

REGULATORY INFORMATION



2017 Consolidated Financial Statements

Consolidated income statement for the financial years ended at 31 December 2017 and 2016

(Thousands of euros)

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

Consolidated balance sheet as at 31 December 2017 and 2016

(Thousands of euros)

	2017	2016
ASSETS		
Cash and deposits at Central Banks	2,167,934	1,573,912
Loans and advances to credit institutions		
Repayable on demand	295,532	448,225
Other loans and advances	1,065,568	1,056,701
Loans and advances to customers	47,633,492	48,017,602
Financial assets held for trading	897,734	1,048,797
Other financial assets held for trading at fair value through profit or loss	142,336	146,664
Financial assets available for sale	11,471,847	10,596,273
Assets with repurchase agreement	-	20,525
Hedging derivatives	234,345	57,038
Financial assets held to maturity	411,799	511,181
Investments in associated companies	571,362	598,866
Non-current assets held for sale	2,164,567	2,250,159
Investment property	12,400	12,692
Other tangible assets	490,423	473,866
Goodwill and intangible assets	164,406	162,106
Current tax assets	25,914	17,465
Deferred tax assets	3,137,767	3,184,925
Other assets	1,052,024	1,087,814
TOTAL ASSETS	71,939,450	71,264,811
LIABILITIES		
Resources from credit institutions	7,487,357	9,938,395
Resources from customers	51,187,817	48,797,647
Debt securities issued	3,007,791	3,512,820
Financial liabilities held for trading	399,101	547,587
Hedging derivatives	177,337	383,992
Provisions	324,158	321,050
Subordinated debt	1,169,062	1,544,555
Current tax liabilities	12,568	35,367
Deferred tax liabilities	6,030	2,689
Other liabilities	988,493	915,528
TOTAL LIABILITIES	64,759,714	65,999,630
EQUITY		
Share capital	5,600,738	4,268,818
Share premium	16,471	16,471
Preference shares	59,910	59,910
Other equity instruments	2,922	2,922
Legal and statutory reserves	252,806	245,875
Treasury shares	(293)	(2,880)
Fair value reserves	82,090	(130,632)
Reserves and retained earnings	(120,220)	(102,306)
Net income for the year attributable to Shareholders	186,391	23,938
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,080,815	4,382,116
Non-controlling interests	1,098,921	883,065
TOTAL EQUITY	7,179,736	5,265,181
	71,939,450	71,264,811

Application of Results

Considering:

- A. The provisos of the law and of the by-laws concerning the legal reserve;
- B. That in the financial year of 2017, Banco Comercial Português, S.A registered consolidated net earnings amounting to 186,390,783.40 Euros and individual net earnings amounting to 118,021,411.94 Euros,

It is proposed

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b), both of the Companies Code, the appropriation of the individual net earnings on the individual balance sheet, amounting to 118,021,411.94 Euros, as follows:

- 11,802,141.20 Euros for reinforcement of the Legal Reserve;
- 106,219,270.74 Euros for Retained Earnings.

Lisbon, April 23rd 2018

The Board of Directors

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Glossary of the Performance Alternative Measures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net commissions - net fees and commission income.

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

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

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

Non-performing exposures (NPE, according to EBA definition) – Non-performing loans and advances to customers more than 90 days past-due or unlikely to be paid without collateral realisation, even if they recognised as defaulted or impaired.

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

Non-performing loans ratio – Loans more than 90 days overdue and doubtful loans reclassified as overdue for provisioning purposes divided by total loans (gross).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Porto Salvo, 23rd April 2018

The Board of Directors