

14 February 2018

Millennium bcp earnings release as at 31 December 2017

Profitability and efficiency

Sustained improvement and supported by core net income*

- **Net profit of Euro 186.4 million** (Euro 23.9 million in 2016), on the back of **improved earnings from the domestic activity** (contribution of Euro 39.0 million). **Stable recurring international contribution.**
- **Core net income* increased to Euro 1,103.8 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 a cost to core income*, excluding specific items***, of 47.1%.** Cost to income, excluding specific items***, was 44.1%.

Asset quality

NPEs with strong pace of reduction and coverage greater than 100%

- **NPEs in Portugal**, down by Euro 1.8 billion in 2017 to Euro 6.8 billion as at 31 December 2017, were **clearly lower than the Euro 7.5 billion target, with total coverage****, including guarantees, increased to 106%.**

Business performance

Growth recovery of performing portfolio in Portugal, maintaining balance sheet quality and Customers base expansion

- **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 nonfinancial holding companies.
- **Active Customers for the Group total 5.4 million as at 31 December 2017**, an increase in excess of 300,000 Customers from 31 December 2016.
- **ECB funding usage down to Euro 3.0 billion** (Euro 4.4 billion as at 31 December 2016), **with the TLTRO level lower than the Bank's limit.**

Capital

Adequate position

- **Strengthening of the fully-implemented CET1 ratio to an estimated ratio of 11.9%** as at 31 December 2017 (9.7% as at 31 December 2016). **CET1 phased-in estimated ratio reaches 13.2%** (12.4% in 2016).

* Core net income = core income - operating costs; Core income = net interest income + net fees and commission income. ** Euro 1,089.6 million excluding the positive impact of specific items *** Specific items: positive impact in staff costs that includes profits related to the negotiation/revision of Collective Lab. Agt's net of restructuring costs (Euro 14.2 million in 2017 and Euro 185.7 million in 2016). **** By loan-loss reserves, expected loss gap and collaterals.

Financial Highlights

Euro million

	31 Dec. 17	31 Dec. 16	Change 17 / 16
Balance sheet			
Total assets	71,939	71,265	0.9%
Loans to customers (gross)	50,955	51,758	-1.6%
Total customer funds	71,386	66,978	6.6%
Balance sheet total customer funds	52,688	50,434	4.5%
Resources from customers	51,188	48,798	4.9%
Loans to customers, net / Resources from customers ⁽¹⁾	94%	99%	
Loans to customers, net / Balance sheet total customer funds	90%	95%	
Results			
Net income	186.4	23.9	
Net interest income	1,391.3	1,230.1	13.1%
Net operating revenues	2,197.5	2,096.7	4.8%
Operating costs	954.2	780.0	22.3%
Recurring operating costs ⁽²⁾	968.4	965.7	0.3%
Loan impairment charges (net of recoveries)	623.7	1,116.9	-44.2%
Other impairment and provisions	301.1	481.1	-37.4%
Income taxes			
Current	102.1	113.4	
Deferred	(72.0)	(495.3)	
Profitability			
Net operating revenues / Average net assets ⁽¹⁾⁽³⁾	3.0%	2.8%	
Return on average assets (ROA) ⁽⁴⁾	0.4%	0.2%	
Income before tax and non-controlling interests / Average net assets ⁽¹⁾⁽³⁾	0.4%	-0.3%	
Return on average equity (ROE)	3.3%	0.6%	
Income before tax and non-controlling interests / Average equity ⁽¹⁾⁽³⁾	4.8%	-4.5%	
Credit quality			
Overdue loans and doubtful loans / Total loans ⁽¹⁾	7.2%	9.0%	
Overdue loans and doubtful loans, net / Total loans, net ⁽¹⁾	0.7%	1.9%	
Credit at risk / Total loans ⁽¹⁾	9.3%	10.9%	
Credit at risk, net / Total loans, net ⁽¹⁾	3.0%	3.9%	
Impairment for loan losses / Overdue loans by more than 90 days	113.2%	107.0%	
Efficiency ratios ⁽¹⁾⁽²⁾⁽³⁾			
Operating costs / Net operating revenues	44.1%	46.1%	
Operating costs / Net operating revenues (Portugal activity)	44.5%	47.1%	
Staff costs / Net operating revenues	24.6%	25.9%	
Capital ⁽⁵⁾			
Common equity tier I phased-in	13.2%	12.4%	
Common equity tier I fully-implemented	11.9%	9.7%	
Branches			
Portugal activity	578	618	-6.5%
Foreign activity	542	545	-0.6%
Employees			
Portugal activity	7,189	7,333	-2.0%
Foreign activity	8,538	8,474	0.8%

(1) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.

(2) Excludes specific items: positive impact in staff costs that includes profits related to the negotiation/revision of Collective Labour Agreement net of restructuring costs (Euro 14.2 million in 2017 and Euro 185.7 million in 2016).

(3) 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.

(4) Considering net income before non-controlling interests.

(5) December 2017 and December 2016 include the accumulated net income of each period. December 2017 figures are estimated.

RESULTS AND ACTIVITY IN 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 were no longer 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 net income** of Millennium bcp amounted to Euro 1,103.8 million in 2017, comparing favourably to Euro 1,094.0 million accounted in the previous year, due to net interest income and net commissions increase, despite the higher level of operating costs. Excluding the effect of specific items*, core net income increased 20.0% from 2016.

The increase of core net income on a comparable basis was supported by both the positive performance of the activity in Portugal (+16.3%) and of the international activity (+26.1%), resulting in an improvement in operating efficiency, reflected in the reduction of the cost to core income ratio, excluding specific items, from 51.5% in 2016 to 47.1% in 2017.

In 2017, net income rose to Euro 186.4 million, representing significant growth compared to Euro 23.9 million registered in the previous year, sustained by the performance of the activity in Portugal, as the contribution of the international activity was affected by the impact arising from the application of IAS 29 on Banco Millennium Atlântico, since Angola is considered as an economy with high inflation by international audit firms.

In the activity in Portugal, net income increased by Euro 196.3 million, from 2016 figures, reaching Euro 39.0 million in 2017, highlighting the reduction of impairments and provisions.

In the international activity, net income totalled Euro 146.2 million in 2017. Excluding the impact from the application of IAS 29 on Banco Millennium Atlântico, net income of international activity achieved Euro 174.6 million in 2017, remaining stable compared to Euro 172.8 million registered in 2016, with the greater contribution of the operation in Mozambique being mitigated by the less favourable performance of operations in Cayman and Angola, the latter penalized by the negative exchange rate effect, while Poland remained in line with the previous year, despite the gain booked associated with the purchase of Visa Europe by Visa Inc in 2016 (Euro 28.3 million), and the increased costs of the contribution to the Resolution Fund and the new Polish banking tax in 2017.

* Arising from the negotiation/revision of the Bank's Collective Labour Agreement net of restructuring costs in 2017 and in 2016.

Net interest income increased 13.1% from Euro 1,230.1 million registered in 2016, reaching Euro 1,391.3 million in 2017 due to the favourable performance of both Portugal and the international activity.

In the activity in Portugal, net interest income increased 9.7% from Euro 736.1 million accounted in 2016, reaching Euro 807.8 million in 2017. This performance benefited from the lower cost of funding, including the positive impact of the repayment of CoCos and by the continued reduction of interest rates for term deposits, despite the lower gains in the loans portfolio.

In the international activity, net interest income totalled Euro 583.4 million in 2017, increasing 18.1% from the figures presented in the previous year. This performance reflects the positive contribution of all subsidiaries, in particular Poland and Mozambique.

Net interest margin in 2017 stood at 2.21%, which compares with 1.92% in 2016. Excluding the impact from the cost of CoCos, net interest margin reached 2.22% in 2017 and 2.03% in 2016.

AVERAGE BALANCES

Euro million

	31 Dec.17		31 Dec.16	
	Amount	Yield %	Amount	Yield %
Deposits in banks	3,070	0.93	3,085	0.62
Financial assets	11,163	2.27	10,396	2.08
Loans and advances to customers	47,861	3.29	49,428	3.25
Interest earning assets	62,094	2.99	62,909	2.92
Discontinued operations ⁽¹⁾	0		731	
Non-interest earning assets	10,575		10,045	
	72,669		73,685	
Amounts owed to credit institutions	9,140	0.05	10,497	0.28
Resources from customers	50,560	0.65	49,010	0.70
Debt issued	3,162	2.70	4,123	3.25
Subordinated debt	929	6.90	1,649	7.33
Interest bearing liabilities	63,791	0.76	65,279	0.96
Discontinued operations ⁽¹⁾	0		684	
Non-interest bearing liabilities	2,116		2,414	
Shareholders' equity and non-controlling interests	6,762		5,308	
	72,669		73,685	
Net interest margin		2.21		1.92
Net interest margin (excl. cost of CoCos)		2.22		2.03

Note: Interest related to hedge derivatives were allocated, in December 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 increased 3.6% from Euro 643.8 million registered in 2016, reaching Euro 666.7 million in 2017, boosted by the performance of the international activity, namely of Poland. In the activity in Portugal, net commissions were in line with figures from previous year (-0.2%), despite the accounting of a higher one-off amount recorded in other banking commissions in the first quarter of 2016.

The increase of net commissions in 2017 benefited from the growth of banking (+2.7%) and market (+7.6%) commissions compared to 2016.

Net trading income amounted to Euro 148.4 million in 2017, compared to Euro 240.4 million accounted in the previous year, which includes the gain of Euro 96.2 million related to the purchase, by Visa Inc., of the shareholdings held by the Bank in Portugal and by Bank Millennium in Poland in Visa Europe in the second quarter of 2016.

Other net operating income, which includes the costs associated with mandatory contributions as well as with the Resolution Fund and the Deposit Guarantee Fund in both, Portugal and the international activity, was negative by Euro 102.3 million in 2017, showing a favourable performance from the negative Euro 105.9 million accounted in the previous year.

In the activity in Portugal, other net operating income amounted to a negative Euro 50.0 million in 2017 compared to a negative Euro 41.7 million in 2016 showing the increase of taxes and mandatory contributions, partially offset by the decrease of costs related to the disposal of investment properties and assets held for sale.

Other net operating income in the international activity stood at a negative Euro 52.2 million improving from negative Euro 64.2 million accounted in previous year, despite the higher amount related to the new tax on Polish banks, introduced in February 2016, and the growth of the annual contribution for the Resolution Fund in Poland compared to 2016.

Dividends from equity instruments, which comprises dividends received from investments in financial assets available for sale, and **equity accounted earnings**, jointly totalled Euro 93.4 million in 2017, compared to Euro 88.2 million reached in the previous year, influenced by the higher gains, in 2017, 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. This performance was conditioned by the positive impact of the gains from UNICRE related to the transaction of its shareholding in Visa Europe during the first half of 2016.

OTHER NET INCOME			Euro million
	31 Dec. 17	31 Dec. 16	Change 17/16
Net commissions	666.7	643.8	3.6%
Banking commissions	546.6	532.3	2.7%
Cards and transfers	155.5	144.4	7.7%
Credit and guarantees	158.0	157.9	0.1%
Bancassurance	94.7	89.1	6.3%
Current account related	103.8	101.9	1.9%
Other commissions	34.5	39.0	-11.5%
Market related commissions	120.1	111.5	7.6%
Securities	77.5	73.3	5.7%
Asset management	42.6	38.3	11.3%
Net trading income	148.4	240.4	-38.3%
Other net operating income	(102.3)	(105.9)	3.4%
Dividends from equity instruments	1.8	7.7	-77.3%
Equity accounted earnings	91.6	80.5	13.8%
Total other net income	806.2	866.6	-7.0%
Other net income / Net operating revenues	36.7%	41.3%	

Operating costs, excluding the effect of specific items*, stood at Euro 968.4 million in 2017, remaining at the same level as the previous year (+0.3%), with the cost savings obtained in the activity in Portugal offset by the increase of costs in the international activity.

In the activity in Portugal operating costs, excluding the above-mentioned specific items, amounted to Euro 601.8 million in 2017, showing a 3.6% decrease from 2016 figures, determined by the decline of staff costs and also by other administrative costs savings.

In the international activity, operating costs increased 7.3% from the amount accounted in 2016, mainly influenced by the performance of the subsidiary in Poland.

Staff costs, excluding the impact of the above mentioned specific items, stood at a slightly lower level (-0.3%) than the previous year, totalling Euro 540.8 million in 2017. This performance reflects the reduction of the activity in Portugal, which was mitigated by the growth in the international activity costs.

In the activity in Portugal, the decrease of staff costs, not considering the impact of the abovementioned specific items (-4.2%), was due to the impact of the decrease of 144 employees from 31 December 2016, notwithstanding the decision of the Board of Directors of the Bank to end, in advance, the temporary adjustment that had been in force since July 2014, following the full reimbursement of CoCos with effect from 30 June 2017.

The increase of staff costs in the international activity (+7.6%), compared to the amount accounted in 2016, was essentially due to the operation in Poland.

Other administrative costs totalled Euro 374.0 million in 2017, in line with the figures presented the previous year (+0.1%), reflecting the cost savings obtained in the activity in Portugal (-4.6%), and resulted from the rationalisation and cost containment measures that have been implemented, which offset the increase of costs in the international activity (+7.9%) mainly related to the subsidiary in Poland.

Depreciation costs stood at Euro 53.6 million in 2017, comparing to Euro 49.8 million posted in 2016, with this performance being determined by the higher depreciation costs in the activity in Portugal, mainly related to IT equipment and software. In the international activity, depreciation costs remained in line with the amount presented in the previous year (+0.1%).

OPERATING COSTS		<i>Euro million</i>	
	31 Dec. 17	31 Dec. 16	Change 17/16
Staff costs	540.8	542.3	-0.3%
Other administrative costs	374.0	373.6	0.1%
Depreciation	53.6	49.8	7.5%
Operating costs excluding specific items	968.4	965.7	0.3%
Operating costs	954.2	780.0	22.3%
Of which:			
Portugal activity ⁽¹⁾	601.8	624.0	-3.6%
Foreign activity	366.6	341.7	7.3%

(1) Excludes the impact of specific items.

* Arising from the negotiation/revision of the Bank's Collective Labour Agreement net of restructuring costs in 2017 and in 2016.

Impairment for loan losses (net of recoveries) fell by 44.2% from Euro 1,116.9 million accounted in 2016, to stand at Euro 623.7 million in 2017, reflecting the favorable performance of the activity in Portugal and the improvement in the Group's cost of risk to 122 basis points in 2017, from the 216 basis points observed in the previous year.

Other impairment and provisions totalled Euro 301.1 million in 2017, showing a 37.4% decrease from Euro 481.1 million recorded in 2016, mainly supported by the lower level of provisions related to corporate restructuring funds and other debt instruments and guarantees and other risks, despite the impairment reinforcement that occurred in goodwill and other assets.

Income tax (current and deferred) amounted to Euro 30.2 million in 2017, compared to an income of Euro 381.9 million posted in 2016.

These taxes include current tax costs of Euro 102.1 million (cost of Euro 113.4 million in 2016), net of deferred tax income of Euro 72.0 million (income of Euro 495.3 million in 2016).

BALANCE SHEET

Total assets stood at Euro 71,939 million as at 31 December 2017, comparing to Euro 71,265 million as at 31 December 2016, highlighting the growth of the securities portfolio, loans and advances to central banks and the reduction of the loans to customers portfolio.

Loans to customers (gross) amounted to Euro 50,955 million as at 31 December 2017, comparing to Euro 51,758 million presented in the same date of the previous year, reflecting the decrease of the activity in Portugal, partially offset by the increase showed by the international activity.

In the activity in Portugal, loans to customers stood at Euro 37,996 million as at 31 December 2017, decreasing 3.5% from the amount recorded as at 31 December 2016 (Euro 39,361 million). This performance was marked by the continued effort to reduce NPEs, which achieved Euro -1.8 billion in 2017, while the performing loan portfolio increased, for the first time in 8 years, essentially due to the growth in the production of loans to individuals.

Simultaneously, the performance of loans to companies has been showing a structural change, translated into the reduction of the weight of construction and real estate activities and non-financial holding companies.

In the international activity, loans to customers increased 4.5% compared to the amount as at 31 December 2016, induced by the performance of Poland. Excluding exchange rate effects, loans to customers decreased 0.8%, reflecting the performance of the operation in Mozambique.

The structure of the loans to customers' portfolio showed identical and stable levels of diversification between the end of December 2016 and 2017, with loans to companies representing 47% of total loans to customers as at 31 December 2017.

Credit quality, determined by loans overdue by more than 90 days as a percentage of total loans, showed a favourable performance, decreasing from 6.8% as at 31 December 2016 to 5.8% as at 31 December 2017, while the corresponding coverage ratio for loans overdue by more than 90 days improved from 107.0% as at 31 December 2016 to 113.2% in the end of 2017.

The credit at risk ratio reached 9.3% as at 31 December 2017, improving from 10.9% as at 31 December 2016. At the end of 2017, the restructured loans ratio stood at 8.2% of total loans, compared to 9.7% registered as at 31 December 2016, and the ratio of restructured loans not included in the credit at risk stood at 4.4% of total loans compared to 5.7% as at 31 December 2016.

LOANS TO CUSTOMERS (GROSS)

Euro million

	31 Dec. 17	31 Dec. 16	Change 17/16
Individuals	27,203	28,076	-3.1%
Mortgage	23,408	24,018	-2.5%
Consumer and others	3,795	4,058	-6.5%
Companies	23,753	23,682	0.3%
Services	9,244	9,104	1.5%
Commerce	3,472	3,190	8.8%
Construction	2,405	2,859	-15.9%
Other	8,632	8,529	1.2%
Total	50,955	51,758	-1.6%
Of which:			
Portugal activity	37,996	39,361	-3.5%
Foreign activity	12,960	12,398	4.5%

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 31 DECEMBER 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	577	614	2.1%	106.3%
Mortgage	232	241	1.0%	103.6%
Consumer and others	345	374	9.1%	108.2%
Companies	2,356	2,708	9.9%	114.9%
Services	1,169	1,534	12.7%	131.2%
Commerce	208	190	6.0%	91.6%
Construction	610	548	25.4%	89.8%
Other	369	436	4.3%	118.1%
Total	2,933	3,322	5.8%	113.2%

Total customer funds were redefined, with reference to 30 September 2017, reflecting, since then, a broader concept in order to include amounts held by customers as part of existing agreements for their placement and management, considering comparable amounts for the same period of 2016.

Total customer funds increased 6.6% as at 31 December 2017 from Euro 66,978 million registered as at 31 December 2016, amounting to Euro 71,386 million, showing the positive performance of both, Portugal and the international activity.

In the activity in Portugal, total customers funds showed a 5.4% increase from Euro 49,274 million accounted at the end of the previous year, reaching Euro 51,949 million as at 31 December 2017, boosted by both the growth in off-balance sheet customer funds (+ Euro 1,561 million), and in balance sheet customer funds, highlighting the growth of Euro 1,268 million of resources from customers, from 31 December 2016.

Total customer funds in the international activity increased 9.8% compared to Euro 17,704 million registered as at 31 December 2016, and stood at Euro 19,437 million as at 31 December 2017, mainly supported by the performance of the subsidiary in Poland, namely in resources from customers.

As at 31 December 2017, balance sheet total customer funds represented 74% of total customer funds, with resources from customers representing 72% of total customer funds.

According to the Bank of Portugal's Instruction no. 16/2004, the loan to deposits ratio improved from 99% as at 31 December 2016 to 94% as at 31 December 2017. The same ratio, considering the total on-balance sheet customers' funds, stood at 90% (95% as at 31 December 2016).

TOTAL CUSTOMER FUNDS		Euro million	
	31 Dec. 17	31 Dec. 16	Change 17/16
Balance sheet total customer funds	52,688	50,434	4.5%
Resources from customers	51,188	48,798	4.9%
Debt securities	1,501	1,636	-8.3%
Off-balance sheet customer funds	18,698	16,544	13.0%
Assets under management and investment funds	8,792	7,657	14.8%
Capitalisation products	9,906	8,888	11.5%
Total	71,386	66,978	6.6%

The **securities portfolio** reached Euro 12,924 million as at 31 December 2017, compared to Euro 12,323 million posted at the same date of the previous year, representing 18.0% of total assets as at 31 December 2017, above the 17.3% observed as at 31 December 2016, with the performance of the international activity being determinant, mainly of Poland but also Mozambique.

LIQUIDITY MANAGEMENT

During 2017 the consolidated wholesale funding needs decreased by Euro 3.3 billion, mainly due to the share capital increase, to the decreases in the commercial gap in Portugal and to the funds released by commercial activity, whose overall effect was mitigated by the growth of the securities portfolio.

The reduction of the liquidity needs occurred in parallel with a change in its structure, namely the repayment of the remaining tranche of CoCos (Euro 0.7 billion), a significant decrease of REPO financing in Portugal (Euro 1.5 billion, to a balance of Euro 0.8 billion) and the reduction of collateralised funding from the ECB (Euro 0.9 billion, to Euro 4.0 billion, corresponding to the balance of the targeted long term refinancing operations, TLTRO).

In net terms, the refinancing needs with the ECB showed in 2017 a continuous decrease of Euro 1.4 billion, to Euro 3.0 billion, alongside a reinforcement of the liquidity buffer discountable with the ECB to Euro 9.7 billion, Euro 2.1 billion above December's 2016 figure. Considering other highly liquid assets and those suitable to be transformed into eligible collateral in the short term, the buffer would rise to Euro 11.1 billion, which compares favourably with last year's figure of Euro 9.1 billion.

As far as medium-long term debt is concerned, Millennium bcp in May refinanced in advance its remaining issue of covered bonds placed in the market, through the issuance of Euro 1.0 billion in a five year instrument. As such, it returned to the debt market some three years after the placement of Medium Term Notes (MTN) which matured earlier, in February 2017. In November, the Bank tapped the market again with the placement of a Euro 0.3 billion 10 year subordinated issue, which fully qualifies as a T2 own funds transaction. During 2017, Millennium bcp contracted new loans with the European Investment Bank (EIB) amounting to Euro 0.3 billion, making the global balance of medium and long term bank loans rise to Euro 1.7 billion. In turn, Bank Millennium placed a Zloty 0.7 billion subordinated issue by the end of the year, refinancing a maturing one of the same amount. In consolidated terms, the amount of medium-long term debt instruments to mature in the coming years kept on diminishing, totalling only Euro 0.6 billion until 2021.

CAPITAL

The estimated phased-in and fully implemented CET1 ratios stood at 13.2% and 11.9% as at 31 December 2017, reflecting increases of 80 and 224 basis points, respectively, comparing to the 12.4% and 9.7% ratios recorded in the end of 2016 and above the minimum ratios defined by the SREP* for the year 2017 (CET1 8.15%, T1 9.65% and Total 11.65%)

This evolution benefited from the share capital increase performed in the first quarter of 2017, as well as the organic generation of capital, despite the reimbursement of the remaining CoCo bonds.

SOLVENCY RATIOS		€ M
	31 Dec. 17	31 Dec. 16
FULLY IMPLEMENTED		
Own funds		
Common equity tier 1 (CET1)	4,738	3,730
Tier 1	4,809	3,744
Total Capital	5,457	4,060
Risk weighted assets	39,799	38,597
Solvency ratios		
CET1	11.9%	9.7%
Tier 1	12.1%	9.7%
Total capital	13.7%	10.5%
PHASED-IN		
CET1	13.2%	12.4%

Note: The capital ratios of December 2017 are estimated and include the positive accumulated net income.

* Supervisory Review and Evaluation Process





SIGNIFICANT EVENTS

Millennium bcp continued to implement its Strategic Plan. Highlights during this period include:













- Issue of subordinated debt notes eligible for use with the European Central Bank (ECB) as Tier 2 capital, under BCP's Euro Medium Term Notes Programme, in the amount of Euro 300 million, with a tenor of 10 years, with the option of early redemption by the Bank at the end of the fifth year, and an annual interest rate of 4.5% during the first five years. The transaction was placed with a very diversified group of European institutional investors, and was the first issue of such an instrument by a Portuguese bank in the market after the completion of the Portuguese financial assistance programme. The issuance is part of the Millennium bcp's strategy of strengthening its total capital ratio and its presence in international capital markets.
- Information on the ECB decision regarding minimum prudential requirements to be fulfilled from January 1st, 2018, based on the results of the Supervisory Review and Evaluation Process (SREP). In addition, BCP was informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII). The ECB's decision prescribes the following minimum ratios as a percentage of total risk weighted assets (RWA) from January 1st, 2018: CET1 ratio of 8.8125%, T1 ratio of 10.3125% and total ratio of 12.3125%. Buffers include the conservation buffer (1.875%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.1875%). According to the ECB's decision under the SREP, the Pillar 2 requirement for BCP was set at 2.25%, a 0.15 percentage point reduction from 2017.

PRINCIPAL 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 - Other relevant awards

	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

MACROECONOMIC ENVIRONMENT

According to the International Monetary Fund (IMF), in 2017, the world economy is expected to have expanded by 3.7%, which if materialised would correspond to the highest growth rate since 2011, reflecting a greater dynamism of the main developed economies, namely the US and the Eurozone, and, to a lesser extent, the emerging markets.

The year of 2017 was particularly favourable for financial markets, with expressive appreciations of the main asset classes and surprisingly low volatility levels. This benign evolution resulted from the confluence of a set of positive factors, including the acceleration of the world's GDP, the continuation of extremely accommodative monetary conditions at the global scale and the dissipation of some of the most worrying geopolitical risks. In the US, positive expectations relative to the effects of the economic policy of the new Administration propelled the equity indexes to historic records, while in Europe, the euro stood out for the robustness and breadth of its appreciation, given the more solid economic environment relative to the preceding years. The financial assets of the emerging markets also evolved in a very satisfactory way due to, on the one side, the generalized depreciation of the US dollar and, on the other, the intensification of the recovery trajectory of the commodities' sector, in particular of oil.

The unlikely combination of acceleration of world's growth with the absence of inflationary risks allowed the main central banks to reduce very slightly the global degree of accommodation of monetary policy. The Federal Reserve of the US continued to proceed to the normalization of interest rates, raising its key rate from 0.75% to 1.50% over 2017 and has also started the process of reducing its balance sheet, through the gradual sale of the debt securities accumulated since 2009 under the strategy of quantitative easing. For its part, the ECB announced the extension of its public and private debt purchase program through September 2018, but reduced the monthly pace of securities purchases, having maintained all its key rates at the levels seen at the end of 2016. Notwithstanding these changes, the euribor interest rates stood at negative values for all maturities during the whole of 2017.

In the first nine months of 2017, the pace of expansion of the Portuguese economy denoted a significant acceleration, powered by the recovery of investment and by the dynamism of exports along with the robustness of private consumption. In this context and considering the favourable evolution of the activity indicators of the last quarter of the year it is likely that the Portuguese GDP growth rate in 2017 comes up to around the 2.6% forecast by the majority of domestic and international institutions, a value that would correspond to a material improvement relative to the 1.5% recorded in 2016. In 2018, the process of consolidation of the Portuguese economy recovery should continue, supported by the dynamism of exports and by the progressive strengthening of investment, while private consumption is expected to evolve in a more moderate fashion, due to the low level of the savings rate.

In Poland, GDP has been posting strong growth levels stemming from the rise in private consumption, stimulated by wage acceleration and the improvement in employment, and also by the expansion of public investment. Although this performance carries inflationary risks, the inflation rate has stood at levels compatible with the central bank's goal, which has made it possible to maintain the key interest rates unaltered. In terms of foreign exchange, the Zloty presented an appreciation trajectory throughout the year, reflecting the good performance of the Polish economy along with the positive sentiment in international financial markets. In 2018, the European Commission reckons that the recovery of investment will not be enough to compensate the deceleration of private consumption, meaning that the growth pace of GDP should come slightly below the 4.2% estimated for 2017.

Mozambique continues to face a challenging macroeconomic environment. The strong slowdown of activity observed in 2016 in the wake of the fall in the prices of commodities and the deterioration of public finances and the confidence of foreign investors as a result of the release of information regarding the indebtedness of some important state-owned companies, continued to penalize the economic performance in 2017. The GDP growth rate in 2017 is likely to have remained below the 4.7% predicted by the IMF, since during the first three quarters of the year, the pace of economic expansion stood around 3.0%. Nevertheless, for the whole year, the Metical has appreciated, recovering partially from the strong depreciation in 2016. In Angola, although the recovery of the oil price contributed to a slight acceleration of activity in the first half of the year, there remain important challenges concerning the correction of the macroeconomic imbalances.

EARNINGS PRESS RELEASE

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CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Dec 17	Dec 16	Change	Dec 17	Dec 16	Change	Dec 17	Dec 16	Change
Income statement									
Net interest income	1,391.3	1,230.1	13.1%	807.8	736.1	9.7%	583.4	494.0	18.1%
Dividends from equity instruments	1.8	7.7	-77.3%	1.1	7.3	-84.6%	0.6	0.5	37.5%
Net fees and commission income	666.7	643.8	3.6%	455.5	456.6	-0.2%	211.2	187.2	12.8%
Other operating income	(102.3)	(105.9)	3.4%	(50.0)	(41.7)	-20.1%	(52.2)	(64.2)	18.7%
Net trading income	148.4	240.4	-38.3%	85.4	100.3	-14.9%	63.0	140.0	-55.0%
Equity accounted earnings	91.6	80.5	13.8%	51.8	67.5	-23.3%	39.8	13.0	>200%
Net operating revenues	2,197.5	2,096.7	4.8%	1,351.6	1,326.2	1.9%	845.9	770.5	9.8%
Staff costs	526.6	356.6	47.7%	332.3	176.1	88.7%	194.3	180.5	7.6%
Other administrative costs	374.0	373.6	0.1%	222.1	232.7	-4.6%	151.9	140.8	7.9%
Depreciation	53.6	49.8	7.5%	33.2	29.4	12.7%	20.4	20.4	0.1%
Operating costs	954.2	780.0	22.3%	587.6	438.3	34.1%	366.6	341.7	7.3%
Recurring operating costs ⁽¹⁾	968.4	965.7	0.3%	601.8	624.0	-3.6%	366.6	341.7	7.3%
Operating profit before impairment and provisions	1,243.3	1,316.7	-5.6%	764.0	887.9	-14.0%	479.3	428.8	11.8%
Loans impairment (net of recoveries)	623.7	1,116.9	-44.2%	533.1	1,045.2	-49.0%	90.6	71.7	26.4%
Other impairment and provisions	301.1	481.1	-37.4%	253.8	470.6	-46.1%	47.3	10.4	353.3%
Profit before income tax	318.5	(281.3)	>200%	(22.9)	(628.0)	96.4%	341.4	346.7	-1.5%
Income tax	30.2	(381.9)	107.9%	(55.9)	(469.6)	88.1%	86.1	87.7	-1.8%
Income after income tax from continuing operations	288.3	100.6	186.7%	33.0	(158.4)	120.9%	255.3	259.0	-1.4%
Income arising from discontinued operations	1.2	45.2	-97.3%	-	-	-	-	36.8	-100.0%
Non-controlling interests	103.2	121.9	-15.4%	(6.0)	(1.1)	>200%	109.1	123.0	-11.3%
Net income	186.4	23.9	>200%	39.0	(157.3)	124.8%	146.2	172.8	-15.4%
Balance sheet and activity indicators									
Total assets	71,939	71,265	0.9%	51,877	52,426	-1.0%	20,063	18,839	6.5%
Total customer funds	71,386	66,978	6.6%	51,949	49,274	5.4%	19,437	17,704	9.8%
Balance sheet total customer funds	52,688	50,434	4.5%	36,681	35,567	3.1%	16,007	14,867	7.7%
Resources from customers	51,188	48,798	4.9%	35,290	34,023	3.7%	15,897	14,775	7.6%
Debt securities	1,501	1,636	-8.3%	1,391	1,545	-9.9%	110	91	19.8%
Off-balance sheet customer funds	18,698	16,544	13.0%	15,268	13,707	11.4%	3,430	2,837	20.9%
Assets under management and investment funds	8,792	7,657	14.8%	5,893	5,296	11.3%	2,899	2,361	22.8%
Capitalisation products	9,906	8,888	11.5%	9,375	8,411	11.5%	530	476	11.3%
Loans to customers (gross)	50,955	51,758	-1.6%	37,996	39,361	-3.5%	12,960	12,398	4.5%
Individuals	27,203	28,076	-3.1%	19,133	20,134	-5.0%	8,070	7,942	1.6%
Mortgage	23,408	24,018	-2.5%	17,145	17,698	-3.1%	6,263	6,320	-0.9%
Consumer and others	3,795	4,058	-6.5%	1,988	2,435	-18.4%	1,807	1,623	11.4%
Companies	23,753	23,682	0.3%	18,863	19,227	-1.9%	4,890	4,455	9.8%
Services	9,244	9,104	1.5%	8,329	8,190	1.7%	915	914	0.1%
Commerce	3,472	3,190	8.8%	2,373	2,199	7.9%	1,100	991	10.9%
Construction	2,405	2,859	-15.9%	2,069	2,560	-19.2%	336	299	12.4%
Other	8,632	8,529	1.2%	6,092	6,278	-3.0%	2,540	2,251	12.8%
Credit quality									
Total overdue loans	3,022	3,631	-16.8%	2,689	3,328	-19.2%	333	303	9.6%
Overdue loans by more than 90 days	2,933	3,496	-16.1%	2,641	3,241	-18.5%	292	255	14.4%
Overdue loans by more than 90 days / Total loans	5.8%	6.8%		7.0%	8.2%		2.3%	2.1%	
Total impairment (balance sheet)	3,322	3,741	-11.2%	2,864	3,346	-14.4%	458	395	15.8%
Total impairment (balance sheet) / Total loans	6.5%	7.2%		7.5%	8.5%		3.5%	3.2%	
Total impairment (balance sheet) / Overdue loans by more than 90 days	113.2%	107.0%		108.4%	103.2%		156.8%	155.0%	
Cost of risk (net of recoveries, in b.p.)	122	216		140	266		70	58	
Restructured loans / Total loans ⁽²⁾	8.2%	9.7%							
Restructured loans not included in the credit at risk / Total loans ⁽²⁾	4.4%	5.7%							
Cost-to-income ⁽¹⁾	44.1%	46.1%		44.5%	47.1%		43.3%	44.4%	

(1) Excludes the impact of specific items.

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

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statements for the years ended 31 December 2017 and 2016

	2017	2016
	(Thousands of Euros)	
Interest and similar income	1,914,210	1,909,997
Interest expense and similar charges	(522,935)	(679,871)
Net interest income	1,391,275	1,230,126
Dividends from equity instruments	1,754	7,714
Net fees and commission income	666,697	643,834
Net gains / (losses) arising from trading and hedging activities	45,346	101,827
Net gains / (losses) arising from available for sale financial assets	103,030	138,540
Net gains from insurance activity	4,212	4,966
Other operating income / (loss)	(110,606)	(104,547)
Total operating income	2,101,708	2,022,460
Staff costs	526,577	356,602
Other administrative costs	374,022	373,570
Depreciation	53,582	49,824
Operating expenses	954,181	779,996
Operating net income before provisions and impairments	1,147,527	1,242,464
Loans impairment	(623,708)	(1,116,916)
Other financial assets impairment	(63,421)	(274,741)
Other assets impairment	(163,205)	(66,926)
Goodwill impairment for subsidiaries	(4)	(51,022)
Goodwill impairment for associated companies	(57,764)	-
Other provisions	(16,710)	(88,387)
Operating net income	222,715	(355,528)
Share of profit of associates under the equity method	91,637	80,525
Gains / (losses) arising from sales of subsidiaries and other assets	4,139	(6,277)
Net income / (loss) before income tax	318,491	(281,280)
Income tax		
Current	(102,113)	(113,425)
Deferred	71,954	495,292
Net income /(loss) after income tax from continuing operations	288,332	100,587
Income arising from discontinued operations	1,225	45,228
Net income / (loss) after income tax	289,557	145,815
Attributable to:		
Shareholders of the Bank	186,391	23,938
Non-controlling interests	103,166	121,877
Net income / (loss) for the year	289,557	145,815
Earnings per share (in euros)		
Basic	0.014	0.019
Diluted	0.014	0.019

BANCO COMERCIAL PORTUGUÊS

Condensed Consolidated Balance Sheet as at 31 December 2017 and 2016

	2017	2016
	(Thousands of Euros)	
Assets		
Cash and deposits at central banks	2,167,934	1,573,912
Loans and advances to credit institutions		
Repayable on demand	295,532	448,225
Other loans and advances	1,065,568	1,056,701
Loans and advances to customers	47,633,492	48,017,602
Financial assets held for trading	897,734	1,048,797
Other financial assets held for trading		
at fair value through profit or loss	142,336	146,664
Financial assets available for sale	11,471,847	10,596,273
Assets with repurchase agreement	-	20,525
Hedging derivatives	234,345	57,038
Financial assets held to maturity	411,799	511,181
Investments in associated companies	571,362	598,866
Non current assets held for sale	2,164,567	2,250,159
Investment property	12,400	12,692
Other tangible assets	490,423	473,866
Goodwill and intangible assets	164,406	162,106
Current tax assets	25,914	17,465
Deferred tax assets	3,137,767	3,184,925
Other assets	1,052,024	1,087,814
	<u>71,939,450</u>	<u>71,264,811</u>
Liabilities		
Resources from credit institutions	7,487,357	9,938,395
Resources from customers	51,187,817	48,797,647
Debt securities issued	3,007,791	3,512,820
Financial liabilities held for trading	399,101	547,587
Hedging derivatives	177,337	383,992
Provisions	324,158	321,050
Subordinated debt	1,169,062	1,544,555
Current tax liabilities	12,568	35,367
Deferred tax liabilities	6,030	2,689
Other liabilities	988,493	915,528
Total Liabilities	<u>64,759,714</u>	<u>65,999,630</u>
Equity		
Share capital	5,600,738	4,268,818
Treasury shares	(293)	(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	252,806	245,875
Fair value reserves	82,090	(130,632)
Reserves and retained earnings	(120,220)	(102,306)
Net income for the year attributable to Shareholders	186,391	23,938
Total Equity attributable to Shareholders of the Bank	<u>6,080,815</u>	<u>4,382,116</u>
Non-controlling interests	1,098,921	883,065
Total Equity	<u>7,179,736</u>	<u>5,265,181</u>
	<u>71,939,450</u>	<u>71,264,811</u>

GLOSSARY

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).

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, capitalisation products, assets under management and investment funds.

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 condensed consolidated financial statements, for 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.

2017 figures were not audited or reviewed.