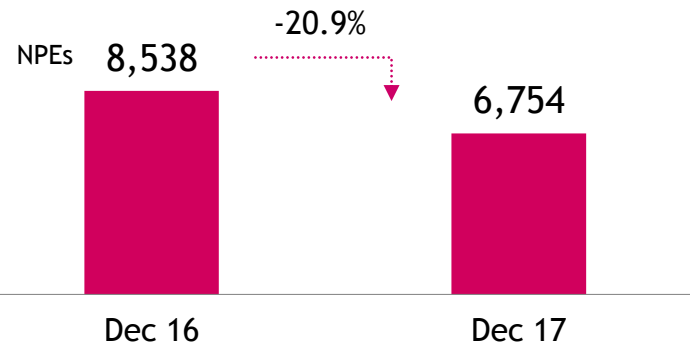
## Credit quality

Consolidated

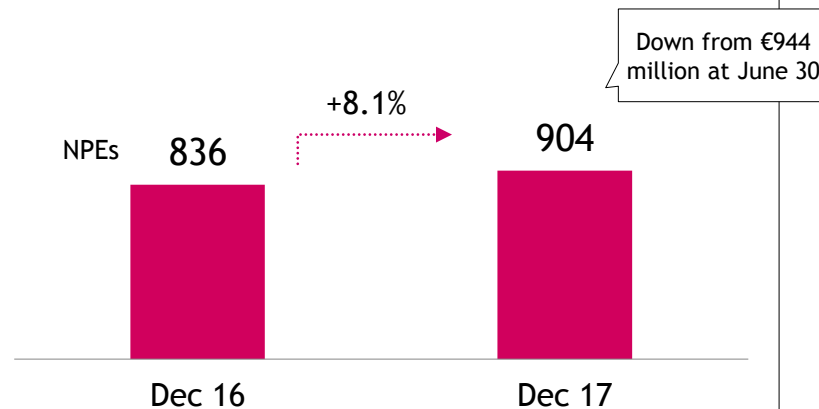


	Dec 16	Dec 17
NPL>90 days ratio	10.4%	8.9%
NPE ratio*	18.1%	15.0%
NPE ratio inc. securities and off-BS*	14.5%	11.1%
NPE coverage by loan-loss reserves	39.9%	43.4%
NPE total coverage**	100%	103%

## Portugal



## International operations



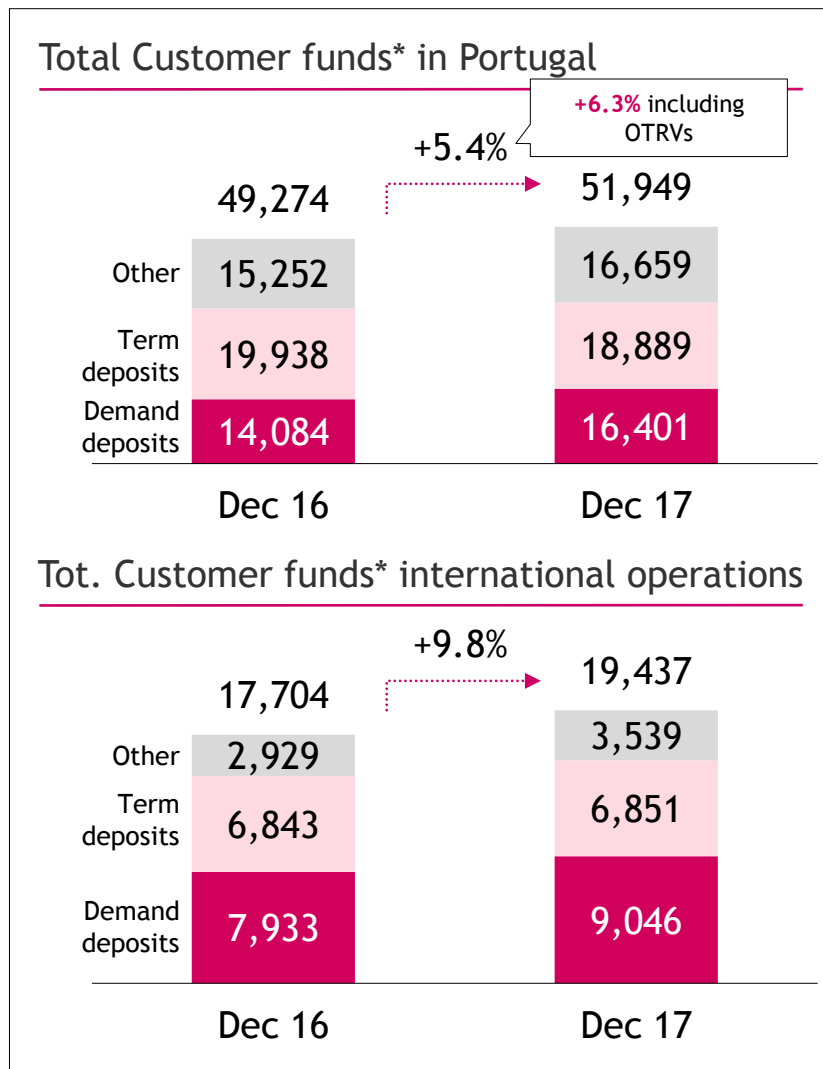
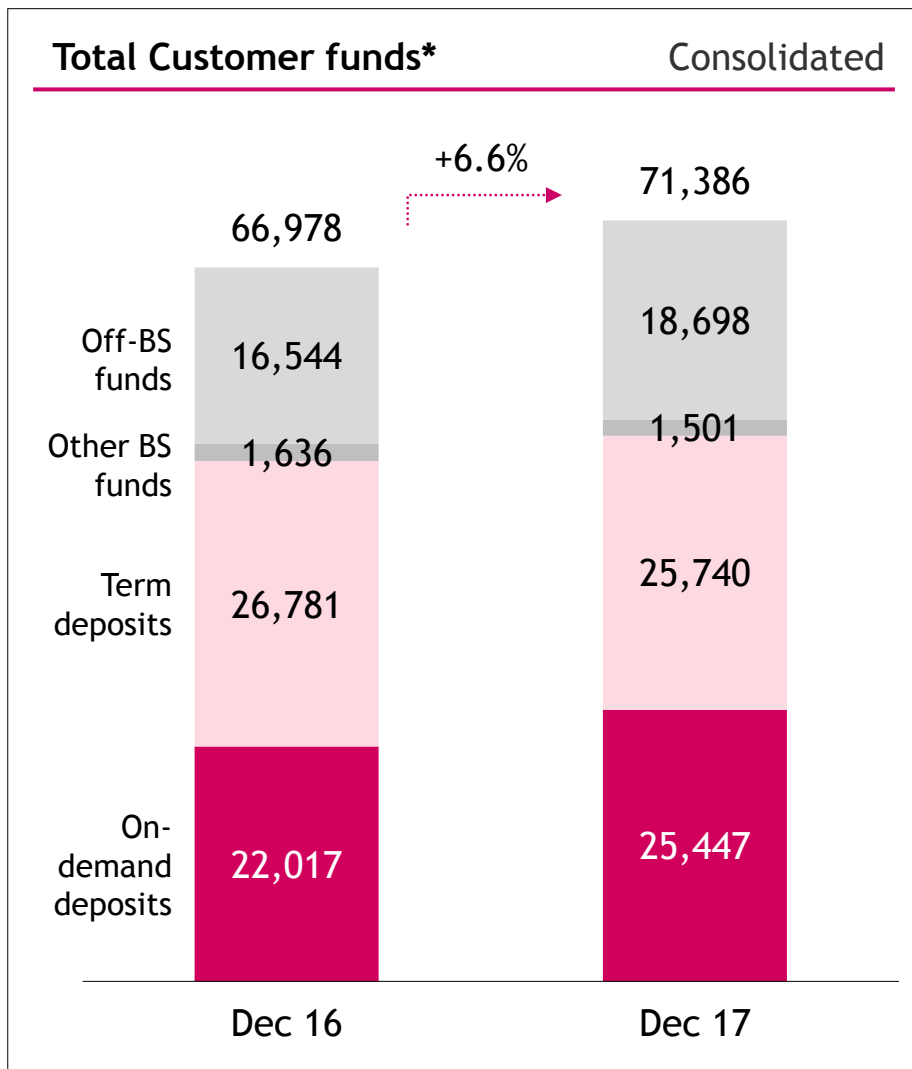
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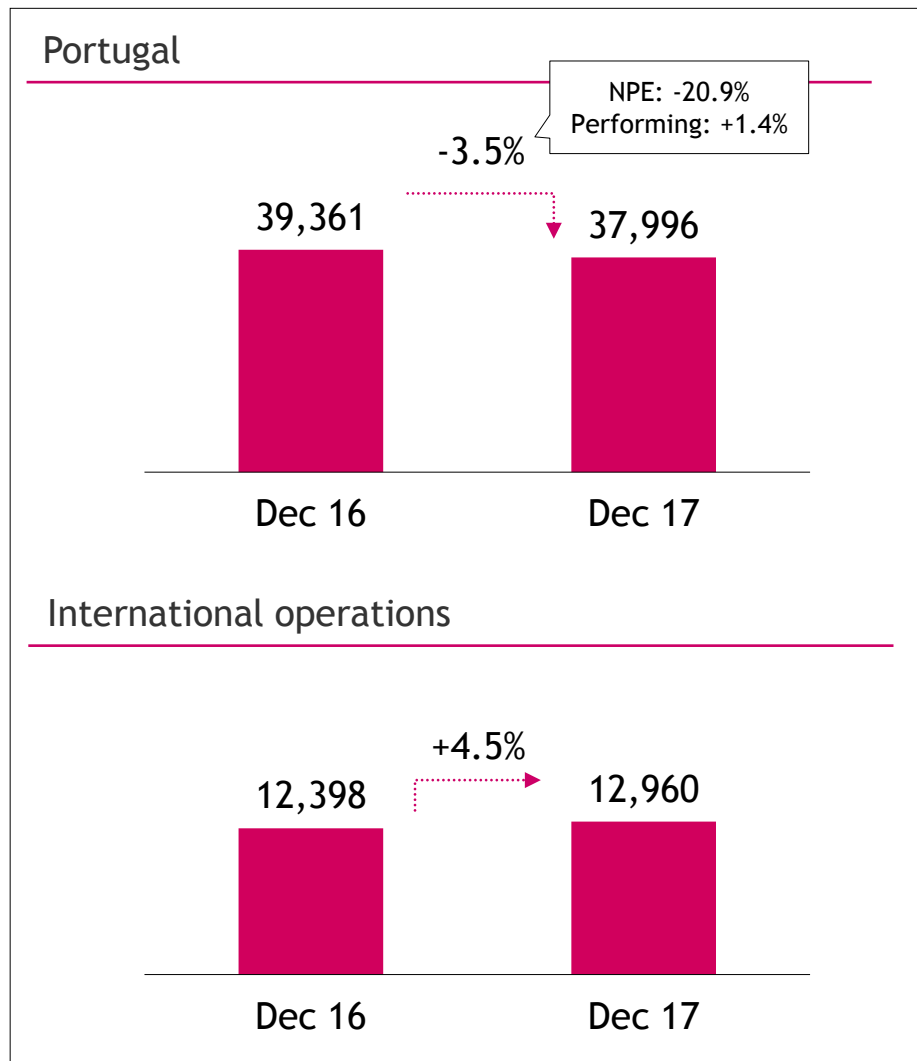
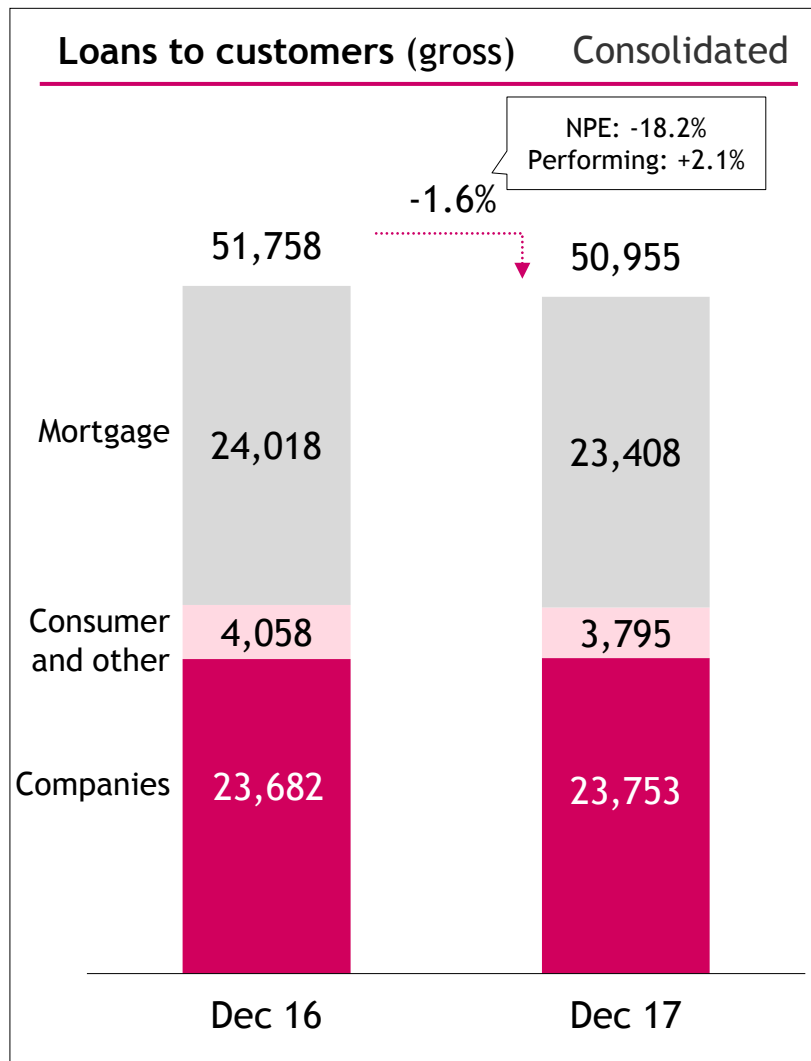
# Strong business dynamics results in growing Customer funds in Portugal and in international operations

(Million euros)



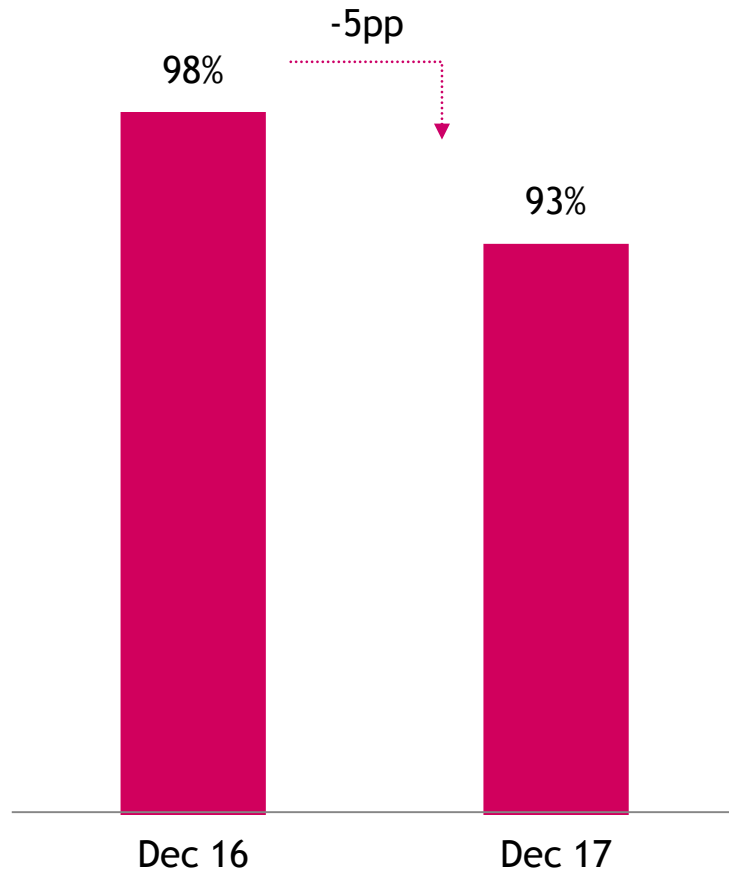
# Credit volumes reflect increasing performing portfolio, in spite of continued NPE reduction

(Million euros)



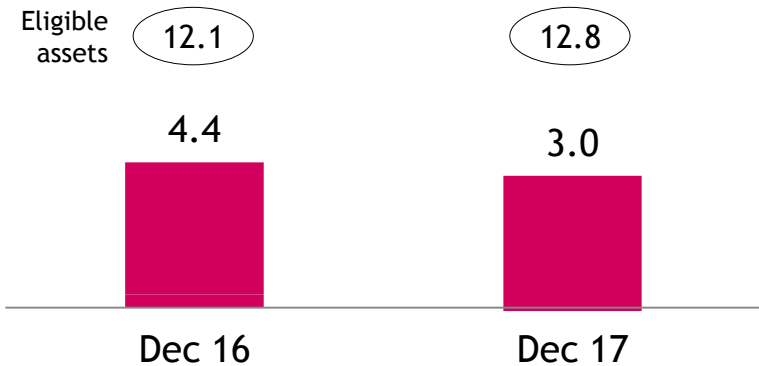
# Comfortable liquidity position

## Net loans to deposits ratio

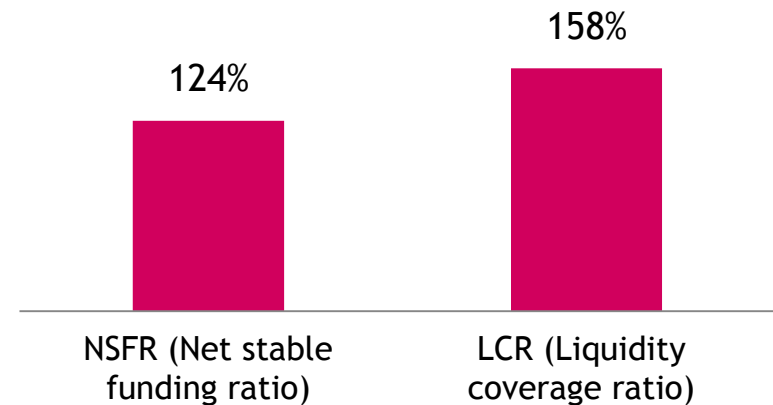


## ECB funding

(Billion euros)



## Liquidity ratios (CRD IV/CRR)



# Agenda

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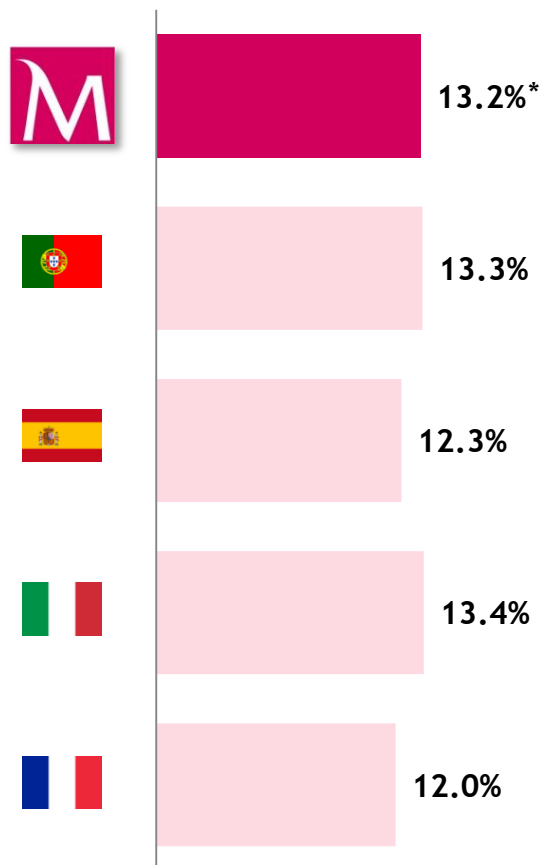
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# Strengthened capital, in line with European peers

## Common Equity Tier 1 ratio

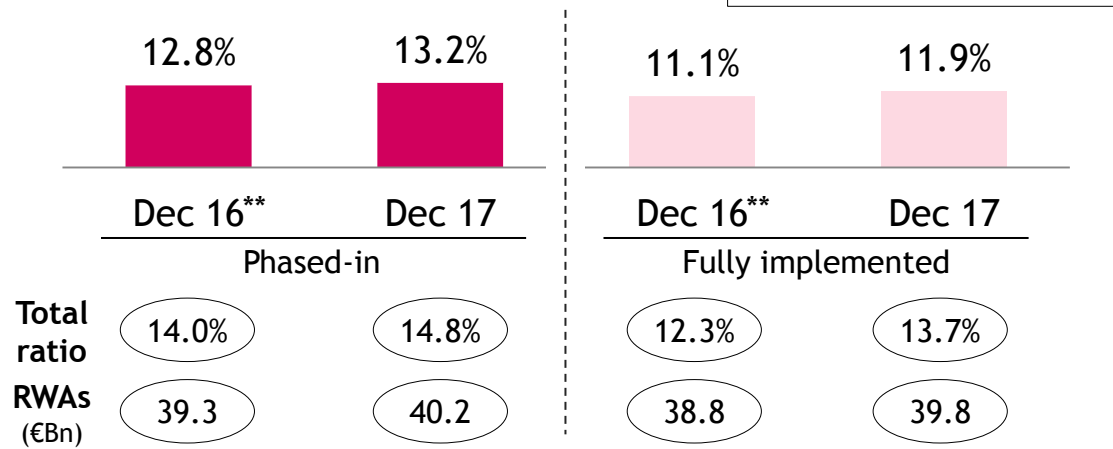
Phased-in, latest available data

vs. Euro-zone  
banks



## Common Equity Tier 1 ratio\*

ECB requirement (SREP)  
for CET1 in 2018: 8.8%



- Capital Ratios CET1 of 13.2% (phased-in) and 11.9% (fully implemented).
- ECB decision on 2018 SREP requirements: minimum CET1 of 8.8% with a Pillar 2 SREP requirement of 2.25% (-0.15pp versus 2017).
- Increased fully implemented capital ratio from 11.1% as at the end of 2016 due to:
  - net earnings for the year (+0.5pp);
  - improved fair value reserves (+0.8pp, reflecting, to a large extent, lower yields on the Portuguese sovereign debt portfolio), compensated by increased RWAs and expected loss gap, among others (-0.5pp)
- Increased fully implemented capital ratio from 11.7% as at September 30, 2017 due to:
  - net earnings for the quarter (+0.2pp impact);
  - improved fair value reserves (+0.2pp)
  - lower DTA deductions, more than compensated an increase in RWAs
- Total capital ratios of 14.8% (phased-in) and 13.7% (fully implemented), boosted by the €300 million subordinated debt issue (tier 2)

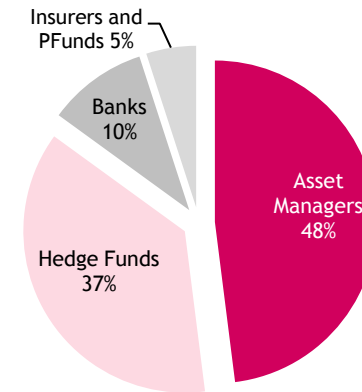
\*Estimates including earnings for the year. \*\*Estimates as at January 1, 2017, adjusted by the impact of the capital increase and of CoCos repayment, both completed in February 2017.

# Successful subordinated debt issue signals Millennium bcp's return to Tier 2 market

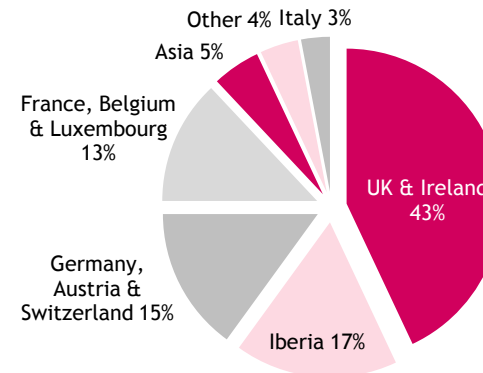
## 5 yr subordinated debt issue

<b>Issuer:</b>	Banco Comercial Português, S.A.
<b>Issue rating (S/M/F/D):</b>	B3/B-/B+/BB(L)
<b>Amount:</b>	€300 million
<b>Issue date:</b>	7 December 2017
<b>Maturity:</b>	7 December 2027
<b>Issuer's Call:</b>	7 December 2022, subject to previous authorization by the relevant authorities
<b>Cupon:</b>	4.50% (Fixed, Annual) until 7 December 2022. One time reset year 5 to prevailing 5Y MS + 4.267% (initial margin)
<b>Listing / ISIN:</b>	Irish Stock Exchange / PTBCPWOH0034
<b>Demand:</b>	3 times oversubscribed

## Breakdown by type of Investor



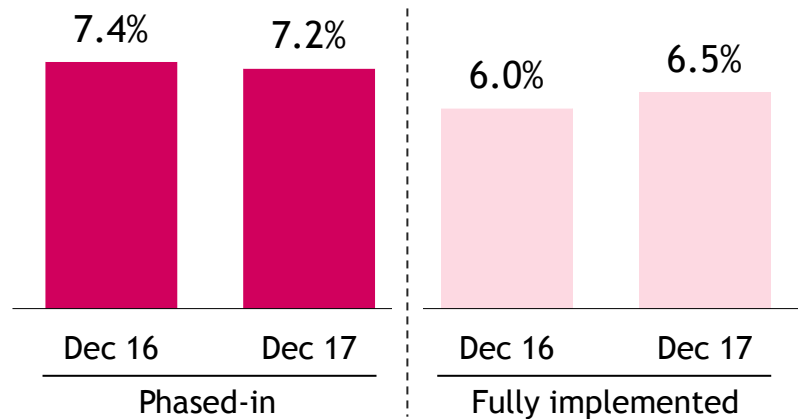
## Breakdown by type of Geography





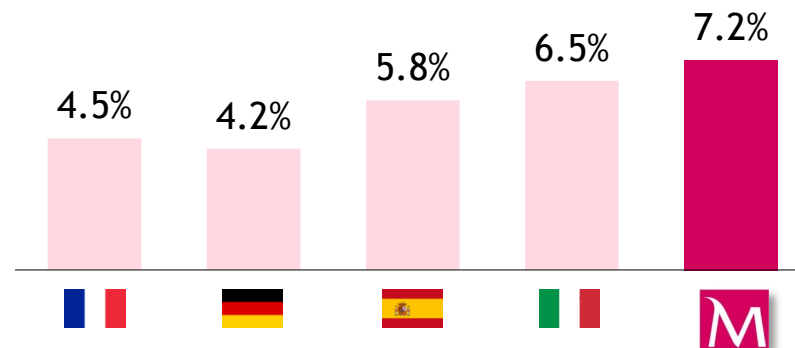
# Capital at comfortable levels, strong leverage ratios

## Leverage ratio



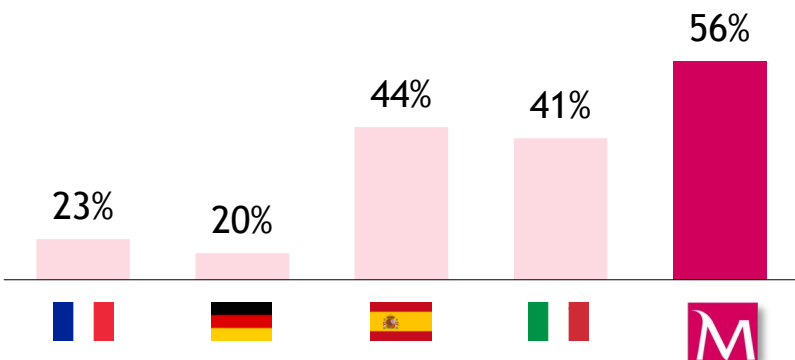
## Leverage ratio

Phased-in, latest available data

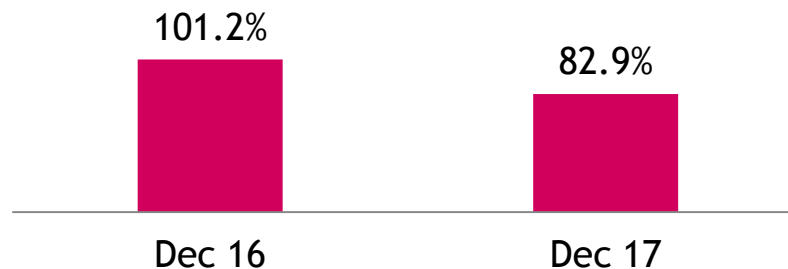


## RWA density

RWAs as % of assets, latest available information



## Texas ratio\*



\*Texas ratio = NPE / (Tangible equity + loan-loss reserves).

# Pension fund

## Key figures

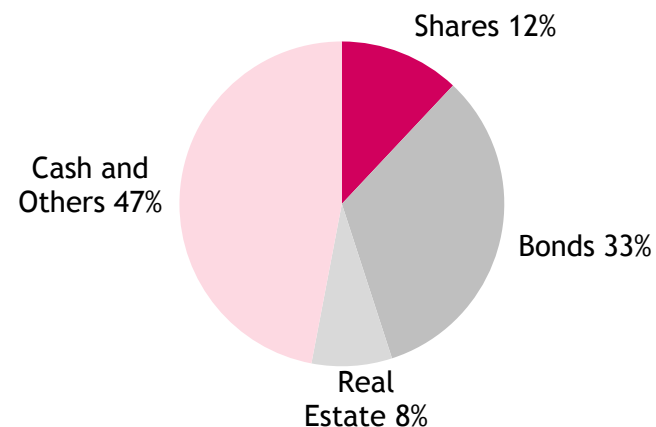
(Million euros)

	Dec 16	Dec 17
Pension liabilities	3,093	3,050
Pension fund	3,124	3,166
Liabilities' coverage	101%	104%
Fund's profitability	-2.6%	+4.2%
Actuarial differences	(303)	+29

## Assumptions

	Dec 16	Dec 17
Discount rate	2.10%	2.10%
Salary growth rate	0.25% until 2019	0.25% until 2019
	0.75% after 2019	0.75% after 2019
Pensions growth rate	0.00% until 2019	0.00% until 2019
	0.50% after 2019	0.50% after 2019
Projected rate of return of fund assets	2.10%	2.10%
Mortality Tables		
Men	Tv 88/90	Tv 88/90
Women	Tv 88/90-3 years	Tv 88/90-3 years

## Pension fund



- Assumptions of the fund unchanged from December 31, 2016
- Pension liabilities coverage at 104%
- Positive actuarial differences in 2017 (+€29 million), reflecting the fund's performance above the assumptions

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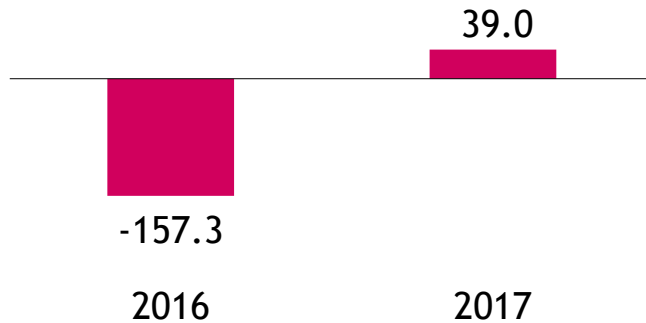
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# Increased net income

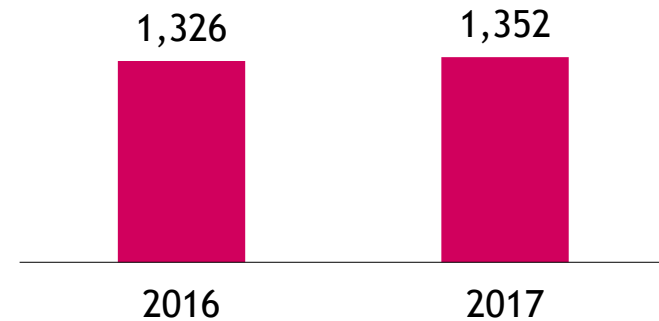


(Million euros)

## Net income



## Banking income



## Operating costs

€624.0 million excluding impact from revision of collective labour agreement, net of restructuring costs (€185.7 million)



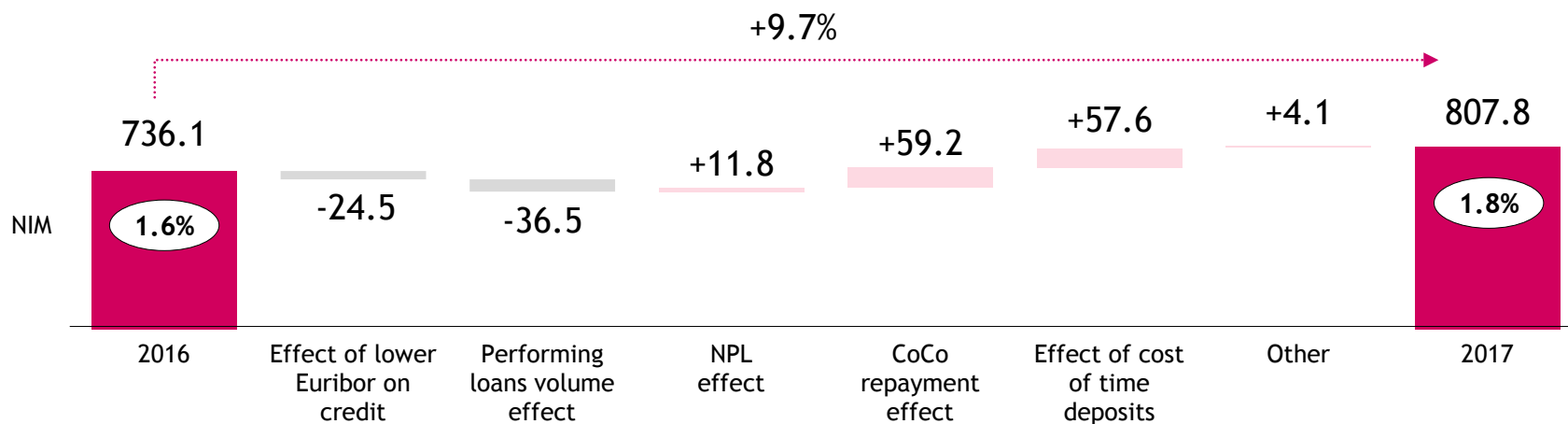
- Net income of €39.0 million in 2017, + €196.3 million compared to the loss of €157.3 million booked in 2016
- Net income was driven by a 9.7% increase in net interest income and a significant improvement in credit impairment (-49.0%, with a reduction in the cost of risk from 266bp to 140bp), as well as by the reduction of other impairments and provisions (-46.1%)
- Results for 2016 also influenced by the booking of gains on the Visa transaction (€26.4 million) and resulting from the revision of the collective labour agreement (€185.7 million, net of restructuring costs)

# Lower cost of time deposits more than compensates for the decreases of credit volumes and Euribor



## Net interest income

(Million euros)



- Increase in net interest income compared to 2016, reflecting the impact of the consistent reduction of the cost of time deposits, the repayment of CoCos and the reduction of NPLs, more than compensating for the negative effects of the reduction of Euribor rates and of lower credit volumes, reflecting, to a large extent, the focus on NPE reduction
- The increase of the net interest income from €201.6 million in 3Q17 to €216.0 million in 4Q17 is mainly attributable to the reduction of the cost of funding (retail and wholesale including the impact of TLTRO)

# Continued effort to reduce the cost of deposits



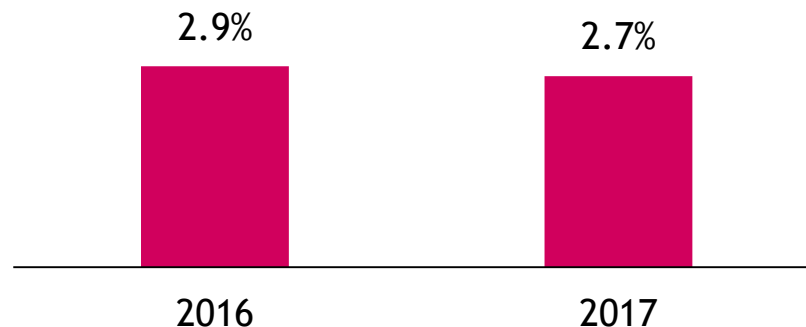
## Spread on the book of term deposits

(vs 3m Euribor)

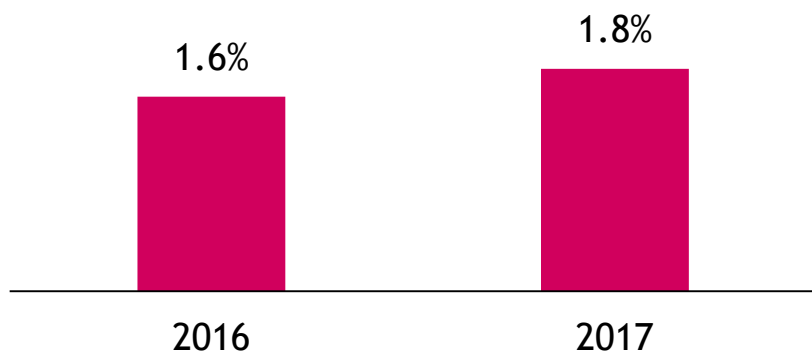


## Spread on the performing loan book

(vs 3m Euribor)



## NIM



- Continued improvement of the spread of the portfolio of term deposits: from -0.9% in 2016 to -0.7% in 2017; December's front book, priced at an average spread of -49bp, is still below current back book's spread
- Spread on the performing loan book at 2.7% in 2017 (2.9% in 2016)
- NIM stood at 1.8% (1.6% in 2016)

# Commissions and other income\*

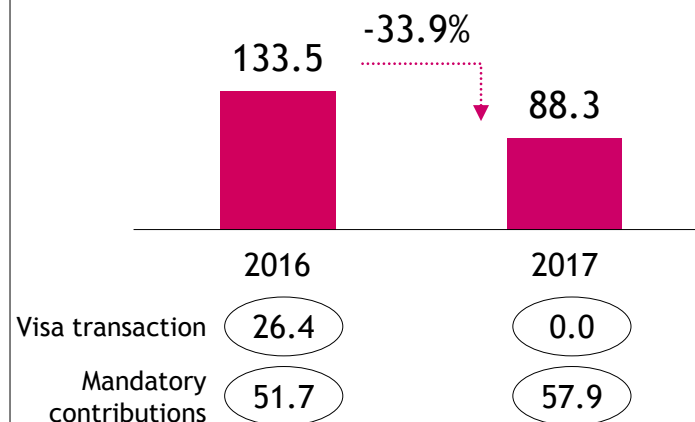


(Million euros)

## Fees and commissions

	2016	2017	YoY
<b>Banking fees and commissions</b>	<b>397.0</b>	<b>392.2</b>	<b>-1.2%</b>
Cards and transfers	100.2	104.9	+4.7%
Loans and guarantees	107.6	104.6	-2.8%
Bancassurance	76.7	78.1	+1.8%
Customer account related	90.5	92.5	+2.2%
Other fees and commissions	22.0	12.1	-45.2%
<b>Market related fees and commissions</b>	<b>59.6</b>	<b>63.4</b>	<b>+6.4%</b>
Securities operations	53.5	56.7	+6.0%
Asset management	6.1	6.6	+9.7%
<b>Total fees and commissions</b>	<b>456.6</b>	<b>455.5</b>	<b>-0.2%</b>

## Other income\*



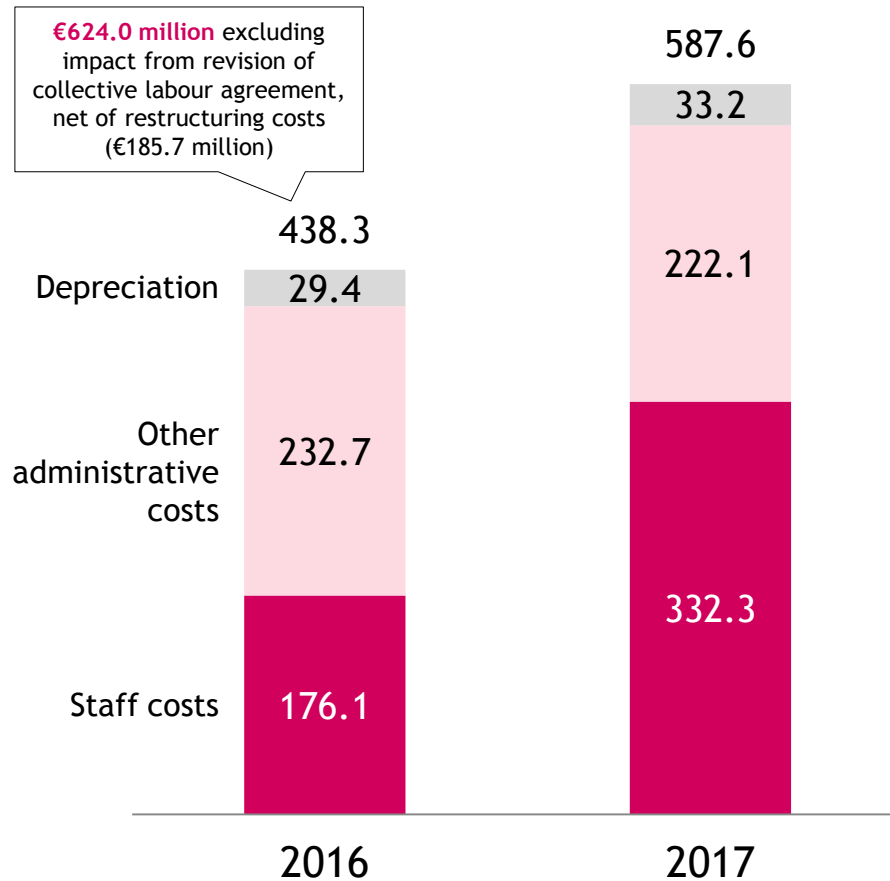
- Stable commissions in spite of the booking of investment banking operations in 2016 (under "other commissions")
- Other income\* was influenced by higher mandatory contributions and by gains on the Visa transaction in 2016

# Operating costs

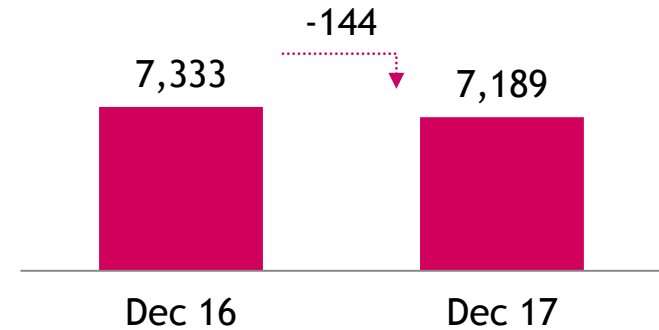


(Million euros)

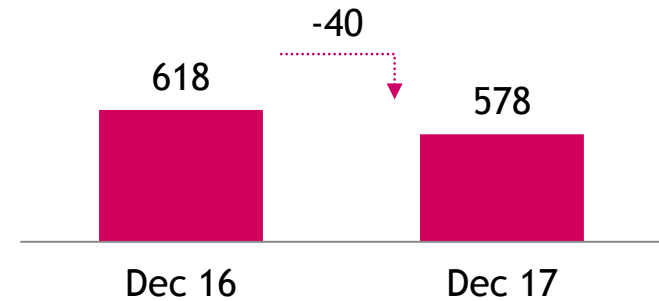
## Operating costs



## Employees



## Branches



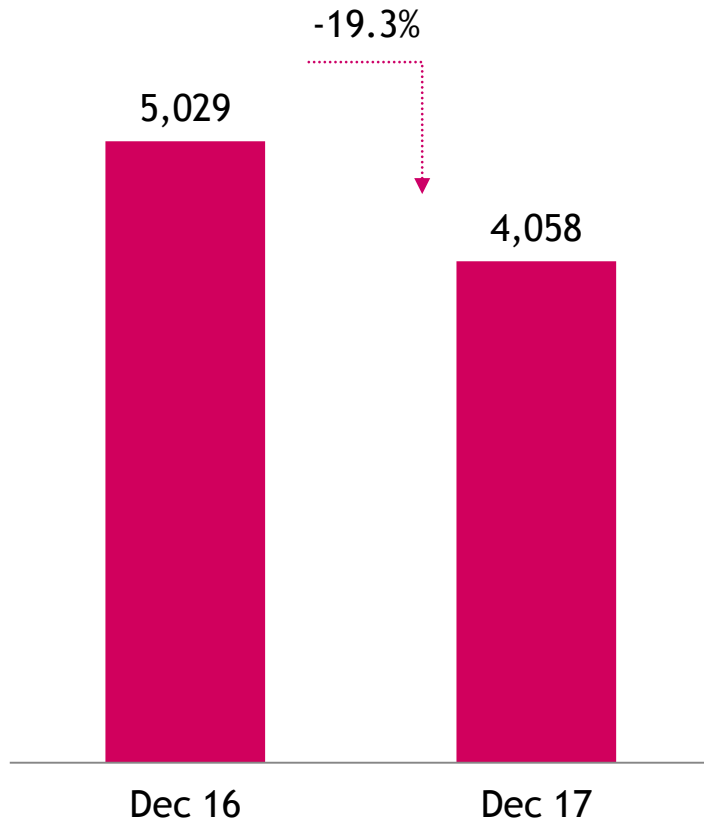


# Lower NPL>90d, with reinforced coverage

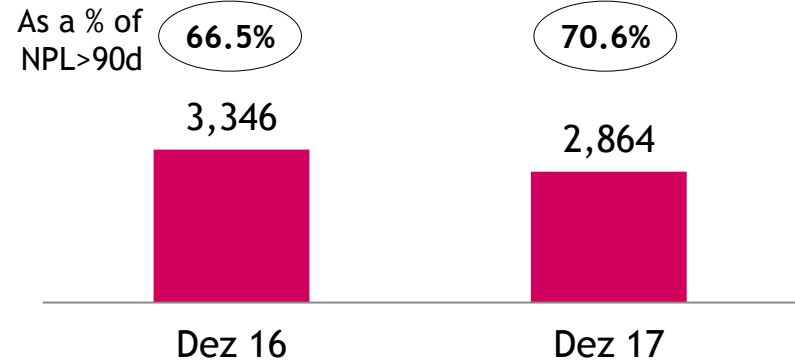


(Million euros)

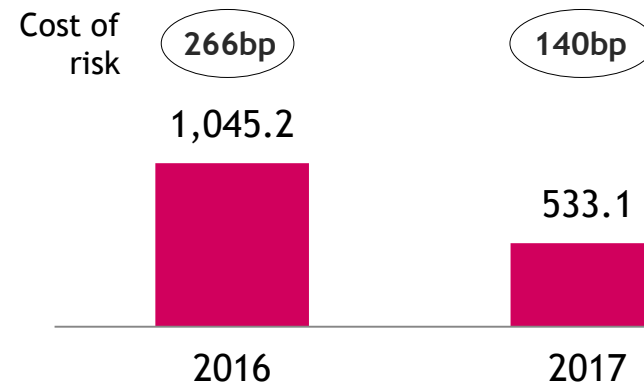
## NPL>90d



## Loan-loss reserves



## Loan impairment (net of recoveries)

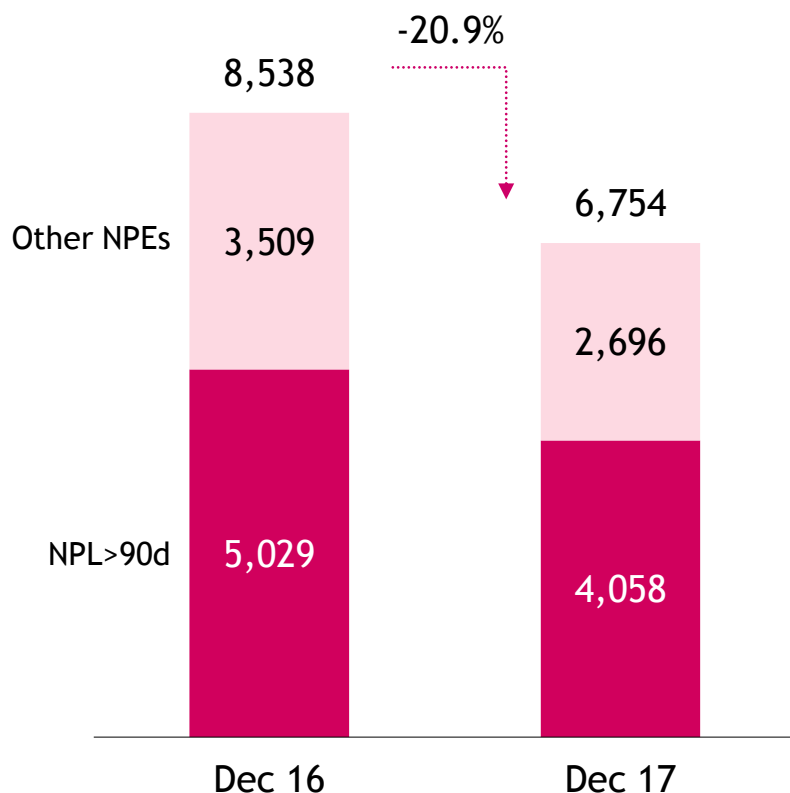


# Lower NPEs



(Million euros)

## Non-performing exposures (NPEs)



## NPE build-up

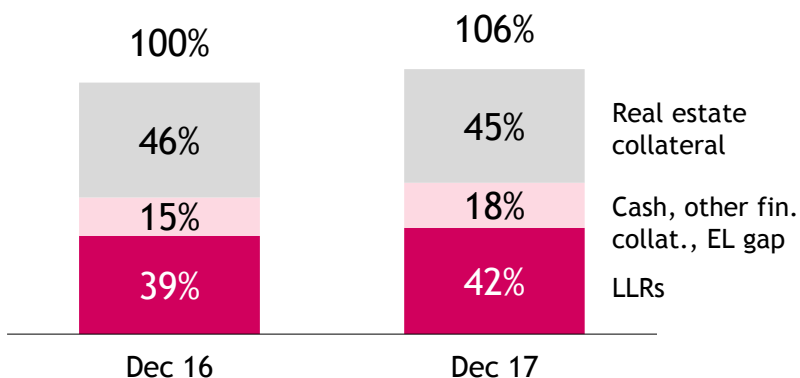
	Dec 17 vs. Dec 16	Dec 17 vs. Sep 17
Opening balance	8,538	7,168
+/- Net entries	-613	-218
- Write-offs	-500	-99
- Sales	-670	-97
<b>Ending balance</b>	<b>6,754</b>	<b>6,754</b>

- NPEs in Portugal down by €1.8 billion, from €8.5 billion as at December 30, 2016 to €6.8 billion as at the same date of 2017
- This decrease results from net exits of €613 million, sales of €670 million and write-offs of €500 million
- The decrease in NPE from December 30, 2016 is attributable to a €1.0 billion reduction of NPL>90d and to a €0.9 decrease of other NPE
- Significant NPE decrease during the 4<sup>th</sup> quarter, to €6.8 billion at end-December from €7.2 billion at end-September (-€0.4 billion)

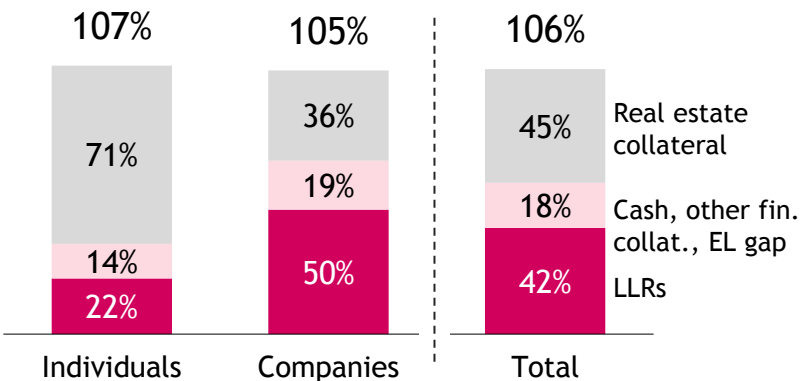
# Reinforced NPE coverage



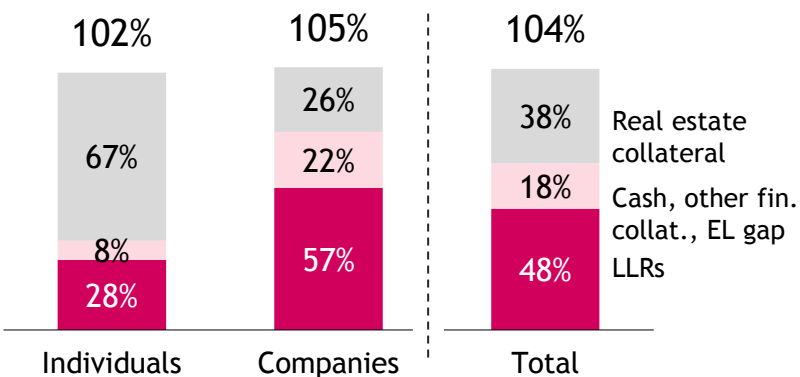
## NPE total coverage\*



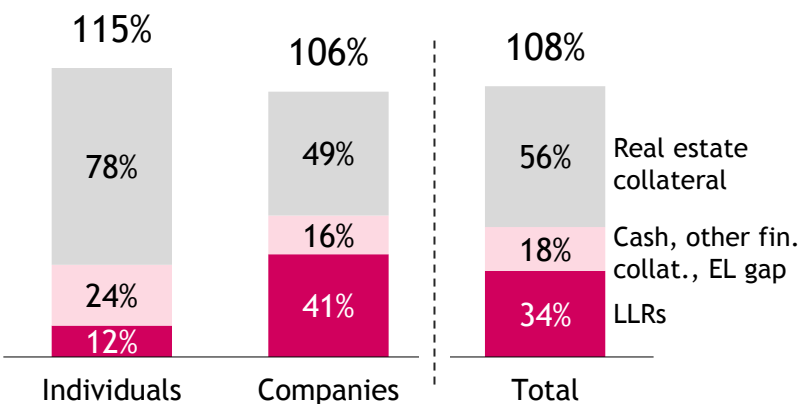
## NPE total coverage\*



## NPL >90d total coverage\*



## Other NPE total coverage\*



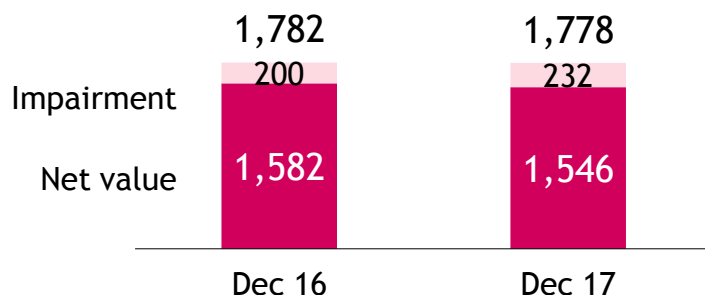
\*By loan-loss reserves, expected loss gap and collaterals.

# Foreclosed assets and corporate restructuring funds



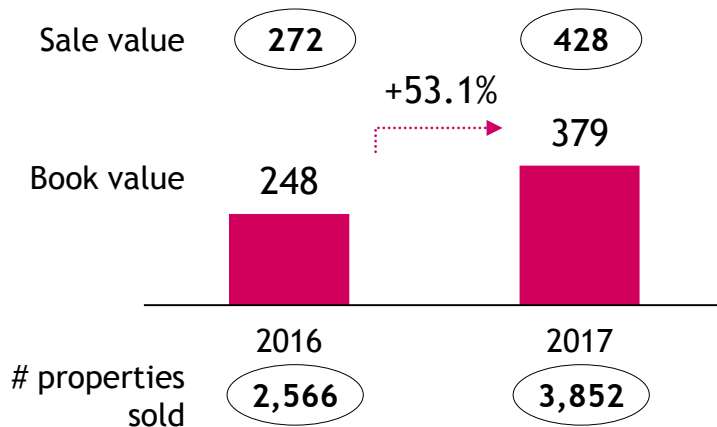
## Foreclosed assets

(Million euros)



## Number of properties sold

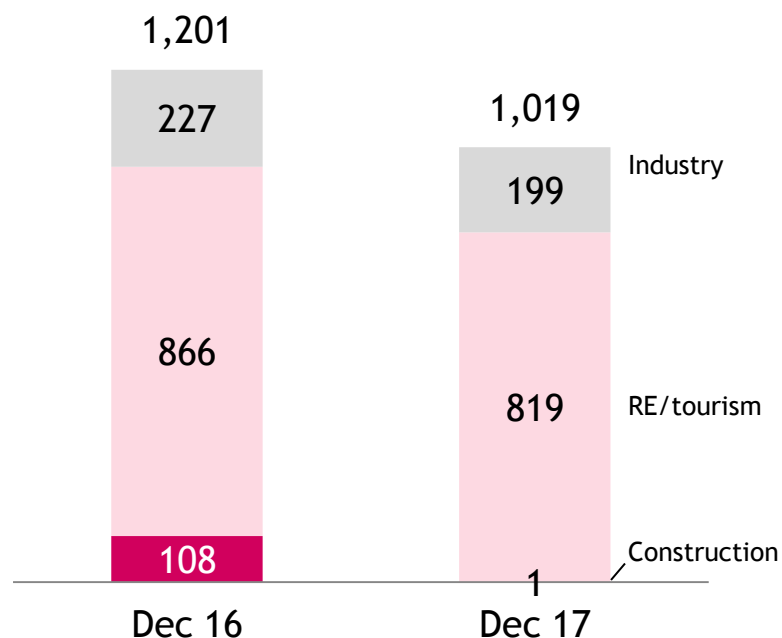
(Million euros)



## Corporate restructuring funds

(Million euros)

Original credit exposure: €2,006 million  
 Book value (31 Dec 2017): €1,019 million  
 Total impairment (credit+restr. funds): €986 million (49% coverage)  
 EBITDA yoy growth (ex-construction): +31% in 2016, +30% in 2015

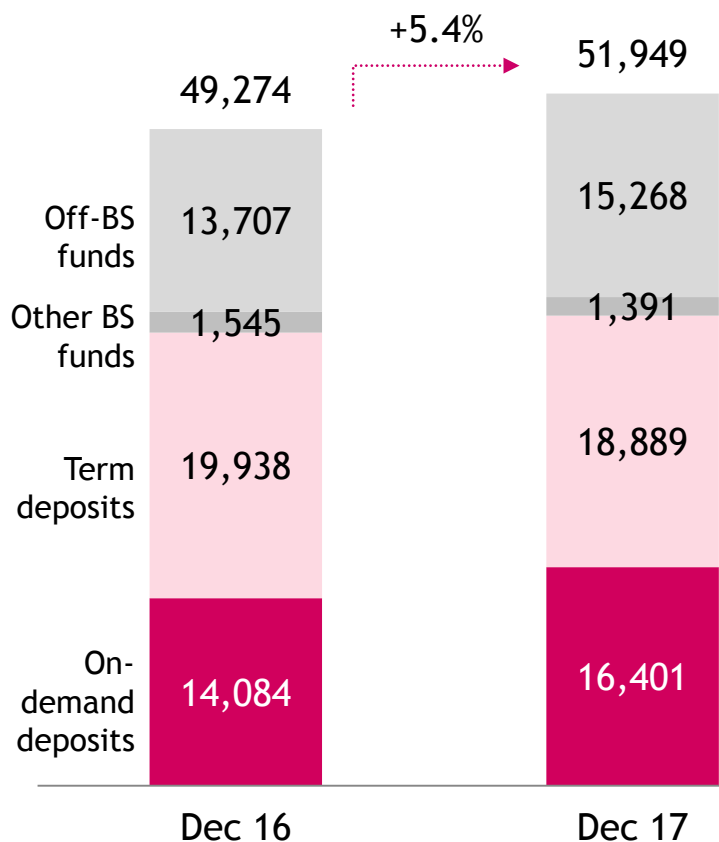


# Strong business dynamics leads to increased Customer funds and performing credit portfolio

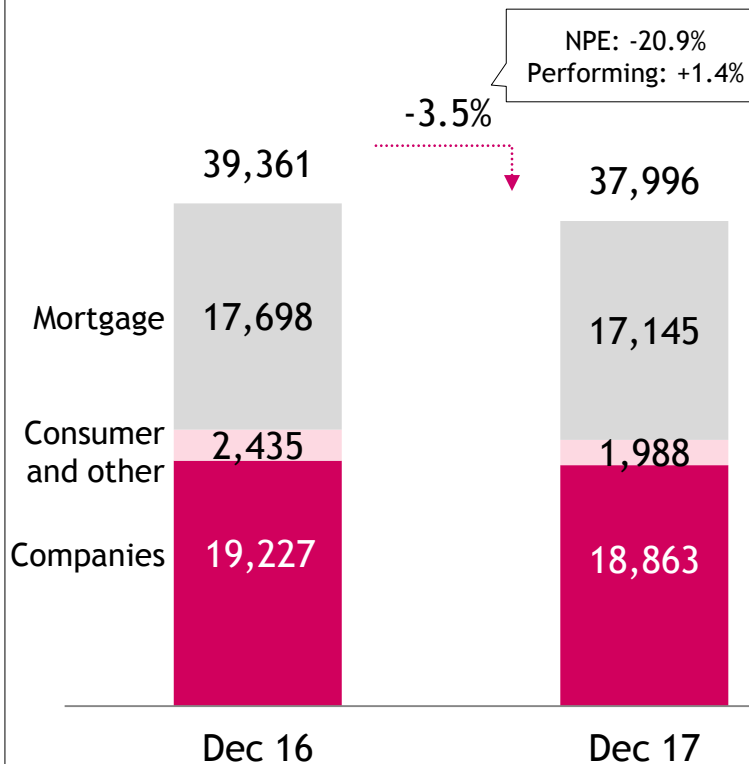


(Million euros)

## Total Customer funds\*



## Loans to Customers (gross)



# Agenda

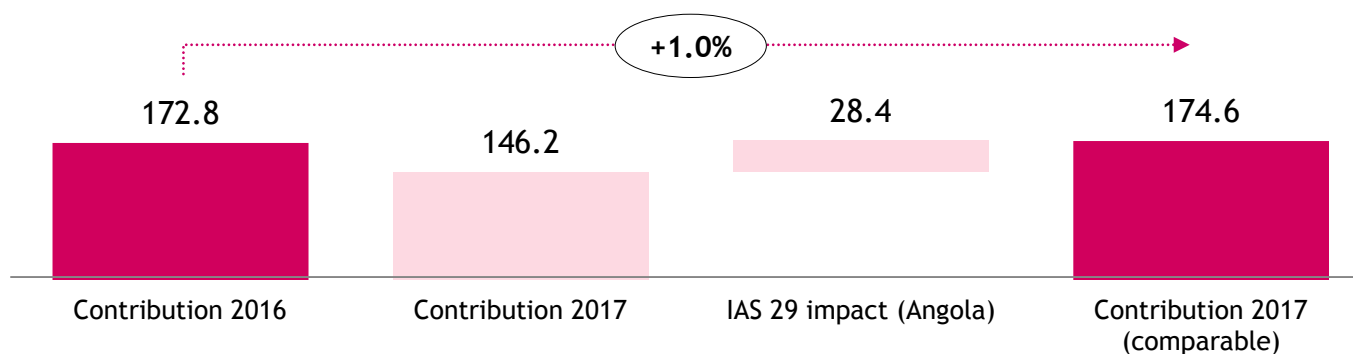
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- Highlights
- Group
  - Profitability
  - Liquidity
  - Capital
- Portugal
- International operations
- Conclusions

# Contribution from international operations

(Million euros)

	2016	2017	Δ % local currency	Δ % euros	ROE
Poland	164.9	160.2	-2.9%	-0.0%	9.3%
Mozambique	69.1	85.1	+23.2%	+19.5%	24.2%
Angola*					
Before IAS 29 impact	30.3	28.5			
IAS 29 impact	--	-28.4			
Total Angola including IAS 29 impact	30.3	0.1			
Other	13.2	9.0	-31.4%	-31.9%	
<b>Net income</b>	<b>277.4</b>	<b>254.5</b>	<b>-8.3%</b>	<b>-8.0%</b>	
Non-controlling interests Poland and Mozambique	-105.3	-108.3			
Exchange rate effect	0.7	--			
<b>Contribution from international operations</b>	<b>172.8</b>	<b>146.2</b>		<b>-15.4%</b>	
<b>On a comparable basis:</b>					
Contribution international op. excluding IAS 29 (Angola)	172.8	174.6		+1.0%	



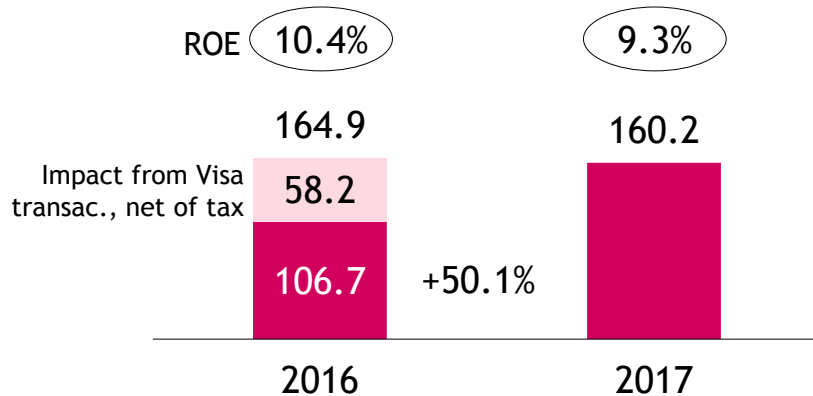
\*Contribution of the Angolan operation.  
Subsidiaries' net income presented for 2016 at the same exchange rate as of 2017 for comparison purposes.

# Strong performance of net earnings adjusted by Visa transaction in 2016

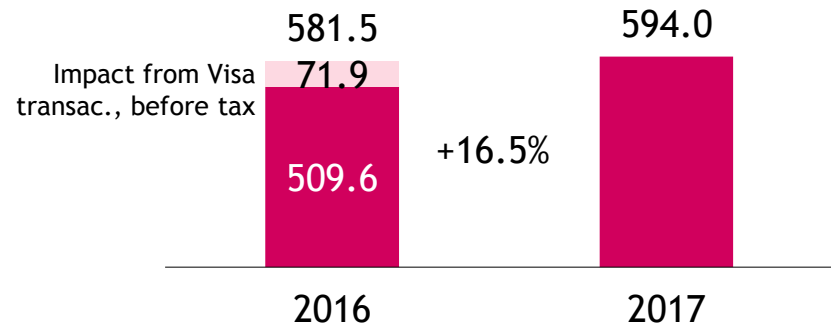


(Million euros)

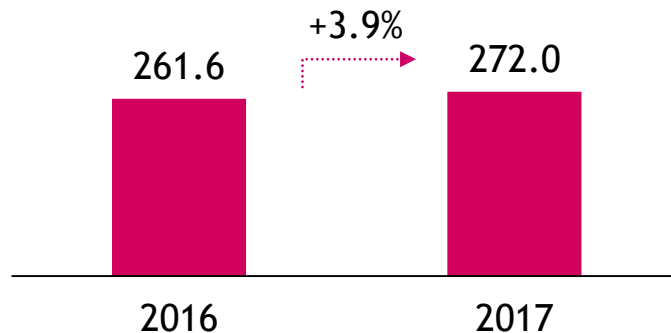
## Net income



## Banking income



## Operating costs



- Net earnings at €160.2 million, with ROE of 9.3%. The decrease from 2016 reflects the impact of the Visa transaction (net gain of €58.2 million in 2016)
- Net interest income up by 11.6%\*, commissions by 14.2% and operating costs by 3.9%
- Customer funds up by 5.3%, with loans to customers increasing by 1.1%
- 1.6 million active Customers, 10% up from December 31, 2016, with 1.1 million active digital Customers (+16%)

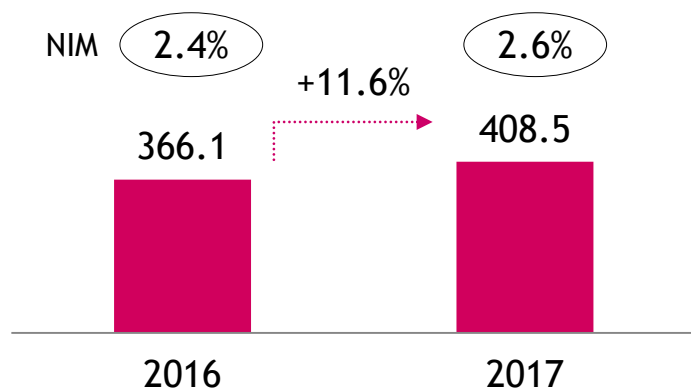


# Increased net interest income and commissions

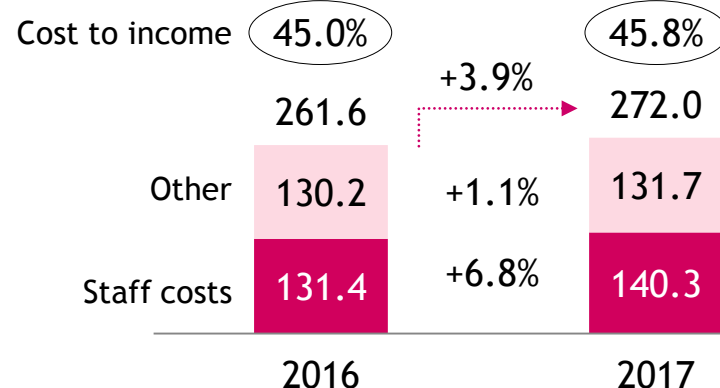


(Million euros)

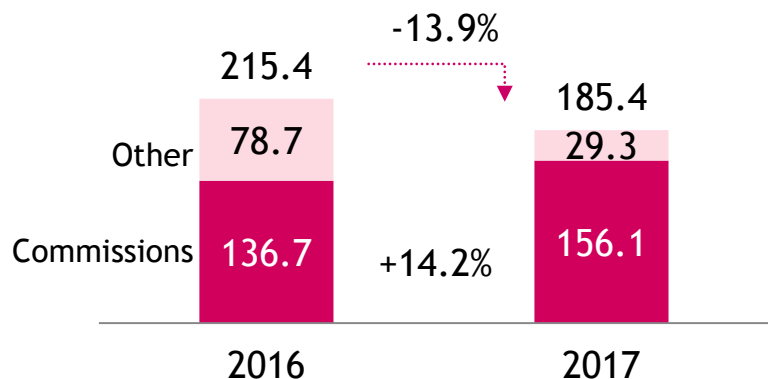
## Net interest income\*



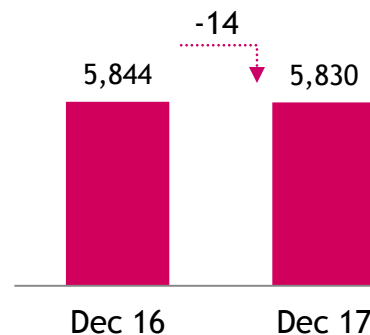
## Operating costs



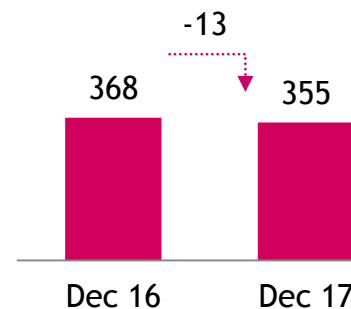
## Commissions and other income



## Employees



## Branches



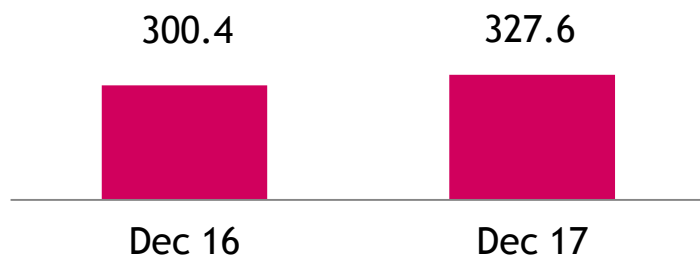
# Credit quality



(Million euros)

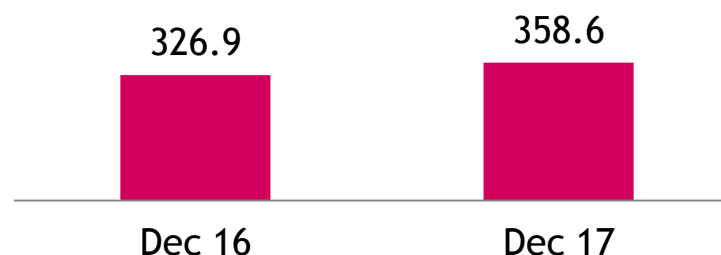
## NPL>90d

Credit ratio	Dec 16	Dec 17
NPL>90d	2.6%	2.8%

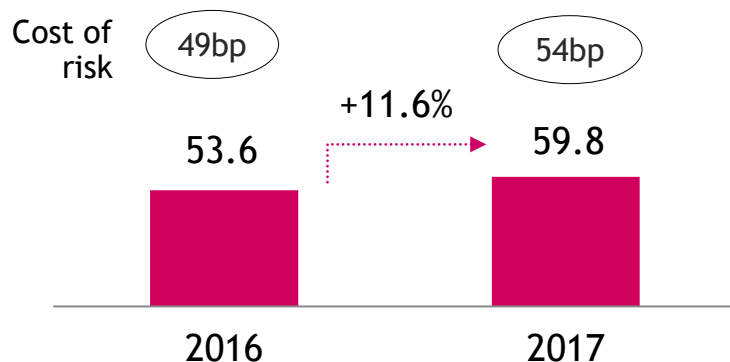


## Loan-loss reserves

Coverage ratio	Dec 16	Dec 17
NPL>90d	109%	109%



## Loan impairment (net of recoveries)

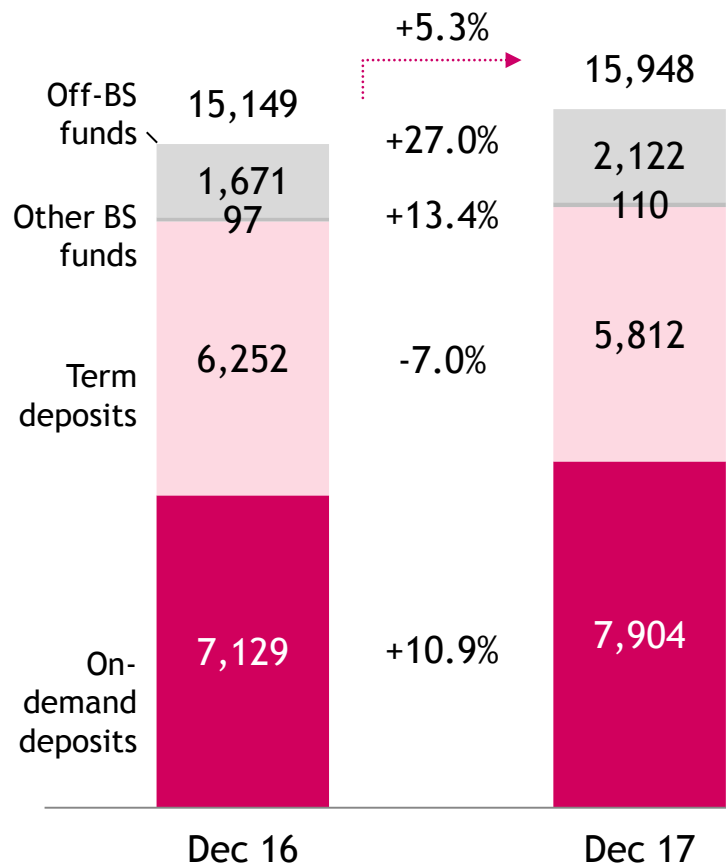


- NPL>90d ratio at 2.8% of total credit as at December 31, 2017, compared to 2.6% as at the same date of the previous year
- Provision coverage of NPL>90d at 109% (unchanged vs. December 31, 2016)
- Cost of risk increased to 54bp (49bp in 2016)

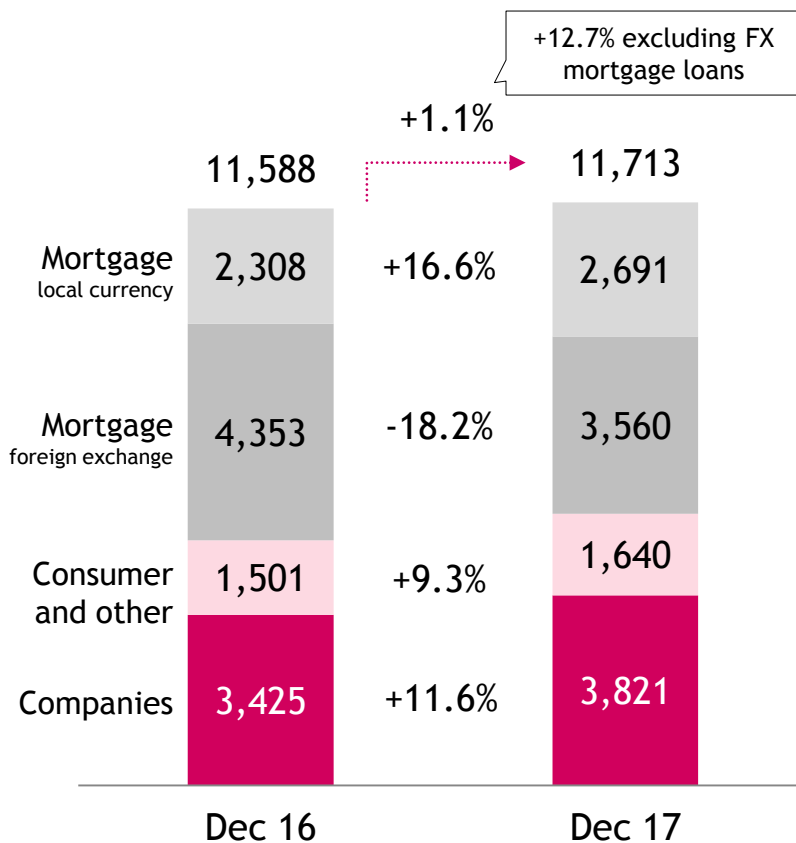
# Growing volumes

(Million euros)

## Customer funds



## Loans to Customers (gross)

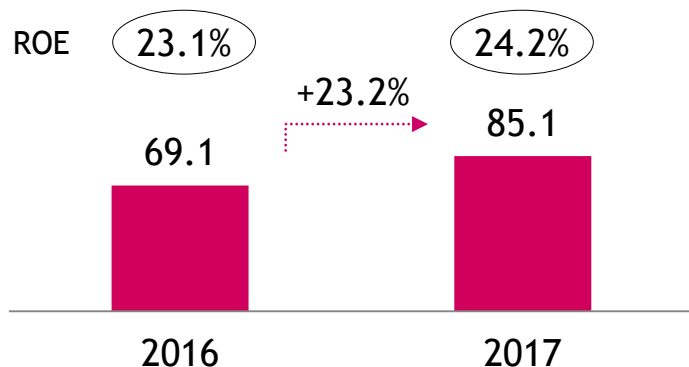


# Growing net earnings

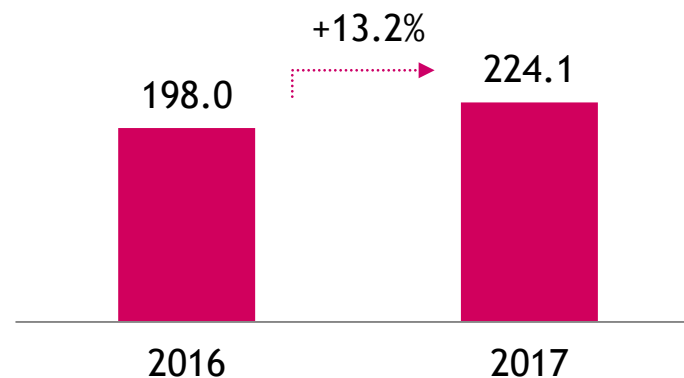


(Million euros)

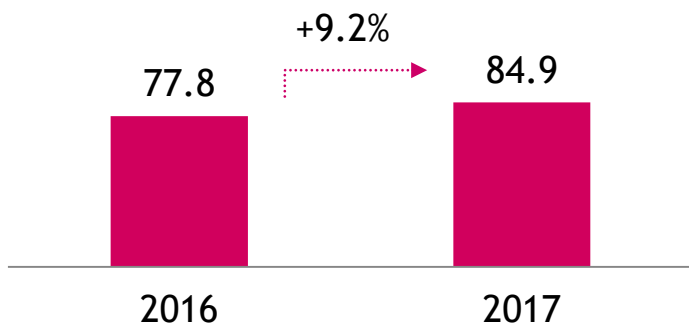
## Net income



## Banking income



## Operating costs



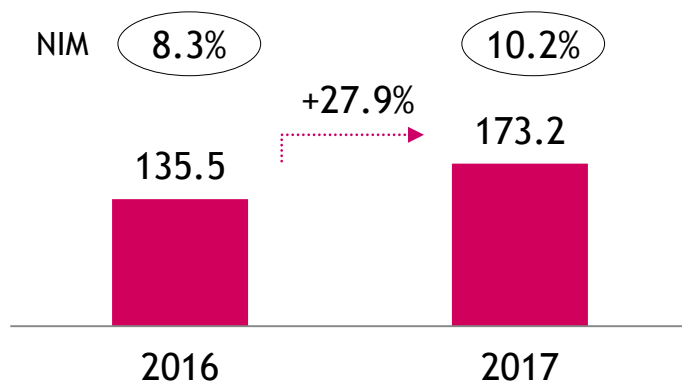
- Net income up by 23.2%, with ROE at 24.2%
- 13.2% increase in banking income, on the back of higher net interest income (+27.9%) and commissions (+2.4%), in spite of the increase in operating costs (+9.2%)
- Customer funds up by 1.8%, loans to customers down by 19.5%
- 445,000 active mobile Customers, +17% from end-December, 2016

# Growing income partially offset by the increase in operating costs

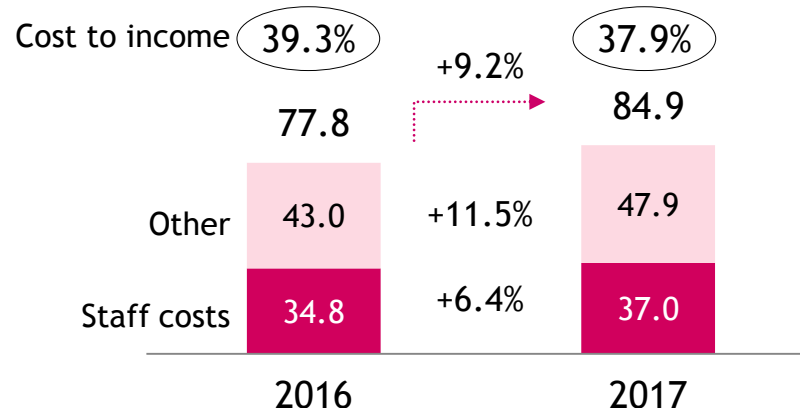


(Million euros)

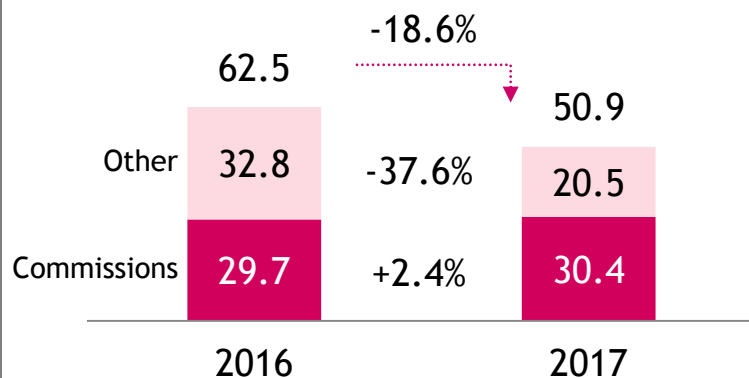
## Net interest income



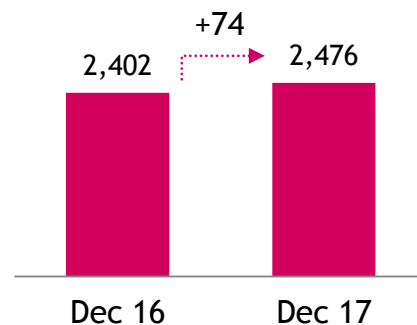
## Operating costs



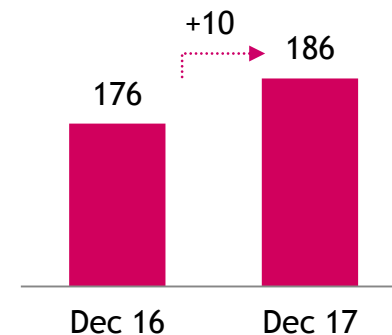
## Commissions and other income



## Employees\*



## Branches



\*Excludes employees from SIM (insurance company)

# Credit quality

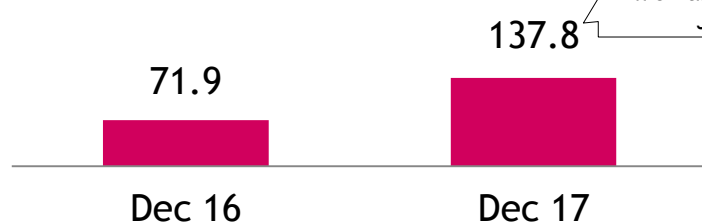


(Million euros)

## NPL>90d

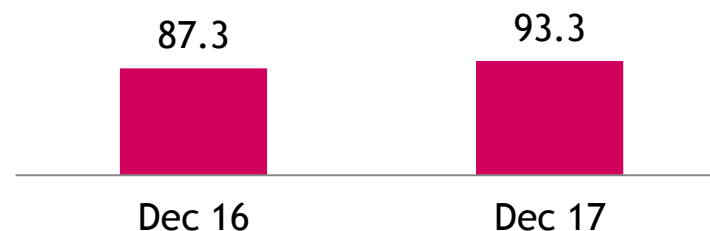
Credit ratio	Dec 16	Dec 17
NPL>90d	6.0%	14.3%

Down from €162 million as reported in June

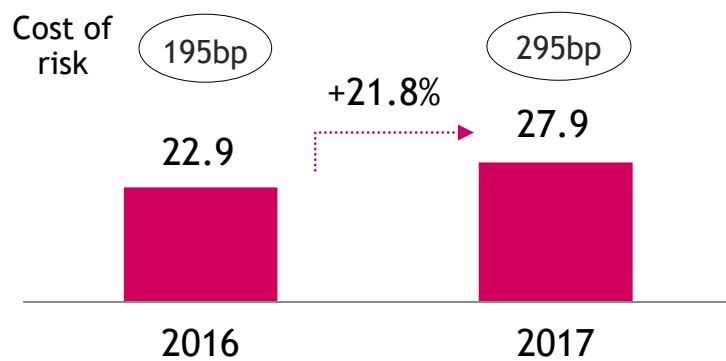


## Loan-loss reserves

Coverage ratio	Dec 16	Dec 17
NPL>90d	121%	68%



## Loan impairment (net of recoveries)



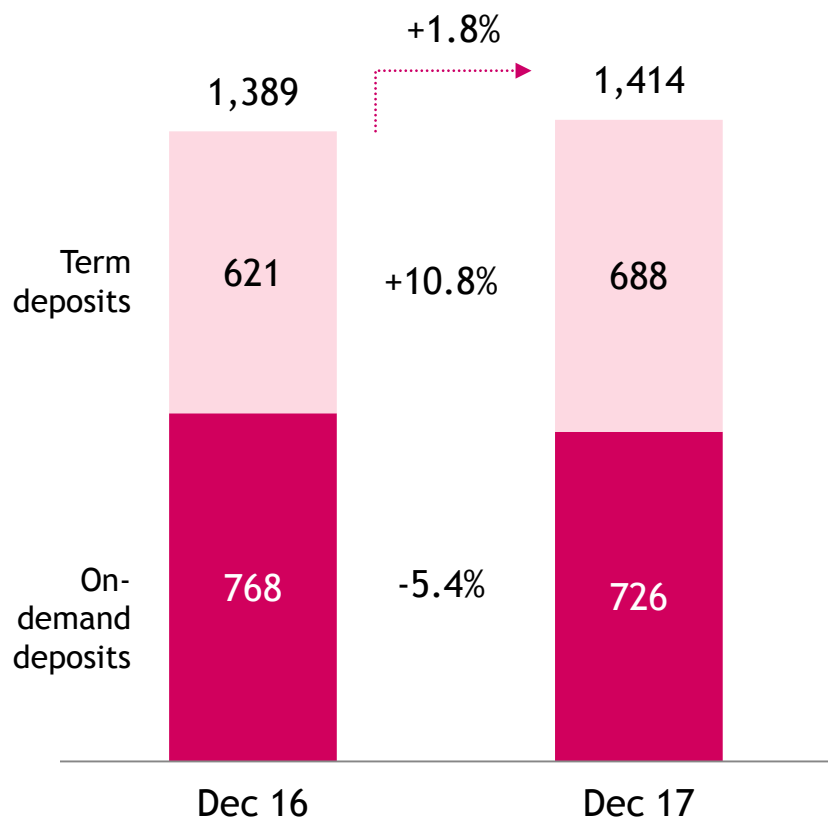
- NPL>90d ratio of 14.3% as at December 31, 2017, with a 68% coverage by loan-loss reserves as at the same date
- Increased provisioning effort, as reflected by a 295bp cost of risk in 2017, up from 195bp in 2016

# Growing deposits and lower credit

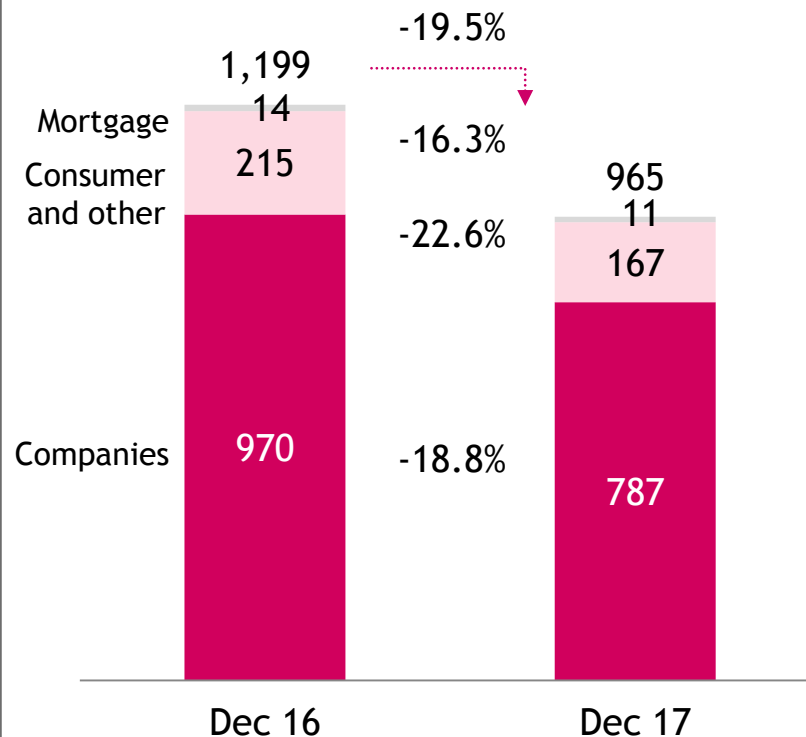


(Million euros)

## Customer funds



## Loans to Customers (gross)



# Agenda

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- Highlights
- Group
  - Profitability
  - Liquidity
  - Capital
- Portugal
- International operations
- Conclusions



# Road to 2018: targets

Consolidated

	2016	2017	2018
CT1 / CET1 <sup>1</sup>	Phased-in: <b>12.8%</b> <sup>2</sup> Fully implemented: <b>11.1%</b> <sup>2</sup>	Phased-in: <b>13.2%</b> Fully implemented: <b>11.9%</b>	≈ 11%
Loans to Deposits	<b>98%</b>	<b>93%</b>	< 100%
Cost-Income	<b>37.2%</b> (48.5% excluding non-usual items)	<b>43.4%</b>	< 43%
Cost-Core Income <sup>3</sup>	<b>41.6%</b> (51.5% excluding non-usual items)	<b>46.4%</b>	< 50%
Cost of risk	<b>216 bp</b>	<b>122 bp</b>	< 75 bp
RoE <sup>4</sup>	<b>0.5%</b>	<b>4.4%</b>	≈ 10%
Cumulative NPE reduction (PT)			
- Target (€ billion)	<b>-1.0</b>	<b>-2.0</b>	<b>-3.0</b>
- Actual (€ billion)	<b>-1.2</b>	<b>-3.0</b>	

# Millennium bcp: a bank ready for the future

Profitability and balance-sheet indicators in line with targets for 2017/2018

- ① **Largest private sector bank** based in Portugal with a balanced shareholder structure and a **sound balance sheet** (phased-in CET1 ratio of 13.2%, loans to deposits of 93%)
- ② Successful implementation of the **NPE reduction** plan in Portugal: €1.8 billion down in 2017 **to €6.8 billion, exceeding the annual reduction target to <€7.5 billion**
- ③ **Profitable operation** with a recurring capacity to generate operating results in excess of €1.2 billion per year; **positive and growing contribution from domestic activity**
- ④ **One of the most efficient banks in the Eurozone**, with a cost to core income ratio of 46% (Eurozone: 76%) and a cost to income ratio of 44% (Eurozone: 64%)
- ⑤ Well-positioned in a rapidly changing landscape, following the completion of the restructuring plan successfully implemented over the last years: **6.3% increase in new active Customers to 5.4 million, 16.0% increase in active digital Customers to 2.5 million**

# Appendix

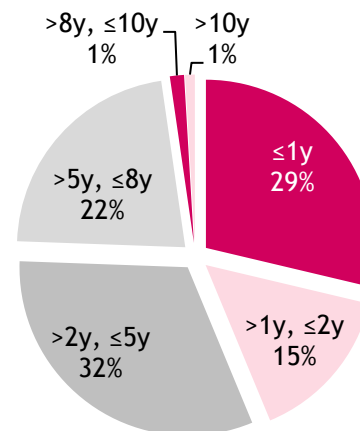
# Sovereign debt portfolio

## Sovereign debt portfolio

(Million euros)

	Dec 16	Sep 17	Dec 17	YoY	QoQ
Portugal	4,124	4,945	3,636	-12%	-26%
T-bills	655	712	585	-11%	-18%
Bonds	3,469	4,232	3,051	-12%	-28%
Poland	3,324	3,734	3,160	-5%	-15%
Mozambique	228	370	491	+116%	+33%
Other	90	559	553	>100%	-1%
<b>Total</b>	<b>7,765</b>	<b>9,607</b>	<b>7,841</b>	<b>+1%</b>	<b>-18%</b>

## Sovereign debt maturity



- The sovereign debt portfolio totalled €7.8 billion, €2.3 billion of which maturing within one year
- The Portuguese sovereign debt portfolio totalled €3.6 billion, whereas the Polish and Mozambican portfolios amounted to €3.2 billion and to €0.5 billion, respectively; “other” includes US sovereign debt of €0.5 billion

# Sovereign debt portfolio

(Million euros)

	Portugal	Poland	Mozambique	Other	Total
<b>Trading book*</b>	<b>152</b>	<b>81</b>		<b>1</b>	<b>234</b>
≤ 1 year	114	6			120
> 1 year and ≤ 2 years		34			34
> 2 years and ≤ 5 years	37	27			64
> 5 years and ≤ 8 years	1	8			10
> 8 years and ≤ 10 years		6			6
> 10 years				1	1
<b>Banking book**</b>	<b>3,483</b>	<b>3,079</b>	<b>491</b>	<b>552</b>	<b>7,606</b>
≤ 1 year	585	699	299	548	2,131
> 1 year and ≤ 2 years	228	852	64		1,144
> 2 years and ≤ 5 years	889	1,521	22	1	2,432
> 5 years and ≤ 8 years	1,723	1		2	1,726
> 8 years and ≤ 10 years	56	6	37	1	100
> 10 years	2		70		73
<b>Total</b>	<b>3,636</b>	<b>3,160</b>	<b>491</b>	<b>553</b>	<b>7,841</b>
≤ 1 year	699	705	299	548	2,251
> 1 year and ≤ 2 years	228	886	64		1,178
> 2 years and ≤ 5 years	925	1,548	22	1	2,496
> 5 years and ≤ 8 years	1,725	9		2	1,736
> 8 years and ≤ 10 years	56	12	37	1	106
> 10 years	2		70	1	73

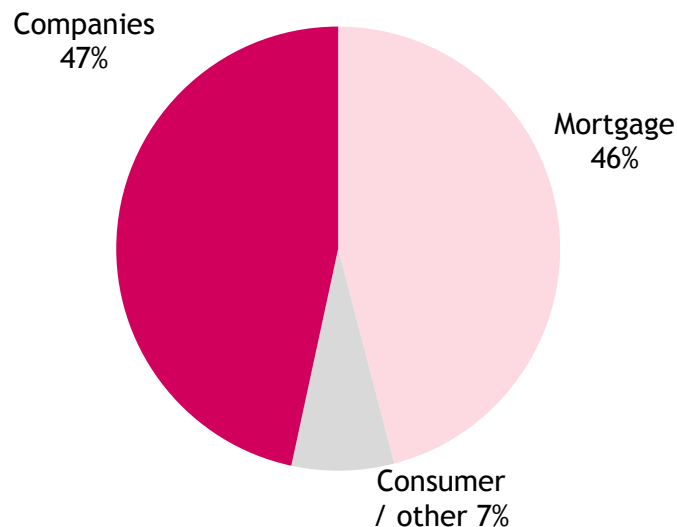
\*Includes financial assets held for trading at fair value through net income (€142 million).

\*\*Includes AFS portfolio (€7,486 million) and HTM portfolio (€120 million).

# Diversified and collateralised portfolio

## Loan portfolio

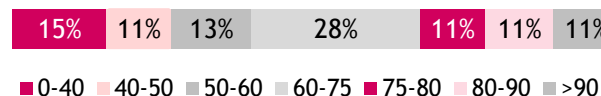
Consolidated



## Loans per collateral



## LTV of the mortgage portfolio in Portugal



## Loans

- Loans to companies accounted for 47% of the loan portfolio at December 31, 2017, including 8% to construction and real-estate sectors
- Mortgage accounted for 46% of the loan portfolio, with low delinquency levels and an average LTV of 65%
- 83% of the loan portfolio is collateralised

## Collaterals

- Real estate accounts for 93% of total collateral value
- 80% of the real estate collateral is residential

# Consolidated earnings

(million euros)	2016	2017	YoY	Impact on earnings
Net interest income	1,230.1	1,391.3	13.1%	+161.1
Net fees and commissions	643.8	666.7	3.6%	+22.9
Other income*	222.7	139.5	-37.4%	-83.2
<b>Banking income</b>	<b>2,096.7</b>	<b>2,197.5</b>	<b>4.8%</b>	<b>+100.8</b>
Staff costs	-356.6	-526.6	47.7%	-170.0
Other administrative costs and depreciation	-423.4	-427.6	1.0%	-4.2
<b>Operating costs</b>	<b>-780.0</b>	<b>-954.2</b>	<b>22.3%</b>	<b>-174.2</b>
<b>Operating net income (before impairment and provisions)</b>	<b>1,316.7</b>	<b>1,243.3</b>	<b>-5.6%</b>	<b>-73.4</b>
<b>Of which: core net income**</b>	<b>1,094.0</b>	<b>1,103.8</b>	<b>0.9%</b>	<b>+9.8</b>
Loans impairment (net of recoveries)	-1,116.9	-623.7	-44.2%	+493.2
Other impairment and provisions	-481.1	-301.1	-37.4%	+180.0
<b>Impairment and provisions</b>	<b>-1,598.0</b>	<b>-924.8</b>	<b>-42.1%</b>	<b>+673.2</b>
<b>Net income before income tax</b>	<b>-281.3</b>	<b>318.5</b>		<b>+599.8</b>
Income taxes	381.9	-30.2		-412.0
Non-controlling interests	-121.9	-103.2		+18.7
Net income from discontinued or to be discontinued operations	45.2	1.2		-44.0
<b>Net income</b>	<b>23.9</b>	<b>186.4</b>		<b>+162.5</b>

\*Includes dividends from equity instruments, other net operating income, net trading income and equity accounted earnings.

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

# Consolidated balance sheet

(Million euros)

	31 December 2017	31 December 2016		31 December 2017	31 December 2016
<b>Assets</b>			<b>Liabilities</b>		
Cash and deposits at central banks	2,167.9	1,573.9	Resources from credit institutions	7,487.4	9,938.4
Loans and advances to credit institutions			Resources from customers	51,187.8	48,797.6
Repayable on demand	295.5	448.2	Debt securities issued	3,007.8	3,512.8
Other loans and advances	1,065.6	1,056.7	Financial liabilities held for trading	399.1	547.6
Loans and advances to customers	47,633.5	48,017.6	Hedging derivatives	177.3	384.0
Financial assets held for trading	897.7	1,048.8	Provisions	324.2	321.1
Other financial assets held for trading			Subordinated debt	1,169.1	1,544.6
at fair value through profit or loss	142.3	146.7	Current tax liabilities	12.6	35.4
Financial assets available for sale	11,471.8	10,596.3	Deferred tax liabilities	6.0	2.7
Assets with repurchase agreement	-	20.5	Other liabilities	988.5	915.5
Hedging derivatives	234.3	57.0			
Financial assets held to maturity	411.8	511.2	<b>Total Liabilities</b>	<b>64,759.7</b>	<b>65,999.6</b>
Investments in associated companies	571.4	598.9			
Non current assets held for sale	2,164.6	2,250.2	<b>Equity</b>		
Investment property	12.4	12.7	Share capital	5,600.7	4,268.8
Other tangible assets	490.4	473.9	Treasury shares	(0.3)	(2.9)
Goodwill and intangible assets	164.4	162.1	Share premium	16.5	16.5
Current tax assets	25.9	17.5	Preference shares	59.9	59.9
Deferred tax assets	3,137.8	3,184.9	Other capital instruments	2.9	2.9
Other assets	1,052.0	1,087.8	Legal and statutory reserves	252.8	245.9
	<b>71,939.5</b>	<b>71,264.8</b>	Fair value reserves	82.1	(130.6)
			Reserves and retained earnings	(120.2)	(102.3)
			Net income for the period attrib. to Shareholders	186.4	23.9
			<b>Total equity attrib. to Shareholders of the Bank</b>	<b>6,080.8</b>	<b>4,382.1</b>
			Non-controlling interests	1,098.9	883.1
			<b>Total Equity</b>	<b>7,179.7</b>	<b>5,265.2</b>
				<b>71,939.5</b>	<b>71,264.8</b>



# Consolidated income statement

Per quarter

(Million euros)

	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17
<b>Net interest income</b>	<b>323.1</b>	<b>332.3</b>	<b>346.2</b>	<b>344.7</b>	<b>368.1</b>
Dividends from equity instruments	0.8	0.1	1.5	0.1	0.1
Net fees and commission income	162.7	160.8	169.5	164.3	172.1
Other operating income	-9.5	-15.2	-71.4	-10.4	-5.2
Net trading income	27.9	36.4	53.5	25.1	33.4
Equity accounted earnings	19.9	19.6	15.5	21.7	34.8
<b>Banking income</b>	<b>524.8</b>	<b>534.0</b>	<b>514.8</b>	<b>545.5</b>	<b>603.2</b>
Staff costs	-53.8	136.9	104.6	138.6	146.5
Other administrative costs	98.6	88.7	94.0	92.2	99.3
Depreciation	12.8	12.7	13.4	13.6	13.9
<b>Operating costs</b>	<b>57.6</b>	<b>238.3</b>	<b>211.9</b>	<b>244.4</b>	<b>259.6</b>
<b>Operating net income bef. imp.</b>	<b>467.2</b>	<b>295.8</b>	<b>302.9</b>	<b>301.1</b>	<b>343.6</b>
Loans impairment (net of recoveries)	246.7	148.9	156.1	153.6	165.1
Other impairm. and provisions	238.2	54.3	56.0	59.6	131.2
<b>Net income before income tax</b>	<b>-17.8</b>	<b>92.5</b>	<b>90.8</b>	<b>87.9</b>	<b>47.3</b>
Income tax	-313.7	19.1	24.3	19.7	-33.0
Non-controlling interests	20.8	23.3	27.9	24.8	27.1
<b>Net income (before disc. oper.)</b>	<b>275.0</b>	<b>50.1</b>	<b>38.6</b>	<b>43.4</b>	<b>53.1</b>
Net income arising from discount. operations	0.0	0.0	1.3	0.0	0.0
<b>Net income</b>	<b>275.0</b>	<b>50.1</b>	<b>39.8</b>	<b>43.4</b>	<b>53.1</b>

# Income statement (Portugal and International operations)

For the 12-month periods ended December 31<sup>st</sup>, 2016 and 2017

(Million euros)

	International operations																	
	Group			Portugal														
							Total			Bank Millennium (Poland)			Millennium bim (M o.z.)			Other int. operations		
	Dec 16	Dec 17	Δ %	Dec 16	Dec 17	Δ %	Dec 16	Dec 17	Δ %	Dec 16	Dec 17	Δ %	Dec 16	Dec 17	Δ %	Dec 16	Dec 17	Δ %
Interest income	1910	1914	0.2%	1,172	1,054	-10.0%	738	860	16.5%	520	564	8.4%	211	289	36.8%	6	6	5.2%
Interest expense	680	523	-23.1%	436	247	-43.4%	244	276	13.3%	176	165	-6.3%	72	116	61.8%	-4	-5	-18.9%
Net interest income	1,230	1,391	13.1%	736	808	9.7%	494	583	18.1%	344	399	16.0%	140	173	24.0%	10	11	10.6%
Dividends from equity instruments	8	2	-77.3%	7	1	-84.6%	0	1	37.5%	0	1	40.8%	0	0	-27.3%	0	0	--
Intermediation margin	1,238	1,393	12.5%	743	809	8.8%	494	584	18.1%	345	400	16.0%	140	173	23.9%	10	11	10.6%
Net fees and commission income	644	667	3.6%	457	456	-0.2%	187	211	12.8%	133	156	17.5%	31	30	-0.7%	24	25	3.6%
Other operating income	-106	-102	3.4%	-42	-50	-20.1%	-64	-52	18.7%	-72	-61	15.0%	9	10	11.5%	-1	0	25.2%
Basic income	1,776	1,957	10.2%	1,158	1,214	4.8%	618	743	20.3%	405	494	22.0%	179	213	19.1%	33	35	6.2%
Net trading income	240	148	-38.3%	100	85	-14.9%	140	63	-55.0%	112	51	-54.3%	25	11	-57.1%	3	1	-64.3%
Equity accounted earnings	81	92	13.8%	68	52	-23.3%	13	40	>100%	0	0	100.0%	0	0	--	13	40	>100%
Banking income	2,097	2,197	4.8%	1,326	1,352	1.9%	771	846	9.8%	516	545	5.6%	204	224	9.7%	50	76	53.3%
Staff costs	357	527	47.7%	176	332	88.7%	181	194	7.6%	128	140	9.9%	36	37	3.1%	17	17	0.0%
Other administrative costs	374	374	0.1%	233	222	-4.6%	141	152	7.9%	98	105	7.3%	37	40	9.4%	6	6	7.2%
Depreciation	50	54	7.5%	29	33	12.7%	20	20	0.1%	13	12	-0.6%	8	8	18%	0	0	-22.6%
Operating costs	780	954	22.3%	438	588	34.1%	342	367	7.3%	238	258	8.3%	80	85	5.9%	23	23	17%
Operating net income bef. imp.	1,317	1,243	-5.6%	888	764	-14.0%	429	479	11.8%	278	287	3.3%	124	139	12.2%	27	53	97.6%
Loans impairment (net of recoveries)	1,117	624	-44.2%	1,045	533	-49.0%	72	91	26.4%	50	61	22.1%	24	28	18.1%	-2	2	>100%
Other impairm. and provisions	481	301	-37.4%	471	254	-46.1%	10	47	>100%	10	9	-15.5%	0	-1	<-100%	0	40	>100%
Net income before income tax	-281	318	>100%	-628	-23	96.4%	347	341	-1.5%	218	218	-0.1%	100	112	12.0%	28	11	-60.3%
Income tax	-382	30	>100%	-470	-56	88.1%	88	86	-1.8%	58	57	-0.3%	28	27	-6.0%	2	2	16.2%
Non-controlling interests	122	103	-15.4%	-1	-6	<-100%	123	109	-11.3%	0	0	--	1	1	-8.8%	122	108	-11.3%
Net income (before disc. oper.)	-21	185	>100%	-157	39	>100%	136	146	7.5%	160	160	-0.0%	71	85	19.5%	-95	-99	-3.9%
Net income arising from disc. operations	45	1	-97.3%				37	0	-100.0%							37	0	-100.0%
Net income	24	186	>100%				173	146	-15.4%							-59	-99	-69.0%

# Glossary (1/2)

**Balance sheet total customer funds** - debt securities and customer deposits.

**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 total customer funds.

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

**Core net income** - corresponding to net interest income plus net fees and commission income deducted from operating costs.

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

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

**Cost to core income** - operating costs divided by core income (net interest income and net fees and commission income).

**Cost to income** - operating costs divided by net operating revenues.

**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 and 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.

**Credit at risk (net) ratio** - credit at risk (net) divided by loans to customers deducted from total BS impairments accumulated for risks of credit.

**Credit at risk ratio** - credit at risk divided by loans to customers (gross).

**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 to Deposits ratio (LTD)** - Total loans to customers net of accumulated BS impairments for risks of credit divided by total customer deposits.

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

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

**Net operating revenues** - net interest income, dividends from equity instruments, net commissions, net trading income, 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 from 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).

# Glossary (2/2)

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

**Overdue and doubtful loans (net)** - overdue and doubtful loans deducted from BS impairments accumulated for risks of credit.

**Overdue and doubtful loans (net) ratio** - overdue loans and doubtful loans (net) divided by loans to customers deducted from total BS impairments accumulated for risks of credit.

**Overdue and doubtful loans coverage by BS impairments** - BS impairments accumulated for risks of credit divided by overdue loans and doubtful loans (gross).

**Overdue and doubtful loans ratio** - overdue and doubtful loans divided by loans to customers (gross).

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

**Overdue loans by more than 90 days coverage ratio** - 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.

**Overdue loans coverage ratio** - total BS impairments accumulated for risks of credit divided by total amount of overdue loans.

**Return on average assets (Instruction from the Bank of Portugal no. 16/2004)** - Net income (before tax) divided by the average total assets.

**Return on average assets (ROA)** - Net income (before minority interests) divided by the average total assets.

**Return on equity (Instruction from the Bank of Portugal no. 16/2004)** - Net income (before tax) divided by the average attributable equity + non-controlling interests.

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

**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** - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

**Total customer funds** - balance sheet customer funds, assets under management and capitalisation products.



## **INVESTOR RELATIONS DIVISION**

Rui Coimbra, Head

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### **EQUITY**

Luís Pedro Monteiro and Paula Dantas Henriques

**+351 21 1131 084**

### **DEBT AND RATINGS**

Luís Morais and Lina Fernandes

**+351 21 1131 337**

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**investors@millenniumbcp.pt**



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 and the share capital of EUR 5,600,738,053.72.

