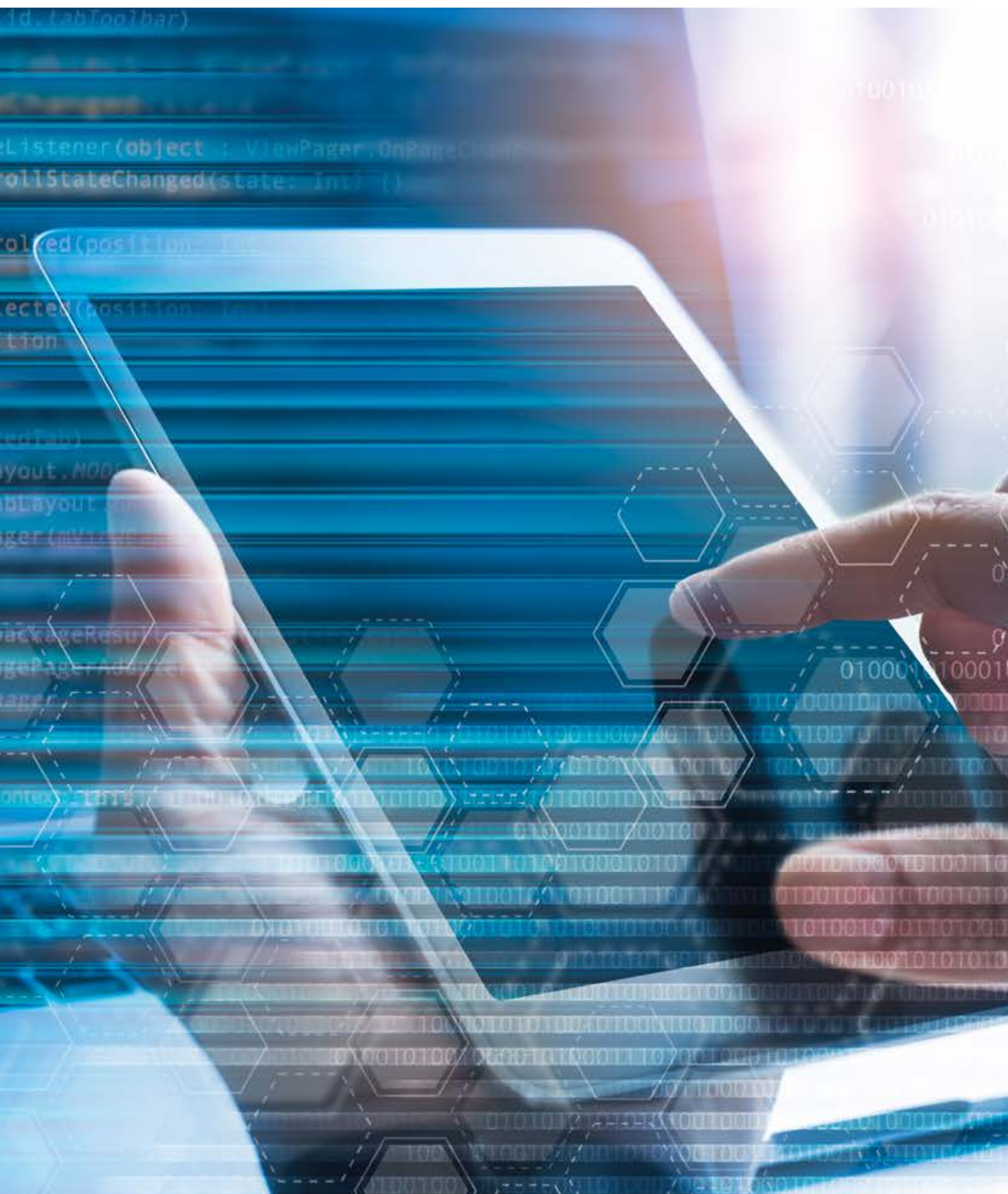




Regulatory information



2018 Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2018

	(Thousands of euros)	
	2018	2017 (*)
Interest and similar income	1,889,739	1,914,210
Interest expense and similar charges	(466,108)	(522,935)
NET INTEREST INCOME	1,423,631	1,391,275
Dividends from equity instruments	636	1,754
Net fees and commissions income	684,019	666,697
Net gains / (losses) from financial operations at fair value through profit or loss	638	13,964
Net gains / (losses) from foreign exchange	75,355	72,460
Net gains / (losses) from hedge accounting operations	2,552	(32,753)
Net gains / (losses) from derecognition of assets and financial liabilities measured at amortised cost	(49,432)	(8,325)
Net gains / (losses) from derecognition of financial assets measured at fair value through other comprehensive income	49,435	n.a.
Net gains / (losses) from financial assets available for sale	n.a.	103,030
Net gains from insurance activity	8,477	4,212
Other operating income / (loss)	(135,878)	(110,606)
TOTAL OPERATING INCOME	2,059,433	2,101,708
Staff costs	592,792	526,577
Other administrative costs	376,676	374,022
Amortisations and depreciations	57,745	53,582
TOTAL OPERATING EXPENSES	1,027,213	954,181
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,032,220	1,147,527
Impairment for financial assets measured at amortised cost	(465,468)	(623,708)
Impairment for financial assets measured at fair value through other comprehensive income	1,092	n.a.
Impairment for financial assets available for sale	n.a.	(63,421)
Impairment for other assets	(79,037)	(220,973)
Other provisions	(57,689)	(16,710)
NET OPERATING INCOME / (LOSS)	431,118	222,715
Share of profit of associates under the equity method	89,175	91,637
Gains / (losses) arising from sales of subsidiaries and other assets	37,916	4,139
NET INCOME / (LOSS) BEFORE INCOME TAXES	558,209	318,491
Income taxes		
Current	(105,559)	(102,113)
Deferred	(32,458)	71,954
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	420,192	288,332
Income arising from discontinued or discontinuing operations	(1,318)	1,225
NET INCOME AFTER INCOME TAXES	418,874	289,557
Net income for the year attributable to:		
Bank's Shareholders	301,065	186,391
Non-controlling interests	117,809	103,166
NET INCOME FOR THE YEAR	418,874	289,557
Earnings per share (in Euros)		
Basic	0.020	0.014
Diluted	0.020	0.014

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9.

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018 AND 2017

	(Thousands of euros)	
	2018	2017 (*)
ASSETS		
Cash and deposits at Central Banks	2,753,839	2,167,934
Demand deposits at credit institutions	326,707	295,532
Financial assets measured at amortised cost		
Loans and advances to credit institutions	890,033	1,065,568
Loans and advances to customers	45,560,926	45,625,972
Debt securities	3,375,014	2,007,520
Financial assets measured at fair value through profit or loss		
Financial assets held for trading	870,454	897,734
Financial assets not held for trading mandatorily at fair value through profit or loss	1,404,684	n.a.
Financial assets designated at fair value through profit or loss	33,034	142,336
Financial assets measured at fair value through other comprehensive income	13,845,625	n.a.
Financial assets available for sale	n.a.	11,471,847
Financial assets held to maturity	n.a.	411,799
Assets with repurchase agreement	58,252	-
Hedging derivatives	123,054	234,345
Investments in associated companies	405,082	571,362
Non-current assets held for sale	1,868,458	2,164,567
Investment property	11,058	12,400
Other tangible assets	461,276	490,423
Goodwill and intangible assets	174,395	164,406
Current tax assets	32,712	25,914
Deferred tax assets	2,916,630	3,137,767
Other assets	811,816	1,052,024
TOTAL ASSETS	75,923,049	71,939,450
LIABILITIES		
Financial liabilities measured at amortised cost		
Resources from credit institutions	7,752,796	7,487,357
Resources from customers	52,664,687	48,285,425
Non subordinated debt securities issued	1,686,087	2,066,538
Subordinated debt	1,072,105	1,169,062
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	327,008	399,101
Financial liabilities measured at fair value through profit or loss	3,603,647	3,843,645
Hedging derivatives	177,900	177,337
Provisions	350,832	324,158
Current tax liabilities	18,547	12,568
Deferred tax liabilities	5,460	6,030
Other liabilities	1,300,074	988,493
TOTAL LIABILITIES	68,959,143	64,759,714
EQUITY		
Share capital	4,725,000	5,600,738
Share premium	16,471	16,471
Preference shares	-	59,910
Other equity instruments	2,922	2,922
Legal and statutory reserves	264,608	252,806
Treasury shares	(74)	(293)
Reserves and retained earnings	470,481	(38,130)
Net income for the year attributable to Bank's Shareholders	301,065	186,391
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,780,473	6,080,815
Non-controlling interests	1,183,433	1,098,921
TOTAL EQUITY	6,963,906	7,179,736
TOTAL LIABILITIES AND EQUITY	75,923,049	71,939,450

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9.

Application of Results

I

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b), both of the Companies Code, and article 54 of the Bank's articles of association, we propose that the year-end results amounting to € 59,266,674.99 and the reserve for the stabilization of dividends, in the amount of € 30,000,000.00, be applied as follows:

- a) For the reinforcement of legal reserve, € 5,926,667.50;
- b) For the attribution of dividends € 30,227,979.90, corresponding € 227,979.90 to earnings and € 30,000,000.00 to the reserve for the stabilization of dividends;
- c) To be distributed to employees € 12,587,009.00;
- d) € 40,525,018.59, that is, the remaining, to Retained Earnings.

II

Considering that the global amount € 30,227,979.90 foreseen in number one as dividends was estimated based on a unit dividend per share issued (in the case,

€ 0.002 per share) and the fact that it is not possible to make an accurate determination the number of own shares in the portfolio on the date the dividends are paid, we do hereby propose, in case of approval of the proposed allocation of dividends, the adoption of a resolution setting forth the following:

- a) The payment to each share of the unit dividend of € 0.002, the rationale supporting the proposal;
- b) The dividend on the shares owned by the Company on the first day of the dividend payment period shall not be paid and shall be registered in the retained earnings account.

III

We do hereby propose that, pursuant to the approval regarding the distribution of the global amount of € 12,587,009.00 foreseen in number one of paragraph c), it is resolved that the specific estimation of the amount to attribute, be established by the Executive Committee and paid together with the remuneration corresponding to June 2019.

Glossary and alternative performance measures

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 loan impairment charges for loans to customers at amortised cost and debt instruments at amortised cost related to credit operations (net of recoveries) accounted in the period to loans to customers at amortised cost and debt instruments at amortised cost related to credit operations before impairment.

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 and, until 2017, financial assets 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.

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 of financial assets at amortised cost for loans and advances of credit institutions, for loans to customers (net of recoveries – principal and accrual) 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, results from derecognition of financial assets measured at fair value through other comprehensive income and results from financial assets available for sale (till 2017).

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 from customers 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 of financial assets (at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in this case till 2017), 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 including trading derivatives), financial assets at fair value through other comprehensive income, assets with repurchase agreement, financial assets available for sale and financial assets held to maturity (in the latter two cases until 2017).

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