

EARNINGS PRESENTATION

1ST HALF 2018

MOBILIZING MILLENNIUM

MAIN GUIDELINES OF 2021 STRATEGIC PLAN

MILLENNIUM. AQUI CONSIGO.



AGILE



MODERN



PERSONAL



SIMPLE



SUSTAINABLE



Disclaimer

- The information in this presentation has been prepared under the scope of the International Financial Reporting Standards ('IFRS') of Group BCP for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002, taking into consideration their successive amendments.
- The figures presented do not constitute any form of commitment by BCP in regard to future earnings.
- First 6 months figures for 2018 and 2017 were not audited.
- The information in this document is provided solely for information purposes. It must be understood as being in accordance with the remaining information publicly disclosed by Group BCP.

- **Earnings for the 1st half of 2018**
- **Mobilizing Millennium:**
Main guidelines of 2021 strategic plan

Agenda

- Highlights
- Group
 - Profitability
 - Business activity
 - Capital
- Portugal
- International operations
- Key figures

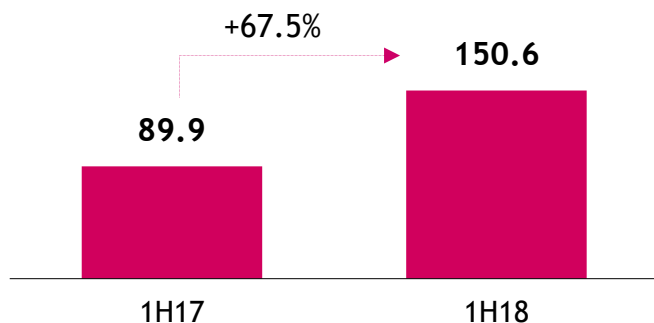
Highlights

- ① Improved profitability, with net earnings of €150.6 million in the 1st half of 2018
- ② Improved credit quality, with NPEs decreasing by €2.1 billion from June 30, 2017
- ③ Increasing business volumes, up by €2.9 billion from June 30, 2017
- ④ +103,000 active Customers in Portugal from June 30, 2017

Highlights

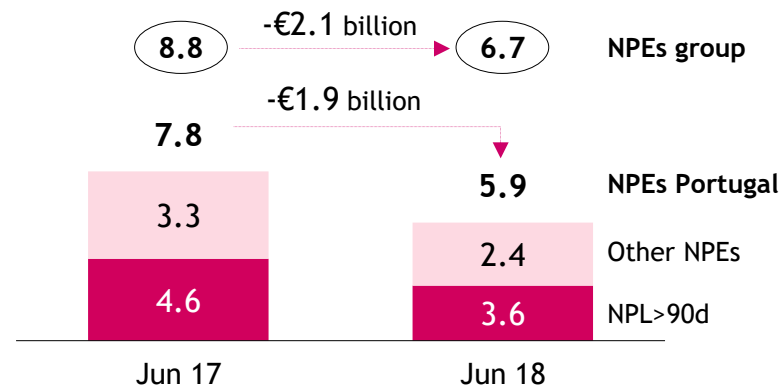
1 Improved profitability

(Consolidated net earnings, million euros)



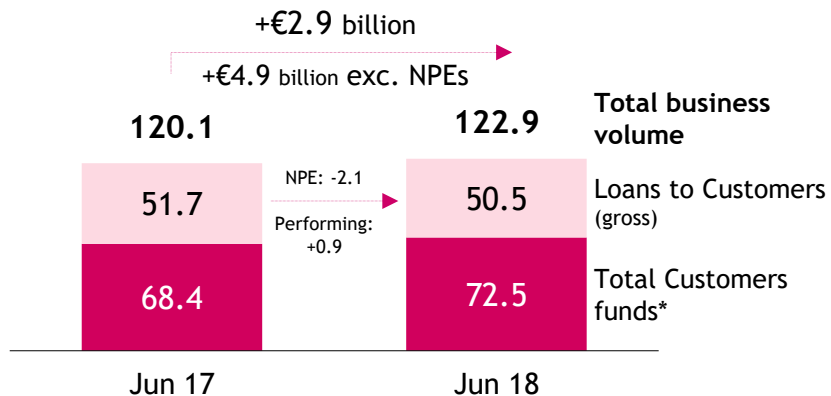
2 Improved asset quality

(Non-performing exposures, billion euros)



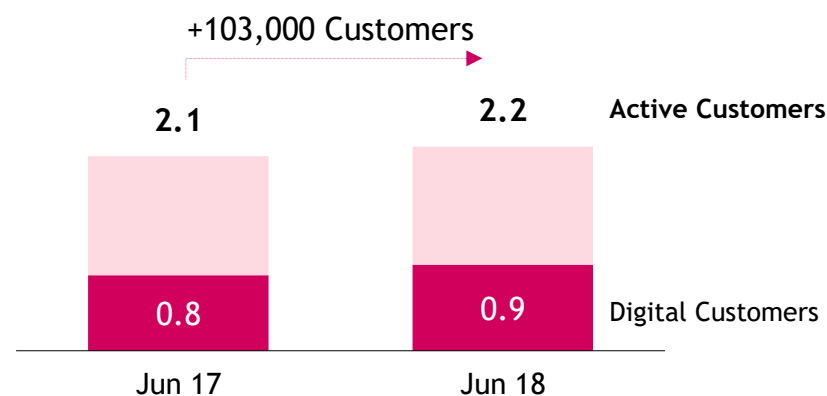
3 Increasing business volumes

(Consolidated, billion euros)



4 Growing Customer base

(Active Customers Portugal, million)



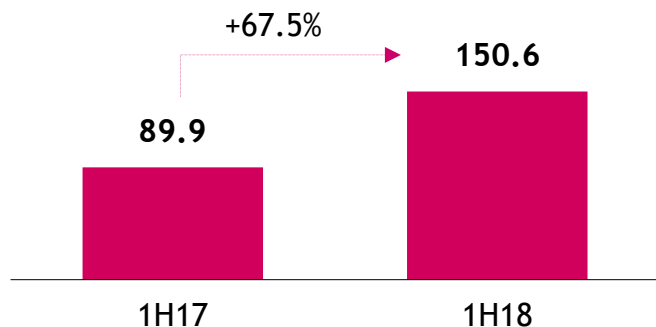
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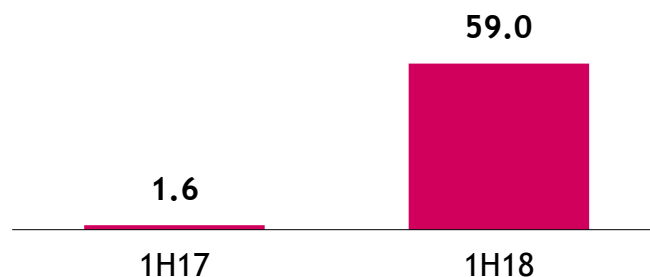
Improved profitability across geographies

(Million euros)

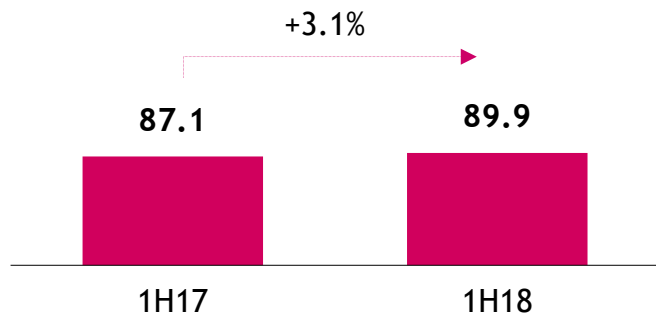
Consolidated net earnings*



Net earnings from domestic activity



Net earnings from international operations



- **Net earnings of €150.6 million in 1H18, a 67.5% increase** from €89.9 million in the same period of the previous year
- **Earnings from domestic activity improved significantly:** €59.0 million in the first six months of 2018, compared to €1.6 million in the same period of 2017
- **Earnings from international activity increased 3.1%,** to €89.9 million in the first half of 2018 from €87.1 million in the same period of 2017

Profit of €150.6 million in the 1st half of 2018

<i>(million euros)</i>	1H17	1H18	YoY	Impact on earnings
Net interest income	678.5	687.7	+1.3%	+9.2
Commissions	330.3	340.2	+3.0%	+9.9
Core income	1,008.8	1,027.9	+1.9%	+19.0
Other income*	40.0	28.9	-27.7%	-11.1
Operating costs	-450.2	-500.8	+11.2%	-50.6
Of which: recurring	-473.9	-492.8	+4.0%	-18.9
Of which: non-usual items (staff costs)	23.7	-8.0		-31.7
Operating net income	598.6	556.0	-7.1%	-42.6
Impairment and provisions	-415.3	-279.8	-32.6%	+135.5
Net income before income tax	183.3	276.2	+50.7%	+92.9
Income taxes, non-controlling interests and disc. operations	-93.4	-125.5	+34.4%	-32.2
Net income	89.9	150.6	+67.5%	+60.7

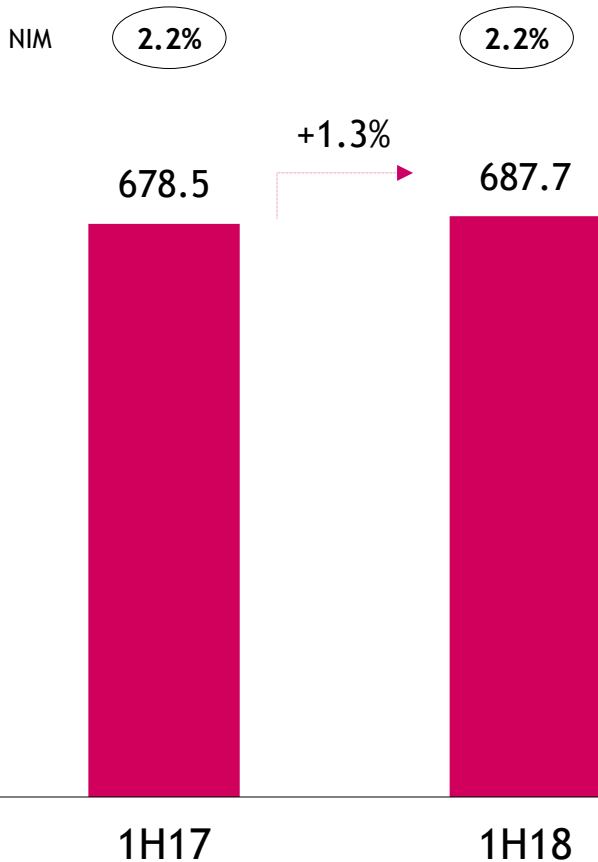
*Includes dividends from equity instruments, other net operating income, net trading income and equity accounted earnings.

Net interest income driven by international operations

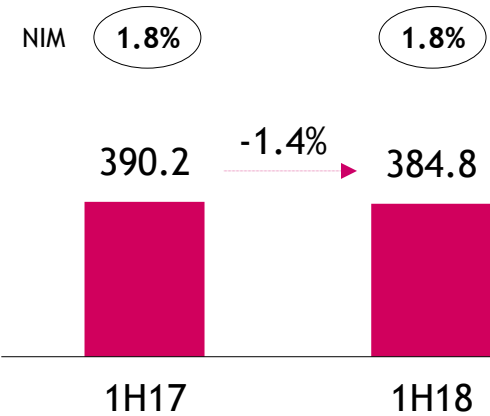
(Million euros)

Net interest income

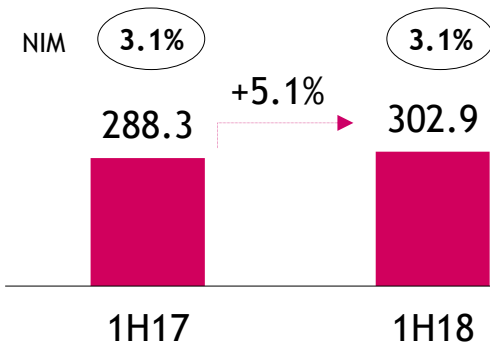
Consolidated



Portugal



International operations



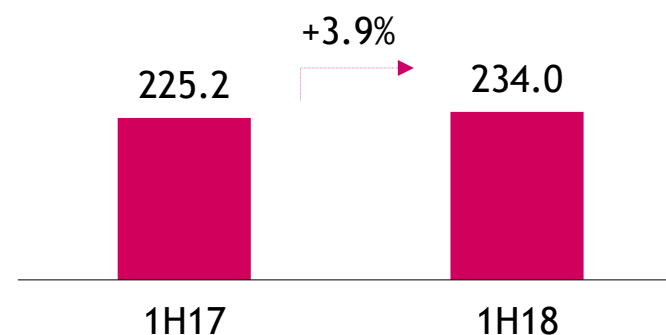
Increased commissions

(Million euros)

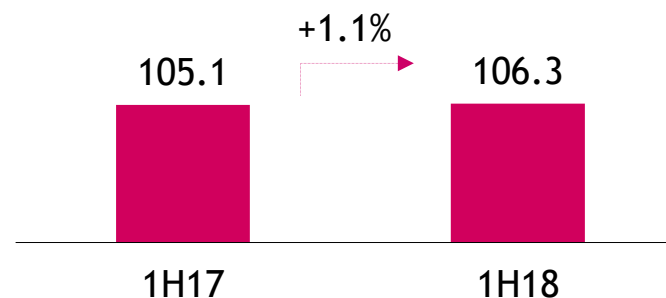
Fees and commissions Consolidated

	1H17	1H18	YoY
Banking fees and commissions	271.6	278.3	+2.5%
Cards and transfers	75.2	79.8	+6.1%
Loans and guarantees	78.5	81.4	+3.7%
Bancassurance	47.5	48.1	+1.3%
Customer account related	52.1	52.4	+0.6%
Other fees and commissions	18.2	16.6	-9.1%
Market related fees and commissions	58.8	61.9	+5.3%
Securities operations	38.2	39.5	+3.6%
Asset management	20.6	22.4	+8.4%
Total fees and commissions	330.3	340.2	+3.0%

Portugal

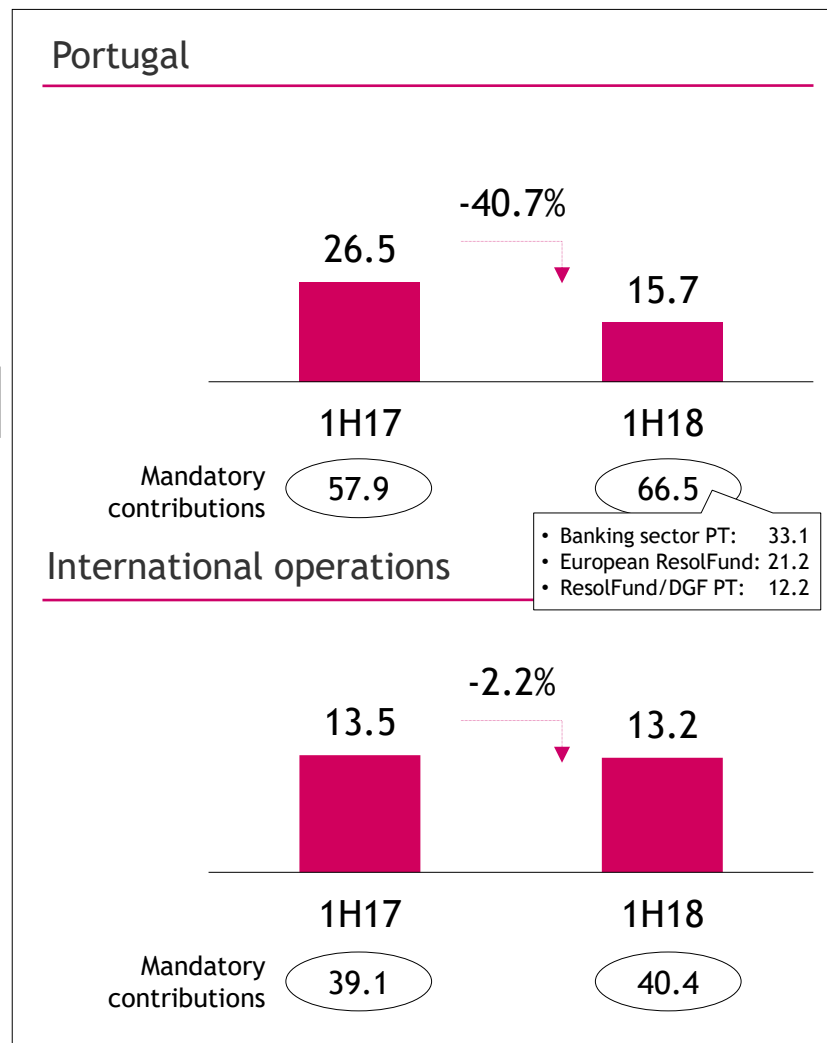
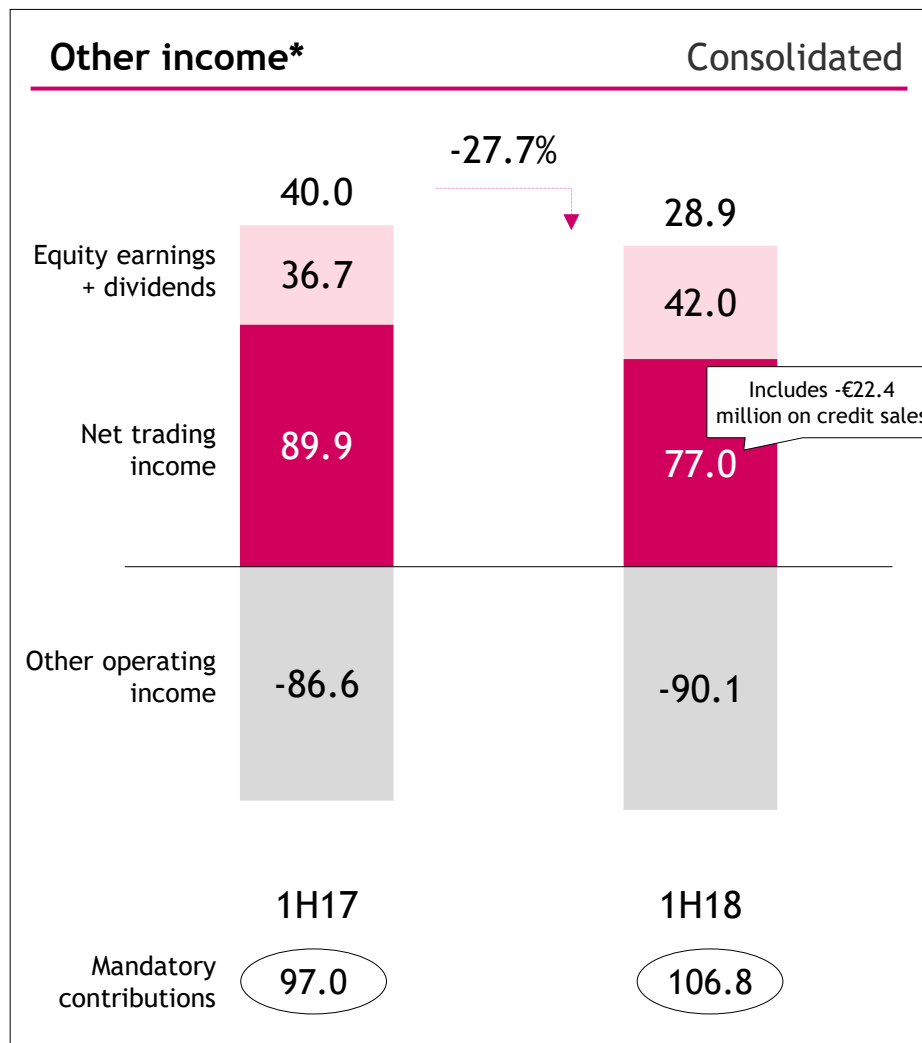


International operations



Other income* influenced by mandatory contributions and credit sales

(Million euros)

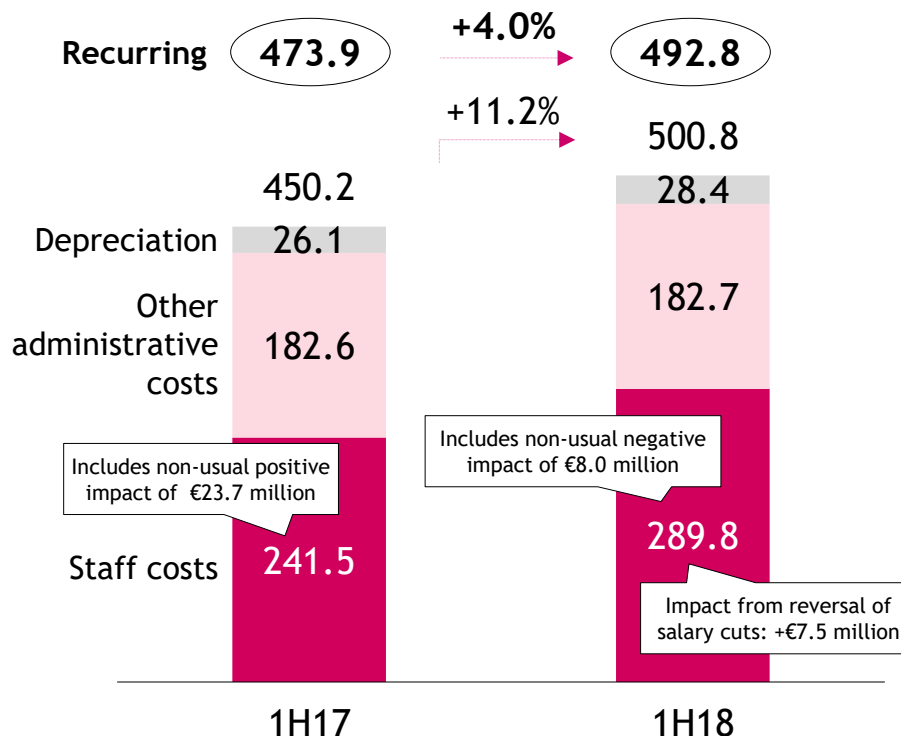


Recurring operating costs under control, in spite of the impact from the reversal of salary cuts

(Million euros)

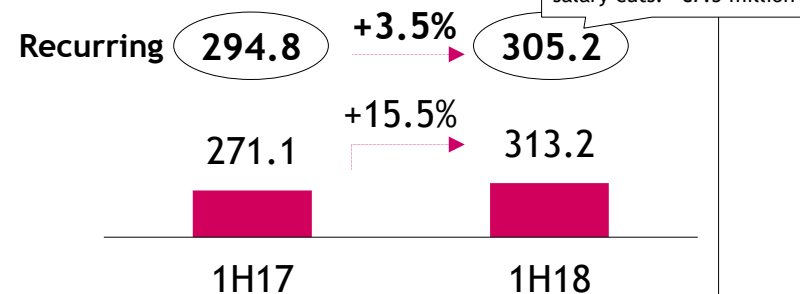
Operating costs

Consolidated



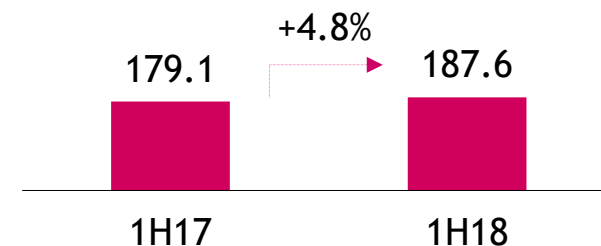
	1H17	1H18
Cost to income	42.9%	47.4%
Cost to income excluding non-usual items	45.2%	46.6%
Cost to core income*	44.6%	48.7%
Cost to core income* excluding non-usual items	47.0%	47.9%

Portugal



	1H17	1H18
Cost to income	42.2%	49.4%
Cost to income excluding non-usual items	45.9%	48.1%
Cost to core income*	44.1%	50.6%
Cost to core income* excluding non-usual items	47.9%	49.3%

International operations

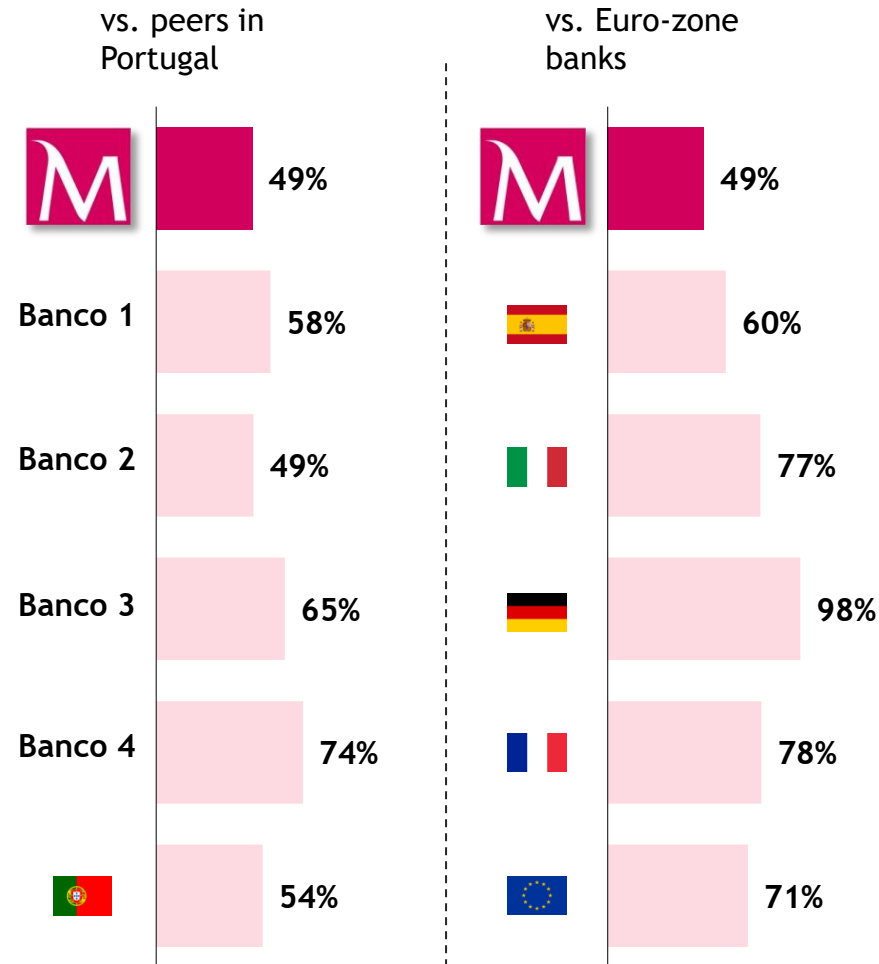


	1H17	1H18
Cost to income	44.0%	44.4%
Cost to core income*	45.5%	45.9%

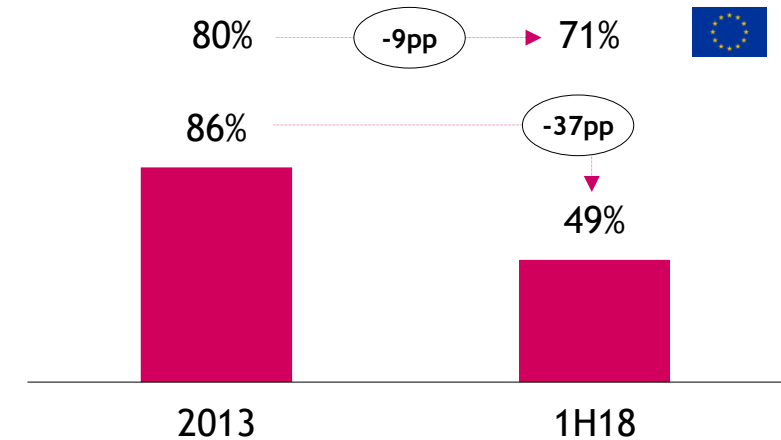
Millennium bcp: one of the most efficient banks in the Eurozone

Cost to core income*

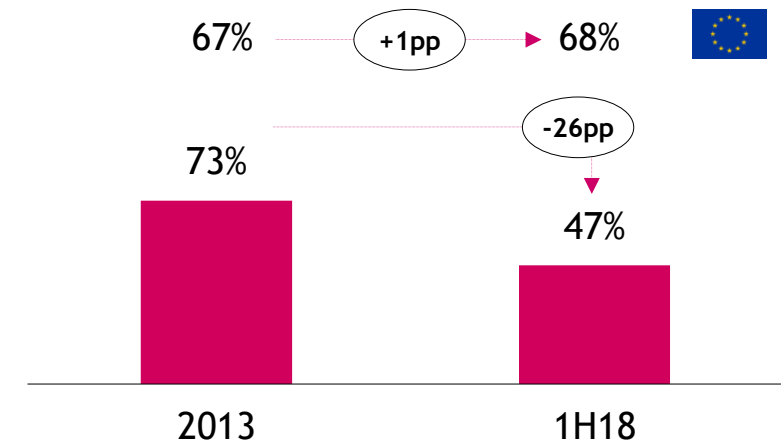
Latest available information



Cost to core income*



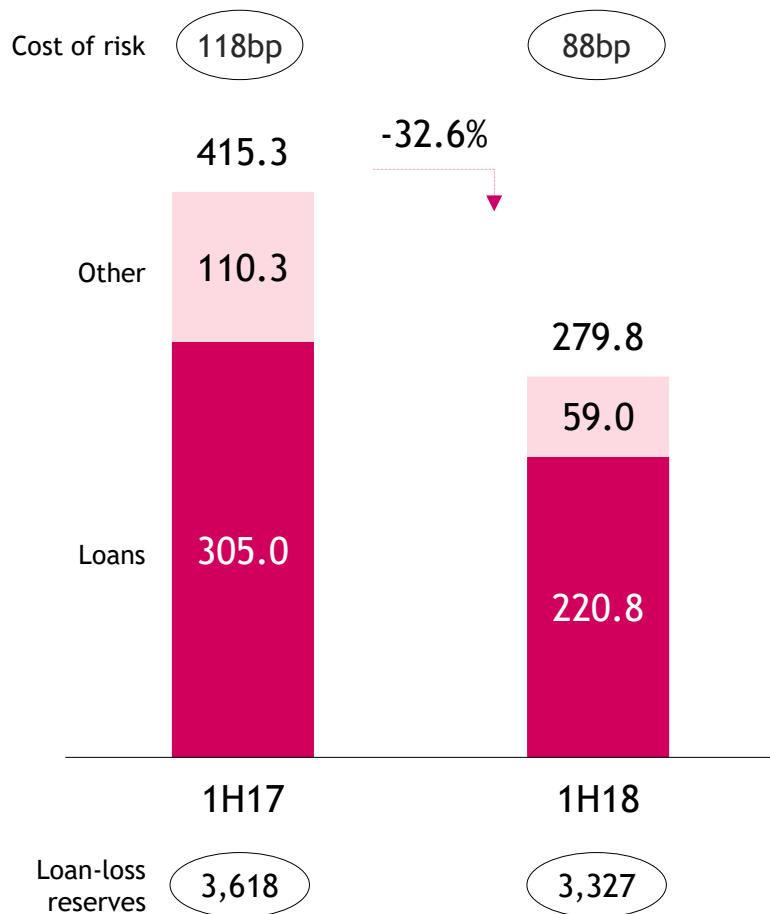
Cost to income



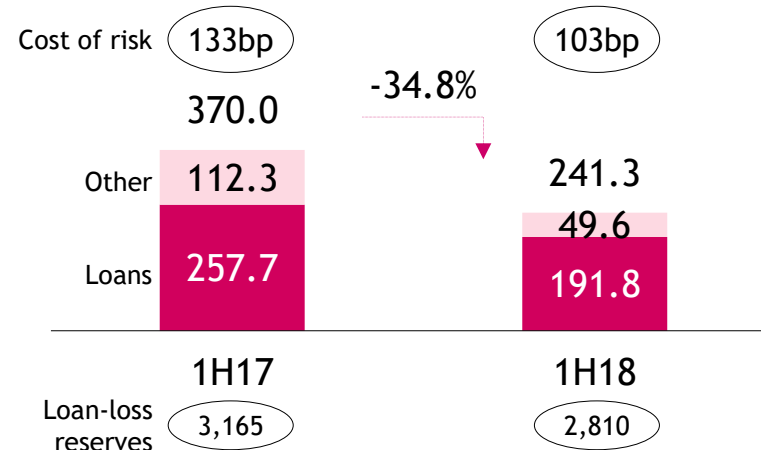
Cost of risk keeps normalisation trend

(Million euros)

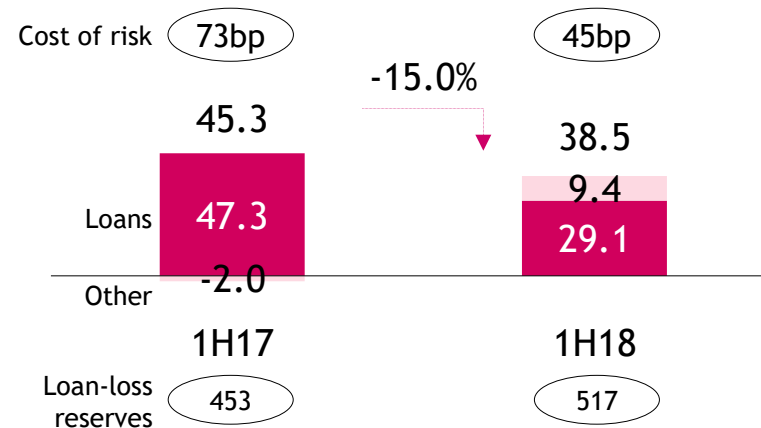
Impairment and provision charges Consolidated



Portugal



International operations



Relevant NPE reduction and strengthened coverage

(Million euros)

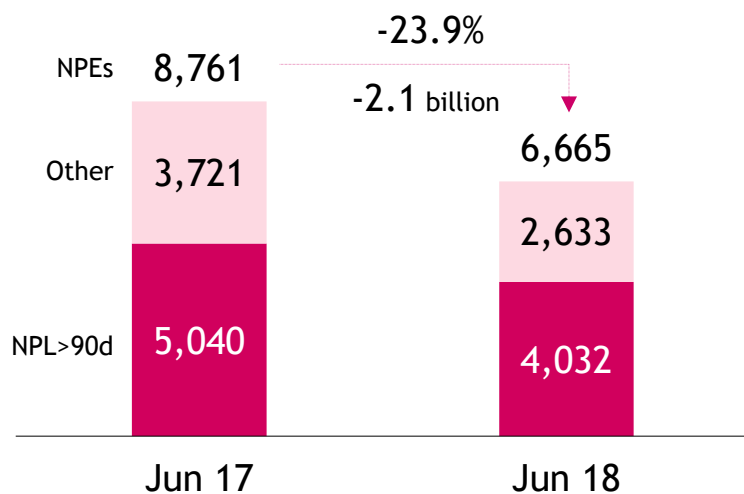
Credit quality

Consolidated

NPE coverage by
LLRs

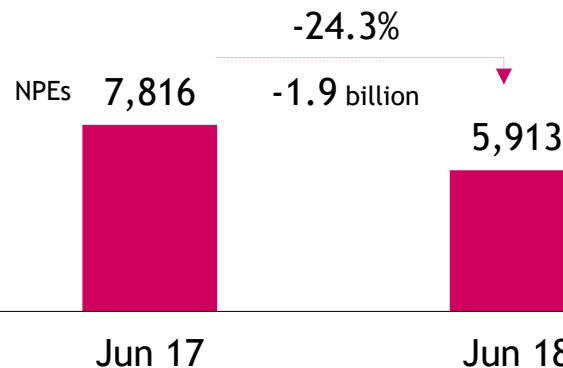
41%

50%

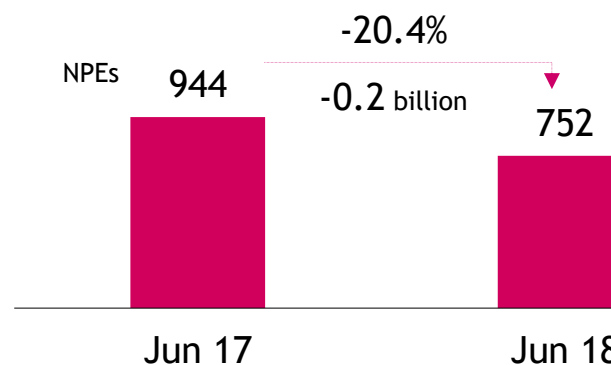


	Jun 17	Jun 18
NPL>90 days ratio	9.8%	8.0%
NPE ratio*	17.0%	13.2%
NPE ratio inc. securities and off-BS*	13.0%	9.4%
NPE total coverage**	105%	106%

Portugal



International operations



Agenda

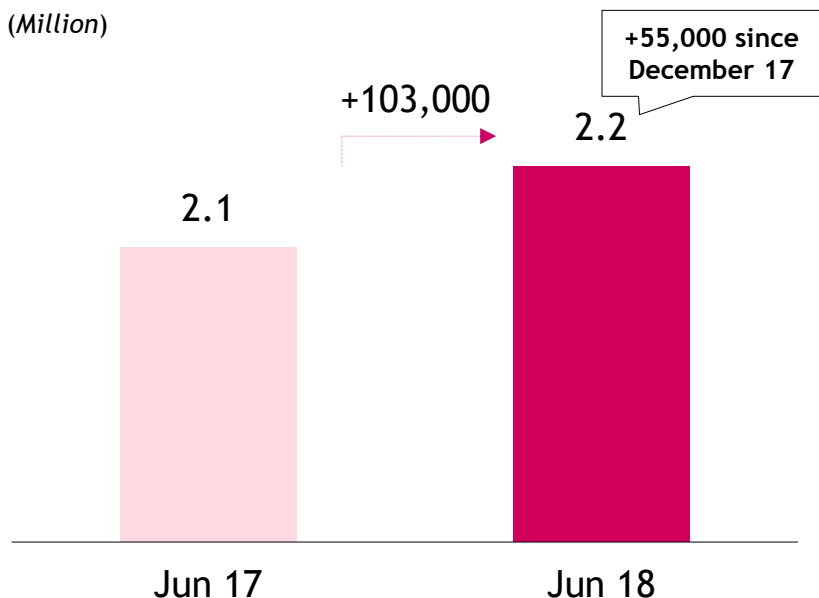
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Strong Customer acquisition



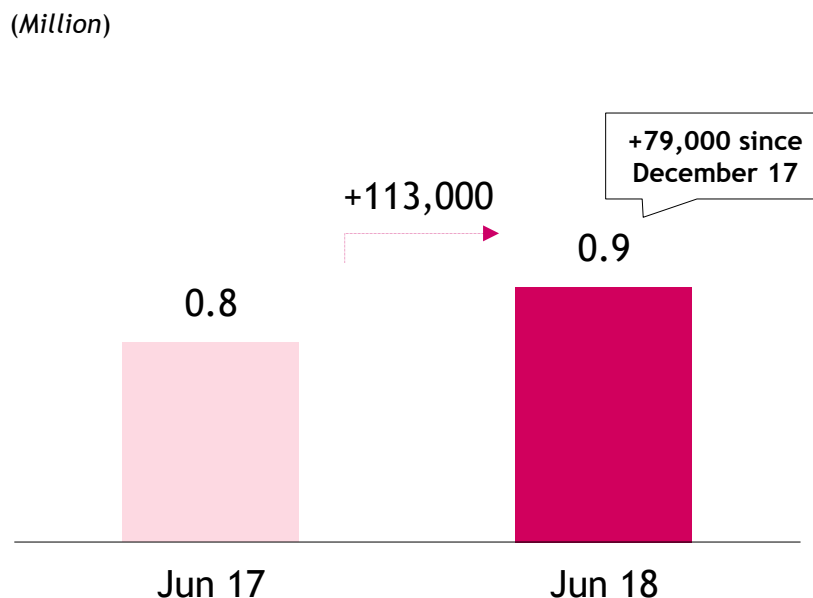
Active Customers

(Million)



Digital Customers

(Million)

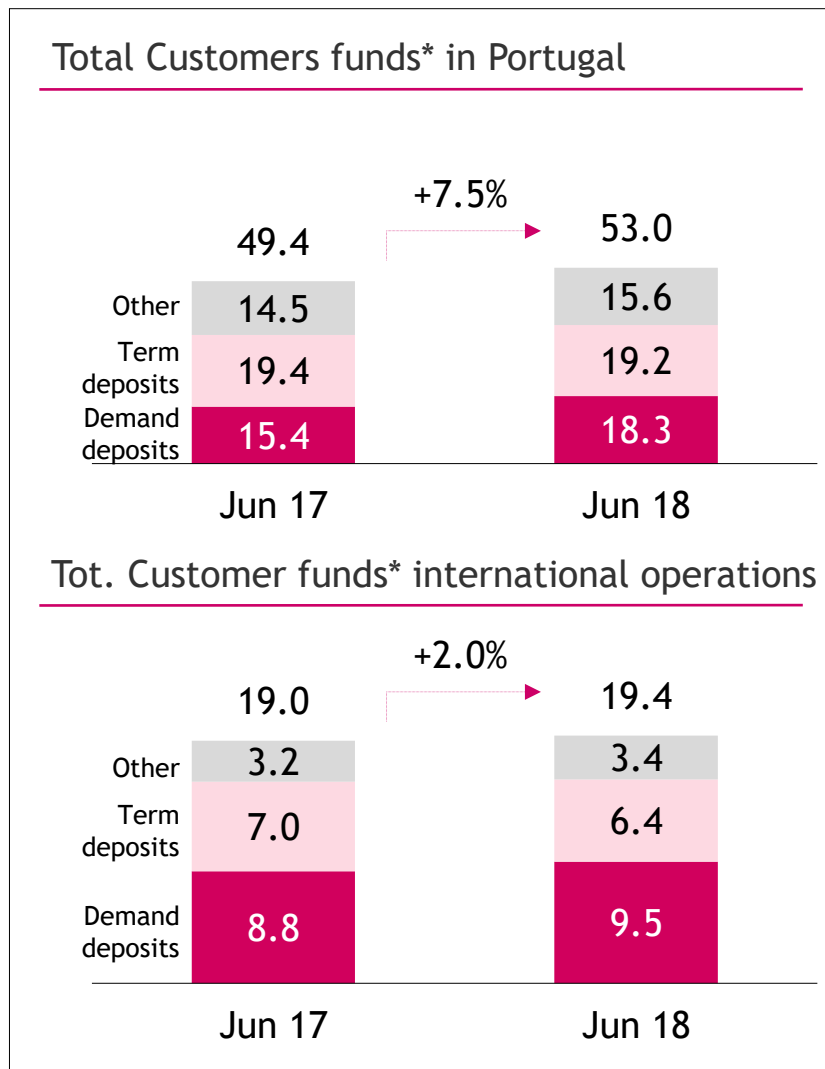
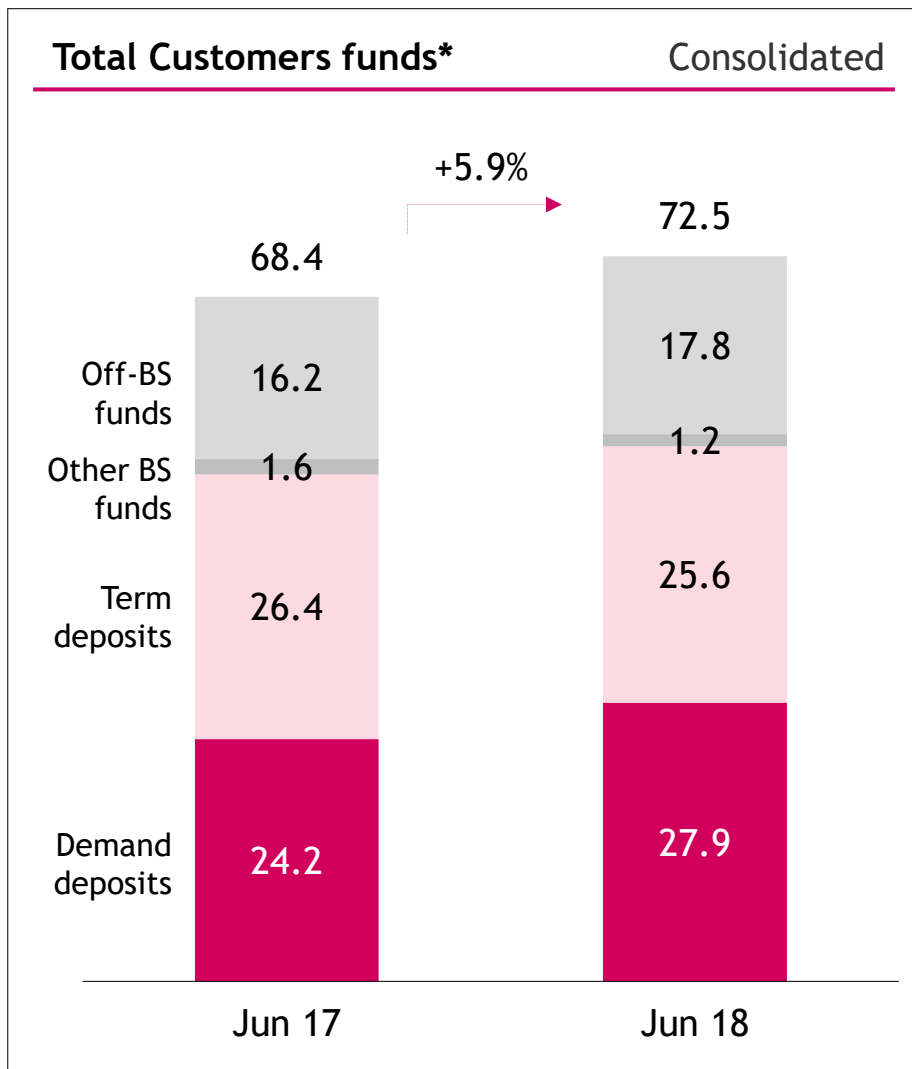


Awards and surveys

- Bank **closest to its Customers**; **most innovative** Bank; Bank **of choice**; Bank with the **most satisfied Customers** with digital channels, with **Customer service**, with **Customer manager** and with the **quality of products/services** (BASEF, 5 largest banks in Portugal)
- **Leader in online brokerage**, with a strong contribution from the **Bolsa app** and the **MTRADER** platform, winner of the **Best Capital Market Initiative award** at Euronext Lisbon Awards 2018

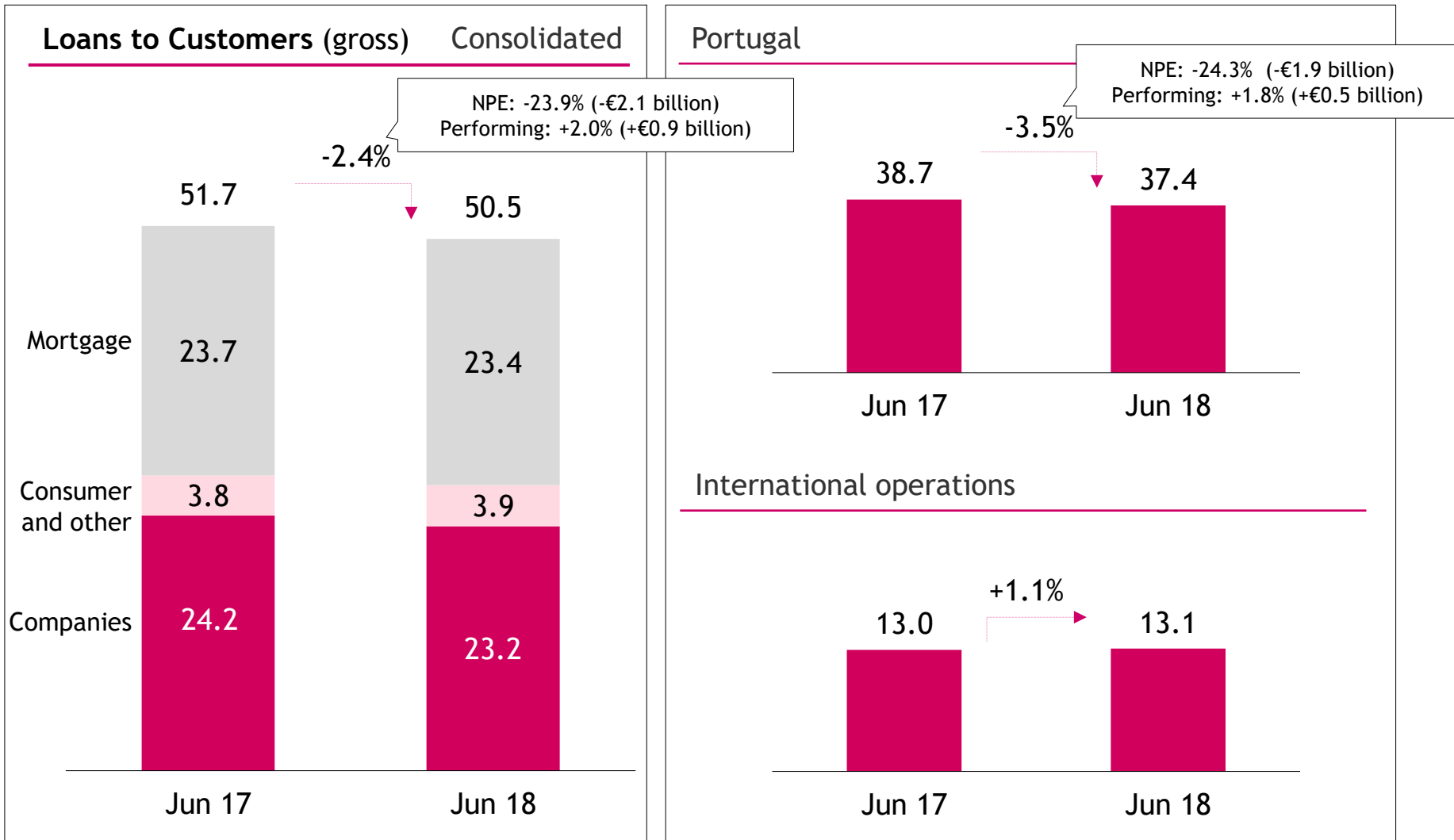
Strong business dynamics results in growing Customer funds

(Billion euros)



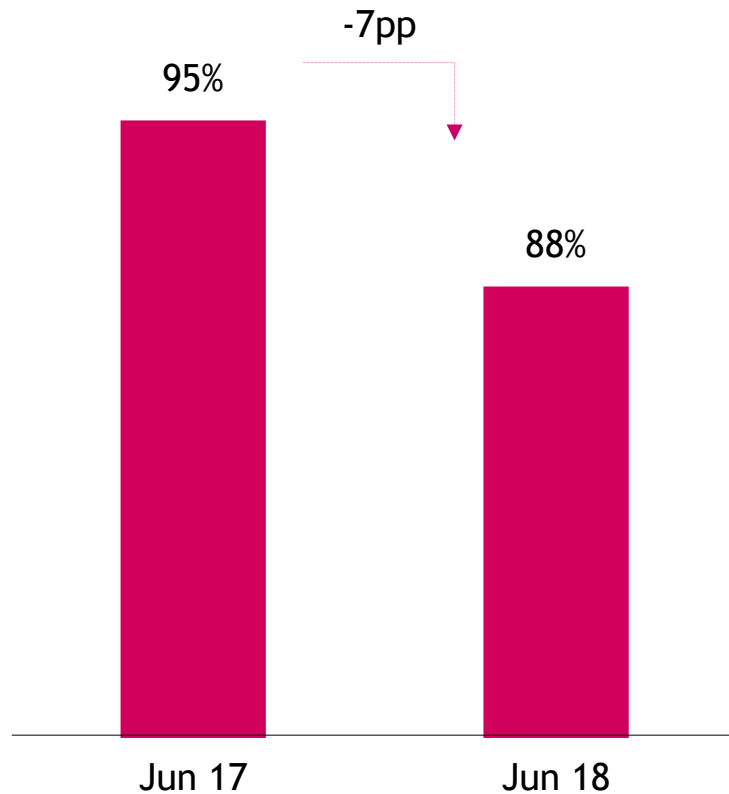
Strong business dynamics, with increasing performing portfolio

(Billion euros)



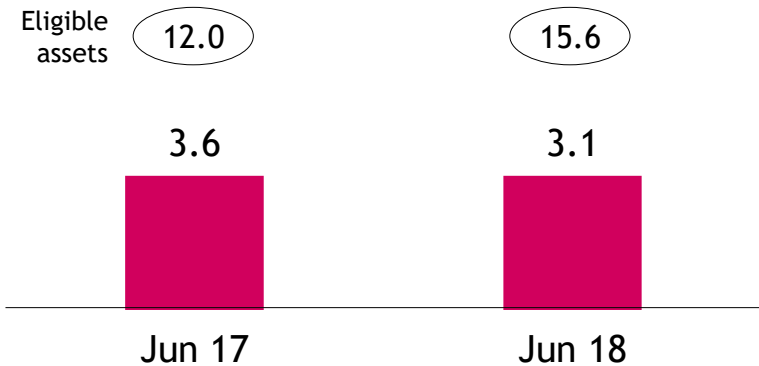
Comfortable liquidity position

Net loans to deposits ratio

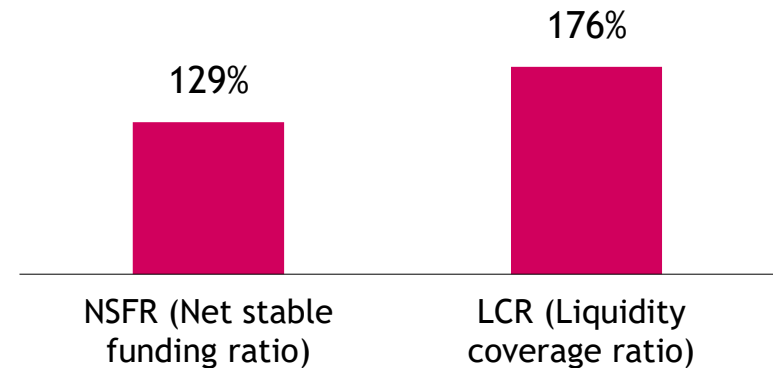


ECB funding

(Billion euros)



Liquidity ratios (CRD IV/CRR)



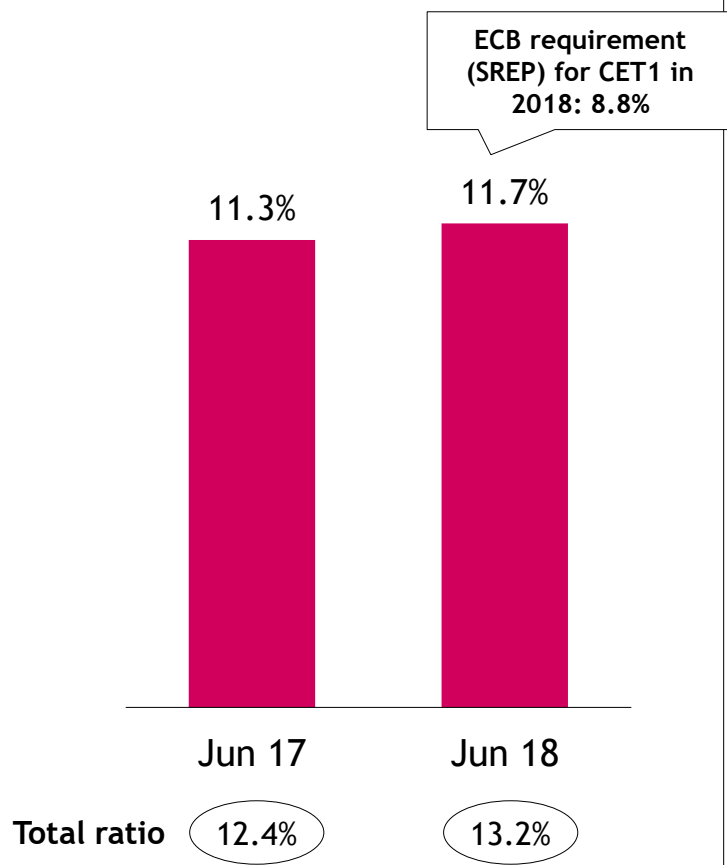
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Comfortable capital position

Common Equity Tier 1 ratio*

Fully implemented

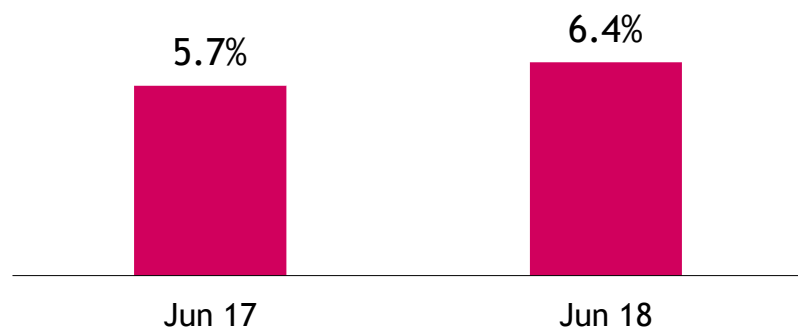


- CET1 capital ratio of 11.7% (fully implemented)
- Increase from a 11.3% fully implemented ratio as of June 30, 2017 due to organic capital generation (+66bps on capital due to earnings from 1st half of 2017) and improved fair value reserves, partially offset by the impact of the IFRS9 adoption, by the deduction of irrevocable commitments (DGF/SRF) and by increased risk-weighted assets
- Decrease from a 11.8% fully implemented ratio as of March 31, as organic capital generation (+16bps on capital due to earnings for the quarter) was offset by the deterioration of public debt yields and by increased risk-weighted assets
- Total capital ratios of 13.3% (fully implemented), boosted by the €300 million subordinated debt (tier 2) issued in December 2017

Capital at comfortable levels, strong leverage ratios

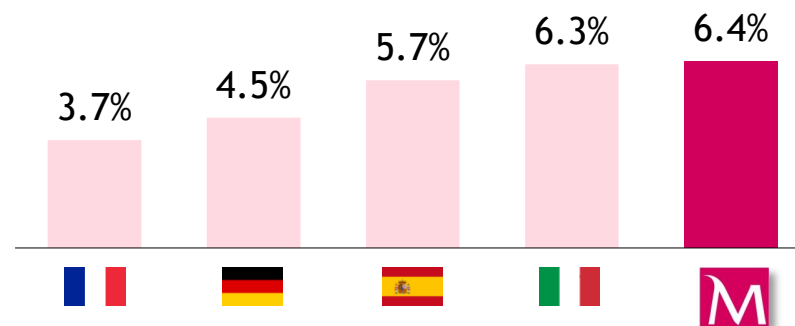
Leverage ratio

Fully implemented



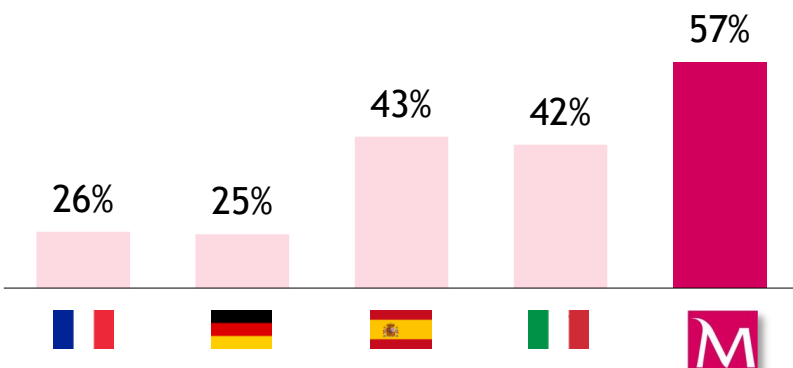
Leverage ratio

Fully implemented, latest available data

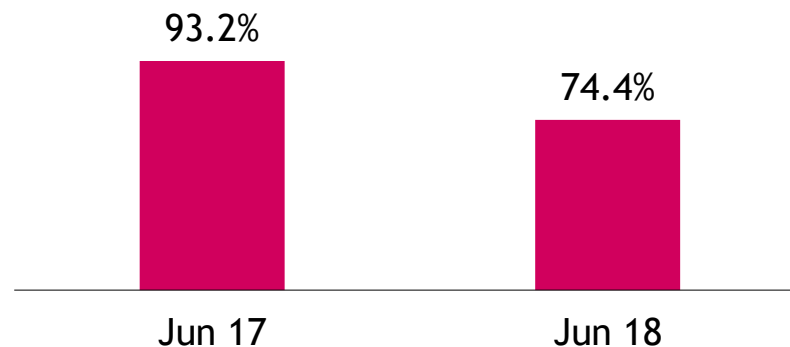


RWA density

RWAs as % of assets, latest available data



Texas ratio*



Pension fund

Key figures

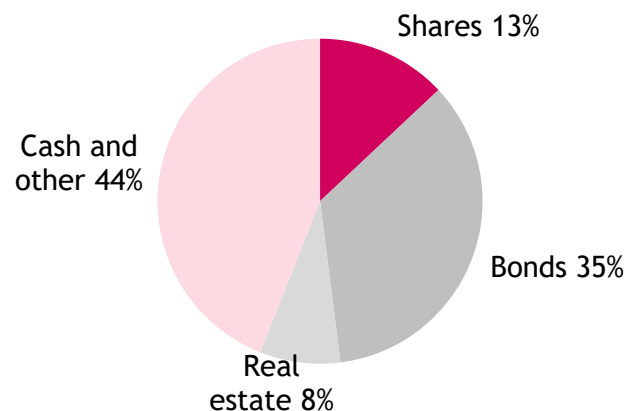
(Million euros)

	Dec 17	Jun 18
Pension liabilities	3,050	3,056
Pension fund	3,166	3,202
Liabilities' coverage	104%	105%
Fund's profitability	+4.2%	+3.1%
Actuarial differences	+29	+27

Assumptions

	Dec 17	Jun 18
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, 2017
- Coverage of liabilities of 105%
- Positive actuarial deviations in the 1st half of 2018 (+€27 million), reflecting the performance of the fund above assumptions

Agenda

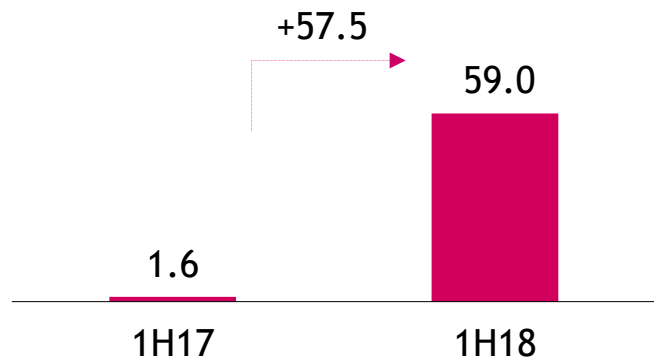
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Increased net income

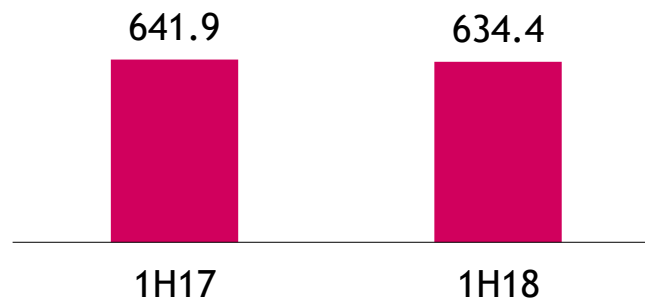


(Million euros)

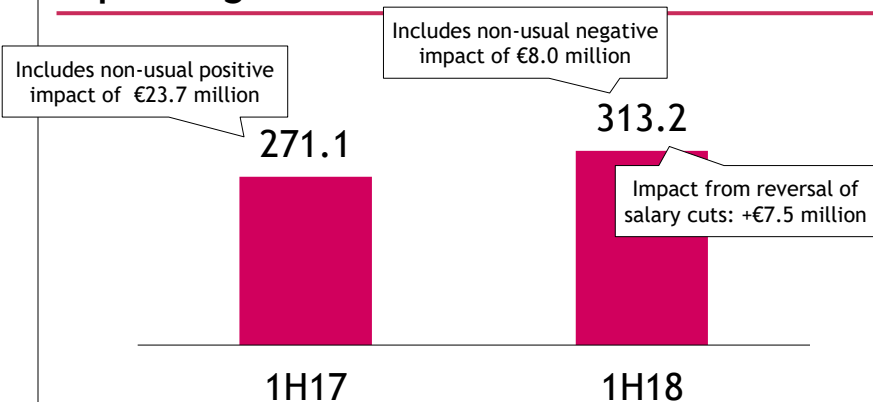
Net income



Banking income



Operating costs



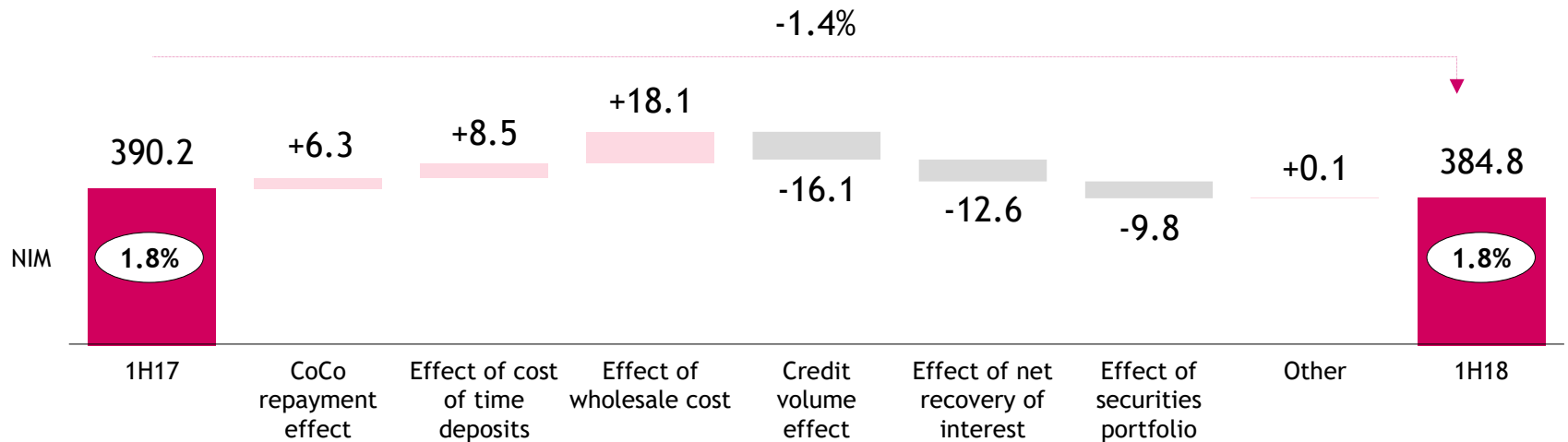
- Net earnings of €59.0 million in 1H18, + €57.5 million compared to €1.6 million in the same period of 2017
- Net earnings were driven by a significant reduction in credit-loss charges (-25.6%, with cost of risk decreasing to 103bp from 133bp), as well as by lower other impairment and provisions (-55.9%)

Net interest income



Net interest income

(Million euros)



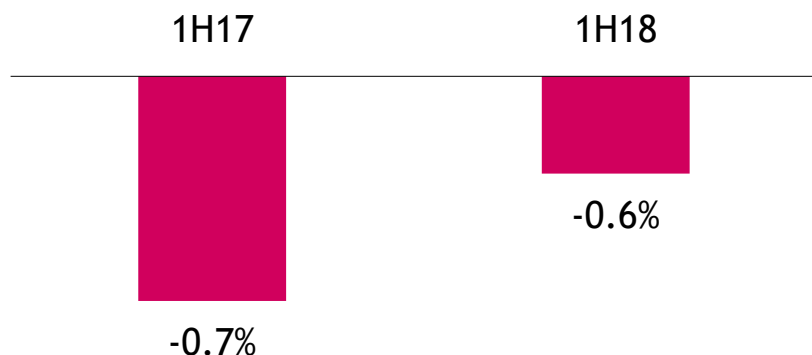
- Net interest income decreased from €390.2 million in the first half of 2017 to €384.8 million in the same period of 2018. The favourable impacts of the repayment of CoCos; of the continued decline in the remuneration of time deposits; and of a lower wholesale funding cost were more than offset by the negative effects of the lower volume of credit, largely reflecting the emphasis on the reduction of NPEs (unlikely to pay); of lower interest recoveries (including IFRS9); and of the securities portfolio (increased balance yielding lower interest, reflecting lower sovereign yields from the end of the first half of 2017)
- Net interest income increased slightly from €192.0 million in the first quarter to €192.8 million in the second quarter of 2018

Continued effort to reduce the cost of deposits



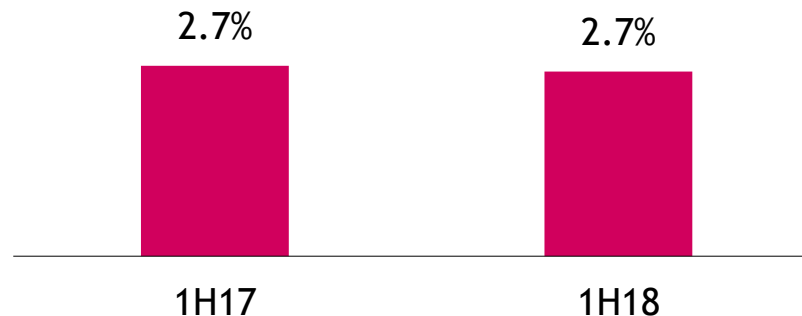
Spread on the book of term deposits

(vs 3m Euribor)

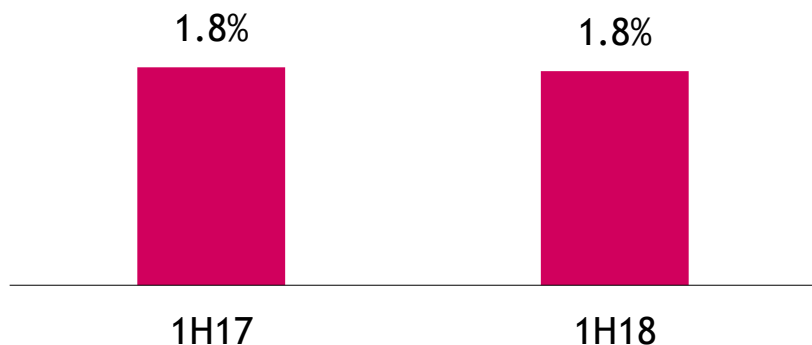


Spread on the performing loan book

(vs 3m Euribor)



NIM



- Continued improvement in the spread of the portfolio of term deposits: from -0.7% in the first half of 2017 to -0.6% in the same period of 2018; front book for 1st half of 2018 priced at an average spread of -46bp, still below the current back book's
- Spread on the performing loan portfolio stood at 2.7% in the first half of 2018 (same spread as in the first half of 2017)
- NIM was 1.8%

Commissions and other income*

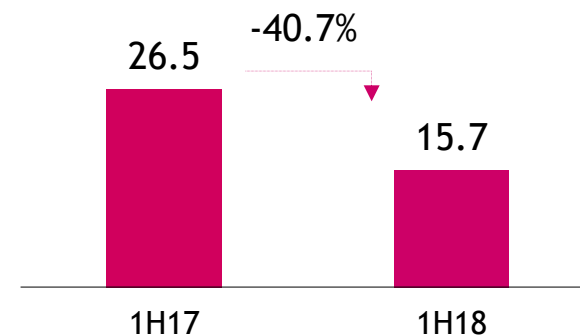


(Million euros)

Fees and commissions

	1H17	1H18	YoY
Banking fees and commissions	194.0	201.0	+3.6%
Cards and transfers	51.4	53.1	+3.4%
Loans and guarantees	51.7	53.5	+3.4%
Bancassurance	39.3	40.7	+3.6%
Customer account related	46.4	46.9	+0.9%
Other fees and commissions	5.2	6.9	+32.8%
Market related fees and commissions	31.2	32.9	+5.6%
Securities operations	28.0	29.6	+5.6%
Asset management	3.2	3.3	+5.0%
Total fees and commissions	225.2	234.0	+3.9%

Other income*



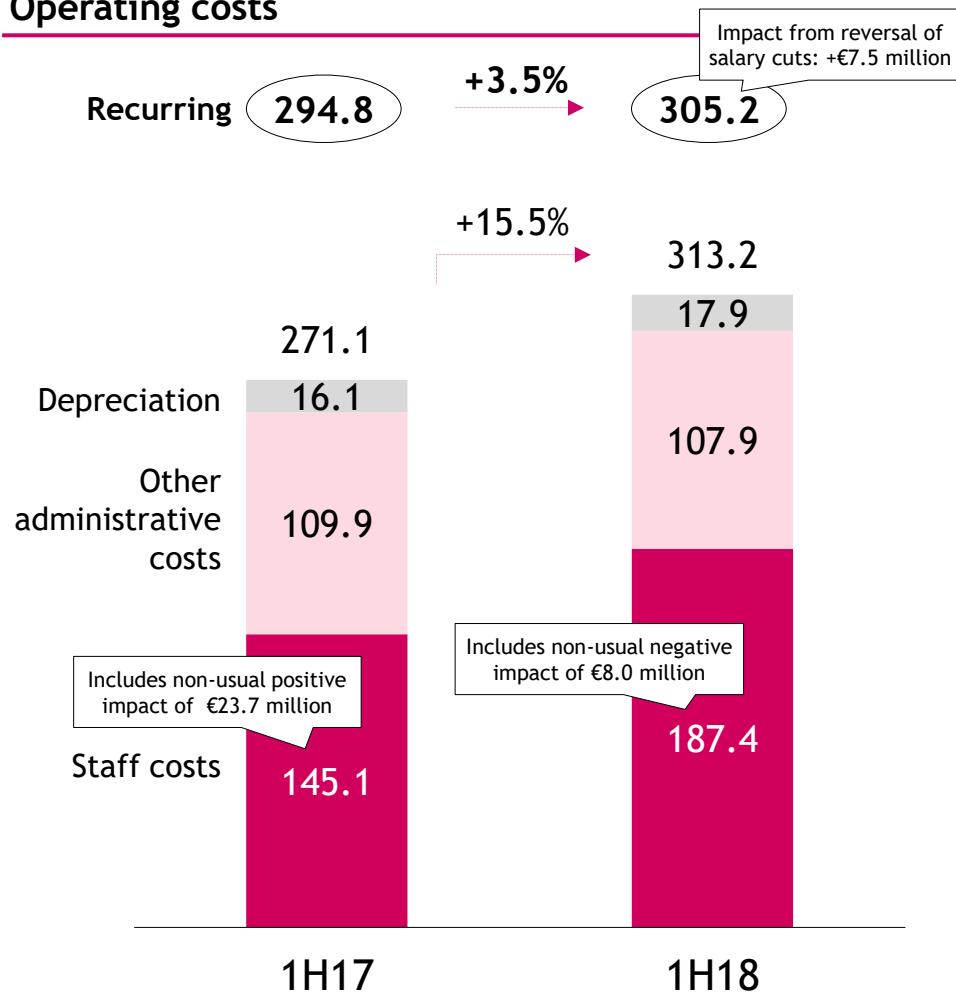
- Growing commissions in Portugal, in all lines, with income related to markets (brokerage, in particular) and to investment banking activity standing out
- Decreased other income due to lower trading income (-€22.4 million in sales of credit) and to higher mandatory contributions (+€8.6 million)

Operating costs

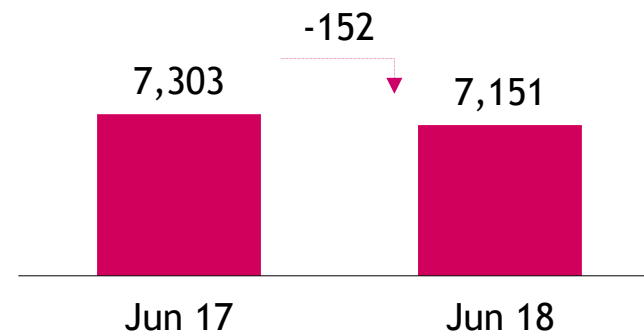


(Million euros)

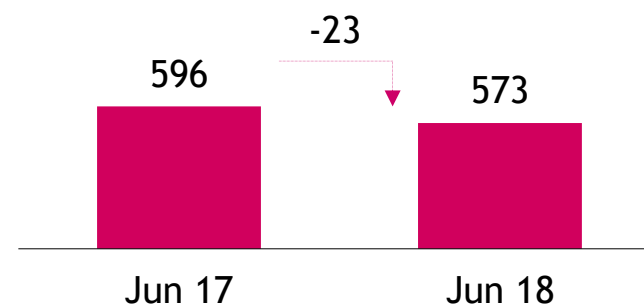
Operating costs



Employees



Branches

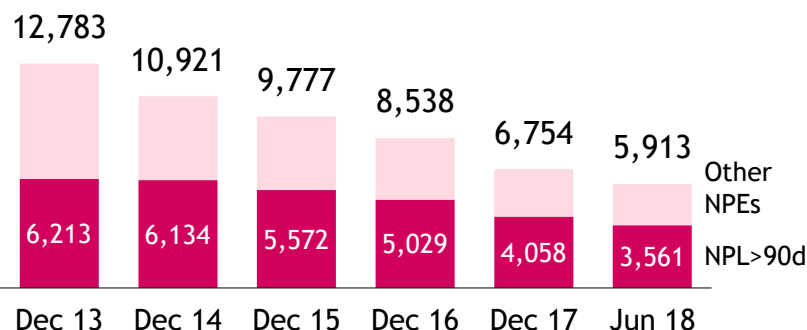


Very strong pace of NPE reduction since 2013

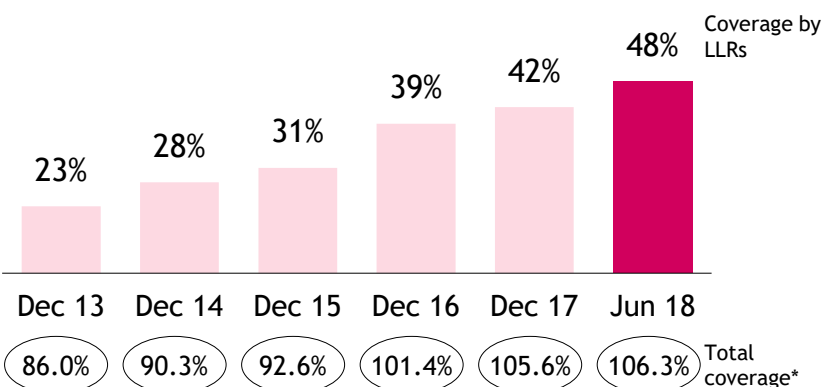


(Million euros)

Non-performing exposures (NPEs)



NPE coverage



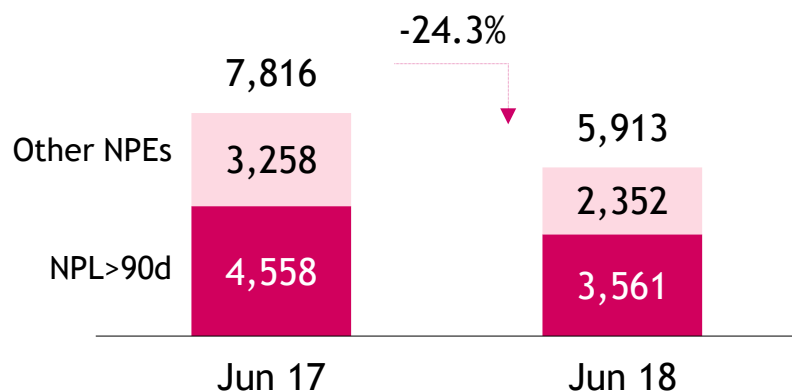
- **NPEs in Portugal down** to €5.9 billion as of June 30, 2018, **a €841 million reduction from year-end 2017**
- This decrease is attributable to a **€497 million NPLs > 90d reduction** and to a **€344 million reduction of other NPEs**
- **NPE total coverage* of 106%**, broken down as follows:
 - coverage by loan-loss reserves of 48%
 - coverage by real estate collateral of 44%
 - coverage by financial collateral of 12%
 - coverage by expected loss gap of 2%
- **NPEs net from loan-loss reserves were down to €3.1 billion on June 30, 2018 from € 9.8 billion at year-end 2013**

Lower NPEs, with reinforced coverage



(Million euros)

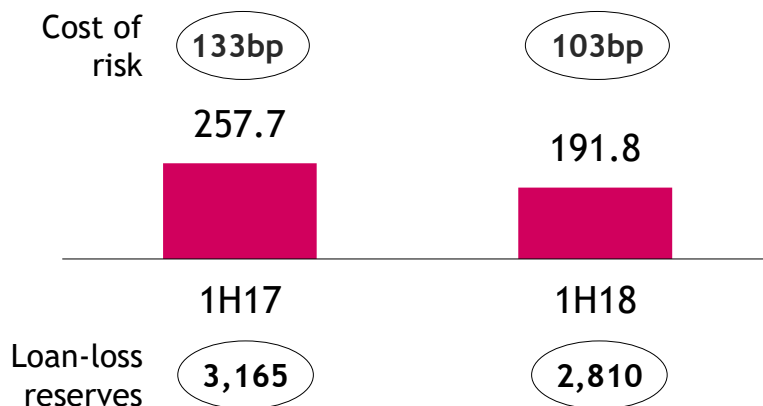
Non-performing exposures (NPEs)



NPE build-up

	Jun 18 vs. Jun 17	Jun 18 vs. Mar 18
Opening balance	7,816	6,282
+/- Net entries	-813	-134
- Write-offs	-531	-134
- Sales	-560	-101
Ending balance	5,913	5,913

Loan impairment (net of recoveries)

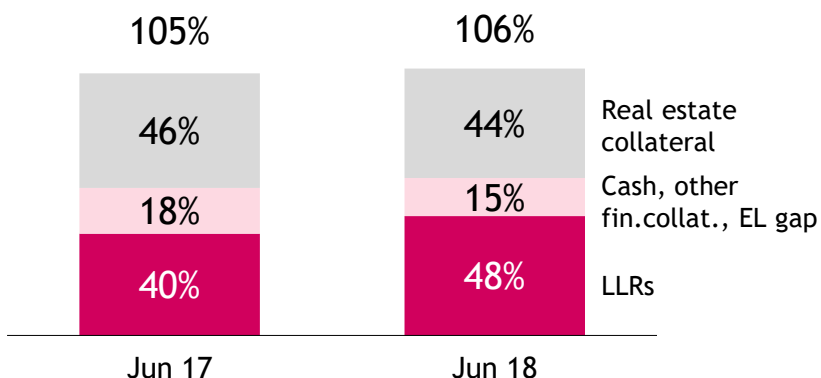


- NPEs in Portugal down by €1.9 billion, from €7.8 billion as at June 30, 2017 to €5.9 billion as at the same date of 2018
- This decrease results from net outflows of €813 million, sales of €560 million and write-offs of €531 million
- The decrease of NPEs from June 30, 2017 is attributable to a €1.0 billion reduction of NPLs>90d and to a €0.9 billion decrease of other NPEs
- Significant NPE reduction in the quarter, from €6.3 billion as at March 31 to €5.9 billion as at June 30, 2018
- Reduction of the cost of risk to 103bp in the first half of 2018 from 133bp in the same period of 2017, with a reinforcement of coverage of the NPEs by loan-loss reserves to 48% from 40%, respectively

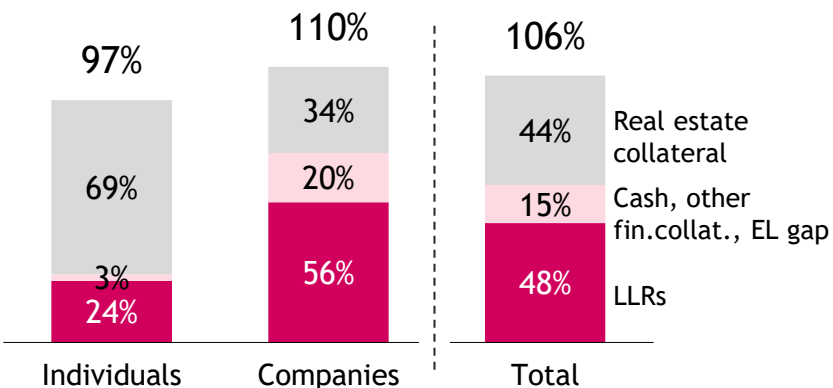
NPE coverage



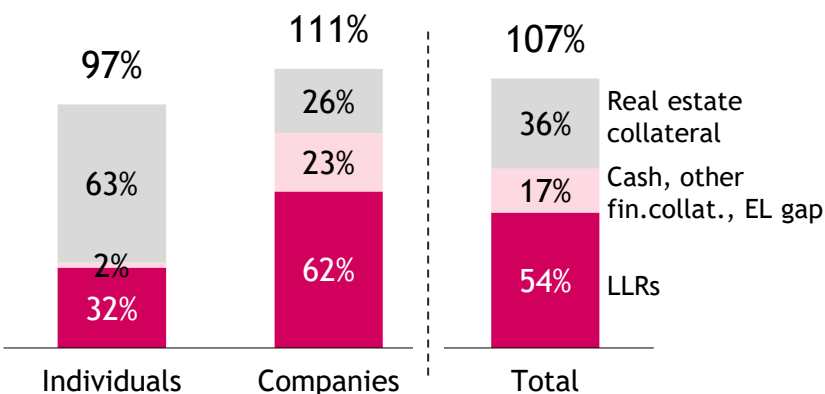
NPE total coverage*



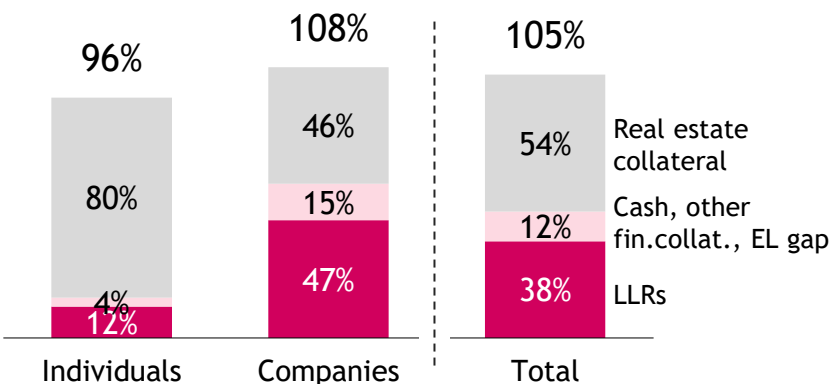
NPE total coverage*



NPL > 90d total coverage*



Other NPE total coverage*



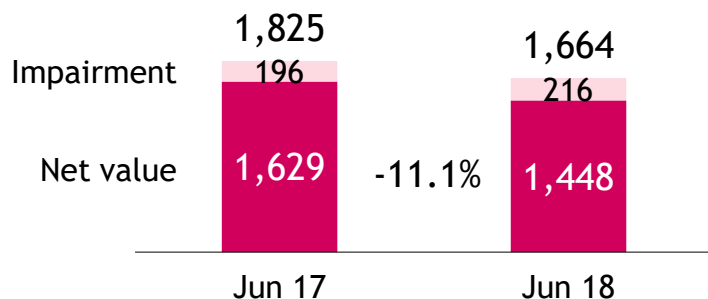
Foreclosed assets and corporate restructuring funds



Foreclosed assets

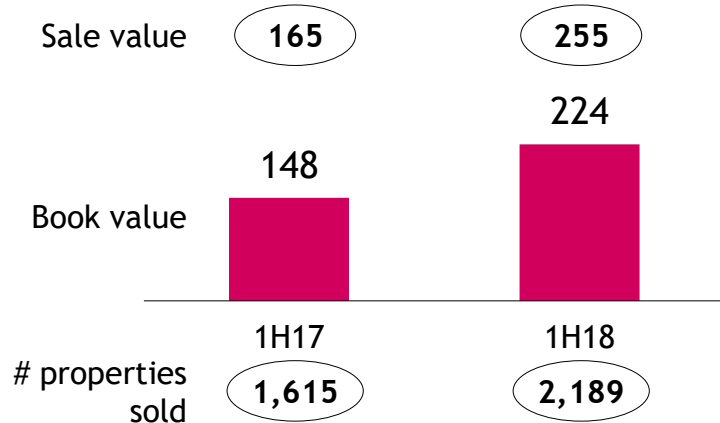
(Million euros)

Valuation exceeds book value
by 26%



Sales of foreclosed assets

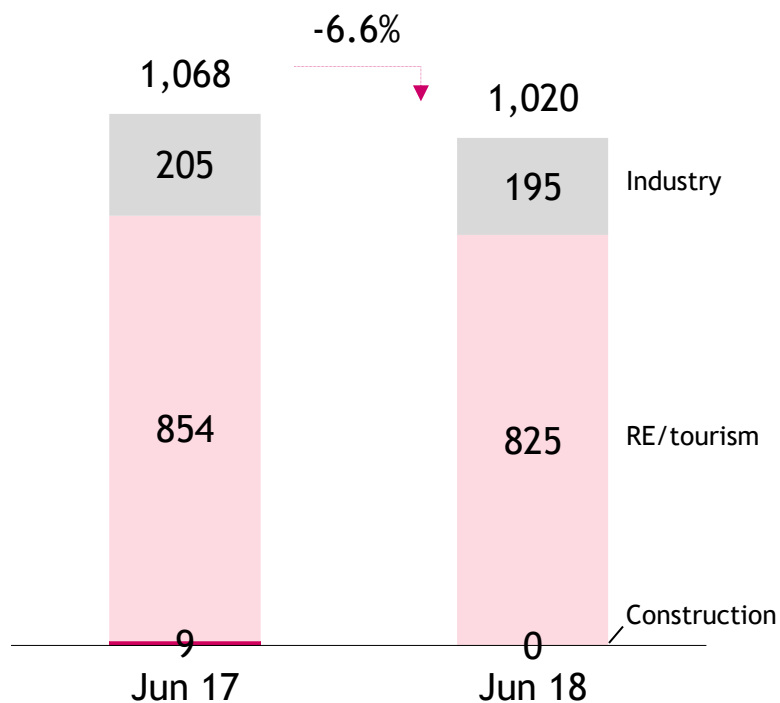
(Million euros)



Corporate restructuring funds

(Million euros)

Original credit exposure: €2,006 million
Book value (30 Jun 2018): €1,020 million
Total impairment (credit+restr. funds): €986 million
(49% coverage)

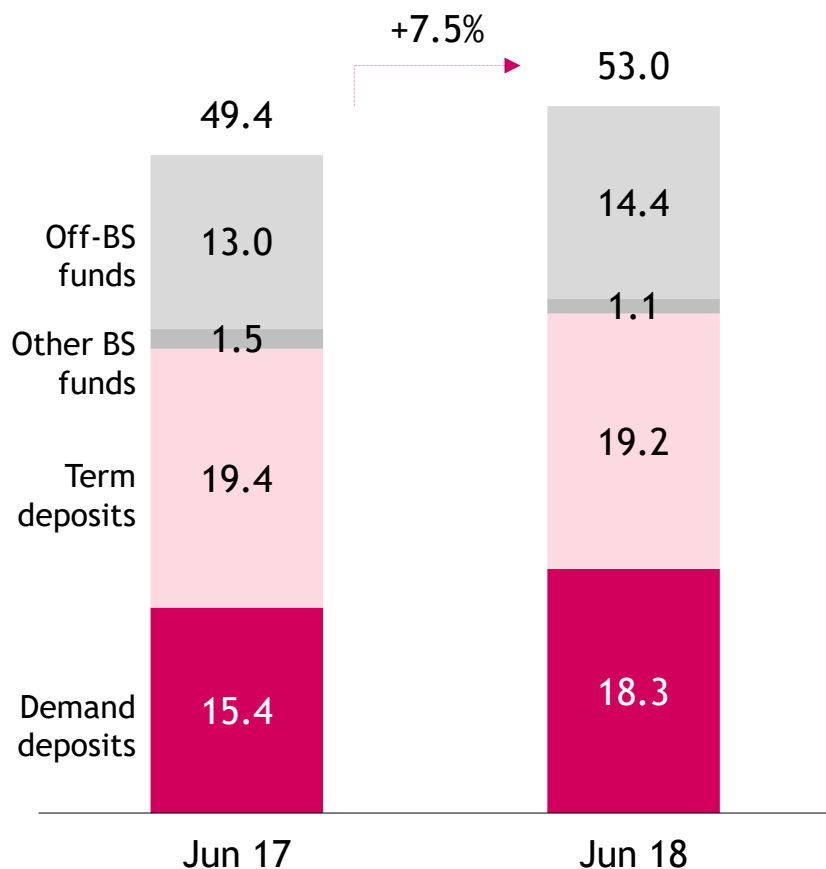


Strong business dynamics leads to increased Customer funds and performing credit portfolio

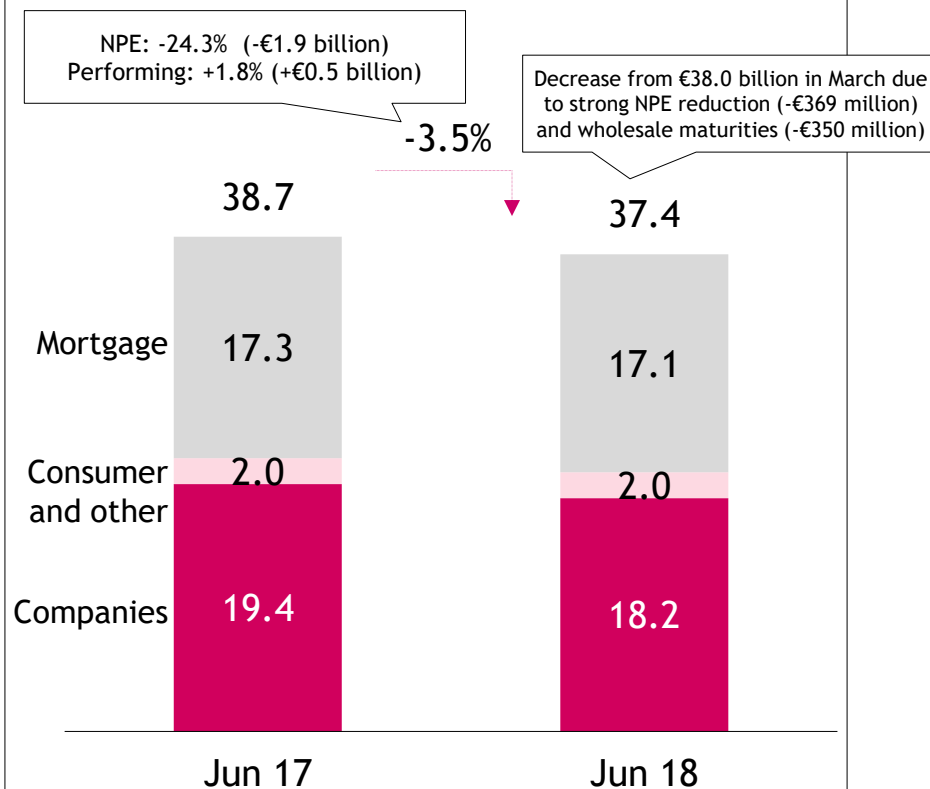


(Billion euros)

Total Customers funds*



Loans to Customers (gross)

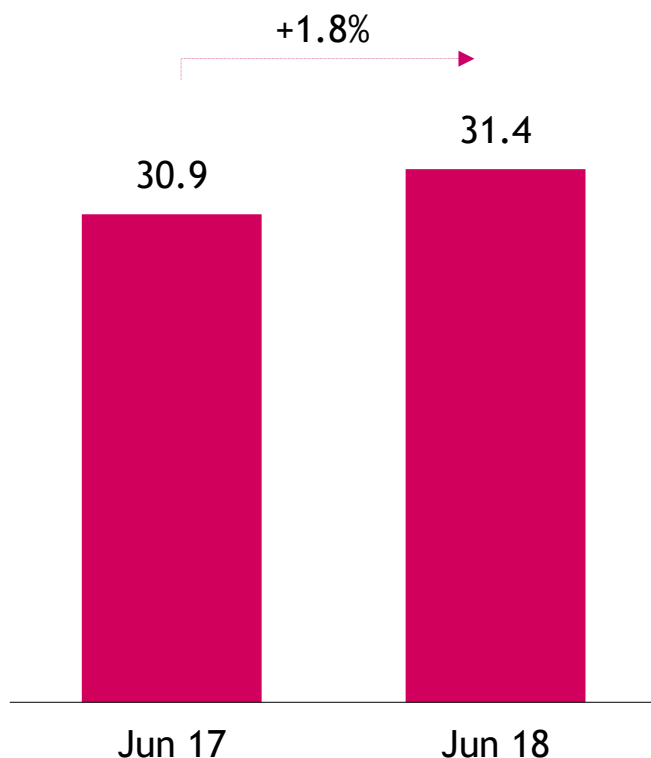


Credit now growing in Portugal



(Billion euros)

Performing credit portfolio



- Growth of the performing credit portfolio in Portugal of 1.8% from June 30, 2017
- Strong performance of credit activity in the first six months of 2018:
 - New **consumer credit** increased 19.1% compared to the first half of 2017. Strong focus on digital, with new remote underwriting channels (mobile web and app) and actions targeting Customers with pre-scoring conditions for online credit
 - Significant increase in new **mortgage lending** (+72.7% compared to the first half of 2017), with strong growth in credit simulations on digital channels and a new innovating service allowing contract execution until 10:00pm and during weekends

Main bank of companies in Portugal



Results BFin 2018 DataE*, 5 largest Banks in Portugal

Usage and satisfaction indicators (%)

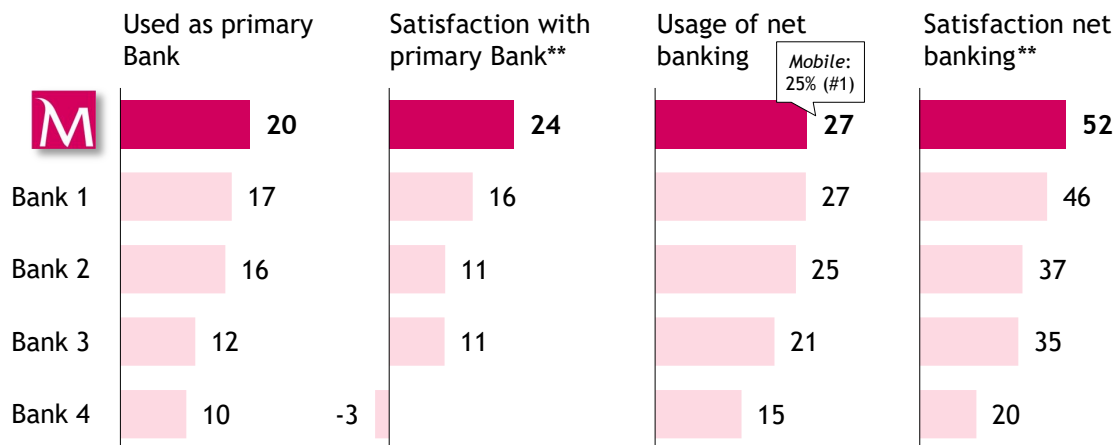
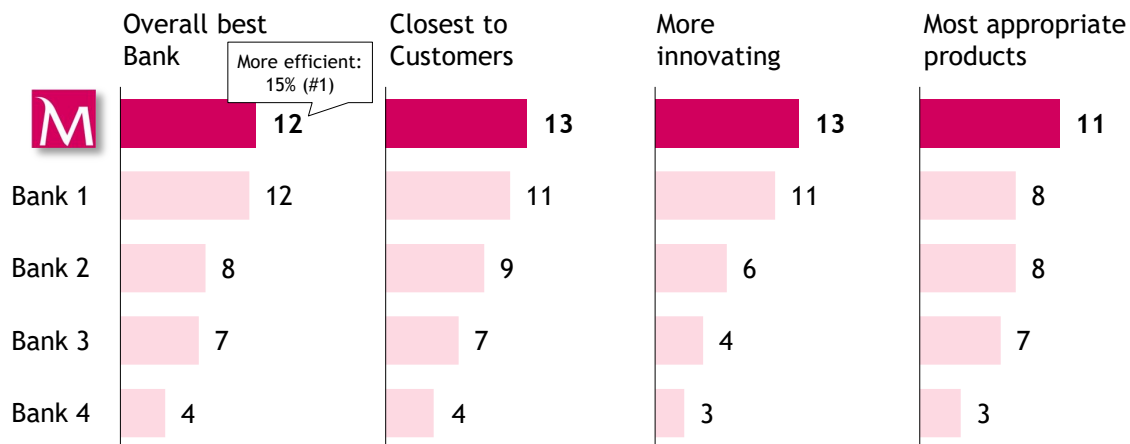


Image indicators (%)



- Millennium bcp is the **main Bank of Companies in Portugal**, where it leads with a market share of 20.2% in all dimensions (Micro, SMEs, MidCaps and Large Companies), according to BFin 2018 DataE
- Millennium bcp leads in **trade, services and industry**, as well as in exporting companies, in **Portugal 2020, factoring and leasing**
- **Most used bank for credit lines and main choice of Companies that intend to invest** in the next 12 months
- Leadership also in **digital**, in the **usage of both Net Banking and Mobile Banking**, and in **Customer satisfaction regarding Net Banking**
- Bank referred to as the “**Overall Best Bank for Companies**”, “**Overall More Efficient**”, with “**Products most appropriate to Companies**”, “**More Innovating**” and “**Closest to Customers**”

Agenda

- Highlights
- Group
 - Profitability
 - Business activity
 - Capital
- Portugal
- International operations
- Key figures

Increased contribution from international operations

(Million euros)

	1H17	1H18	Δ % local currency	Δ % euros	ROE
Poland	74.3	82.3	+10.8%	+11.7%	9.5%
Mozambique	41.9	51.1	+22.0%	+19.4%	26.1%
Angola*					
Before IAS 29 impact	10.8	8.9			
IAS 29 impact**	--	-2.7			
Total Angola including IAS 29 impact	10.8	6.2			
Other	5.6	8.4	+48.8%	+42.2%	
Net income	132.6	147.9	+11.6%	+7.1%	
Non-controlling interests Poland and Mozambique	-51.0	-58.1			
Exchange rate effect	5.5	--			
Contribution from international operations	87.1	89.9		+3.1%	
Same as above without FX effect and IAS 29 (Angola)	81.6	92.6		+13.4%	

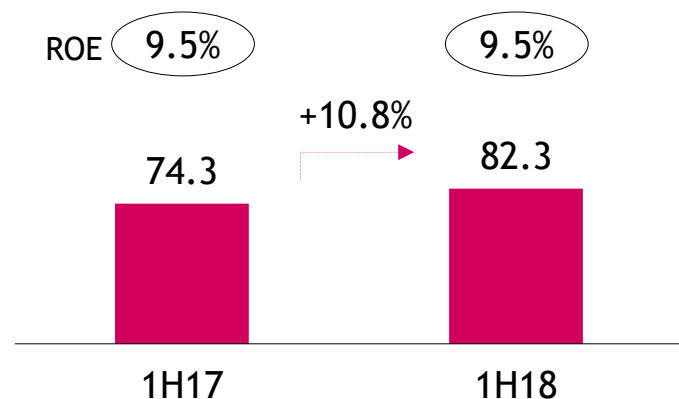


Increased net income

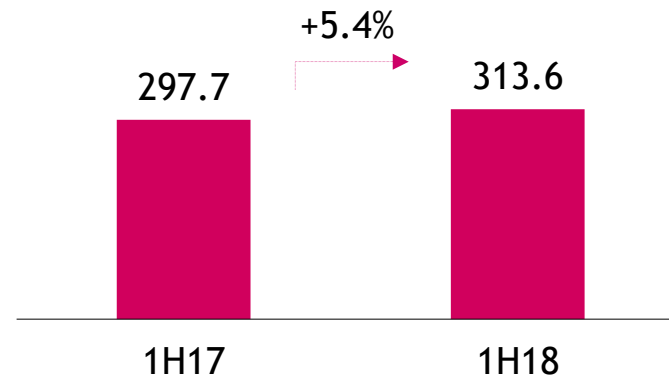


(Million euros)

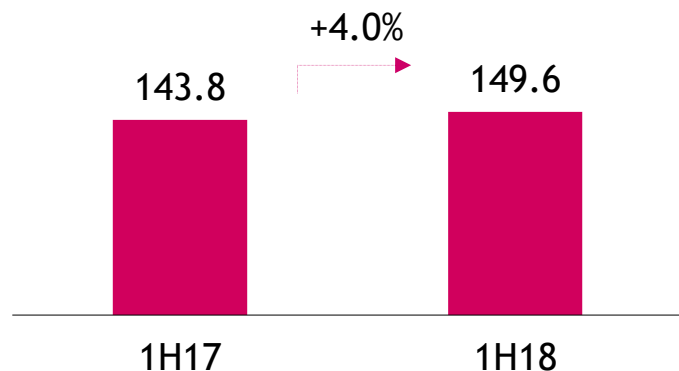
Net income



Banking income



Operating costs



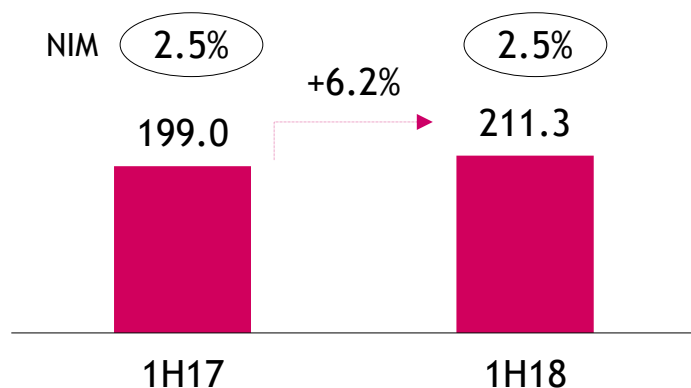
- Net earnings of € 82.3 million (+10.8%), with ROE of 9.5%
- Increasing banking income, driven by net interest income and commissions
- Customer funds up by 5.8%, while loans to Customers increased by 15.6%, excluding FX-denominated mortgage loans
- CET1 ratio of 21.3% as of June 30, 2018
- 1.6 million active Customers, a 11% increase over June 30, 2017
- Bank Millennium was considered the digital leader in the Deloitte EMEA Digital Banking maturity survey 2018

Increased net interest income and commissions

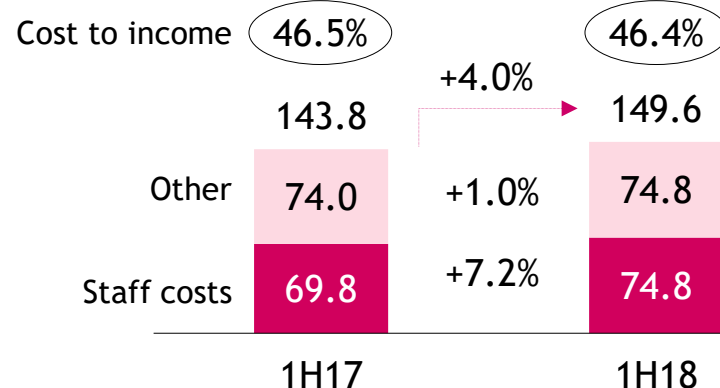


(Million euros)

Net interest income*

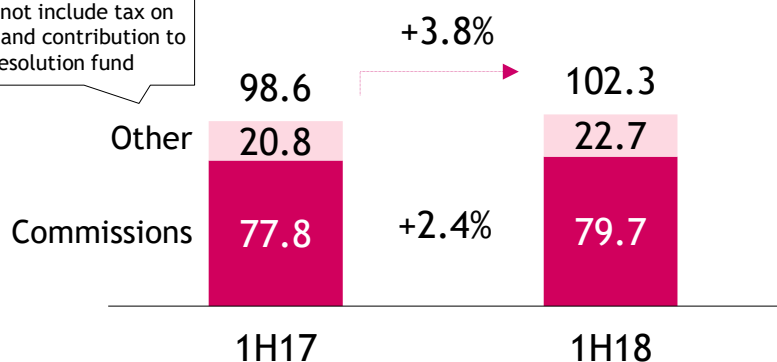


Operating costs

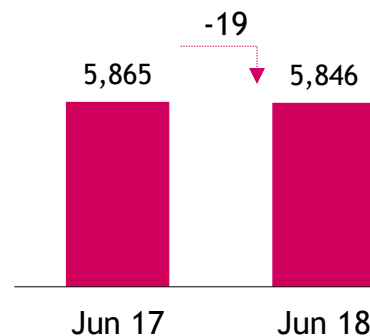


Commissions and other income

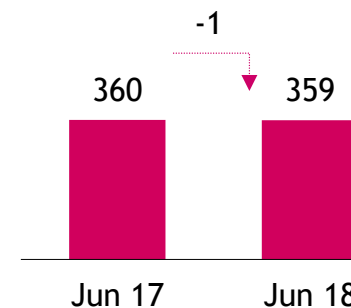
Does not include tax on assets and contribution to resolution fund



Employees



Branches



Credit quality



(Million euros)

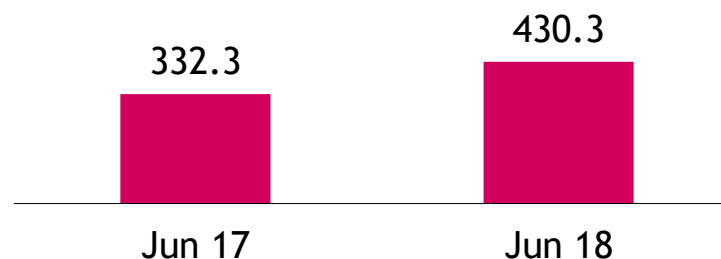
NPL>90d

Credit ratio	Jun 17	Jun 18
NPL>90d	2.7%	2.7%

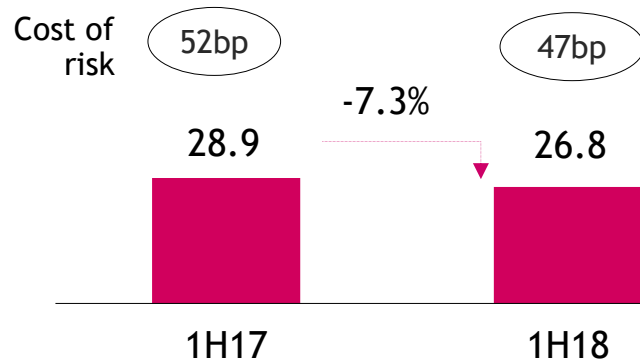


Loan-loss reserves

Coverage ratio	Jun 17	Jun 18
NPL>90d	109%	133%



Loan impairment (net of recoveries)

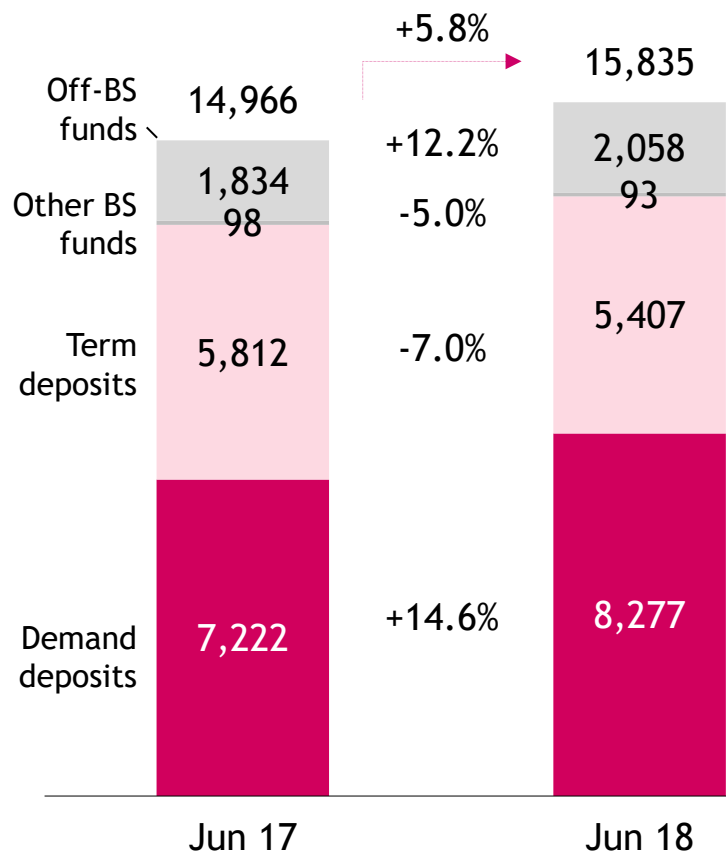


- NPL>90d accounted for 2.7% of total credit as of June 30, 2018 (same percentage as of June 30, 2017)
- Provision coverage of NPL>90d of 133% (109% as of June 30, 2017)
- Decrease in the cost of risk to 47bp (52bp in the first half of 2017)

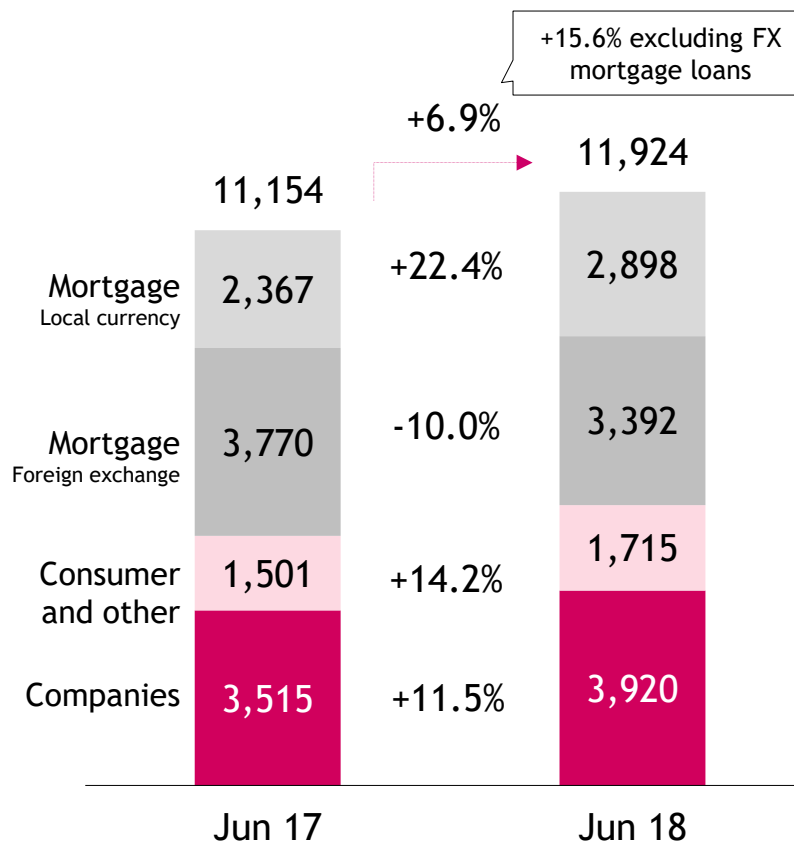
Growing volumes

(Million euros)

Customers funds



Loans to Customers (gross)

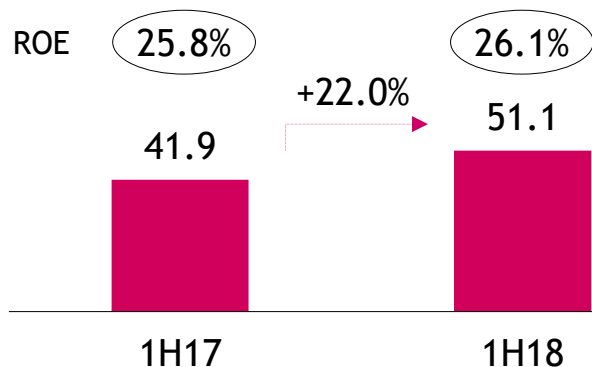


Growing net earnings

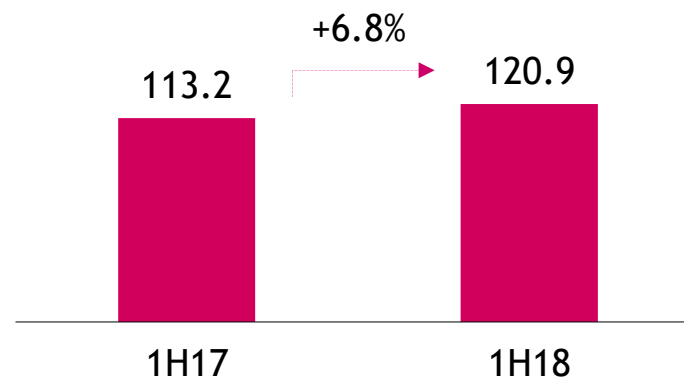


(Million euros)

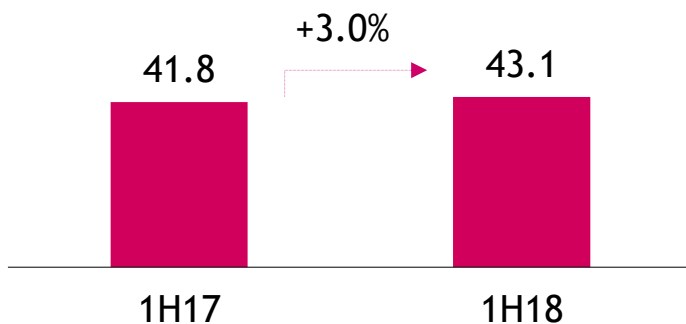
Net income



Banking income



Operating costs



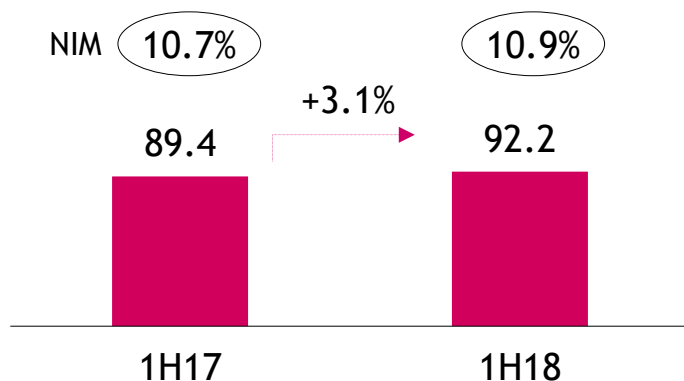
- Net earnings of €51.1 million (+22.0%), with ROE of 26.1%
- Increasing banking income (+6.8%), driven by higher net interest income and other income
- Customer funds grew 0.5%, loan portfolio down by 20.4%
- Capital ratio of 25.8%
- 1.0 million active Customers, a 4% increase over June 30, 2017
- Millennium bim was distinguished as the best bank in Mozambique by both Global Finance and Euromoney

Growing income partially offset by the increase in operating costs

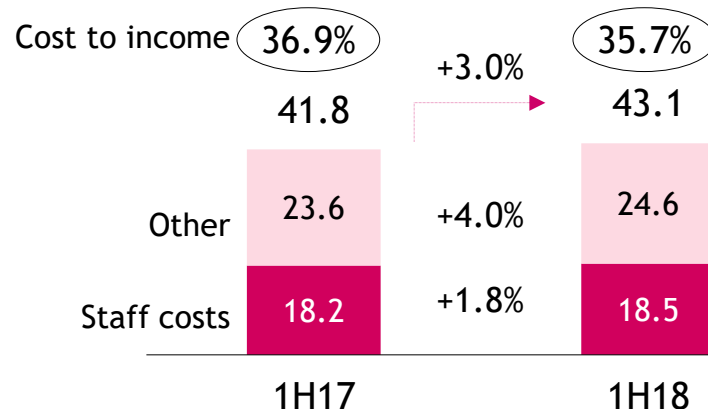


(Million euros)

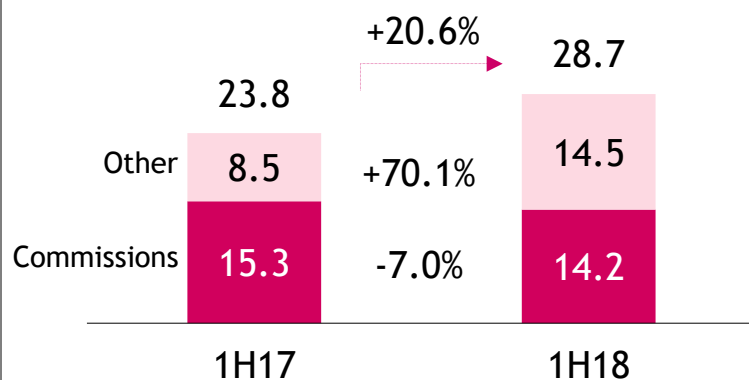
Net interest income



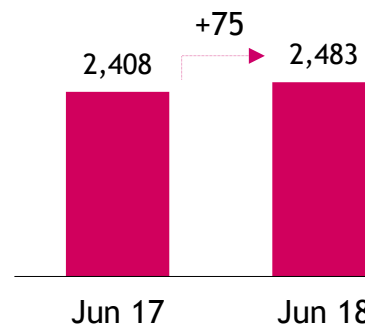
Operating costs



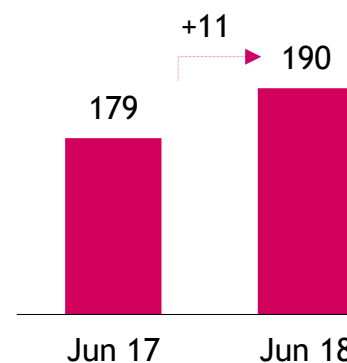
Commissions and other income



Employees*



Branches



*Excludes employees from SIM (insurance company)

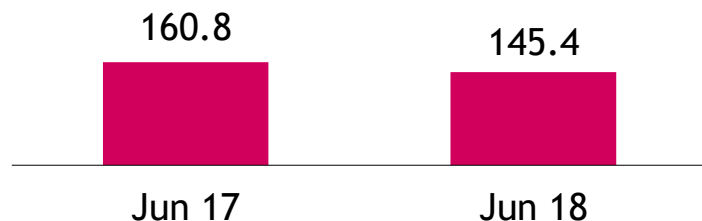
Credit performance influenced by challenging environment



(Million euros)

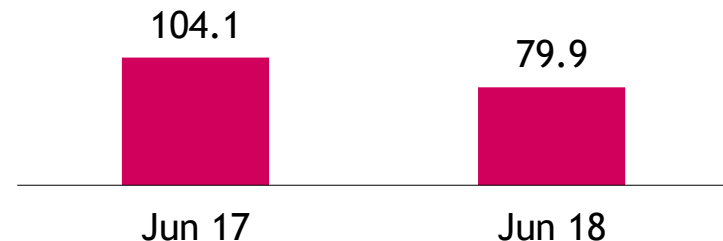
NPL>90d

Credit ratio	Jun 17	Jun 18
NPL>90d	14.0%	15.9%

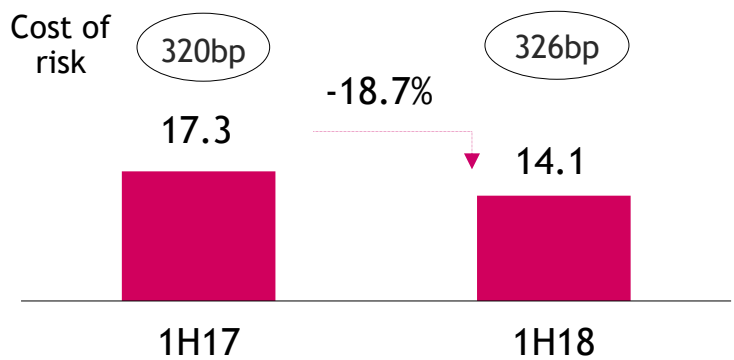


Loan-loss reserves

Coverage ratio	Jun 17	Jun 18
NPL>90d	65%	55%



Loan impairment (net of recoveries)



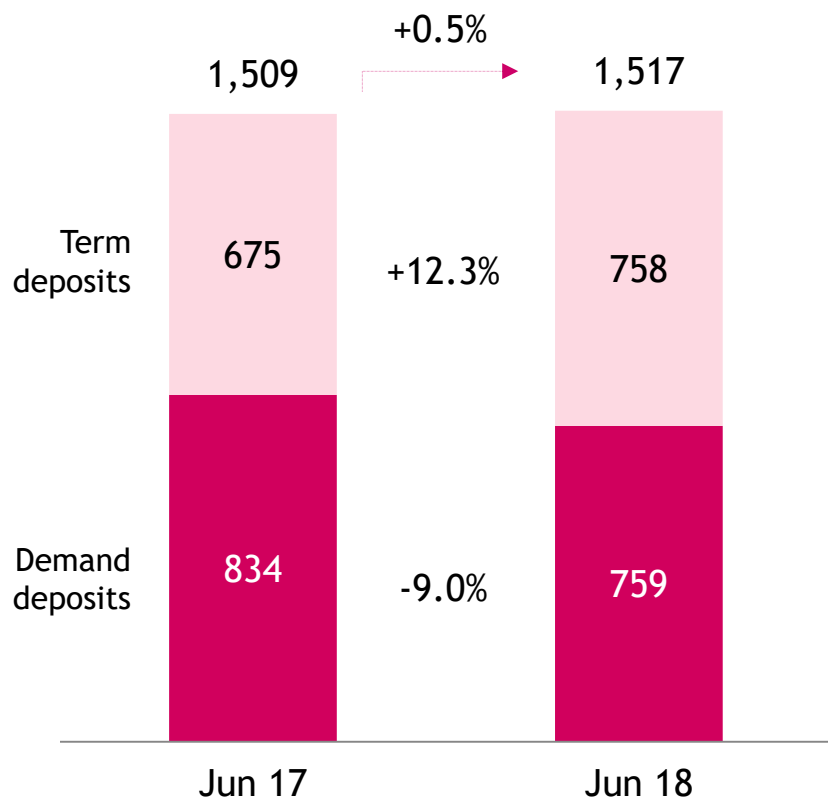
- NPL>90d ratio of 15.9% as of June 30, 2018, with coverage by loan-loss reserves of 55% on the same date
- Maintenance of a high provisioning effort, reflected in a risk cost of 326bp (320bp in the first half of 2017)

Growing deposits and lower credit

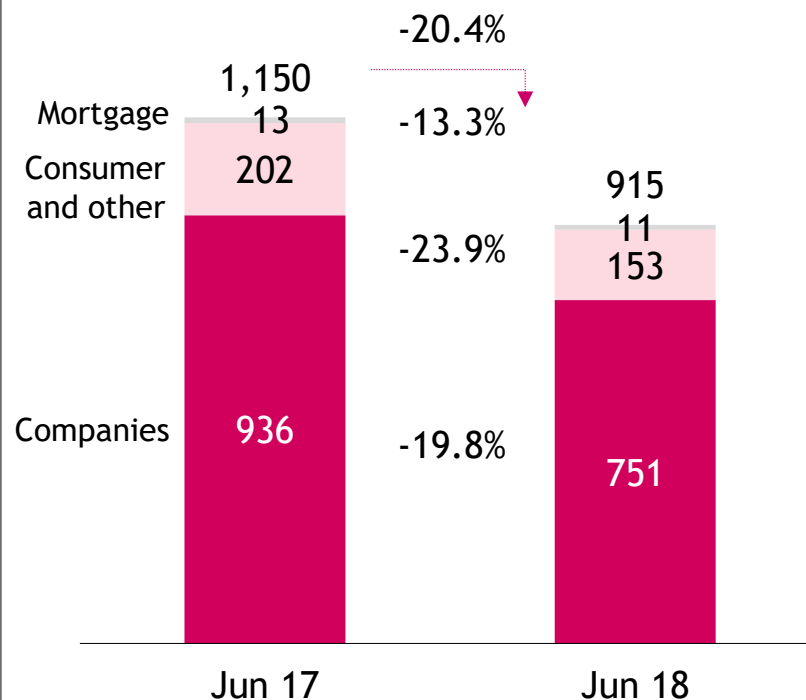


(Million euros)

Customers funds



Loans to Customers (gross)



Agenda

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Key figures

Consolidated

	1H17	1H18
CET1 fully implemented	11.3%	11.7%
Loans to Deposits	95%	88%
Cost-Income ¹	45.2%	46.6%
Cost-Core Income ^{1, 2}	47.0%	47.9%
Cost of risk	118 bp	88 bp
RoE ³	4.3%	6.8%
Cumulative NPE reduction from January 1, 2016 (Portugal)	-€1.9 billion	-€3.9 billion



1 Excludes non-usual items.

2 Core income = net interest income + net fees and commission income.

3 Based on a fully implemented CET1 of 11%.

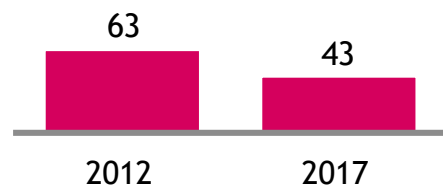
- Earnings for the 1st half of 2018
- **Mobilizing Millennium:**
Main guidelines of 2021 strategic plan

Completed cycle of operational turnaround

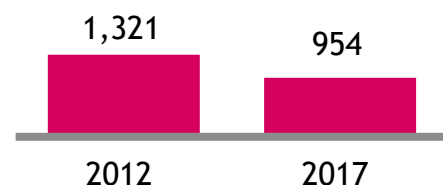


Deep turnaround 2012-17

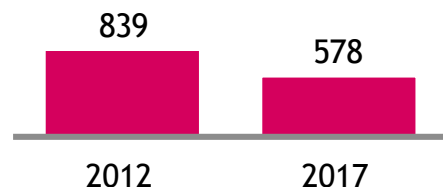
Cost-to-income, Group



Operational cost (€M), Group



Branches, Portugal

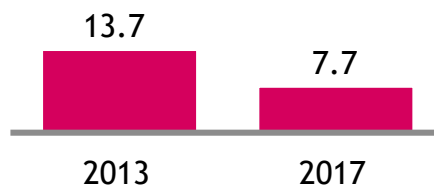


+ Exit from non-performing international operations



More robust balance sheet

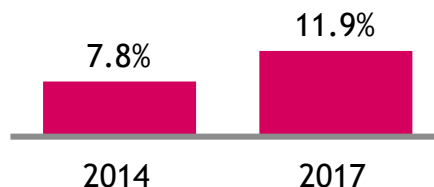
NPEs (€Bn), Group



Accumulated impairments (2012-2017, €Bn), Group



CET1¹, Group

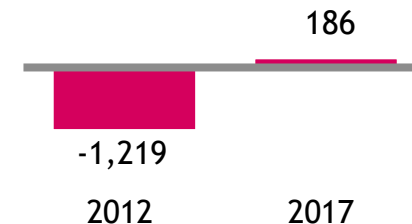


+ Recovery of full autonomy through early repayment of CoCos

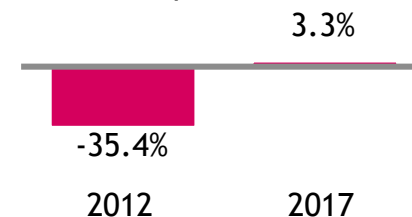


Material improvement of results

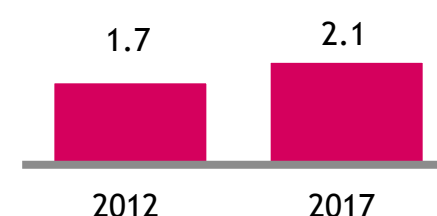
Net income (€M), Group



ROE, Group



Core income (€Bn), Group



1 Fully loaded



Prepared to face a challenging future

Millennium's 2012-17 turnaround based on core competencies...



Customer oriented relationship model

2017 NPS rank

#1  #2 



Market leading efficiency

2017 Cost to income rank

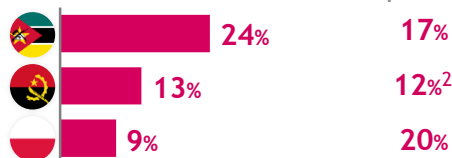
#1  #1  #3 



Competitive international portfolio

2017 ROE

2017 Capital ratios¹



... new trends in a changing environment...

- Customers increasingly **mobile, impatient and demanding personalization**
- Widespread adoption of **new technologies** and **ways of working**
- Reinforced need for **governance mechanisms** to reaffirm **compliance** with growing regulation and scrutiny
- Reinforced relevance of **security and trust**
- Potential **entry of new players** benefiting from PSD2 environment

... require additional capabilities...



Leading Digital, Mobile and Analytics capabilities



Integration in value chain and ecosystems

... complemented with



Robust balance sheet and rigorous capital allocation shaped by strong governance

¹ Total capital ratio; ² Capital Adequacy Ratio

Five strategic priorities to launch a new growth cycle





Strengths

- Workforce talent as a sustained advantage in the market
- Overall increase in satisfaction
- Employees proud to work at Millennium
- Employees currently satisfied with teams and their direct supervisors

Priorities going forward



Engagement and commitment

Engagement of the entire organization to proactively pursue new vision and strategy



New ways of working

Empowerment and simplification of decision making with wider collaboration and teamwork across the bank



Merit-based growth

Access to development opportunities and knowledge for all employees



Preparation for the future

Development of capabilities to assume new roles and use of external hiring where necessary, with clear focus on productivity and efficiency



Rewards for success

Alignment of compensation with performance and strategic objectives for all teams

Mobile-centric digitization



Main initiatives/levers



Mobile expanding day-to-day capabilities, with interactions anytime, anywhere



Transform top customer journeys, with advanced analytics modelling



Expand (democratize) personalized solutions



Omni channel model including mobile and remote services complemented by an efficient physical network for comfort and convenience, addressing complex needs and personal advice



Transform operations through NextGen levers to scale up automation of low value added tasks

Ambition for 2021 vs 2017

3x

Weight of digital sales

+20%

Time dedicated by branches to complex needs

+15%

Increase in branch efficiency (sales per FTE)

3x

share of affluent customers with remote advisory

>10%

Cost reduction in central services

Growth and leadership in Portugal



Maximize potential of unique position as the largest private Portuguese bank

Main initiatives/ levers



*Simplicity and
convenience
in customer
financing*

**Strengthen mortgage
position** redesigning
customer journey and
expanding
distribution reach

**Strengthen market
share in high growth
segments** (consumer
lending, affluent and
small business)

**Innovate the way the
customers save and
invest**



Ambition for 2021 vs 2017

+1,2 Bn€

Mortgage new business

+3pp

Market share in mortgage new
business

+470 M€

Consumer lending new business

+4pp

Market share in non-auto
consumer lending

+51 k

New affluent customers

+9pp

Share off-balance assets

~ +100 M€

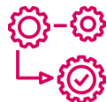
Banking income

Growth and leadership in Portugal



Maximize potential of unique position as the largest private Portuguese bank

Main initiatives/ levers



Accelerate the **credit decision process**, adopting "pre-approved" facilities and increasing **automated approvals** in digital channels



Become the preferred partner for sound small businesses



Optimize mid-corporate portfolio exploiting value chain financing

Reinforce preeminence in corporate

Capture the full potential of the value proposition of ActivoBank

Ambition for 2021 vs 2017

+1.1 Bn€

Lending to small business

+1.2 Bn€

Lending to mid-corporate

2x

ActivoBank Customers

~ +100 M€

Banking income

Growth in international footprint



Capitalize on opportunities in high growth markets where we have competitive advantages



2021 aspiration
for the
international
footprint

>3.2 M
Active customers

~200 M€
Net income

Business model sustainability



Pursue low risk retail and commercial banking, innovating in credit management and monitoring

Main levers



Strong governance and management framework in place to ensure plan is delivered



Strictly deliver on NPE plan levers



Streamline credit and risk processes to align with new lending growth aspirations

Reinforce mechanisms to monitor new loan approvals and ensure acceptance of sound risk profiles

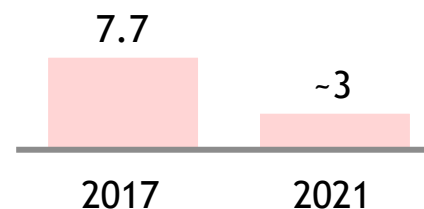
Strengthen compliance practices in Portugal and across geographies

Ambition for 2021

NPE reduction

~60%
Vis-à-vis 2017

NPE stock, Bn€



Cost of risk

<50bp

Millennium Group's ambitions for 2021

		Consolidated	
		1H18	2021
Franchise growth	Total active Customers	4.8 million	>6 million
	Digital customers	45%	>60%
	Mobile customers	26%	>45%
Value creation	Cost-Income	47%	≈40%
	RoE	5.3%	≈10%
	CET1	11.7%	≈12%
	Loans to Deposits	88%	<100%
Asset quality	Dividend payout	--	≈40%
	NPEs stock	6.7 bn€	≈3 bn€ down by ≈60% from 2017
	Cost of Risk	88 bps	<50 bps

Appendix

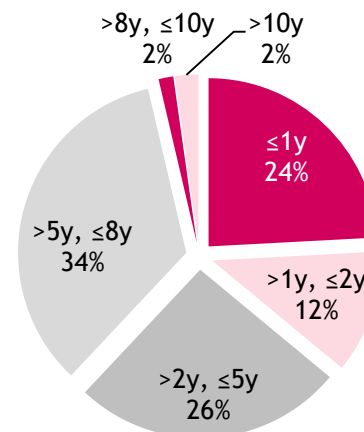
Sovereign debt portfolio

Sovereign debt portfolio

(Million euros)

	Jun 17	Mar 18	Jun 18	YoY	QoQ
Portugal	5,089	4,696	5,938	+17%	+26%
T-bills and other	845	499	721	-15%	+44%
Bonds	4,244	4,197	5,217	+23%	+24%
Poland	3,847	3,981	3,936	+2%	-1%
Mozambique	379	553	626	+65%	+13%
Other	612	1,068	1,090	+78%	+2%
Total	9,928	10,299	11,590	+17%	+13%

Sovereign debt maturity



- The sovereign debt portfolio totalled €11.6 billion, €2.8 billion of which maturing within one year
- The Portuguese sovereign debt portfolio totalled €5.9 billion, whereas the Polish and Mozambican portfolios amounted to €3.9 billion and to €0.6 billion, respectively; “other” includes US sovereign debt of €0.8 billion

Sovereign debt portfolio

(Million euros)

	Portugal	Poland	Mozambique	Other	Total
Trading book*	37	284		27	348
≤ 1 year		44			44
> 1 year and ≤ 2 years	33	3		26	62
> 2 years and ≤ 5 years	2	196			199
> 5 years and ≤ 8 years	2	31			33
> 8 years and ≤ 10 years		11			11
> 10 years				1	1
Banking book**	5,900	3,652	626	1,063	11,242
≤ 1 year	674	765	455	862	2,756
> 1 year and ≤ 2 years	166	1,102	44		1,313
> 2 years and ≤ 5 years	1,023	1,669	18	103	2,814
> 5 years and ≤ 8 years	3,842	104		2	3,948
> 8 years and ≤ 10 years	7	12	38	96	153
> 10 years	187		71		259
Total	5,938	3,936	626	1,090	11,590
≤ 1 year	674	809	455	862	2,799
> 1 year and ≤ 2 years	199	1,105	44	26	1,374
> 2 years and ≤ 5 years	1,026	1,865	18	103	3,012
> 5 years and ≤ 8 years	3,844	135		2	3,981
> 8 years and ≤ 10 years	8	22	38	96	164
> 10 years	187		71	1	260

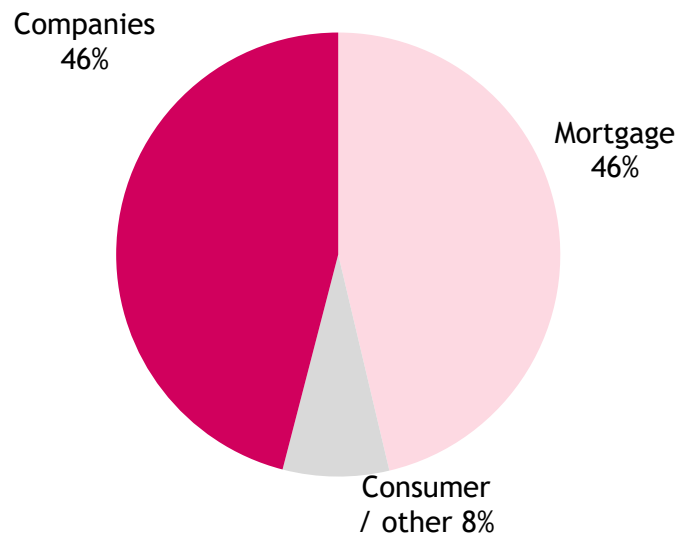
*Includes financial assets held for trading at fair value through net income (€33 million).

**Includes financial assets at fair value through other comprehensive income (€10,507 million) and financial assets at amortised cost (€735 million).

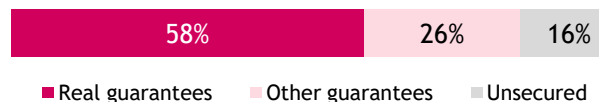
Diversified and collateralised portfolio

Loan portfolio

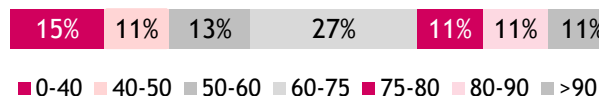
Consolidated



Loans per collateral



LTV of the mortgage portfolio in Portugal



Loans

- Loans to companies accounted for 46% of the loan portfolio at June 30, 2018, 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 66%
- 84% 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)	1H17	1H18	YoY	Impact on earnings
Net interest income	678.5	687.7	+1.3%	+9.2
Net fees and commissions	330.3	340.2	+3.0%	+9.9
Other income*	40.0	28.9	-27.7%	-11.1
Banking income	1,048.8	1,056.8	+0.8%	+8.0
Staff costs	-241.5	-289.8	+20.0%	-48.3
Other administrative costs and depreciation	-208.7	-211.0	+1.1%	-2.3
Operating costs	-450.2	-500.8	+11.2%	-50.6
Operating net income (before impairment and provisions)	598.6	556.0	-7.1%	-42.6
Of which: core net income**	558.6	527.1	-5.6%	-31.5
Loans impairment (net of recoveries)	-305.0	-220.8	-27.6%	+84.2
Other impairment and provisions	-110.3	-59.0	-46.5%	+51.3
Impairment and provisions	-415.3	-279.8	-32.6%	+135.5
Net income before income tax	183.3	276.2	+50.7%	+92.9
Income taxes	-43.4	-71.9	+65.5%	-28.5
Non-controlling interests	-51.2	-55.4	+8.2%	-4.2
Net income from discontinued or to be discontinued operations	1.3	1.8	+40.0%	+0.5
Net income	89.9	150.6	+67.5%	+60.7

*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)

	30 June 2018	30 June 2017		30 June 2018	30 June 2017
Assets			Liabilities		
Cash and deposits at Central Banks	2,165.8	1,650.9	Resources from credit institutions	6,985.8	9,373.2
Loans and advances to credit institutions			Resources from customers	53,454.6	50,635.7
Repayable on demand	240.6	491.5	Debt securities issued	2,602.1	3,121.4
Other loans and advances	878.4	895.9	Financial liabilities held for trading	340.0	476.2
Loans and advances to customers	46,876.6	48,066.0	Hedging derivatives	192.2	289.3
Other financial assets at amortised cost	1,061.5	451.3	Provisions	325.9	339.1
Financial assets held for trading	1,037.2	974.0	Subordinated debt	1,151.7	850.6
Other financial assets not held for trading			Current tax liabilities	7.3	8.9
mandatorily at fair value through profit or loss	1,386.4	-	Deferred tax liabilities	4.4	1.6
Other financial assets held for trading			Other liabilities	1,149.2	981.9
at fair value through profit or loss	32.9	142.0	Total Liabilities	66,213.2	66,078.0
Financial assets at fair value through other comprehensive incor	12,049.8	12,384.7			
Assets with repurchase agreement	24.9	15.4	Equity		
Hedging derivatives	95.7	113.9	Share capital	5,600.7	5,600.7
Investments in associated companies	488.6	596.0	Share premium	16.5	16.5
Non-current assets held for sale	2,101.5	2,224.0	Preference shares	59.9	59.9
Investment property	12.1	12.3	Other equity instruments	2.9	2.9
Other tangible assets	487.8	487.4	Legal and statutory reserves	264.6	252.8
Goodwill and intangible assets	171.6	164.3	Treasury shares	(0.3)	(0.3)
Current tax assets	27.0	7.6	Fair value reserves	35.2	(23.3)
Deferred tax assets	2,938.1	3,165.4	Reserves and retained earnings	(327.8)	(51.3)
Other assets	1,023.8	1,181.3	Net income for the period attributable to Bank's Shareholders	150.6	89.9
Total Assets	73,100.2	73,023.7	Total equity attrib. to Shareholders of the Bank	5,802.4	5,947.9
			Non-controlling interests	1,084.5	997.8
			Total Equity	6,886.9	6,945.7
				73,100.2	73,023.7

Consolidated income statement

Per quarter

(Million euros)

	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18
Net interest income	346.2	344.7	368.1	344.8	342.8
Dividends from equity instruments	1.5	0.1	0.1	0.1	0.6
Net fees and commission income	169.5	164.3	172.1	167.8	172.4
Other operating income	-71.4	-10.4	-5.2	-29.1	-61.0
Net trading income	53.5	25.1	33.4	34.4	42.6
Equity accounted earnings	15.5	21.7	34.8	19.8	21.6
Banking income	514.8	545.5	603.2	537.8	519.0
Staff costs	104.6	138.6	146.5	142.3	147.5
Other administrative costs	94.0	92.2	99.3	89.5	93.1
Depreciation	13.4	13.6	13.9	14.2	14.2
Operating costs	211.9	244.4	259.6	246.0	254.8
Operating net income bef. imp.	302.9	301.1	343.6	291.8	264.2
Loans impairment (net of recoveries)	156.1	153.6	165.1	106.1	114.8
Other impairm. and provisions	56.0	59.6	131.2	23.9	35.1
Net income before income tax	90.8	87.9	47.3	161.8	114.3
Income tax	24.3	19.7	-33.0	49.3	22.6
Non-controlling interests	27.9	24.8	27.1	26.9	28.5
Net income (before disc. oper.)	38.6	43.4	53.1	85.6	63.3
Net income arising from discount. operations	1.3	0.0	0.0	0.0	1.8
Net income	39.8	43.4	53.1	85.6	65.1

Income statement (Portugal and International operations)

For the 6-month periods ended June 30th, 2017 and de 2018

(Million euros)

	Group			Portugal			International operations											
							Total			Bank Millennium (Poland)			Millennium bim (Moz.)			Other int. operations		
	Jun 17	Jun 18	Δ %	Jun 17	Jun 18	Δ %	Jun 17	Jun 18	Δ %	Jun 17	Jun 18	Δ %	Jun 17	Jun 18	Δ %	Jun 17	Jun 18	Δ %
Interest income	957	936	-2.2%	532	496	-6.7%	425	440	3.6%	275	292	6.4%	147	145	-1.6%	3	3	-0.2%
Interest expense	278	248	-10.7%	141	111	-21.4%	137	137	0.3%	83	86	3.6%	56	53	-5.7%	-3	-2	26.3%
Net interest income	678	688	1.3%	390	385	-1.4%	288	303	5.1%	191	206	7.6%	91	92	0.9%	6	5	-12.3%
Dividends from equity instruments	2	1	-61.4%	1	0	-93.8%	1	1	1.1%	1	1	-3.5%	0	0	--	0	0	-29.0%
Intermediation margin	680	688	1.2%	391	385	-1.6%	289	303	5.1%	192	206	7.5%	91	92	1.0%	6	5	-12.3%
Net fees and commission income	330	340	3.0%	225	234	3.9%	105	106	1.1%	77	80	3.3%	16	14	-9.0%	12	12	-0.0%
Other operating income	-87	-90	-4.0%	-53	-59	-11.1%	-34	-31	7.0%	-37	-42	-12.9%	3	11	>100%	0	0	-35.6%
Basic income	924	938	1.6%	564	560	-0.6%	360	378	5.0%	232	244	5.3%	110	117	6.1%	18	17	-4.4%
Net trading income	90	77	-14.3%	59	46	-22.4%	31	31	1.1%	25	26	4.7%	5	4	-27.8%	1	2	60.6%
Equity accounted earnings	35	41	17.9%	19	29	48.0%	16	13	-19.1%	0	0	--	0	0	--	16	13	-19.1%
Banking income	1,049	1,057	0.8%	642	634	-1.2%	407	422	3.8%	256	270	5.2%	116	121	4.5%	35	32	-9.0%
Staff costs	241	290	20.0%	145	187	29.1%	96	102	6.3%	69	75	8.1%	19	19	-0.3%	9	9	6.1%
Other administrative costs	183	183	0.0%	110	108	-1.8%	73	75	2.9%	49	51	4.0%	20	21	0.3%	3	3	2.3%
Depreciation	26	28	8.5%	16	18	115%	10	10	3.8%	6	6	-0.1%	4	4	10.6%	0	0	5.0%
Operating costs	450	501	11.2%	271	313	15.5%	179	188	4.8%	125	132	6.1%	43	43	0.9%	12	12	5.0%
Operating net income bef. imp.	599	556	-7.1%	371	321	-13.4%	228	235	3.0%	132	138	4.4%	73	78	6.7%	23	19	-16.2%
Loans impairment (net of recoveries)	305	221	-27.6%	258	192	-25.6%	47	29	-38.5%	29	21	-29.2%	18	14	-20.4%	0	-6	<-100%
Other impairm. and provisions	110	59	-46.5%	112	50	-55.9%	-2	9	>100%	1	4	>100%	-3	-1	74.4%	0	7	>100%
Net income before income tax	183	276	50.7%	1	80	>100%	183	196	7.5%	102	113	11.4%	58	64	11.1%	23	18	-18.8%
Income tax	43	72	65.5%	-1	25	>100%	44	47	6.3%	28	31	10.5%	15	13	-12.6%	1	3	>100%
Non-controlling interests	51	55	8.2%	0	-4	<-100%	51	60	16.0%	0	0	--	0	0	14%	51	59	16.1%
Net income (before disc. oper.)	89	149	67.9%	2	59	>100%	87	90	3.1%	74	82	11.7%	43	51	19.4%	-29	-44	-48.2%
Net income arising from discont. operations	1	2	40.0%															
Net income	90	151	67.5%															

Glossary (1/2)

- Balance sheet impairment** - Balance sheet impairment related to amortised cost and fair value adjustments related to loans to customers at fair value through profit or loss.
- Balance sheet customer funds** - debt securities and customer deposits.
- Commercial gap** - loans to customers (gross) minus on-balance sheet customer funds.
- Core income** - net interest income plus net fees and commissions income.
- Core net income** - corresponding to net interest income plus net fees and commissions income deducted from operating costs.
- Cost of risk, net (expressed in bp)** - ratio of impairment charges (net of recoveries) accounted in the period to loans to customers at amortised cost before impairment.
- Cost to core income** - operating costs divided by core income (net interest income and net fees and commissions income).
- Cost to income** - operating costs divided by net operating revenues.
- Coverage of non-performing loans by balance sheet impairments** - BS impairments divided by the stock of NPL.
- Coverage of non-performing exposures by balance sheet impairments** - BS impairments divided by the stock of NPE.
- Debt securities** - debt securities issued by the Bank and placed with customers.
- Dividends from equity instruments** - dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading.
- 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.
- Insurance products** - includes unit linked saving products and retirement saving plans (“PPR”, “PPE” and “PPR/E”).
- Loans to customers (gross)** - Loans to customers at amortised cost before impairment and loans to customers at fair value through profit or loss before fair value adjustments.
- Loans to customers (net)** - Loans to customers at amortised cost net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.
- Loan to Deposits ratio (LTD)** - Loans to customers (net) divided by total customer deposits.
- Loan to value ratio (LTV)** - Mortgage amount divided by the appraised value of property.
- Net commissions** - net fees and commissions income.
- 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 financial assets at fair value through other comprehensive income and financial assets at amortised cost.
- 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.
- 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.

Glossary (2/2)

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 - net gains from insurance activity, other operating income/(loss) and gains/(losses) arising from sales of subsidiaries and other assets.

Overdue loans - loans in arrears, including principal and interests.

Overdue loans by more than 90 days coverage ratio - BS impairments divided by total amount of overdue loans including installments of capital and interest overdue more than 90 days.

Overdue loans coverage ratio - BS impairments divided by total amount of overdue loans including installments of capital and interest overdue.

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 not held for trading mandatorily at fair value through profit or loss, financial assets at fair value through other comprehensive income, assets with repurchase agreement, other financial assets at amortised cost and other financial assets held for trading at fair value through profit or loss.

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, assets placed with customers and investment funds.



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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, LEI J1U6S0DG9YLT7N8ZV32 and the share capital of EUR 5,600,738,053.72.

