

REGULATORY INFORMATION



Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	2019	2018
Interest and similar income	1,991,445	1,889,739
Interest expense and similar charges	(442,917)	(466,108)
NET INTEREST INCOME	1,548,528	1,423,631
Dividends from equity instruments	798	636
Net fees and commissions income	703,497	684,019
Net gains / (losses) from financial operations at fair value through profit or loss	4,837	1,400
Net gains / (losses) from foreign exchange	69,391	75,355
Net gains / (losses) from hedge accounting operations	(5,682)	2,552
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(24,909)	(50,194)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	99,676	49,435
Net gains / (losses) from insurance activity	11,752	8,477
Other operating income / (losses)	(144,400)	(135,878)
TOTAL OPERATING INCOME	2,263,488	2,059,433
Staff costs	668,232	592,792
Other administrative costs	376,455	376,676
Amortisations and depreciations	124,785	57,745
TOTAL OPERATING EXPENSES	1,169,472	1,027,213
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,094,016	1,032,220
Impairment for financial assets at amortised cost	(390,308)	(465,468)
Impairment for financial assets at fair value through other comprehensive income	2,180	1,092
Impairment for other assets	(96,034)	(79,037)
Other provisions	(57,484)	(57,689)
NET OPERATING INCOME	552,370	431,118
Share of profit of associates under the equity method	42,989	89,175
Gains / (losses) arising from sales of subsidiaries and other assets	31,907	37,916
NET INCOME BEFORE INCOME TAXES	627,266	558,209
Income taxes		
Current	(100,908)	(105,559)
Deferred	(138,370)	(32,458)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	387,988	420,192
Income arising from discontinued or discontinuing operations	13,412	(1,318)
NET INCOME AFTER INCOME TAXES	401,400	418,874
Net income for the year attributable to:		
Bank's Shareholders	302,003	301,065
Non-controlling interests	99,397	117,809
NET INCOME FOR THE YEAR	401,400	418,874
Earnings per share (in Euros)		
Basic	0.018	0.020
Diluted	0.018	0.020

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

	(Thousands of euros)	
	2019	2018
ASSETS		
Cash and deposits at Central Banks	5,166,551	2,753,839
Loans and advances to credit institutions repayable on demand	320,857	326,707
Financial assets at amortised cost		
Loans and advances to credit institutions	892,995	890,033
Loans and advances to customers	49,847,829	45,560,926
Debt securities	3,185,876	3,375,014
Financial assets at fair value through profit or loss		
Financial assets held for trading	878,334	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,405,513	1,404,684
Financial assets designated at fair value through profit or loss	31,496	33,034
Financial assets at fair value through other comprehensive income	13,216,701	13,845,625
Assets with repurchase agreement	-	58,252
Hedging derivatives	45,141	123,054
Investments in associated companies	400,391	405,082
Non-current assets held for sale	1,279,841	1,868,458
Investment property	13,291	11,058
Other tangible assets	729,442	461,276
Goodwill and intangible assets	242,630	174,395
Current tax assets	26,738	32,712
Deferred tax assets	2,720,648	2,916,630
Other assets	1,239,134	811,816
TOTAL ASSETS	81,643,408	75,923,049
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	6,366,958	7,752,796
Resources from customers	59,127,005	52,664,687
Non subordinated debt securities issued	1,594,724	1,686,087
Subordinated debt	1,577,706	1,072,105
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	343,933	327,008
Financial liabilities at fair value through profit or loss	3,201,309	3,603,647
Hedging derivatives	229,923	177,900
Provisions	345,312	350,832
Current tax liabilities	21,990	18,547
Deferred tax liabilities	11,069	5,460
Other liabilities	1,442,225	1,300,074
TOTAL LIABILITIES	74,262,154	68,959,143
EQUITY		
Share capital	4,725,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	2,922
Legal and statutory reserves	240,535	264,608
Treasury shares	(102)	(74)
Reserves and retained earnings	435,823	470,481
Net income for the year attributable to Bank's Shareholders	302,003	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,119,730	5,780,473
Non-controlling interests	1,261,524	1,183,433
TOTAL EQUITY	7,381,254	6,963,906
TOTAL LIABILITIES AND EQUITY	81,643,408	75,923,049

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 abovementioned 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.

	Euro million	
	31 Dec. 19	31 Dec. 18
Loans to customers (net) (1)	52,275	48,123
Balance sheet customer funds (2)	62,607	56,585
(1) / (2)	83.5%	85.0%

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	
	2019	2018
Net income (1)	302	301
Non-controlling interests (2)	99	118
Average total assets (3)	79,590	73,419
[(1) + (2), annualised] / (3)	0.5%	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	
	2019	2018
Net income (1)	302	301
Average equity (2)	5,970	5,753
[(1), annualised] / (2)	5.1%	5.2%

4) Cost to income

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

	Euro million	
	2019	2018
Operating costs (1)	1,169	1,027
Specific items (2)	66	29
Net operating revenues (3)*	2,339	2,187
[(1) - (2)] / (3)	47.2%	45.6%

* Excludes the specific items, in the amount of 1 million euros, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary.

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	
	2019	2018
Loans to customers at amortised cost, before impairment (1)	54,352	50,724
Loan impairment charges (net of recoveries) (2)	390	465
[(2), annualised] / (1)	72	92

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	
	31 Dec. 19	31 Dec. 18
Non-Performing Exposures (1)	4,206	5,547
Loans to customers (gross) (2)	54,724	51,032
(1) / (2)	7.7%	10.9%

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	
	31 Dec. 19	31 Dec. 18
Non-Performing Exposures (1)	4,206	5,547
Loans impairments (balance sheet) (2)	2,449	2,909
(2) / (1)	58.2%	52.4%

Application of Results

Taking into consideration:

- A. The provisos of the law and of the by-laws concerning the legal reserve;
- B. The dividend policy of Banco Comercial Português (BCP);
- C. The alteration introduced in the Work Collective Agreement, published on 29 March 2014 on the no Bulletin of Work and Employment no. 12 which enabled the Employees of Group Banco Comercial Português in Portugal, in the period comprised between June 2014 and June 2017, to accept a temporary reduction in their remuneration. This reduction was done with the purpose of rendering the Bank's recovery process feasible and contribute for the compliance with the requirements imposed to the Bank to be able to benefit from State Aid;
- D. That the said alteration to the Work Collective Agreement provided that the Board of Directors, in the years following the end of the state intervention, having results for such, would submit to the General Meeting of Shareholders a proposal for the distribution of results to Employees that, over the years, would allow the delivery of an accumulated total amount, at least equal to the total amount not received by Employees during the temporary reduction of the remuneration period;
- E. That BCP ended the repayment of the public financing received, plus interest, in February 2017, and the Annual General Meeting held on May 22, 2019 approved the allocation of part of the 2018 results for distribution to employees;
- F. That, according to the financial statements to be submitted to the approval of the Shareholders, in the 2019 financial year Banco Comercial Português recorded consolidated net earnings amounting to € 302,003,469.31 and individual net earnings amounting to € 139,296,016.59;
- G. That the approval of any compensation for the Employees against the income statement, as well as the estimation of the respective amount pertains exclusively to the General Meeting of Shareholders, and the Executive Committee (by delegation of the Board of Directors), after getting the opinion from the Committee for Nominations and Remunerations, establishes the distribution criteria;
- H. That reiterating its intention to respect the Bank's dividend policy and, even considering that BCP has already joined the group of institutions without specific limitations regarding dividend distribution, the Board of Directors cannot fail to consider the potential impacts and uncertainties associated with the current pandemic situation;
- I. That such situation recommends the utmost caution in the making of the proposal for the appropriation of income, a caution also recommended by the supervisory authorities, justifying the non-payment of dividends concerning the 2019 financial year,

The Board of Directors, reaffirming its determination to, once this crisis is over, and in the extent that the Bank and the domestic economy can initiate their recovery, resume the full application of the approved Dividends Policy, hereby

Proposes:

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b) of the Companies Code, as well as article 54 of the Bank's articles of association, the following application of year-end results amounting to € 139,296,016.59 euros:

- a) For the reinforcement of legal reserve, € 13,929,601.66;

b) For an extraordinary distribution to employees and, in compliance with the mentioned in paragraphs C to G of the recitals of this proposal, up to € 1.000,00 to each employee who hasn't already been fully compensated with the earnings distributed in 2019 if he/she remain in his/her position on the date the remuneration corresponding to June 2020 is paid, up to a maximum total amount of € 5,281,000.00;

c) The remaining, in the minimum amount of € 120,085,414.93 to Retained Earnings.

Lisbon, 26 March 2020

THE BOARD OF DIRECTORS

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.

Business Volumes – corresponds to the sum of total customer funds and loans to customers (gross).

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, from financial assets held for trading and, until 2017, from financial assets available for sale.

Equity accounted earnings – results appropriated by the Group related to the consolidation of entities where, despite having some 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, results from derecognition of financial assets measured at fair value through other comprehensive and results from financial assets available for sale (until 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 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) for loans and advances of credit institutions classified at amortised cost, impairment for financial assets (classified at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in the latter case until 2017), impairment for other assets, namely assets received as payment in kind, 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, 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 funds.