

2 May 2016

Millennium bcp earnings release as at 31 March 2016

Profitability and efficiency

Recurring profits reinforced

- **Net profit of Euro 46.7 million in the 1st quarter of 2016**, compared to Euro 70.4 million in the same period of 2015, **despite the significant reduction of gains on Portuguese sovereign debt** (Euro -115.8 million, net of taxes).
- **Core net income* up 3.6% to Euro 213.2 million (+9.7% in Portugal)**, reflecting **substantial commercial discipline and lower operating costs** (-4.4%, with a 2.1% reduction in Portugal), resulting in **cost to core income* decreasing to 53.3%** cost to income of 49.4%.

Business performance

Healthy balance sheet

- **Commercial gap improved further**, with net loans as a percentage of on-balance sheet customer funds **now standing at 97%**. As a percentage of deposits (BoP criteria), net loans improved to 103% (109% as at 31 March 2015)
- **Customer deposits** totalled Euro 49.6 billion, **0.7% up** from 31 March 2015.

Asset quality

Lower delinquency and reinforced coverage

- **Provision charges still sizable, but trending downwards:** Euro 160.7 million in the 1st quarter of 2016 (Euro 201.0 million in the 1st quarter of 2015).
- **Decrease of the non-performing loans ratio** to 11.1% as at 31 March 2016 from 11.6% at the same date of 2015. **Coverage of non-performing loans reinforced to 57.2%** (53.5% as at 31 March 2015).

Capital and liquidity

Reinforced position

- **Common equity tier 1 ratio at 13.2%** according to phased-in criteria, compared to 11.6% as at 31 March 2015. This figure stood at **10.1% on a fully implemented basis**. Pro forma estimated figures including the net income and the impact of the merger in Angola.
- **ECB funding usage down to Euro 5.3 billion** (Euro 1.5 billion of which TLTRO) from Euro 6.2 billion as at 31 March 2015.

Merger in Angola

- **Merger between Millennium Angola and Banco Privado Atlântico, S.A. completed** on April 22, with an estimated impact of +0.4 percentage points on the phased-in common equity tier 1 ratio.

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

Note: above-presented business indicators exclude from the full-consolidation perimeter BMA's operation in Angola.

Financial Highlights

	<i>Euro million</i>		
	31 Mar. 16	31 Mar. 15	Change 16 / 15
Balance sheet			
Total assets	76,295	78,313	-2.6%
Loans to customers (gross) ⁽¹⁾	53,787	57,006	-5.6%
Total customer funds ⁽¹⁾	63,818	64,837	-1.6%
Balance sheet customer funds ⁽¹⁾	51,677	52,010	-0.6%
Customer deposits ⁽¹⁾	49,553	49,212	0.7%
Loans to customers, net / Customer deposits ⁽²⁾	101%	108%	
Loans to customers, net / Balance sheet customer funds ⁽³⁾	96%	102%	
Results			
Net income	46.7	70.4	-33.7%
Net interest income	292.4	297.8	-1.8%
Net operating revenues	488.1	642.2	-24.0%
Operating costs	243.1	254.3	-4.4%
Loan impairment charges (net of recoveries)	160.7	201.0	-20.1%
Other impairment and provisions	15.4	70.1	-78.1%
Income taxes			
Current	24.6	29.6	
Deferred	(9.6)	3.2	
Profitability			
Net operating revenues / Average net assets ⁽²⁾	2.6%	3.4%	
Return on average assets (ROA) ⁽⁴⁾	0.4%	0.5%	
Income before tax and non-controlling interests / Average net assets ⁽²⁾	0.5%	0.7%	
Return on average equity (ROE)	4.1%	6.9%	
Income before tax and non-controlling interests / Average equity ⁽²⁾	7.0%	10.8%	
Credit quality			
Overdue loans and doubtful loans / Total loans ⁽²⁾	9.4%	9.6%	
Overdue loans and doubtful loans, net / Total loans, net ⁽²⁾	3.3%	3.6%	
Credit at risk / Total loans ⁽²⁾	11.5%	12.1%	
Credit at risk, net / Total loans, net ⁽²⁾	5.5%	6.2%	
Impairment for loan losses / Overdue loans by more than 90 days ⁽¹⁾	86.0%	85.4%	
Efficiency ratios ^{(2) (5)}			
Operating costs / Net operating revenues	49.4%	39.6%	
Operating costs / Net operating revenues (Portugal)	49.6%	36.0%	
Staff costs / Net operating revenues	28.0%	22.3%	
Capital ⁽⁶⁾			
Common equity tier I phased-in	12.8%	11.5%	
Common equity tier I fully implemented	10.0%	8.7%	
Branches ⁽³⁾			
Portugal activity	662	695	-4.7%
Foreign activity	667	674	-1.0%
Employees ⁽³⁾			
Portugal activity	7,436	7,676	-3.1%
Foreign activity	9,673	9,753	-0.8%

(1) Adjusted from the effect related to the classification of Millennium bcp Gestão de Activos and Banco Millennium in Angola as discontinued operations.

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

(3) Includes discontinued operations.

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

(5) Excludes the impact of specific items: restructuring costs (Euro 1.8 million in 2016).

(6) According with CRD IV/CRR.

RESULTS AND ACTIVITY IN THE FIRST QUARTER OF 2016

Considering the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp) regarding the Bank's Restructuring Plan, in particular the implementation of a new approach to the asset management business, and in accordance with IFRS 5, the activity of Millennium bcp Gestão de Activos was classified as discontinued operations during 2013.

From this date onwards, the impact on results of these operations was presented on a separate line item in the profit and loss account, defined as "income arising from discontinued operations" with no change at balance sheet level from the criteria as that of the financial statements as at 31 March 2015. However, following the sale of the total shareholding in Millennium bcp Gestão de Activos, in May 2015, its assets and liabilities are no longer considered from this date onwards.

Similarly, with regard to Banco Millennium in Angola, following the agreement with the largest shareholder of Banco Privado Atlântico to merge the two entities, the approval of the respective merger plan and the granting of the necessary authorizations to complete this operation, Banco Millennium in Angola was also considered as a discontinued operation in March 2016 and its financial statements presented in accordance with the criteria referred to in relation to Millennium bcp Gestão de Activos, including the financial statements of the same period of 2015.

RESULTS

The **net income** of Millennium bcp amounted to Euro 46.7 million in the first quarter of 2016, compared to Euro 70.4 million posted in the same period of 2015, and core income reached Euro 213,2 million registering a year-on-year increase of 3.6%.

Net income's performance reflects the booking of net trading gains related with the sale of Portuguese sovereign debt securities in the first quarter of 2015 in the amount of Euro 116 million, after tax, as a result of market opportunities in the activity in Portugal that were not repeated in the same period of 2016, partially mitigated by a lower level of impairment losses and provisions charges and the strict control of operating costs.

Net income in the international activity totalled Euro 44.8 million in the first quarter of 2016, compared to Euro 54.9 million recorded in the same period of 2015, hindered by the introduction of a new tax on the Polish banking sector and the impact derived from the depreciation of the metical and the kwanza against the euro.

Net interest income stood at Euro 292.4 million in the first quarter of 2016, compared to Euro 297.8 million registered in the same period of 2015.

The performance of net interest income in Portugal benefited from the positive contribution of the commercial margin, supported on the reduction of 82 basis points of term deposits cost, penalised by the decrease of the yield of Portuguese sovereign debt portfolio related with interest rates trend, which determined a 2.2% decrease compared with the same period of 2015. Excluding this impact, net interest income in Portugal increased 7.5%.

In the international activity, net interest income decreased 1.3% compared with the first quarter of 2015; however, excluding exchange rate impact, net interest income increased by 10.4% from the first quarter of 2015, grounded on net interest margin and loans to customers and deposits volume's increases, mainly in the subsidiary in Mozambique.

Net interest margin in the first quarter of 2016 stood at 1.81%, similar to the one registered in the same period of 2015. Excluding the impact from the cost of CoCos, net interest margin reached 1.91% in the first quarter of 2016 and 1.90% in the same period of 2015.

AVERAGE BALANCES

Euro million

	31 Mar. 16		31 Mar. 15	
	Amount	Yield %	Amount	Yield %
Deposits in banks	3,351	0.49	3,212	0.80
Financial assets	10,057	2.17	9,502	3.31
Loans and advances to customers	50,509	3.27	53,279	3.54
Interest earning assets	63,917	2.95	65,993	3.37
Discontinued operations ⁽¹⁾	2,219		1,916	
Non-interest earning assets	9,676		9,580	
	<u>75,812</u>		<u>77,489</u>	
Amounts owed to credit institutions	10,106	0.45	11,380	0.60
Amounts owed to customers	49,275	0.81	48,345	1.34
Debt issued	4,668	3.51	5,745	3.32
Subordinated debt	1,654	7.38	2,043	6.12
Interest bearing liabilities	65,703	1.11	67,513	1.53
Discontinued operations ⁽¹⁾	1,858		1,696	
Non-interest bearing liabilities	2,590		3,097	
Shareholders' equity and non-controlling interests	5,661		5,183	
	<u>75,812</u>		<u>77,489</u>	
Net interest margin		1.81		1.81
Net interest margin (excl. cost of CoCos)		1.91		1.90

Note: Interest related to hedge derivatives were allocated, in March 2016 and 2015, to the respective balance sheet item.

(1) Includes the activity of the subsidiary in Angola and of Millennium bcp Gestão de Ativos (in 2015), as well as the respective consolidation adjustments.

Net commissions reached Euro 163.9 million in the first quarter of 2016, an increase of 1.0% from the amount registered in the same period of 2015, boosted by the activity in Portugal, which increased 11.8%.

The performance of net commissions in the first quarter of 2016 reflects the 3.6% increase in commissions related to the banking business, supported by higher current accounts-related commissions in the activity in Portugal, in spite of the lower commissions from cards and transfers, mainly hindered by the exchange rate effects in the international activity. The commissions associated with financial markets decreased 10.2%, determined by the lower level of securities transactions in the international activity.

Net trading income totalled Euro 28.3 million in the first quarter of 2016, compared to Euro 191.3 million posted in the same period of 2015, driven by the gains related with Portuguese sovereign debt securities in the amount of Euro 164.0 million booked in the first quarter of 2015 in Portugal.

Other net operating income was negative by Euro 12.4 million in the first quarter of 2016 from Euro 17.2 million registered in the same period of 2015. This performance was determined by the contributions for the banking sector, for the Deposit Guarantee Fund and for the Single Resolution Fund booked in Portugal in the first quarter of 2015 and which were not material in the same period of 2016, notwithstanding the international activity's performance, penalised by the introduction of a new tax on the banking sector in Poland.

Dividends from equity instruments, which comprises dividends received from investments in financial assets available for sale, and **equity accounted earnings**, jointly amounted to Euro 15.9 million in the first quarter of 2016, a Euro 7.9 million increase compared with Euro 8.0 million posted in the same period of 2015.

OTHER NET INCOME	Euro million		
	31 Mar. 16	31 Mar. 15	Change 16/15
Net commissions	163.9	162.3	1.0%
Banking commissions	136.3	131.5	3.6%
Cards and transfers	35.0	38.8	-9.7%
Credit and guarantees	38.9	37.7	3.1%
Bancassurance	20.2	19.1	5.6%
Current account related	22.6	18.9	19.5%
Other commissions	19.6	17.0	15.4%
Market related commissions	27.7	30.8	-10.2%
Securities	19.1	21.4	-10.6%
Asset management	8.6	9.4	-9.2%
Net trading income	28.3	191.3	-85.2%
Other net operating income	(12.4)	(17.2)	-
Dividends from equity instruments	2.0	2.0	4.8%
Equity accounted earnings	13.9	6.1	129.0%
Total other net income	195.8	344.4	-43.2%
Other net income / Net operating revenues	40.1%	53.6%	

Operating costs, excluding the effect of specific items related with restructuring costs, stood at Euro 241.3 million in the first quarter of 2016, a year-on-year decrease of 5.1% compared to Euro 254.3 million posted in the same period of 2015, materialising the cost saving initiatives in the activity in Portugal established in the Strategic Plan.

In the first quarter of 2016, operating costs in Portugal, excluding specific items, decreased by 3.2% compared to the same period of 2015, mainly supported on staff costs savings induced by the reduction of number of employees.

In the international activity, operating costs decreased 8.3%; however, excluding exchange rate effect, operating costs increased 2.9% compared to the first quarter of 2015, mainly influenced by the subsidiary in Mozambique.

Staff costs, excluding the impact of the above-mentioned specific items, totalled Euro 136.6 million in the first quarter of 2016, a 4.8% reduction from the same period of 2015, on the back of the 3.3% decrease in the activity in Portugal, boosted by the 240 reduction in the number of employees from the end of the first quarter of 2015, in spite of the 3.0% increase in the international activity, excluding exchange rate effect.

Other administrative costs decreased 5.4% standing at Euro 91.8 million in the first quarter of 2016, from Euro 97.1 million in the same period of 2015, as a result of the operational efficiency improvement initiatives that have been implemented in the scope of the Strategic Plan, namely the resizing of the distribution network in Portugal, reflected in a decrease of 33 branches compared to 31 March 2015. In the international activity, other administrative costs increased 1.7% compared to the same period of 2015, excluding exchange rate effects, determined by the operation in Mozambique.

Depreciation costs amounted to Euro 12.8 million in the first quarter of 2016, a 7.1% year-on-year decrease from the Euro 13.8 million registered in the same period of 2015, mainly influenced by the 8.4% decrease registered in the activity in Portugal, induced by lower real estate and software related depreciation costs. In

the international activity, depreciation costs increased, excluding exchange rate impact, 10.6% compared to the first quarter of 2015, influenced by the subsidiaries in Poland and Mozambique.

OPERATING COSTS	Euro million		
	31 Mar. 16	31 Mar. 15	Change 16/15
Staff costs	136.6	143.4	-4.8%
Other administrative costs	91.8	97.1	-5.4%
Depreciation	12.8	13.8	-7.1%
Subtotal ⁽¹⁾	241.3	254.3	-5.1%
Specific items			
Restructuring costs	1.8	-	
Operating costs	243.1	254.3	-4.4%
Of which:			
Portugal activity ⁽¹⁾	153.0	158.2	-3.2%
Foreign activity	88.2	96.2	-8.3%

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

Impairment for loan losses (net of recoveries) stood at Euro 160.7 million in the first quarter of 2016, compared to Euro 201.0 million recorded in the same date of 2015, in line with the guidelines set out in the Strategic Plan, reflected in a still relevant provisioning effort, but trending downwards, that enabled the improvement of cost of risk from 141 basis points in the first quarter of 2015 to 119 basis points at the end of March 2016.

Other impairment and provisions totalled Euro 15.4 million in the first quarter of 2016, compared to Euro 70.1 million in the same period of 2015, mainly as a result of lower provisions for repossessed assets and for guarantees and commitments.

Income tax (current and deferred) amounted to Euro 15.0 million in the first quarter of 2016, compared with Euro 32.8 million posted in the same period of 2015.

These taxes include current tax costs of Euro 24.6 million (Euro 29.6 million in the first quarter of 2015) net of deferred tax income of Euro -9.6 million (Euro 3.2 million in the same period of 2015).

BALANCE SHEET

Total assets amounted to Euro 76,295 million as at 31 March 2016, compared with Euro 78,313 million as at 31 March 2015, reflecting loans to customers' portfolio retraction, in spite of the increase in the securities portfolio, mainly related with the treasury bonds portfolio.

Loans to customers (gross) stood at Euro 53,787 million as at 31 March 2016, compared with Euro 57,006 million posted in the same date of 2015, induced by the decrease in the activity in Portugal, in spite of the increase recorded in the international activity, excluding exchange rate effect.

Loans to customers in Portugal decreased 5.3% compared to 31 March 2015, reflecting the still moderate recovery of the Portuguese economy, materialised in the combined effect of the 3.6% decrease in loans to individuals, determined by the repayments associated with mortgage loans, together with the 6.9% retraction in loans to companies, compared to the amount registered at the end of March 2015, despite the efforts made in order to properly ensure the companies and individuals financing needs.

Excluding the impact of the loan portfolio associated with the operation in Angola, classified as discontinued operation, and the exchange rate effect, loans to customers in the international activity increased 0.5%

compared to the end of March 2015, driven by loans to both individuals and to companies increases in the operation in Mozambique.

The structure of the loans to customers' portfolio showed identical and stable levels of diversification between the end of March 2015 and 2016, with loans to companies representing 46% of total loans to customers as at 31 March 2016.

LOANS TO CUSTOMERS (GROSS)

	<i>Euro million</i>		
	31 Mar. 16	31 Mar. 15	Change 16/15
Individuals	28,784	30,087	-4.3%
Mortgage	24,807	26,024	-4.7%
Consumer and others	3,977	4,062	-2.1%
Companies	25,003	26,919	-7.1%
Services	9,858	10,626	-7.2%
Commerce	3,206	3,243	-1.2%
Construction	3,309	3,902	-15.2%
Other	8,631	9,149	-5.7%
Subtotal	53,787	57,006	-5.6%
Discontinued operations	847	1,097	
Total	54,634	58,102	-6.0%
Of which ⁽¹⁾ :			
Portugal activity	41,178	43,475	-5.3%
Foreign activity	12,609	13,531	-6.8%

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

Credit quality, determined by loans overdue by more than 90 days as a percentage of total loans, adjusted for discontinued operations, stood at 7.4% as at 31 March 2016, compared with 7.3% posted in the same date of 2015, and the coverage ratio for loans overdue by more than 90 day improved from 85.4% as at 31 March 2015 to 86.0% as at 31 March 2016.

The credit at risk ratio stood at 11.5% of total loans as at 31 March 2016, which compares with 12.1% as at 31 March 2015. As at 31 March 2016, the restructured loans ratio reached 9.9% of total loans, a favourable performance from the 10.7% posted at the end of March 2015 and the restructured loans not included in credit at risk ratio stood at 5.7% of total loans as at 31 March 2016 (6.7% as at 31 March 2015).

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 31 MARCH 2016

	<i>Euro million</i>			
	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans by more than 90 days /Total loans	Coverage ratio (Impairment/ Overdue >90 days)
Individuals	858	793	3.0%	92.4%
Mortgage	290	348	1.2%	119.9%
Consumer and others	568	445	14.3%	78.3%
Companies	3,100	2,613	12.4%	84.3%
Services	1,147	1,121	11.6%	97.7%
Commerce	324	283	10.1%	87.3%
Construction	1,046	599	31.6%	57.3%
Other	583	610	6.8%	104.7%
Subtotal ⁽¹⁾	3,958	3,406	7.4%	86.0%
Discontinued operations	37	45	4.4%	120.1%
Total	3,995	3,451	7.3%	86.4%

(1) Adjusted of the impacts associated with discontinued operations (Banco Millennium in Angola).

Total customer funds, excluding the impact associated with discontinued operations, amounted to Euro 63,818 million as at 31 March 2016, a decrease of 1.6% compared to 64,837 million posted as at 31 March 2015, hindered by exchange rate effects in the international activity in spite of customer deposits positive performance.

Total customer funds in Portugal totalled Euro 47,750 million as at 31 March 2016, from Euro 48,256 million registered at the end of March 2015, induced by the decreases of Euro 406 million in capitalisation products and Euro 652 million in debt securities owed to customers which was partially offset by the Euro 617 million increase in customer deposits, driven by the commercial effort on funding acquisition and the conversion of structured products to deposits upon maturity.

In the international activity, total customer funds, excluding discontinued operations, decreased 3.1% standing at Euro 16,068 million as at 31 March 2016 (Euro 16,581 million as at 31 March 2015), determined by the exchange rate depreciation of the metical and the zloty against the euro. Excluding exchange rate effect, total customer funds increased 4.3%.

As at 31 March 2016, excluding discontinued operations, balance sheet customer funds represented 81% of total customer funds, with customer deposits representing 78% of total customer funds.

Improvement of loan to deposits ratio to stand at 101% as at 31 March 2016, compared to 108% as at 31 March 2015, boosted by commercial gap reduction of Euro 3.6 million. The same ratio, considering total balance sheet customer funds, reached 96% (102% as at 31 March 2015).

TOTAL CUSTOMER FUNDS ⁽¹⁾	Euro million		
	31 Mar. 16	31 Mar. 15	Change 16/15
Balance sheet customer funds	51,677	52,010	-0.6%
Deposits	49,553	49,212	0.7%
Debt securities	2,124	2,798	-24.1%
Off-balance sheet customer funds	12,141	12,826	-5.3%
Assets under management	3,778	3,961	-4.6%
Capitalisation products	8,363	8,865	-5.7%
Total	63,818	64,837	-1.6%

(1) Excludes the impact from discontinued operations (Millennium bcp Gestão de Activos and Banco Millennium in Angola) in the amount of Euro 1,461 million in March 2016 and Euro 3,137 million in March 2015.

The **securities portfolio** stood at Euro 14,145 million as at 31 March 2016, compared with Euro 12,616 million in the same period of 2015, representing 18.5% of total assets as at 31 March 2016, above the amount registered as at 31 March 2015 (16.1% of total assets), mainly related with the treasury bonds portfolio.

LIQUIDITY MANAGEMENT

During the first quarter of 2016 the consolidated wholesale funding needs of the Bank increased by approximately Euro 1.9 billion, due to the reinforcement of the portfolio of Portuguese sovereign debt (Euro 1.6 billion), to the increase of the liquidity deposited in the Bank of Portugal (Euro 0.5 billion) and to the reduction of the commercial gap in Portugal (Euro 0.3 billion).

With the refinancing of medium-long term debt limited to Euro 0.1 billion, through early redemption, the increase of funding needs, compared to December 2015, was enabled through the increases of repo net funding (by Euro 1.1 billion to a balance of Euro 2.1 billion), loans from banks (by Euro 0.3 billion to a balance of Euro 1.3 billion) and borrowings with the Eurosystem (Euro 0.5 billion to Euro 6.0 billion).

In net terms, the funding with the Eurosystem remained stable compared to December 2015 at Euro 5.3 billion which, considering the slight reduction in the portfolio of eligible assets, enabled the liquidity buffer to keep a comfortable level of Euro 8.5 billion.

CAPITAL

On 26 June 2013, the European Parliament and Council approved Directive 2013/36/EU and Regulation (EU) no. 575/2013 (Capital Requirements Directive IV / Capital Requirements Regulation - CRD IV/CRR) that established new and more demanding capital requirements for credit institutions, with effects from 1 January 2014 onwards.

These stricter requirements result from more narrowly defined capital and risk weighted assets, together with the establishment of minimum ratios, including a capital conservation buffer, of 7% for Common Equity Tier 1 (CET1), 8.5% for Tier 1 and 10.5% for Total Capital. The CRD IV/CRR also stipulates a transitional period (phased-in) in which institutions may accommodate the new requirements, both in terms of own funds and compliance with minimum capital ratios.

According to our interpretation of CRD IV/CRR to date, CET1 phased-in estimated ratio reached 12.8% as at 31 March 2016 and 13.2% pro forma, considering the merger between Banco Millennium Angola and Banco Privado Atlântico, S.A., compared to 13.3% as at 31 December 2015.

This performance was driven by the adjustments related to the phase-in progression as of 1 January 2016. Additionally, the kwanza and metical depreciation and the decrease recorded by the shortfall of impairment to expected loss also contributed to the unfavourable performance of the CET1 ratio, which was partially mitigated by the contribution of positive net income in the period and risk weighted assets reduction.

SOLVENCY RATIOS (CRD IV/CRR) (*)	Euro million	
	31 Mar. 16	31 Dec. 15
PHASED-IN		
Own funds		
Common equity tier 1 (CET1)	5,435	5,775
Tier 1	5,435	5,775
Total Capital	5,887	6,207
Risk weighted assets	42,503	43,315
Solvency ratios		
CET1	12.8%	13.3%
Tier 1	12.8%	13.3%
Total capital	13.9%	14.3%
FULLY IMPLEMENTED		
CET1 ratio	10.0%	10.2%

(*) Considers the new DTA regime for capital purposes (according to IAS) and includes the cumulative net income recorded in each period. March 2016 CET1 ratio excluding the cumulative net income of the first quarter of 2016 stood at 12.7%

SIGNIFICANT EVENTS

Continued implementation of Millennium bcp's Strategic Plan, materializing the trends of recurrent profitability recovery, efficiency improvement and cost of risk reduction, being the first quarter also marked by initiatives of close proximity to customers.

Highlights during this period include:

- The public deed for the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was executed on 22 April 2016.
- Launching of a tender offer for purchasing back notes, limited to a maximum aggregate purchase amount of Euro 300 million, with Euro378,509,996.96 in amortized principal amount outstanding of notes validly tendered for purchase, of which Millennium bcp has decided to accept for purchase Euro 85,326,455.52.
- Selection of Cabot Square Capital LLP, a financial services specialist private equity firm with approximately €1 billion in funds under management, for exclusive discussions concerning the process of evaluation of strategic scenarios to enhance the value of ActivoBank.
- Conducting of another session of the Conference Millennium Jornadas for Companies in Beja.
- Meeting with Business Customers in view of clarifying the "Portugal 2020" Program.
- Conference to present export markets of high potential, which had the exclusive sponsorship of Millennium bcp, under the Portugal Global / AICEP Roadshow.
- Inclusion, for the 8th consecutive time, of Bank Millennium in the Respect Index, which represents the socially responsible companies quoted on the Warsaw Stock Exchange.
- Listing in 2016, for the second year in a row, in the "The Sustainability Yearbook", a leading publication in the Sustainability field produced yearly by analysts RobecoSAM, based on information collected in the responses to the "Dow Jones Sustainability Indices".
- Return of Millennium bcp to the Environmental, Social and Governance (ESG) indices from analysts ECPI, named "Global Developed ESG best in class - Equity".
- Signature of the protocol on the Dome Conservation Project of the Church of the Jerónimos Monastery between Millennium bcp Foundation and the World Monuments Fund Portugal Association.
- Distinction of ActivoBank with the Five Star Award 2016 in the category "Banking - Account Opening".
- Bank Millennium brand won the first place, for the second consecutive time, in the "Consumer Choice" survey in the Banking Services category, scoring highest among the six evaluated banks in satisfaction and acceptance level.
- Bank Millennium was awarded the title of Institution of the Year 2015 and came 2nd (among 19 banks surveyed) in the "Branch Service Quality" category by MojeBankowanie.pl portal.
- "Bank of the Year in Mozambique 2015", for the fifth consecutive year, by The Bankers magazine.
- "Best Internet Bank Angola 2015" prize by Global Banking & Finance Review.

MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) estimates that the world economy will continue to record modest growth levels in 2016 (3.2%) due to the persistence of the slowdown in emerging countries, the moderation of activity in the developed economies and the instability of financial markets. To these factors accrue risks of a non-economic nature, namely those related to the existence of several spots of geopolitical tensions, which could affect negatively the performance of the world economy.

The unfavorable external environment and the deflationary pressures resulting from the downward trajectory of oil prices, which was particularly steep in January and February, led to the strengthening of the expansionary stance of the European Central Bank's (ECB) monetary policy in March. The announced measures contemplated an extension of the securities purchase program, both in terms of scope and amount, the reduction of the main refinancing rate from 0.05% to 0.0%, and of the deposit facility rate from -0.30% to -0.40%, as well as the introduction of refinancing operations to the banking sector with a four-year maturity and an interest rate equal to or below zero. In the US, the steady improvement of the labor market has failed to push the growth pace of economic activity towards the potential, in a context of heightened uncertainty regarding the course of the global economy and financial markets. This set of circumstances led the Federal Reserve to adopt, in its March meeting, a more cautious stance regarding the normalization of its monetary policy.

During the first months of the year there was an increase in the degree of risk aversion in financial markets, which has translated into a depreciation of equity indexes, a fall in the yields of the government bonds of Germany and the US and an appreciation of the currencies of the main developed economies against the emerging currencies, with the exception of Pound Sterling, which was penalized by fears surrounding the referendum about the United Kingdom's permanence in the European Union that will take place on June 23rd. Concerning the interbank monetary market, the announcement of additional measures of monetary stimulus by the ECB contributed to a steepening of the downward trend of the euribor interest rates, which remained at negative levels for the maturities up to twelve months.

According to Statistics Portugal, Portuguese GDP grew 1.3% in annual terms in the last quarter of 2015, which corresponds to a slight deceleration vis-à-vis the previous three months. The lesser vigor of economic activity stemmed essentially from the negative contribution of the net external demand due to the strong acceleration of imports, to which accrued the effect of the moderation of the investment growth. As per the European Commission latest forecasts, the recovery process of the Portuguese economy should remain in place in 2016, with GDP projected to grow by 1.6% (above the 1.5% recorded in the previous year), supported by the domestic demand, which is bound to benefit from diminished interest rate levels, low energy costs, and the gradual improvement of the labor market. The uncertainty surrounding the process of the State budget's approval at the start of the year, combined with the greater instability of international financial markets unleashed a devaluation of the local equity indexes as well as a rise in government bonds yields, which led to a widening of the risk premium of the Portuguese Republic against that of the other Euro Area countries, a movement that was partially reverted towards the end of the first quarter.

Poland has displayed a strong economic performance, mainly based on the robustness of the private consumption, which continues to benefit from the steady improvement of the labor market, and more recently from a set of fiscal stimulus measures especially aimed at families. For 2016, the IMF forecasts a GDP growth rate of 3.6%, a value that coincides with the one observed in 2015. In the first quarter of the current year, the Zloty evolved in a volatile but trendless fashion, which combined with the persistence of the inflation rate at negative levels should allow the National Bank of Poland to maintain the expansionary stance of its monetary policy. The economic activity in Mozambique is expected to slow down slightly (from 6.3% in 2015 to 6.0% in 2016, according to the IMF) due to the likely moderation of public and private investment as well as the lower dynamism of private consumption, in a context of decelerating real disposable income caused by the rise of inflation. The substantial depreciation of the Metical in the recent past should maintain monetary policy restrictive for the remainder of this year. For Angola, the IMF predicts that the GDP expansion pace in 2016 will fall from 3.0% to 2.5%, reflecting the reduction of the purchasing capacity of the state, the firms and the households, due the low level of oil prices. The greater scarcity of hard currencies in the domestic financial system should maintain the monetary policy tied to the sustainability of the Kwana.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Mar 16	Mar 15	Change	Mar 16	Mar 15	Change	Mar 16	Mar 15	Change
Income statement									
Net interest income	292.4	297.8	-1.8%	171.5	175.4	-2.2%	120.8	122.4	-1.3%
Dividends from equity instruments	2.0	2.0	4.8%	2.0	2.0	4.8%	-	-	-
Net fees and commission income	163.9	162.3	1.0%	118.2	105.8	11.8%	45.7	56.5	-19.1%
Other operating income	(12.4)	(17.2)	-	(1.8)	(14.1)	-	(10.6)	(3.1)	-
Net trading income	28.3	191.3	-85.2%	4.7	163.8	-97.1%	23.6	27.5	-14.1%
Equity accounted earnings	13.9	6.1	129.0%	13.9	6.4	116.8%	-	(0.3)	-
Net operating revenues	488.1	642.2	-24.0%	308.6	439.2	-29.7%	179.6	203.0	-11.6%
Staff costs	138.4	143.4	-3.5%	91.5	92.8	-1.4%	46.9	50.7	-7.4%
Other administrative costs	91.8	97.1	-5.4%	56.3	57.7	-2.4%	35.5	39.4	-9.8%
Depreciation	12.8	13.8	-7.1%	7.1	7.7	-8.4%	5.8	6.1	-5.5%
Operating costs	243.1	254.3	-4.4%	154.9	158.2	-2.1%	88.2	96.2	-8.3%
Operating profit before impairment and provisions	245.1	387.9	-36.8%	153.7	281.0	-45.3%	91.4	106.9	-14.5%
Loans impairment (net of recoveries)	160.7	201.0	-20.1%	142.0	179.4	-20.9%	18.7	21.7	-13.8%
Other impairment and provisions	15.4	70.1	-78.1%	15.9	70.3	-77.3%	(0.6)	(0.1)	-
Profit before income tax	69.1	116.7	-40.8%	(4.2)	31.4	-	73.2	85.3	-14.2%
Income tax	15.0	32.8	-54.3%	(5.7)	16.8	-	20.7	16.0	28.8%
Income after income tax from continuing operations	54.1	83.9	-35.6%	1.5	14.6	-89.9%	52.6	69.3	-24.1%
Income arising from discontinued operations	29.0	16.7	74.0%	-	-	-	29.0	15.9	82.5%
Non-controlling interests	36.4	30.1	20.7%	(0.4)	(0.2)	-	36.8	30.3	21.4%
Net income	46.7	70.4	-33.7%	1.9	14.8	-	44.8	54.9	-18.3%
Balance sheet and activity indicators									
Total assets	76,295	78,313	-2.6%	55,681	56,727	-1.8%	20,614	21,587	-4.5%
Total customer funds ⁽¹⁾	63,818	64,837	-1.6%	47,750	48,256	-1.0%	16,068	16,581	-3.1%
Balance sheet customer funds ⁽¹⁾	51,677	52,010	-0.6%	36,950	36,985	-0.1%	14,727	15,025	-2.0%
Deposits	49,553	49,212	0.7%	34,910	34,293	1.8%	14,643	14,919	-1.9%
Debt securities	2,124	2,798	-24.1%	2,040	2,692	-24.2%	84	106	-20.7%
Off-balance sheet customer funds ⁽¹⁾	12,141	12,826	-5.3%	10,799	11,271	-4.2%	1,341	1,556	-13.8%
Assets under management	3,778	3,961	-4.6%	2,891	2,956	-2.2%	887	1,005	-11.8%
Capitalisation products	8,363	8,865	-5.7%	7,908	8,315	-4.9%	454	550	-17.5%
Discontinued operations	1,461	3,137	-53.4%	-	1,590	-	1,461	1,547	-5.5%
Loans to customers (gross) ⁽¹⁾	53,787	57,006	-5.6%	41,178	43,475	-5.3%	12,609	13,531	-6.8%
Individuals ⁽¹⁾	28,784	30,087	-4.3%	20,680	21,459	-3.6%	8,104	8,628	-6.1%
Mortgage	24,807	26,024	-4.7%	18,319	18,971	-3.4%	6,488	7,053	-8.0%
Consumer and others	3,977	4,062	-2.1%	2,361	2,488	-5.1%	1,616	1,575	2.6%
Companies ⁽¹⁾	25,003	26,919	-7.1%	20,497	22,016	-6.9%	4,505	4,903	-8.1%
Services	9,858	10,626	-7.2%	8,960	9,640	-7.1%	898	986	-9.0%
Commerce	3,206	3,243	-1.2%	2,187	2,141	2.2%	1,018	1,102	-7.6%
Construction	3,309	3,902	-15.2%	2,976	3,368	-11.7%	333	534	-37.6%
Other	8,631	9,149	-5.7%	6,375	6,868	-7.2%	2,256	2,281	-1.1%
Discontinued operations	847	1,097	-22.8%	-	-	-	847	1,097	-22.8%
Credit quality									
Total overdue loans ⁽¹⁾	4,204	4,417	-4.8%	3,898	4,118	-5.3%	306	299	2.3%
Overdue loans by more than 90 days ⁽¹⁾	3,958	4,158	-4.8%	3,695	3,893	-5.1%	263	265	-0.8%
Overdue loans by more than 90 days / Total loans ⁽¹⁾	7.4%	7.3%	-	9.0%	9.0%	-	2.1%	2.0%	-
Total impairment (balance sheet) ⁽¹⁾	3,406	3,550	-4.1%	2,999	3,116	-3.8%	407	434	-6.2%
Total impairment (balance sheet) / Total loans ⁽¹⁾	6.3%	6.2%	-	7.3%	7.2%	-	3.2%	3.2%	-
Total impairment (balance sheet) / Overdue loans by more than 90 days ⁽¹⁾	86.0%	85.4%	-	81.2%	80.0%	-	154.7%	163.5%	-
Cost of risk (net of recoveries, in b.p.) ⁽¹⁾	119	141	-	138	165	-	59	64	-
Restructured loans / Total loans ⁽²⁾	9.9%	10.7%	-	-	-	-	-	-	-
Restructured loans not included in the credit at risk / Total loans ⁽²⁾	5.7%	6.7%	-	-	-	-	-	-	-
Cost-to-income	49.4%	39.6%	-	49.6%	36.0%	-	49.1%	47.4%	-

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

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

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the three months period ended 31 March, 2016 and 2015

	31 March 2016	31 March 2015
	(Thousands of Euros)	
Interest and similar income	486,669	567,464
Interest expense and similar charges	(194,310)	(269,645)
Net interest income	292,359	297,819
Dividends from equity instruments	2,044	1,951
Net fees and commission income	163,949	162,285
Net gains / losses arising from trading and hedging activities	15,577	14,833
Net gains / losses arising from available for sale financial assets	12,755	176,449
Other operating income	(11,616)	(16,483)
	475,068	636,854
Other net income from non banking activity	4,247	4,249
Total operating income	479,315	641,103
Staff costs	138,444	143,444
Other administrative costs	91,817	97,085
Depreciation	12,815	13,797
Operating costs	243,076	254,326
Operating net income before provisions and impairments	236,239	386,777
Loans impairment	(160,657)	(201,047)
Other financial assets impairment	(16,241)	(18,955)
Other assets impairment	(5,442)	(41,242)
Other provisions	6,330	(9,940)
Operating net income	60,229	115,593
Share of profit of associates under the equity method	13,874	6,058
Gains / (losses) from the sale of subsidiaries and other assets	(5,046)	(4,945)
Net (loss) / income before income tax	69,057	116,706
Income tax		
Current	(24,554)	(29,582)
Deferred	9,556	(3,234)
Net (loss) / income after income tax from continuing operati	54,059	83,890
Income arising from discontinued operations	29,005	16,673
Net income after income tax	83,064	100,563
Attributable to:		
Shareholders of the Bank	46,678	70,413
Non-controlling interests	36,386	30,150
Net income for the period	83,064	100,563
Earnings per share (in euros)		
Basic	0.003	0.005
Diluted	0.003	0.005

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 31 March, 2016 and 2015 and 31 December, 2015

	31 March 2016	31 December 2015	31 March 2015
	(Thousands of Euros)		
Assets			
Cash and deposits at central banks	2,210,409	1,840,317	2,382,977
Loans and advances to credit institutions			
Repayable on demand	739,793	776,413	1,127,109
Other loans and advances	1,300,496	921,648	1,303,406
Loans and advances to customers	51,182,998	51,970,159	54,495,144
Financial assets held for trading	2,009,383	1,188,805	2,069,458
Other financial assets held for trading at fair value through profit or loss	150,833	152,018	-
Financial assets available for sale	11,459,614	10,779,030	10,088,065
Assets with repurchase agreement	50,766	-	19,852
Hedging derivatives	128,735	73,127	70,952
Financial assets held to maturity	474,038	494,891	438,926
Investments in associated companies	331,502	315,729	318,288
Non current assets held for sale	1,783,612	1,765,382	1,668,673
Investment property	141,917	146,280	169,857
Property and equipment	626,881	670,871	775,484
Goodwill and intangible assets	207,842	210,916	208,538
Current tax assets	43,331	43,559	40,887
Deferred tax assets	2,571,446	2,561,506	2,326,584
Other assets	881,667	974,228	809,283
	<u>76,295,263</u>	<u>74,884,879</u>	<u>78,313,483</u>
Liabilities			
Amounts owed to credit institutions	10,813,908	8,591,045	11,065,979
Amounts owed to customers	51,014,422	51,538,583	50,758,785
Debt securities	4,463,177	4,768,269	5,575,751
Financial liabilities held for trading	847,637	723,228	1,024,841
Hedging derivatives	470,510	541,230	745,562
Provisions for liabilities and charges	273,188	284,810	314,301
Subordinated debt	1,671,380	1,645,371	2,047,955
Current income tax liabilities	20,337	22,287	24,884
Deferred income tax liabilities	16,039	14,810	9,679
Other liabilities	1,052,392	1,074,675	1,178,011
Total Liabilities	<u>70,642,990</u>	<u>69,204,308</u>	<u>72,745,748</u>
Equity			
Share capital	4,094,235	4,094,235	3,706,690
Treasury stock	(867)	(1,187)	(13,909)
Share premium	16,471	16,471	-
Preference shares	59,910	59,910	171,175
Other capital instruments	2,922	2,922	9,853
Fair value reserves	15,541	23,250	276,588
Reserves and retained earnings	363,976	192,224	302,228
Net income for the period attributable to Shareholders	46,678	235,344	70,413
Total Equity attributable to Shareholders of the Bank	<u>4,598,866</u>	<u>4,623,169</u>	<u>4,523,038</u>
Non-controlling interests	<u>1,053,407</u>	<u>1,057,402</u>	<u>1,044,697</u>
Total Equity	<u>5,652,273</u>	<u>5,680,571</u>	<u>5,567,735</u>
	<u>76,295,263</u>	<u>74,884,879</u>	<u>78,313,483</u>

GLOSSARY

Capitalisation products - includes unit linked saving products and retirement saving plans (“PPR”, “PPE” and “PPR/E”).

Commercial gap - total loans to customers net of BS impairments accumulated minus on-balance sheet customer funds.

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

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

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

Cost to core income - operating costs divided by the net interest income and net fees and commission income.

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

Core net income - corresponding to net interest income plus net commissions deducted from operating costs.

Coverage of credit at risk by balance sheet impairments - total BS impairments accumulated for risks of credit divided by credit at risk (gross).

Coverage of credit at risk by balance sheet impairments and real/financial guarantees - total BS impairments accumulated for risks of credit plus real and financial guarantees divided by credit at risk (gross).

Coverage of non-performing loans by balance sheet impairments - total BS impairments accumulated for risks of credit divided by NPL.

Credit at risk - definition broader than the non performing loans which includes also restructured loans whose changes from initial terms have resulted in the bank being in a higher risk position than previously; restructured loans which have resulted in the bank becoming in a lower risk position (e.g. reinforced collateral) are not included in credit at risk.

Credit at risk (net) - credit at risk deducted from BS impairments accumulated for risks of credit.

Customer spread - Difference between the spread on the loans to customers book over 3 months Euribor and the spread on the customers’ deposits portfolio over 3 months Euribor.

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

Dividends from equity instruments - dividends received from investments in financial assets held for trading and available for sale.

Equity accounted earnings - results appropriated by the Group related to the consolidation of entities where, despite having a significant influence, the Group does not control the financial and operational policies.

Loan book spread - average spread on the loan portfolio over 3 months Euribor.

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

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

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

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, equity accounted earnings and other net operating income.

Net trading income - net gains/losses arising from trading and hedging activities, net gains/losses arising from available for sale financial assets, net gains/losses arising from financial assets held to maturity.

Non-performing loans - Overdue loans more than 90 days including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Non-performing loans ratio (net) - Loans more than 90 days overdue and doubtful loans reclassified as overdue for provisioning purposes less BS impairments accumulated for credit risk divided by total loans (gross).

Non-performing loans coverage ratio - total BS impairments accumulated for credit risk divided by overdue and doubtful loans divided.

Loans more than 90 days overdue coverage - total BS impairments accumulated for risk of credit divided by total amount of loans overdue with installments of capital and interest overdue more than 90 days.

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

Other impairment and provisions - other financial assets impairment, other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, goodwill impairment and other provisions.

Other net income - net commissions, net trading income, other net operating income, dividends from equity instruments and equity accounted earnings.

Other net operating income - other operating income, other net income from non-banking activities and gains from the sale of subsidiaries and other assets.

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

Overdue loans coverage ratio - total BS impairments accumulated for risks of credit divided by total amount of loans overdue with installments of capital and interest overdue.

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

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

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

Securities portfolio - financial assets held for trading, financial assets available for sale, assets with repurchase agreement, financial assets held to maturity and other financial assets held for trading at fair value through net income.

Spread on term deposits portfolio - average spread on terms deposits portfolio over 3 months Euribor.

Total customer funds - amounts due to customers (including debt securities), assets under management and capitalisation products.

Total operating income - net interest income, dividends from equity instruments, net fees and commissions income, trading income, equity accounted earnings and other operating income.

“Disclaimer”

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

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

2015 and 2016 figures were not audited yet.