

29 JULY 2019

Millennium bcp earnings release as at 30 June 2019

Profitability

Improvement of profitability of the Group; stronger core income; lower impairment and provision charges

Asset quality

Continuous improvement of asset quality; significant NPE reduction, with coverage improvement

Capital

Strong capital

Business performance

Strong business dynamics with resources from customers and loan portfolio growth; growing active customer base

Rating upgrade

- **Net profit of the Group increased 12.7% from the first half of 2018, reaching 169.8 million euros** in the first six months of 2019, boosted by stronger core income and lower impairment and provision charges.
- **Significant reduction of NPE*** (-1.7 billion from 30 June 2018) determined by the activity in Portugal.
- **Improvement in NPE* coverage by impairments to 54%** (50% as at 30 June 2018) and **overall coverage** to 108%** (106% as at 30 June 2018).
- **Sharp reduction of cost of risk to 74 b.p.** (88 b.p. in the first half of 2018).
- **Estimated Fully-implemented Core Equity Tier 1 ratio stood at 12.2%*****, improving 52 b.p. from June 2018.
- **Estimated Total capital ratio stood at 14.7%*****, comfortably above SREP requirements (13.1%). Organic capital generation and Additional Tier 1 (AT1) more than compensate the impacts of the acquisition of Euro Bank S.A. and of the reduction of the pension fund discount rate.
- **Increasing business volumes**, with performing loans up by Euro 5.9 billion and total customer funds up by Euro 6.8 billion, from 30 June 2018.
- **Added 217,000 active customers** from 30 June 2018, of which 121,000 customers in Portugal, boosted by innovative digital solutions.
- Recognition of the improvement of Millennium bcp over the last years, with **recent rating upgrades**, namely the attribution of investment grade, made by DBRS.

* NPE include loans to customers only, as defined in the glossary.

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

*** Including non-audited net income of the first half of 2019 and the impact of IFRS16.

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FINANCIAL HIGHLIGHTS (1)

Euro million

	30 Jun. 19	30 Jun. 18	Change 19/18
BALANCE SHEET			
Total assets	80,873	73,100	10.6%
Loans to customers (net)	52,035	47,141	10.4%
Total customer funds	79,224	72,458	9.3%
Balance sheet customer funds	60,698	54,674	11.0%
Deposits and other resources from customers	59,020	53,455	10.4%
Loans to customers (net) / Deposits and other resources from customers (2)	88.2%	88.2%	
Loans to customers (net) / Balance sheet customer funds	85.7%	86.2%	
RESULTS			
Net interest income	740.1	687.7	7.6%
Net operating revenues	1,124.2	1,056.8	6.4%
Operating costs	548.2	500.8	9.5%
Operating costs excluding specific items (3)	525.8	492.8	6.7%
Loan impairment charges (net of recoveries)	200.3	220.6	-9.2%
Other impairment and provisions	42.8	59.2	-27.7%
Income taxes	121.1	71.9	68.4%
Net income	169.8	150.6	12.7%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.9%	2.9%	
Return on average assets (ROA)	0.6%	0.6%	
Income before tax and non-controlling interests / Average net assets (2)	0.9%	0.8%	
Return on average equity (ROE)	5.7%	5.3%	
Income before tax and non-controlling interests / Average equity (2)	9.7%	8.3%	
Net interest margin	2.1%	2.2%	
Cost to income (2) (3)	46.8%	46.6%	
Cost to income (Portugal activity) (2) (3)	47.1%	48.1%	
Staff costs / Net operating revenues (2) (3)	26.8%	26.7%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	74	88	
Non-Performing Exposures / Loans to customers	9.1%	13.2%	
Total impairment (balance sheet) / NPE	53.6%	49.9%	
Restructured loans / Loans to customers	6.3%	8.0%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	214%	176%	
Net Stable Funding Ratio (NSFR)	135%	129%	
CAPITAL (4)			
Common equity tier I phased-in ratio	12.2%	11.7%	
Common equity tier I fully-implemented ratio	12.2%	11.7%	
BRANCHES			
Portugal activity	532	573	-7.2%
Foreign activity	1,033	550	87.8%
EMPLOYEES			
Portugal activity	7,264	7,151	1.6%
Foreign activity (5)	11,406	8,689	31.3%

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at "Alternative Performance Measures" chapter, being reconciled with the accounting values published in the consolidated financial statements. From 31 May 2019, financial statements of the Group reflect the consolidation of Eurobank S.A., the entity acquired by Bank Millennium S.A..

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

(3) Excludes specific items: negative impact of 22.4 million euros in the first half of 2019 related to restructuring costs and compensation for temporary salary cuts and also negative impact of 8.0 million euros in the first half of 2018, related to restructuring costs, in both periods recognized as staff costs in the activity in Portugal.

(4) As of 30 June 2019 and 30 June 2018, ratios include the positive cumulative net income of each period. Ratios as of 30 June 2019 are estimated, not audited.

(5) Of which, in Poland: 8,700 employees as at 30 June 2019 (corresponding to 8,550 FTE - Full-time equivalent) and 5,973 employees as at 30 June 2018 (corresponding to 5,846 FTE - Full-time equivalent).

RESULTS AND ACTIVITY IN THE FIRST HALF OF 2019

In the context of the entry into force, on 1 January 2018, of IFRS 9 Financial Instruments and the consequent impact on the structure of the Millennium bcp financial statements compared to prior periods, some indicators were defined according to management criteria aiming to help the comparability with financial information then presented. Following the guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA), the relevant indicators that allow a full understanding of the evolution of the Group's economic and financial position are detailed at the end of this document, being reconciled with the accounting values published in the consolidated financial statements.

In May 2019, Bank Millennium, SA, a subsidiary owned 50.1% by Banco Comercial Português, S.A., has completed the acquisition of 99.787% stake in Euro Bank S.A. from SG Financial Services Holdings, a subsidiary fully held by Société Générale, S.A.. On the settlement date of the transaction, the acquisition method set out in IFRS 3 - Business Combinations establishes that the acquired assets and the liabilities assumed shall be recognized based on their fair value at the acquisition date. It should be noted that, at this stage, the settlement process is not yet concluded, as the audit process on financial statements of Euro Bank S.A. prepared specifically for this purpose is ongoing and may result in additional adjustments to the purchase price. In accordance with IFRS 3, the effective settlement will be completed no later than one year from the control acquisition date which occurred on 31 May 2019. From this date, financial statements of the Group reflect the consolidation of Euro Bank S.A..

The Group has ceased to apply IAS 29 – Financial reporting in hyperinflationary economies to the financial statements of Banco Millennium Atlântico with effect from 1 January 2019, since Angola no longer meets the requirements to be considered a hyperinflationary economy. From the beginning of 2019, the financial statements of Banco Millennium Atlântico considered for the purpose of integration into the Group's accounts started to consider the amortization of the impact arising from the updating of the balance sheet value of non-monetary assets and liabilities until the end of their lifespan.

On 1 January 2019, the IFRS 16 - Leases entered into force, replacing IAS 17 - Leases and establishing the new requirements regarding the scope, classification, recognition and measurement of leases. The Group applied the principles set out in this standard retrospectively with the impacts of the transition being recognized on 1 January 2019. In what concerns the income statement, the adoption of IFRS 16 led to changes in amortizations and depreciations, other administrative costs and net interest income, but on a net basis, the amounts recorded are not material.

RESULTS

The consolidated **net income** of Millennium bcp achieved 169.8 million euros in the first half of 2019, showing an increase of 12.7% compared to the 150.6 million euros posted in the same period of the previous year. This evolution was determined by the good performance of the activity in Portugal, with a lower contribution of the international activity compared to the same period of the previous year. Net income of the first half of 2019 includes a 13.5 million euros gain, resulting from the sale of Planfipsa Group in February 2019, reflected as discontinued operations.

In the activity in Portugal, net income showed a growth of 23.2% compared to the 59.0 million euros reached in the first half of 2018, totalling 72.7 million euros* in the first six months of 2019. This growth was mainly due to the favourable performance of impairments, since both the costs recognized as loans impairment and as other impairment and provisions showed a significant reduction compared to the first half of 2018. The performance of net operating revenues also contributed to the good performance of the activity in Portugal, with the increase of net interest income, other net operating income and net trading income. Inversely, the increase of the result in Portugal was softened by the evolution of operating costs and by the reduction of equity accounted earnings, compared to the same period of the previous year.

In the international activity, net income totalled 83.7 million euros in the first half of 2019, comparing to 89.9 million euros obtained in the same period of previous year, mainly due to the performance of the operations in Poland (including non-recurring impacts resulting from the initial recognition of some assets of the Euro Bank S.A. operation which was acquired in May as further detailed below), and in Mozambique. It should be noted the increase of core income from 221.5 million euros in the first half of 2018 to 234.4 million euros in the first half of 2019, boosted by the polish operation.

* Not considering income arising from operations accounted as discontinued operations, amounting to Euro 13.4 million, in the first half of 2019.

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Net interest income reached 740.1 million euros in the first half of 2019, an increase of 7.6% compared to the 687.7 million euros recorded in the first half of 2018, mainly due to the favourable performance of the international activity, but also to the positive evolution of the activity in Portugal.

In the activity in Portugal, net interest income amounted to 399.4 million euros in the first half of 2019, showing an increase of 3.8% compared to 384.8 million euros recorded in the same period of the previous year, mostly based on the reduction in the cost of funding, namely the reduction of the cost of debt issued, together with the reduction in costs incurred with term deposits. Despite the reduction in the total amount of loan portfolio associated with the reduction in non-performing exposures, outstanding loans contributed positively to the evolution of net interest income in the first half of 2019 compared to the same period of the previous year. Inversely, the securities portfolio contributed less, as a consequence of the persistence of a market scenario characterized by low interest rates.

In the international activity, net interest income presented an increase of 12.5% compared to the 302.9 million euros recorded in the first half of the previous year, reaching 340.7 million euros in the first six months of 2019, determined by the good performance of the Polish subsidiary, mainly regarding the income from the loans portfolio.

The net interest margin of the Group, in the first half of 2019, stood at 2.1% slightly below the 2.2% booked in the same period of 2018.

AVERAGE BALANCES

Euro million

	30 Jun. 19		30 Jun. 18	
	Amount	Yield %	Amount	Yield %
Deposits in banks	3,543	1.1	2,575	0.8
Financial assets	15,764	1.7	12,731	2.3
Loans and advances to customers	49,173	3.2	47,503	3.2
INTEREST EARNING ASSETS	68,480	2.7	62,809	2.9
Non-interest earning assets	9,520		10,078	
	78,000		72,887	
Amounts owed to credit institutions	8,075	0.2	7,410	0.0
Deposits and other resources from customers	56,034	0.5	52,573	0.6
Debt issued	3,121	1.2	2,903	2.0
Subordinated debt	1,243	4.5	1,147	6.6
INTEREST BEARING LIABILITIES	68,473	0.6	64,033	0.7
Non-interest bearing liabilities	1,993		2,004	
Shareholders' equity and non-controlling interests	7,534		6,850	
	78,000		72,887	
Net interest margin		2.1		2.2

Note: Interest related to hedge derivatives was allocated, in June 2019 and 2018, to the respective balance sheet item.

Dividends from equity instruments, which comprise dividends received from investments classified as financial assets at fair value, through other comprehensive income and as financial assets held for trading, together with **equity accounted earnings**, totalled 21.9 million euros, compared to 42.0 million euros posted in the first half of 2018, penalized by the lower contribution from both the activity in Portugal and the international activity.

In the activity in Portugal, we must point out the reduction of 8.1 million euros related to the results generated by the participation in Millennium Ageas, influenced by the impact recognized from the scenario of lower interest rates and by the results generated by stake held in SIBS and Unice that together showed a reduction of 5.2 million euros from the first half of 2018.

In the international activity, the appropriation of the results generated by Banco Millennium Atlântico was 6.4 million euros less than the amount recorded in the first half of 2018, which was largely justified by the end of the application of IAS 29, with effect from 1 January 2019. Excluding the impact of IAS 29 in both periods, the appropriation of the results generated by Banco Millennium Atlântico recorded a reduction of only 1.8 million euros. It should also be noted that, as a result of the application of IAS 29, the results of June 2018 included, in other impairments and provisions, an impairment charge for goodwill. Therefore, considering the effect on this item, the total contribution of Banco Millennium Atlântico for the results of the Group, increased marginally between the first half of 2018 and the first half of 2019, from 6.2 million euros to 6.3 million euros.

In the first half of 2019, **net commissions** totalled 342.2 million euros, slightly above the 340.2 million euros posted in the same period of the last year. The evolution of net commissions on a consolidated basis, reflects the performance of both the activity in Portugal and the international activity, where net commissions increased from the first half of 2018 by 0.7% and 0.4%, respectively.

Consolidated net commissions encompass different performances since banking commissions continued to grow favourably, showing a 4.1% increase over the first half of 2018, while market related commissions decreased by 15.0% in the same period, absorbing almost totally the positive impact of banking commissions.

In the first six months of 2019, **net trading income** stood at 95.5 million euros, comparing favourably to the 77.0 million euros recorded in the same period of the previous year, reflecting the good performances of both the activity in Portugal and the international activity which increased 16.8% and 34.6%, respectively, from the first half of 2018.

In the activity in Portugal, emphasis should be made to the gains of 55.4 million euros, recognized with the sale of Portuguese public debt securities (13.4 million euros in the first half of 2018), as well as the lower costs of loan sales, which amounted to Euro 11.0 million euros in the first half of 2019, representing about half of the costs incurred in the first six months of the previous year.

The growth in international activity includes, on the one hand, higher gains from the sale of securities recorded by the Polish subsidiary and, on the other, higher results from foreign exchange operations arising from the operation in Mozambique.

In the first half of 2019, other **net operating income**, which, among others, includes the costs associated with mandatory contributions as well as with the resolution and the deposit guarantee funds, totalled a negative amount of 75.4 million euros, showing an improvement compared to the also negative 90.1 million euros recorded in the first half of the previous year, boosted mainly by the performance of the activity in Portugal, partially offset by the negative evolution of the international activity.

In the activity in Portugal, other net operating income showed an improvement from the negative 58.7 million euros recognized in the first half of 2018 to a also negative amount of 39.7 million euros in the first six months of 2019, mainly reflecting the increase in income generated by the sale of non-current assets held for sale. Costs incurred with the mandatory contributions stood at 66.6 million euros in the first half of 2019, in line with the figure recorded in the first half of 2018.

In the international activity, other net operating income recorded a negative amount of 35.8 million euros in the first six months of the year, which compares with 31.4 million euros (also negative) in the same period of the previous year. This evolution was mostly justified by the increase in mandatory contributions in the Polish operation, from 40.3 million euros in the first half of 2018 to 48.1 million euros in the same period of 2019.

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OTHER NET INCOME

Euro million

	6M19	6M18	Change 19/18
DIVIDENDS FROM EQUITY INSTRUMENTS	0.7	0.6	9.0%
NET COMMISSIONS	342.2	340.2	0.6%
Banking commissions	289.6	278.3	4.1%
Cards and transfers	81.2	79.8	1.8%
Credit and guarantees	82.6	79.6	3.7%
Bancassurance	58.0	53.5	8.5%
Current account related	56.9	52.4	8.5%
Other commissions	10.9	13.0	-16.1%
Market related commissions	52.6	61.9	-15.0%
Securities	33.2	39.5	-16.0%
Asset management	19.4	22.4	-13.3%
NET TRADING INCOME	95.5	77.0	24.0%
OTHER NET OPERATING INCOME	(75.4)	(90.1)	16.3%
EQUITY ACCOUNTED EARNINGS	21.2	41.4	-48.8%
TOTAL OTHER NET INCOME	384.1	369.1	4.1%
Other net income / Net operating revenues	34.2%	34.9%	

Note: In 2018, some of the amounts recorded by the subsidiary in Poland under the items "Credit and guarantees", "Bancassurance", "Other commissions" and "Asset management" were reclassified in order to improve the integration of the information reported on a consolidated basis. The total amount of net commissions as at 30 June 2018 did not change.

Operating costs, excluding the effect of specific items*, stood at 525.8 million euros in the first half of 2019, comparing to 492.8 million euros recorded in the first six months of 2018. This evolution mainly reflects the increase in the international activity, although in a smaller scale, the activity in Portugal also showed an increase in costs compared to the same period of the previous year.

In the activity in Portugal, operating costs, not considering the effect of the specific items amounted to 312.8 million euros in the first half of 2019, increasing 2.5% from the 305.2 million euros accounted in the same period of the previous year. This increase in costs was due to the evolution in staff costs and in depreciations, in the latter case justified mostly by the entry into force, on 1 January 2019, of IFRS 16 – Leases, that inversely, caused a decrease in other administrative costs.

In the international activity, operating costs stood at 213.0 million euros in the first six months of 2019, recording an increase of 13.5% compared to the 187.6 million euros recorded in the same period of 2018, determined by the performance of the Polish subsidiary partially influenced by the impact from the acquisition of Euro Bank S.A.. The subsidiary in Mozambique also recorded an increase in operating costs in the period under review, albeit in a smaller amount.

* Negative impact of 22.4 million euros in the first half of 2019 related to restructuring costs and compensation for temporary salary cuts, and also negative impact of 8.0 million euros in the first half of 2018, related to restructuring costs, in both periods recognized as staff costs in the activity in Portugal.

Staff costs, not considering the effect of the specific items, fully recognized in the domestic activity, amounted to 301.8 million euros in the first half of 2019, showing an increase of 7.1% compared to the 281.8 million euros accounted in the same period of the previous year. This evolution reflects, mainly, the increase of costs that was observed in the international activity, but also, although to a lesser extent, in the activity in Portugal.

In the activity in Portugal, staff costs, excluding the negative impact of the specific items related to restructuring costs and compensation for temporary salary cuts in the amount of 22.4 million euros, totalled 184.9 million euros in the first half of 2019, showing an increase of 3.1% compared to the 179.4 million euros recorded in the same period of the previous year. One of the drivers for this evolution was the increase in the number of employees from 7,151 in 30 June 2018 to 7,264 in the same date of 2019, with the reinforcement of digital transformation skills and internalization of outsourcers.

In the international activity, staff costs recorded an increase of 14.2% from 102.4 million euros recognized in the first half of 2018, totalling 116.9 million euros in the same period of 2019, mostly motivated by the performance of the Polish subsidiary, but also, although to a lesser extent, by the increase in Mozambique. The increase in staff costs in the Polish subsidiary was driven by the number of employees, which increased from 5,973 (5,846 FTE – full time equivalent) at the end of June 2018 to 8,700 (8,550 FTE- full time equivalent) on 30 June 2019. This increase was mainly justified by the inclusion of 2,425 employees as a result of the acquisition of Euro Bank S.A. in May 2019, although the employees from the Skok Piast Credit Union, an entity acquired by Bank Millennium in November 2018 also contribute to the increase.

Other administrative costs stood at 167.0 million euros in the first half of 2019, showing a reduction of 8.6% from 182.7 million euros accounted in the same period of the previous year, determined by the impact of the entry into force, on 1 January 2019, of IFRS 16 – Leases.

The entry into force of IFRS 16 determined the evolution of other administrative costs both in the activity in Portugal and in the international activity, which decreased by 12.9% and 2.3%, respectively, compared to the amounts recorded in the first half of 2018.

In the activity in Portugal, other administrative costs decreased from 107.9 million euros in the first half of 2018 to 94.0 million euros at the end of the first half of 2019.

Excluding the impact of IFRS 16 and the increase in costs related to the ongoing digital transformation process, other administrative costs would show a overall reduction when compared to the amounts recognized in the first half of 2018, reflecting a disciplined recurring costs evolution, partly as a consequence of the ongoing effort in resizing the distribution network, which decreased from 573 branches on 30 June 2018 to 532 branches on 30 June 2019.

The evolution of other administrative costs in the international activity from 74.8 million euros at the end of the first half of 2018 to 73.0 million euros in the same period of 2019 reflects above all, besides the favourable impact of the implementation of IFRS 16, the performance of the subsidiary in Poland, not only due to the impact of the acquisition of Euro Bank S.A., but also to the increase arising from the current activity of Bank Millennium, reflecting the growth dynamics of the Polish economy.

The effect of the acquisition of Euro Bank S.A. also influenced the number of branches of international activity, as they increased from 550 at the end of the first half of 2018 to 1,033 as at 30 June 2019. Excluding the effect of the consolidation of this new entity, the number of branches would have increased to 568 at the end of the first six months of 2019, mainly due to the activity of the subsidiary in Poland and also by the integration of Skok Piast at the end of 2018.

Depreciations totalled 57.0 million euros in the first half of 2019, influenced by the impact of the entry into force of IFRS 16, which justified, almost entirely, the increase of 28.6 million euros compared to the amount accounted in the same period of the previous year.

Excluding the impact of the entry into force of IFRS 16, depreciation costs were mostly due to the increase in investment related to software and IT equipment, both in the activity in Portugal and in the international activity, reflecting the investment in technological innovation and the ongoing digital transformation.

OPERATING COSTS

Euro million

	6M19	6M18	Change 19/18
Staff costs	301.8	281.8	7.1%
Other administrative costs	167.0	182.7	-8.6%
Depreciation	57.0	28.4	100.9%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	525.8	492.8	6.7%
OPERATING COSTS	548.2	500.8	9.5%
Of which:			
Portugal activity (1)	312.8	305.2	2.5%
Foreign activity	213.0	187.6	13.5%

(1) Excludes the impact of specific items.

In the first half of 2019, **impairment for loan losses (net of recoveries)** stood at 200.3 million euros, showing a reduction of 9.2% from the 220.6 million euros accounted in the first half of the previous year. Given the decreasing dynamics of loan impairments in Portugal, the reduction would have been more pronounced, but for the initial effect of the acquisition of Euro Bank S.A. in the international activity.

In the activity in Portugal, loans impairment continued to show a downward trend as they still show a significant decrease of 26.6%, from 191.5 million euros in the first half of 2018 to 140.6 million euros in the first half of 2019.

In the international activity, loans impairment increased from 29.1 million euros to 59.7 million euros between 30 June 2018 and 30 June 2019, mostly due to the effect in the moment of the acquisition of Euro Bank S.A. of impairment charges to the risks implicit in the loans portfolio.

The cost of risk (net of recoveries) of the Group showed a favourable trend from 88 basis points in the first half of 2018 to 74 basis points in the first half of 2019, influenced by the impact of the acquisition of Euro Bank S.A..

Other impairment and provisions stood at 42.8 million euros in the first six months of 2019, compared to 59.2 million euros accounted in the same period of 2018. This decrease was determined by both the evolution of the activity in Portugal and the international activity.

In the activity in Portugal, other impairment and provisions showed a decrease of 17.6%, from 49.8 million euros as at 30 June 2018, to 41.0 million euros in the first half of 2019, also showing a very significant reduction in the international activity, from 9.4 million euros recognized in the first half of 2018 to 1.8 million euros in the same period of 2019.

Income tax (current and deferred) amounted to 121.1 million euros in the first half of 2019, which compares to 71.9 million euros obtained in the same period of 2018.

These taxes include, in the first half of 2019, current tax of 47.4 million euros (49.9 million euros in the first half of 2018) and deferred tax of 73.7 million euros (22.0 million euros in the same period of 2018).

The increase in deferred tax expense in 2019 versus 2018 resulted mainly from the write-off of the deferred tax assets due to the change of prospects for future evolution in market interest rates, with the persistent scenario of the low interest rates, and to the actuarial losses from the pension fund.

BALANCE SHEET

On 30 June 2019, **total assets** of the balance sheet of Millennium bcp stood at 80,873 million euros, increasing 10.6% versus the 73,100 million euros recorded on the same date of the previous year. This increase was due, mostly, to the acquisition of Euro Bank S.A. by the Polish subsidiary, whose impact was mainly in the evolution of the loan portfolio. Total assets considering the recurring activity of the Polish subsidiary also showed a favourable evolution compared to 30 June 2018.

At the same time, the evolution of total assets reflects the performance of the activity in Portugal, whose principal increases, as compared to 30 June 2018, were in cash at central banks and advances to credit institutions, securities portfolio, with the reinforcement of eligible assets, namely Portuguese public debt portfolio and customer loans portfolio (net). Inversely, the most significant reduction occurred in non-current assets held for sale, namely in the portfolio of real estate properties received as payment.

Consolidated **loans to customers** (gross) of Millennium bcp, as defined above, stood at 54,699 million euros on 30 June 2019, showing an increase of 8.4% from the 50,468 million euros at the same date of the previous year, benefiting from the performance of the international activity.

In the activity in Portugal, loans to customers (gross) were slightly below the 37,350 million euros recorded on 30 June 2018, totalling 37,192 million euros at the end of the first half of 2019. It is important to note that the decrease observed was due to the strong reduction in NPE, which decreased from 5,913 million euros on 30 June 2018 to 4,088 million euros on the same date of 2019, with the performing loans increasing 5.3% over the same period.

In the international activity, loans to customers (gross) increased 33.5% from the 13,118 million euros booked on 30 June 2018, to 17,506 million euros on 30 June 2019. This increase was boosted by the performance of Bank Millennium in Poland, reflecting not only the impact of the acquisition of Euro Bank S.A., but also the current activity of the subsidiary excluding the impact of the integration of the acquired entity.

Consolidated loans to customers (gross) maintained a balanced level of diversification in the period of time comprised between 30 June 2018 and 30 June 2019, with loans to individuals and loans to companies representing respectively 57% (54% as at 30 June 2018) and 43% (46% as at 30 June 2018) of the total amount of loans to customers.

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Jun. 19	30 Jun. 18	Change 19/18
INDIVIDUALS	31,342	27,268	14.9%
Mortgage	25,563	23,365	9.4%
Personnal Loans	5,779	3,902	48.1%
COMPANIES	23,356	23,200	0.7%
Services	8,701	8,826	-1.4%
Commerce	3,598	3,447	4.4%
Construction	1,918	2,244	-14.6%
Others	9,139	8,683	5.3%
TOTAL	54,699	50,468	8.4%
Of which:			
Portugal activity	37,192	37,350	-0.4%
Foreign activity	17,506	13,118	33.5%

The **quality of the credit portfolio** continued to improve, reflecting the focus on selectivity and monitoring of the credit risk control processes, as well as from the initiatives carried out by the commercial areas and credit recovery areas towards the recovery of operations in default.

This improvement may be observed in the positive performance of the credit quality indicators, in particular in the evolution of NPE ratio as a percentage of the total loan portfolio which reduced from 13.2% as at 30 June 2018 to 9.1% at the end of the first half of 2019. The reduction of the implicit risks in the loan portfolio of the Group is also supported by the generalized increase in the coverage by impairments, namely in what refers to the reinforcement in the coverage of NPE by impairment, from 49.9% on 30 June 2018 to 53.6% on 30 June 2019. In the activity in Portugal, coverage of NPE by impairment stood at 52.5% on 30 June 2019, that compares to 47.5% recorded at the end of June 2018.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	Jun. 19	Jun. 18	Chg. % 19/18	Jun. 19	Jun. 18	Chg. % 19/18
STOCK						
Loans to customers (gross)	54,699	50,468	8.4%	37,192	37,350	-0.4%
Overdue loans > 90 days	1,863	2,645	-29.6%	1,495	2,360	-36.7%
Overdue loans	2,034	2,764	-26.4%	1,534	2,412	-36.4%
Restructured loans	3,442	4,061	-15.2%	2,842	3,498	-18.7%
Non-performing loans (NPL) > 90 days	2,843	4,032	-29.5%	2,313	3,561	-35.0%
Non-performing exposures (NPE)	4,970	6,666	-25.4%	4,088	5,913	-30.9%
Loans impairment (Balance sheet)	2,664	3,327	-19.9%	2,146	2,810	-23.6%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	3.4%	5.2%		4.0%	6.3%	
Overdue loans / Loans to customers (gross)	3.7%	5.5%		4.1%	6.5%	
Restructured loans / Loans to customers (gross)	6.3%	8.0%		7.6%	9.4%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	5.2%	8.0%		6.2%	9.5%	
Non-performing exposures (NPE) / Loans to customers (gross)	9.1%	13.2%		11.0%	15.8%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	143.0%	125.8%		143.6%	119.1%	
Coverage of overdue loans	131.0%	120.4%		139.9%	116.5%	
Coverage of Non-performing loans (NPL) > 90 days	93.7%	82.5%		92.8%	78.9%	
Coverage of Non-performing exposures (NPE)	53.6%	49.9%		52.5%	47.5%	

Note: NPE include loans to customers only, as defined in the glossary.

Total customer funds showed an increase of 9.3% compared to 72,458 million euros recorded on 30 June 2018, reaching 79,224 million euros at the end of the first half of 2019, due to the good performance of both the activity in Portugal and the international activity.

The increase in balance sheet resources of 6,024 million euros, as compared to 30 June 2018, was a key factor for this evolution, particularly in the case of deposits and other resources from customers, which increased by 5,565 million euros in the same period.

In the activity in Portugal, total customer stood at 55,638 million euros on 30 June 2019, reflecting an increase of 4.9% compared to the 53,049 million euros posted in the same date of the previous year. This evolution is mainly due to the performance of deposits and other resources from customers, which grew by 1,342 million euros compared to 30 June 2018, with off-balance sheet customer funds also contributing to this favourable evolution, driven by the increase of 1,076 million euros in insurance products (savings and investment), partially absorbed by the reduction in assets placed with customers.

In the international activity, total customer funds expanded 21.5% in relation to the amount of 19,409 million euros recorded at the end of the first half of 2018, attaining 23,586 million euros on 30 June of 2019, mainly due to the increase of 4,223 million euros in deposits and other resources from customers. This increase was determined by the performance of the Polish subsidiary, reflecting not only the impact of the acquisition of Euro Bank S.A., but also the current activity of the subsidiary excluding the impact of the new entity.

On 30 June 2019, balance sheet customer funds represented 77% of total customer funds, with deposits and other resources from customers representing 74% of total customer funds.

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 88% on 30 June 2019, with the same ratio, considering on-balance sheet customers' funds, standing at 86%. Both ratios show values in line with those obtained on 30 June 2018.

TOTAL CUSTOMER FUNDS

Euro million

	30 Jun. 19	30 Jun. 18	Change 19/18
BALANCE SHEET CUSTOMER FUNDS	60,698	54,674	11.0%
Deposits and other resources from customers	59,020	53,455	10.4%
Debt securities	1,678	1,219	37.6%
OFF-BALANCE SHEET CUSTOMER FUNDS	18,526	17,784	4.2%
Assets under management	5,445	5,295	2.8%
Assets placed with customers	3,822	4,260	-10.3%
Insurance products (savings and investment)	9,260	8,228	12.5%
TOTAL	79,224	72,458	9.3%
Of which:			
Portugal Activity	55,638	53,049	4.9%
Foreign activity	23,586	19,409	21.5%

On 30 June 2019, the **securities portfolio** reached 15,966 million euros, increasing 8.9% from 14,666 million euros recorded in the same date of the previous year and representing 19.7% of total assets (20.1% on 30 June 2018). This increase occurred in the portfolios of both the activity in Portugal and the international activity.

In the activity in Portugal, the increase in this portfolio was mainly justified by the growth of the portfolio of eligible assets, namely Portuguese sovereign debt. Likewise, in the international activity, the evolution was essentially due to the reinforcement of sovereign debt portfolio in the activity of the Polish subsidiary.

LIQUIDITY MANAGEMENT

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 214% at the end of June 2019, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity, having evolved favourably from the same date of the previous year (176%).

At the same time, the Group has a strong and stable financing base, characterized by the large share of customer deposits in the funding structure, collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (Net Stable Funding Ratio or NSFR) as at 30 June 2019 to stand at 135% (129% as at 30 June 2018).

Between June 2018 and June 2019, the consolidated wholesale funding increased by 828 million euros, as a result from increases of 479 million euros in Portugal and 349 million euros in Poland (in this case attributable in a significant part of the acquisition of Euro Bank S.A. by Bank Millennium, which represented the incorporation of 206 million euros of wholesale liabilities). In Portugal, this development was mainly due to increases in the balance of deposits in Banco de Portugal and in the securities portfolios, which were substantially offset by the reduction in the commercial gap and the liquidity generated by the activity.

The wholesale financing structure recorded a strengthening of its medium-long-term component, with a 741 million euros increase in debt instruments placed in the market (to a balance of 2.2 billion euros) and 213 million euros in long-term bank loans (to a balance of 1.9 billion euros). In money market instruments there was an increase in repos (174 million euros, to a balance of 673 million euros) and a decrease of 304 million euros in the interbank money market (to a long position of 236 million euros).

In what concerns debt instruments, BCP took advantage of the improved market conditions to place an Additional Tier 1 issue, eligible for MREL, in the amount of 400 million euros in January 2019. In the same month, and in order to strengthen its financing structure for the acquisition of Euro Bank S.A., Bank Millennium issued subordinated bonds amounting to PLN 830 million. Both issues correspond to the fulfilment of objectives defined in the Group's Liquidity Plan.

In net terms, funding from the European Central Bank fell by 1.1 billion euros from June 2018, to 2.0 billion euros.

The liquidity position of the Group's two main operations was strengthened in the period. In the case of BCP, the liquidity buffer with the ECB showed a reinforcement of 1.9 billion euros, to 14.4 billion euros. In the same period, Bank Millennium's liquidity buffer with its central bank increased by 84 million euros, to 4.0 billion euros, despite the liquidity used in the acquisition of Euro Bank S.A..

CAPITAL

The estimated Core Equity Tier 1 ratio as at 30 June 2019 stood at 12.2% both phased-in and fully-implemented, +49 basis points and +52 basis points, respectively, comparing to the 11.7% ratios phased-in and fully-implemented recorded in the same period of 2018 and above the minimum ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2019 (CET1 9.625%, T1 11.125% and Total 13.125%).

The CET1 fully-implemented ratio favourable evolution was mainly determined by the organic generation of capital, despite impacts of the acquisition of Euro Bank S.A. by Bank Millennium in Poland, that took place in May 2019 and the reduction of the pension fund's discount rate (from 2.1% to 1.6%), as a consequence of the interest rate's decrease. The fully-implemented tier 1 and total capital ratios additionally benefited from the Additional Tier 1 placement of 400 million euros in Portugal, with the total ratio also showing an additional positive variation as a result of Poland's subordinated bonds' placement.

SOLVENCY RATIOS

Euro million

	30 Jun. 19	30 Jun. 18
FULLY-IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,435	4,865
Tier 1 (T1)	5,935	4,942
Total Capital	6,553	5,548
Risk weighted assets		
	44,625	41,724
Solvency ratios		
CET1	12.2%	11.7%
Tier 1	13.3%	11.8%
Total capital	14.7%	13.3%
PHASED-IN		
CET1	12.2%	11.7%

Note: The capital ratios of June 2019 are estimated including the non-audited positive accumulated net income.

The capital ratios of June 2018 include the positive accumulated net income.

SIGNIFICANT EVENTS

Millennium bcp continued to implement its Strategic Plan 2018-2021. Highlights during this period include:

- Completion of the Annual General Meeting of Shareholders, on May 22, with 64.59% of the share capital represented, the, being highlighted the following resolutions: approval of the individual and consolidated annual report, balance sheet and financial statements of 2018, including the Corporate Governance Report and the proposal for the appropriation of profits for the 2018 financial year; approval of the cooptation of Fernando Costa Lima as member of the Board of Directors and of the Audit Committee for the exercise of functions in the term-of-office ending in 2021; appointment of Cidália Maria da Mota Lopes as Chairperson of the Audit Committee to exercise functions during the term-of-office ending in 2021; election of Nuno Maria Pestana de Almeida Alves as member of the Remunerations and Welfare Board; election of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, as the Single Auditor, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the two-year term-of-office 2019/2020; selection of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, SA to perform functions of External Auditor in the 2019/2020 two-year period.
- Bank Millennium S.A., a subsidiary in which BCP owns a 50.1% stake, announced on May 31 having completed the acquisition of shares representing 99.787% of the share capital of Euro Bank S.A..
- BCP announced on June 19, that is evaluating the merger of its wholly-owned subsidiary Banco de Investimento Imobiliário, S.A. by incorporation into Banco Comercial Português, S.A., to be effected until year-end 2019.
- Upgrades of deposit ratings to Ba1 and senior debt rating to Ba2 made by Moody's on April 1.
- Upgrade of issuer rating to investment grade, made by DBRS, on June 3.

MAIN AWARDS

- Election of Millennium bim as Best Bank in the 'Payments' category in 2019 by Global Finance, recognizing the bank for the innovative solution Millennium IZI in the scope of interoperability.
- Bank Millennium was hailed as the Best Bank in Poland in the annual Best Bank Awards competition organized by Global Finance Magazine.
- Bank Millennium, for the fifth time in a row, has received the CSR Silver Leaf, award that is given to companies which implement the most stringent standards of corporate social responsibility in their day-to-day activity.

SUBSEQUENT EVENTS

- Upgrades of deposit ratings to Baa3 (investment grade) and senior debt rating to Ba1 by Moody's on July 24.

MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) foresees a slower growth rate for the world's GDP in 2019, from 3.6% to 3.3%, given the signs of economic slowdown seen in the major world economies.

In the euro area there persist important risks of deceleration of activity. After the strong drop in growth witnessed in 2018 largely due to temporary factors related to the German auto sector, in the first quarter of 2019, the pace of GDP expansion remained modest (1.2% year-on-year), penalised by the growing deterioration of global demand. The uncertainty about the movement of the economy and the trajectory of the reduction of the inflation rate compelled the ECB to announce in July's monetary policy meeting that the beginning of the process of normalisation of interest rates will not start before the end of next year's first semester.

At the end of the first semester of 2019 the expansionist phase of the US's economy completed 121 months, the longest since the Second World War. The longevity of the growth cycle was one of the reasons that led the US Federal Reserve (Fed) to intensify the normalising process of interest rates throughout 2018. This circumstance translated into a loss of dynamism of activity, which did not have a larger impact on the economy's effective growth solely due to the expansionary fiscal program introduced in the beginning of last year. However, the fading of that stimulus' effects and the slowdown of the global economy originated a loss of vigour of the American economy in the course of the first semester of 2019. Faced with such developments, the Fed hinted at a reversion of the monetary policy's stance, which implies a high probability of a reduction of interest rates in the second half of the current year.

The evolution of the international financial markets during the first six months of 2019 was marked by the appreciation of most asset classes, regardless of their risk profile. Indeed, the most cyclical markets, like stocks or corporate bonds, saw strong appreciations, while the yields on the safest debt securities, such as German and US sovereign bonds, recorded significant drops. This evolution was influenced by the intensification of the expectations of a higher accommodation of monetary policy worldwide, in a context of a pronounced weakening of the major world economies. The relative economic frailty of Europe led to a continuous depreciation of the Euro against the Dollar throughout the first half of 2019 and also to the maintenance of the interest rates on the Euro's money markets in negative territory for all maturities.

In Portugal, growth improved modestly in the first quarter of 2019, putting an end to the slowdown trajectory of activity observed in the second half of 2018. The year-on-year growth rate of 1.8% in the first three months of the year was boosted by the explosion of investment, which grew at a pace not seen since 1998 (14.5%), mitigating the negative contribution of net exports and the slight deceleration of private consumption. The expansion of investment stemmed, on one hand, from the dynamism of the construction sector, fostered by the strong demand for residential real-estate, and on the other hand, from the increase in business investment in machines and equipment. In this context, the need for capital goods' imports contributed to the worsening of the trade balance, whose deficit in the first four months of 2019 reached a magnitude not observed since 2012.

In Poland, the economic environment remains dynamic. In the first quarter of 2019 GDP growth was 4.7% year-on-year, which corresponds to a small acceleration compared to the previous three months, which was explained by a strong increase of investment and by the improvement of the contribution of net exports, together with the persistence of robust levels of expansion of private consumption. In this context of strong economic activity, the inflation rate, which had previously been at low levels, in April and May of 2019 surpassed the 2% threshold for the first time since the end of 2012. On the currency front, the Zloty appreciated against the euro in the first half of the year.

In Mozambique, the trajectory of reduction of the inflation rate and the favourable evolution of the exchange rate allowed the central bank to reduce the key interest rates by 100 basis points (b.p.) in June.

In Angola, the central bank also announced a reduction of the reference interest rates, albeit by a lower magnitude (25 b.p.), benefiting from the improvement of inflation, in an environment where economic activity still presents some frailty, after three consecutive years of contraction. For 2019, the IMF predicts that the Angolan economy will return to growth, even if barely (0.4%).

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal (1)			International activity		
	Jun. 19	Jun. 18	Change 19/18	Jun. 19	Jun. 18	Change 19/18	Jun. 19	Jun. 18	Change 19/18
INCOME STATEMENT									
Net interest income	740.1	687.7	7.6%	399.4	384.8	3.8%	340.7	302.9	12.5%
Dividends from equity instruments	0.7	0.6	9.0%	–	0.1	-100.0%	0.7	0.6	22.0%
Net fees and commission income	342.2	340.2	0.6%	235.5	234.0	0.7%	106.7	106.3	0.4%
Net trading income	95.5	77.0	24.0%	53.5	45.8	16.8%	42.1	31.2	34.6%
Other net operating income	(75.4)	(90.1)	16.3%	(39.7)	(58.7)	32.5%	(35.8)	(31.4)	-14.0%
Equity accounted earnings	21.2	41.4	-48.8%	14.9	28.6	-48.0%	6.3	12.8	-50.5%
Net operating revenues	1,124.2	1,056.8	6.4%	663.6	634.4	4.6%	460.6	422.3	9.1%
Staff costs	324.2	289.8	11.9%	207.3	187.4	10.7%	116.9	102.4	14.2%
Other administrative costs	167.0	182.7	-8.6%	94.0	107.9	-12.9%	73.0	74.8	-2.3%
Depreciation	57.0	28.4	100.9%	33.9	17.9	89.2%	23.0	10.4	120.9%
Operating costs	548.2	500.8	9.5%	335.2	313.2	7.0%	213.0	187.6	13.5%
Operating costs excluding specific items	525.8	492.8	6.7%	312.8	305.2	2.5%	213.0	187.6	13.5%
Profit before impairment and provisions	576.0	556.0	3.6%	328.4	321.2	2.2%	247.7	234.7	5.5%
Loans impairment (net of recoveries)	200.3	220.6	-9.2%	140.6	191.5	-26.6%	59.7	29.1	105.3%
Other impairment and provisions	42.8	59.2	-27.7%	41.0	49.8	-17.6%	1.8	9.4	-80.6%
Profit before income tax	332.9	276.2	20.5%	146.7	79.9	83.6%	186.2	196.3	-5.1%
Income tax	121.1	71.9	68.4%	74.4	25.1	196.0%	46.7	46.8	-0.1%
Current	47.4	49.9	-4.9%	(7.9)	5.0	<-200%	55.4	44.9	23.3%
Deferred	73.7	22.0	>200%	82.3	20.1	>200%	(8.6)	1.9	<-200%
Income after income tax from continuing operations	211.8	204.3	3.7%	72.4	54.8	32.1%	139.5	149.5	-6.7%
Income arising from discontinued operations	13.4	1.8	>200%	–	–	–	–	–	–
Non-controlling interests	55.5	55.4	0.1%	(0.4)	(4.2)	91.7%	55.8	59.6	-6.4%
Net income	169.8	150.6	12.7%	72.7	59.0	23.2%	83.7	89.9	-6.9%
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	80,873	73,100	10.6%	55,569	53,194	4.5%	25,304	19,906	27.1%
Total customer funds (2)	79,224	72,458	9.3%	55,638	53,049	4.9%	23,586	19,409	21.5%
Balance sheet customer funds	60,698	54,674	11.0%	40,349	38,612	4.5%	20,348	16,062	26.7%
Deposits and other resources from customers	59,020	53,455	10.4%	38,829	37,486	3.6%	20,191	15,968	26.4%
Debt securities	1,678	1,219	37.6%	1,521	1,126	35.0%	157	93	68.8%
Off-balance sheet customer funds	18,526	17,784	4.2%	15,289	14,437	5.9%	3,237	3,347	-3.3%
Assets under management	5,445	5,295	2.8%	3,159	3,024	4.5%	2,285	2,271	0.6%
Assets placed with customers	3,822	4,260	-10.3%	3,344	3,702	-9.7%	479	558	-14.2%
Insurance products (savings and investment)	9,260	8,228	12.5%	8,786	7,710	14.0%	473	519	-8.7%
Loans to customers (gross)	54,699	50,468	8.4%	37,192	37,350	-0.4%	17,506	13,118	33.5%
Individuals	31,342	27,268	14.9%	19,244	19,098	0.8%	12,099	8,169	48.1%
Mortgage	25,563	23,365	9.4%	17,229	17,065	1.0%	8,334	6,301	32.3%
Personnel Loans	5,779	3,902	48.1%	2,015	2,034	-0.9%	3,764	1,869	101.4%
Companies	23,356	23,200	0.7%	17,948	18,252	-1.7%	5,408	4,948	9.3%
CREDIT QUALITY									
Total overdue loans	2,034	2,764	-26.4%	1,534	2,412	-36.4%	500	352	41.9%
Overdue loans by more than 90 days	1,863	2,645	-29.6%	1,495	2,360	-36.7%	368	285	29.2%
Overdue loans by more than 90 days / Loans to customers	3.4%	5.2%		4.0%	6.3%		2.1%	2.2%	
Total impairment (balance sheet)	2,664	3,327	-19.9%	2,146	2,810	-23.6%	518	517	0.1%
Total impairment (balance sheet) / Loans to customers	4.9%	6.6%		5.8%	7.5%		3.0%	3.9%	
Total impairment (balance sheet) / Overdue loans by more than 90 days	143.0%	125.8%		143.6%	119.1%		140.7%	181.7%	
Non-Performing Exposures	4,970	6,666	-25.4%	4,088	5,913	-30.9%	882	752	17.3%
Non-Performing Exposures / Loans to customers	9.1%	13.2%		11.0%	15.8%		5.0%	5.7%	
Restructured loans	3,442	4,061	-15.2%	2,842	3,498	-18.7%	600	563	6.5%
Restructured loans / Loans to customers	6.3%	8.0%		7.6%	9.4%		3.4%	4.3%	
Cost of risk (net of recoveries, in b.p.)	74	88		76	103		69	45	
Total impairment (balance sheet) / NPE	53.6%	49.9%		52.5%	47.5%		58.7%	68.8%	

(1) Not considering income arising from operations accounted as discontinued operations, in the amount of Euro 13.4 million.

BANCO COMERCIAL PORTUGUÊS
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2019 AND 2018

	(Thousands of euros)	
	30 June 2019	30 June 2018
Interest and similar income	952,855	935,949
Interest expense and similar charges	(212,782)	(248,294)
NET INTEREST INCOME	740,073	687,655
Dividends from equity instruments	675	620
Net fees and commissions income	342,184	340,214
Net gains / (losses) from financial operations at fair value through profit or loss	(1,371)	16,504
Net gains / (losses) from foreign exchange	30,318	36,792
Net gains / (losses) from hedge accounting operations	(4,192)	1,401
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(9,830)	(22,877)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	80,612	45,198
Net gains / (losses) from insurance activity	5,467	1,655
Other operating income / (losses)	(105,612)	(103,423)
TOTAL OPERATING INCOME	1,078,324	1,003,739
Staff costs	324,242	289,775
Other administrative costs	166,982	182,674
Amortisations and depreciations	56,957	28,351
TOTAL OPERATING EXPENSES	548,181	500,800
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	530,143	502,939
Impairment for financial assets at amortised cost	(200,026)	(219,414)
Impairment for financial assets at fair value through other comprehensive income	(139)	3,651
Impairment for other assets	(41,001)	(41,473)
Other provisions	(1,958)	(22,568)
NET OPERATING INCOME	287,019	223,135
Share of profit of associates under the equity method	21,191	41,383
Gains / (losses) arising from sales of subsidiaries and other assets	24,706	11,654
NET INCOME BEFORE INCOME TAXES	332,916	276,172
Income taxes		
Current	(47,437)	(49,905)
Deferred	(73,651)	(21,990)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	211,828	204,277
Income arising from discontinued or discontinuing operations	13,413	1,750
NET INCOME AFTER INCOME TAXES	225,241	206,027
Net income for the period attributable to:		
Bank's Shareholders	169,779	150,643
Non-controlling interests	55,462	55,384
NET INCOME FOR THE PERIOD	225,241	206,027
Earnings per share (in Euros)		
Basic	0.023	0.020
Diluted	0.023	0.020

BANCO COMERCIAL PORTUGUÊS
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2019 AND 2018 AND 31 DECEMBER 2018

(Thousands of euros)

	30 June 2019	31 December 2018	30 June 2018
ASSETS			
Cash and deposits at Central Banks	3,586,081	2,753,839	2,165,774
Loans and advances to credit institutions repayable on demand	313,410	326,707	240,576
Financial assets at amortised cost			
Loans and advances to credit institutions	971,191	890,033	878,421
Loans and advances to customers	49,564,362	45,560,926	44,834,920
Debt securities	3,378,140	3,375,014	3,103,173
Financial assets at fair value through profit or loss			
Financial assets held for trading	855,686	870,454	1,037,182
Financial assets not held for trading mandatorily at fair value through profit or loss	1,417,907	1,404,684	1,386,407
Financial assets designated at fair value through profit or loss	31,544	33,034	32,938
Financial assets at fair value through other comprehensive income	13,385,951	13,845,625	12,049,794
Assets with repurchase agreement	-	58,252	24,895
Hedging derivatives	207,312	123,054	95,722
Investments in associated companies	421,964	405,082	488,600
Non-current assets held for sale	1,582,654	1,868,458	2,101,478
Investment property	9,712	11,058	12,098
Other tangible assets	712,384	461,276	487,759
Goodwill and intangible assets	214,696	174,395	171,596
Current tax assets	52,478	32,712	26,977
Deferred tax assets	2,798,682	2,916,630	2,938,089
Other assets	1,369,084	811,816	1,023,760
TOTAL ASSETS	80,873,238	75,923,049	73,100,159
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	7,231,450	7,752,796	6,985,804
Resources from customers	56,877,433	52,664,687	50,633,675
Non subordinated debt securities issued	1,771,788	1,686,087	1,706,311
Subordinated debt	1,302,023	1,072,105	1,151,701
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	332,002	327,008	340,035
Financial liabilities at fair value through profit or loss	3,514,497	3,603,647	3,716,726
Hedging derivatives	278,927	177,900	192,159
Provisions	314,422	350,832	325,928
Current tax liabilities	9,171	18,547	7,279
Deferred tax liabilities	10,579	5,460	4,406
Other liabilities	1,665,824	1,300,074	1,149,218
TOTAL LIABILITIES	73,308,116	68,959,143	66,213,242
EQUITY			
Share capital	4,725,000	4,725,000	5,600,738
Share premium	16,471	16,471	16,471
Preference shares	-	-	59,910
Other equity instruments	402,922	2,922	2,922
Legal and statutory reserves	240,535	264,608	264,608
Treasury shares	(88)	(74)	(291)
Reserves and retained earnings	793,684	470,481	(292,577)
Net income for the period attributable to Bank's Shareholders	169,779	301,065	150,643
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,348,303	5,780,473	5,802,424
Non-controlling interests	1,216,819	1,183,433	1,084,493
TOTAL EQUITY	7,565,122	6,963,906	6,886,917
TOTAL LIABILITIES AND EQUITY	80,873,238	75,923,049	73,100,159

ALTERNATIVE PERFORMANCE MEASURES

The BCP Group prepares financial information in accordance with International Financial Reporting Standards (IFRS) endorsed by European Union. As a complement to that information, the BCP Group uses a set of alternative performance measures that allow monitoring the evolution of its activity over the time. Following the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on October 2015 (ESMA/2015/1415), the BCP Group presents some indicators related to the assessment of profitability and efficiency and the quality of the credit portfolio, among others, which are intended to facilitate comprehension of the evolution of the economic and financial position of the Group. The information presented in this context has not been audited and does not, under any circumstance, replace the financial information prepared in accordance with IFRS. It should also be noted that the definitions and concepts used by the BCP Group for the calculation of these indicators may differ from those used by other entities in the determination of other similar measures and may therefore not be directly comparable. In accordance with the above-mentioned guidelines, alternative performance measures, which are detailed below, are presented together with additional information that reconciles the accounting figures presented in the consolidated financial statements prepared in accordance with IFRS and financial information reflecting the management criteria adopted by the BCP Group. These indicators and their components are also described in more detail in the glossary.

1) Loans to customers (net) / Balance sheet customer funds

Relevance of the indicator: the loans-to-deposits ratio is an indicator of liquidity that allows the evaluation of the Group's retail funding structure.

	30 Jun. 19	30 Jun. 18
Loans to customers (net) (1)	52,035	47,141
Balance sheet customer Funds (2)	60,698	54,674
(1) / (2)	85.7%	86.2%

2) Return on average assets (ROA)

Relevance of the indicator: allows measurement of the capacity of the Group to generate results with the volume of available assets.

	Euro million	
	1 H19	1 H18
Net income (1)	170	151
Non-controlling interests (2)	55	55
Average total assets (3)	78,000	72,887
[(1) + (2), annualised] / (3)	0.6%	0.6%

3) Return on average equity (ROE)

Relevance of the indicator: allows assessment of the capacity of the Group to remunerate its shareholders, assessing the level of profitability generated by the funds invested by the shareholders in the Group.

	Euro million	
	1 H19	1 H18
Net income (1)	170	151
Average equity (2)	5,973	5,713
[(1), annualised] / (2)	5.7%	5.3%

4) Cost to income

Relevance of the indicator: it allows for the monitoring of the level of efficiency of the Group, evaluating the volume of operating costs (excluding specific items) to generate net operating revenues.

	Euro million	
	1 H19	1 H18
Operating costs (1)	548	501
Specific items (2)	22	8
Net operating revenues (3)	1,124	1,057
[(1) - (2)] / (3)	46.8%	46.6%

5) Cost of risk, net of recoveries (expressed in basis points, annualised)

Relevance of the indicator: allows assessment of the quality of the loan portfolio by evaluating the ratio between impairment charges (net of reversals and recoveries of credit and interest) recognised in the period and the stock of loans to customers at the end of that period.

	Euro million	
	1 H19	1 H18
Loans to customers at amortised cost, before impairment (1)	54,366	50,186
Loan impairment charges (net of recoveries) (2)	200	221
[(2), annualised] / (1)	74	88

6) Non-performing exposures (NPE) / Loans to customers (gross)

Relevance of the indicator: allows the assessment of the level of credit risk to which the Group is exposed based on the proportion of the NPE loan portfolio in the loans-to-customers portfolio (gross).

	Euro million	
	30 Jun. 19	30 Jun. 18
Non-Performing Exposures (1)	4,970	6,666
Loans to customers (gross) (2)	54,699	50,468
(1) / (2)	9.1%	13.2%

7) Coverage of non-performing exposures (NPE) by balance sheet impairment

Relevance of the indicator: it allows the assessment of the level of coverage of the NPE portfolio by balance sheet impairment.

	Euro million	
	30 Jun. 19	30 Jun. 18
Non-Performing Exposures (1)	4,970	6,666
Loans impairments (balance sheet) (2)	2,664	3,327
(2) / (1)	53.6%	49.9%

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

Loans to customers

	Euro million	
	30 Jun. 19	30 Jun. 18
Loans to customers at amortised cost (accounting Balance Sheet)	49,564	44,835
Debt instruments at amortised cost associated to credit operations	2,155	2,042
Balance sheet amount of loans to customers at fair value through profit or loss	316	264
Loan to customers (net) considering management criteria	52,035	47,141
Balance sheet impairment related to loans to customers at amortised cost	2,620	3,267
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	27	43
Fair value adjustments related to loans to customers at fair value through profit or loss	16	17
Loan to customers (gross) considering management criteria	54,699	50,468

EARNINGS PRESS RELEASE

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Loans impairment (P&L)

	Euro million	
	1H19	1H18
Impairment of financial assets at amortised cost (accounting P&L) (1)	200	219
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	-1	0
Impairment of financial assets at amortised cost not associated with credit operations (3)	0	-1
Loans impairment considering management criteria (1)-(2)-(3)	200	221

Balance sheet customer funds

	Euro million	
	30 Jun. 19	30 Jun. 18
Financial liabilities at fair value through profit or loss (accounting Balance sheet)	3,514	3,717
Debt securities at fair value through profit or loss and certificates	-1,372	-896
Customer deposits at fair value through profit or loss considering management criteria	2,142	2,821
Resources from customers at amortised cost (accounting Balance sheet)	56,877	50,634
Deposits and other resources from customers considering management criteria (1)	59,020	53,455
Non subordinated debt securities issued at amortised cost (accounting Balance sheet)	1,772	1,706
Debt securities at fair value through profit or loss and certificates	1,372	896
Non subordinated debt securities placed with institucional customers	-1,466	-1,383
Debt securities placed with customers considering management criteria (2)	1,678	1,219
Balance sheet customer funds considering management criteria (1)+(2)	60,698	54,674

EARNINGS PRESS RELEASE

Reuters>bcp.ls

Exchange>BCP

Bloomberg>bcp pl

ISIN

PTBCP0AM0015

Securities portfolio

Euro million

	30 Jun. 19	30 Jun. 18
Debt instruments at amortised cost (accounting Balance sheet)	3,378	3,103
Debt instruments at amortised cost associated to credit operations net of impairment	-2,155	-2,042
Debt instruments at amortised cost considering management criteria (1)	1,223	1,061
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet)	1,418	1,386
Balance sheet amount of loans to customers at fair value through profit or loss	-316	-264
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (2)	1,102	1,122
Financial assets held for trading (accounting Balance sheet) (3)	856	1,037
of which: trading derivatives (4)	632	663
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (5)	32	33
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (6)	13,386	12,050
Assets with repurchase agreement (accounting Balance sheet) (7)	0	25
Securities portfolio considering management criteria (1)+(2)+(3)-(4)+(5)+(6)+(7)	15,966	14,666

GLOSSARY

Assets placed with customers – amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions.

Balance sheet customer funds – deposits and other resources from customers and debt securities placed with customers.

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 – net interest income plus net fees and commissions income deducted from operating costs.

Cost of risk, net (expressed in basis points) – ratio of loans impairment (P&L) accounted in the period to loans to customers at amortised cost and debt instruments at amortised cost related to credit operations before impairment at the end of the period.

Cost to core income – operating costs divided by core income.

Cost to income – operating costs divided by net operating revenues.

Coverage of non-performing exposures by impairments – loans impairments (balance sheet) divided by the stock of NPE.

Coverage of non-performing loans by impairments – loans impairments (balance sheet) divided by the stock of NPL.

Coverage of overdue loans by impairments – loans impairments (balance sheet) divided by overdue loans.

Coverage of overdue loans by more than 90 days by impairments – loans impairments (balance sheet) divided by overdue loans by more than 90 days.

Debt instruments – non-subordinated debt instruments at amortised cost and financial liabilities measured at fair value through profit or loss (debt securities and certificates).

Debt securities placed with customers – debt securities issued by the Bank and placed with customers.

Deposits and other resources from customers – resources from customers at amortised cost and customer deposits at fair value through profit or loss.

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 impairment (balance sheet) – balance sheet impairment related to loans to customers at amortised cost, balance sheet impairment associated with debt instruments at amortised cost related to credit operations and fair value adjustments related to loans to customers at fair value through profit or loss.

Loans impairment (P&L) – impairment (net of reversals and net of recoveries – principal and accrual) of financial assets at amortised cost for loans to customers and for debt instruments related to credit operations.

Loans to customers (gross) – loans to customers at amortised cost before impairment, debt instruments at amortised cost associated to credit operations 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, debt instruments at amortised cost associated to credit operations 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 deposits and other resources from customers.

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, other net operating income and equity accounted earnings.

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive.

Non-performing exposures (NPE) – non-performing loans and advances to customers (loans to customers at amortised cost and loans to customers at fair value through profit or loss) more than 90 days past-due or unlikely to be paid without collateral realisation, if they recognised as defaulted or impaired.

Non-performing loans (NPL) – overdue loans (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss) more than 90 days past due including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Off-balance sheet customer funds – assets under management, assets placed with customers and insurance products (savings and investment) subscribed by customers.

Operating costs – staff costs, other administrative costs and depreciation.

Other impairment and provisions – impairment (net of reversals) of financial assets at amortised cost for loans and advances of credit institutions, impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations), other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, investments in associated companies and goodwill of subsidiaries and other provisions.

Other net income – dividends from equity instruments, net commissions, net trading income, other net operating income 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 – total outstanding amount of past due loans to customers (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Overdue loans by more than 90 days – total outstanding amount of past due loans to customers by more than 90 days (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Resources from credit institutions – resources and other financing from Central Banks and resources from other credit institutions.

Return on average assets (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on average assets (ROA) – net income (before minority interests) divided by the average total assets (weighted average of the average of monthly net assets in the period).

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 (weighted average of the average of monthly equity in the period).

Return on equity (ROE) – net income (after minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments (weighted average of the average of monthly equity in the period).

Securities portfolio – debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income and assets with repurchase agreement.

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 and off-balance sheet customer fund.

Disclaimer

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

The information in this presentation is for information purposes only, and should be read in conjunction with all other information made public by the BCP Group.

The interim condensed consolidated financial statements, for the sixmonths period ended 30 June 2019, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

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

The figures for the first half of 2019 were not audited.