

Preview Note

2 May 2017

Buy

Recommendation unchanged

Share price: EUR 0.20

closing price as of 01/05/2017

Target price: EUR 0.25

Target Price unchanged

Upside/Downside Potential 22.1%

Reuters/Bloomberg BCP.LS/BCP.PL

Market capitalisation (EURm) 3,095

Current N° of shares (m) 15,114

Free float 59%

Daily avg. no. trad. sh. 12 mth

Daily avg. trad. vol. 12 mth (m)

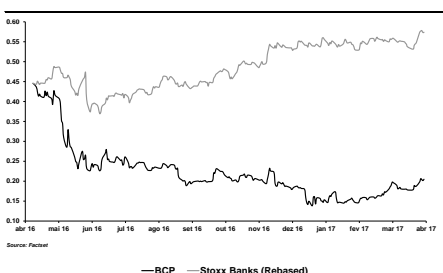
Price high/low 12 months 0.14 / 0.51

Abs Perfs 1/3/12 mths (%) 4.44/25.26/-59.03

Key financials (EUR)	12/16	12/17e	12/18e
Total Revenue (m)	2,016	2,111	2,183
Pre-Provision Profit (PPP) (m)	755	1,012	1,134
Operating profit (OP)	-362	327	690
Earnings Before Tax (m)	-281	397	765
Net Profit (adj.) (m)	24	191	459
Shareholders Equity (m)	4,382	5,874	6,333
Tangible BV (m)	4,306	5,699	5,830
RWA (m)	39,186	40,056	40,947
ROTE	0.6%	3.3%	7.5%
Total Capital Ratio (B3)	13.4%	13.9%	13.5%
Cost/Income	38.7%	46.9%	45.8%
Price/Pre-Prov Prof	3.7	3.1	2.7
P/E (adj.)	nm	16.2	6.7
P/BV	0.6	0.5	0.5
P/TBV	0.6	0.5	0.5
Dividend Yield	0.0%	0.0%	0.0%
Pre-Prov Prof per share	0.05	0.07	0.08
EPS (adj.)	0.00	0.01	0.03
BVPS	0.29	0.39	0.42
TBVPS	0.29	0.39	0.42
DPS	0.00	0.00	0.00

Shareholders

Fosun 24%; Sonangol 15%; EDP Group 2%;

**Analyst(s)**

André Rodrigues

andre.rodrigues@caixabi.pt

+351 21 389 68 39

1Q17 Preview: Time to start to confirm the gradual normalization of P&L

The facts: Millennium BCP will publish its 1Q17 results on Monday, 8 May, after the market close. CC will take place on Tuesday, 9 May, at 15:00 (Local time).

Our analysis: We forecast a consolidated net profit of EUR 40.3m in 1Q17 vs. a net profit of EUR 46.7m in 1Q16 (-13.7% YoY) and a net profit of EUR 275m in 4Q16 (-85.4% QoQ).

The normalization of the investment case will be closely monitored throughout the year. As described in our latest report ("**A transition year: Is this time (really) different?**", disclosed on 22 March), BCP defined 2017 as a transition year for the bank.

The net interest income (NII) should maintain the underlying trend of the last quarters with a 3.2% QoQ growth to EUR 333.4m (+14% YoY) as the cost of term deposits should continue to decrease in Portugal (by YE16 cost on the front book was almost 20bps below the cost of the back book). In this quarter, BCP will also benefit from the reimbursement of the EUR 700m of CoCo bonds to the Portuguese State (concluded in February 2017).

Commissions should be roughly flat YoY (+0.2% to EUR 164.3m). Also trading results should maintain a performance close to the level presented in the previous quarters (EUR 30.3m in our forecast).

Operating costs should rise by only 0.6% YoY to EUR 244.5m with a decrease of 1.0% YoY in staff costs to EUR 137.1m and a 3.0% YoY increase in other administrative expenses (to EUR 94.6m in 1Q17). In this context, operating profit is seen at EUR 276.5m (+19.6% YoY).

Provision charges - Loan impairments are estimated at EUR 171.5m equivalent to a cost of risk of 133bps. We also expect some reinforcement of "other impairments" with a total cost of EUR 37.5m in the quarter (in line with the guidance of BCP for the year).

Asset quality - We recall that non-performing exposures (NPEs) were down to EUR 9.4bn in 2016 (-11.4% vs. EUR 10.6bn by YE15), of which EUR 8.5bn in Portugal. The coverage of those NPEs was at 99%. The bank has a target of reducing this stock by EUR 1bn in 2017 and we expect this message to be maintained in this results presentation.

Concerns removed on capital - The conclusion of the EUR 1.33bn capital increase in February removed the main concerns on the capital front. The bank reported a proforma CET 1 ratio of 11.1% (fully implemented) and 12.8% (phased-in), already including the impacts of that rights issue and the repayment of the EUR 700m of CoCo bonds also concluded in February.

Conclusion & Action: The underlying positive trends of the main variables (namely the net interest income) should continue to be visible in 1Q17 (also including the reimbursement of the EUR 700m of CoCo bonds concluded in February). Overall, the positive dynamics expected for revenues, with pre provisioning results above EUR 1bn in the year and the gradual reduction of the cost of credit risk will be the key drivers for the equity story.

Exhibit 1 – Income statement forecasts

	Quarterly				
	1Q17e	4Q16	Δ QoQ	1Q16	Δ YoY
Net interest income (narrow sense)	333.4	323.1	3.2%	292.4	14.0%
Dividends from securities	2.1	.8	185.0%	2.0	5.0%
Net interest income	335.5	323.9	3.6%	294.4	14.0%
Commissions and similar income (net)	164.3	162.7	1.0%	163.9	0.2%
Gains and losses in financial operations	30.3	27.9	8.8%	28.3	6.9%
Operating income and charges	(9.1)	(9.5)	-4.1%	(12.4)	-26.4%
Net operating income from banking	521.0	504.9	3.2%	474.3	9.8%
Personnel costs	(137.1)	53.8	n.m.	(138.4)	-1.0%
Other administrative expenses	(94.6)	(98.6)	-4.1%	(91.8)	3.0%
Depreciation of fixed assets	(12.9)	(12.8)	0.2%	(12.8)	0.3%
Total Expenses	(244.5)	(57.6)	324.2%	(243.1)	0.6%
Operating profit before provisions	276.5	447.3	-38.2%	231.2	19.6%
Equity-accounted results of subsidiaries	17.3	19.9	-13.3%	13.9	24.5%
Loan provisions and impairments (net)	(171.5)	(246.7)	-30.5%	(160.7)	6.7%
Other impairments and provisions	(37.5)	(238.2)	-84.3%	(15.4)	144.3%
Profits before taxes	84.8	(17.8)	n.m.	69.1	22.8%
Corporate income tax	(23.3)	313.7	n.m.	(15.0)	55.5%
Discontinued operations	-	-	n.m.	29.0	n.m.
Minority shareholders' share of profit	(21.2)	(20.8)	1.7%	(36.4)	-41.7%
Net Profit (reported)	40.3	275.0	-85.4%	46.7	-13.7%

Source: Millennium BCP and CaixaBI Equity Research. Amounts expressed in EURm.

BCP : Summary tables

PROFIT & LOSS (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Net Interest Income	1,116	1,191	1,230	1,345	1,404	1,438
Commissions	681	660	644	655	662	678
Trading income	442	539	240	195	199	187
Dividends	5.9	9.7	7.7	8.1	8.5	8.9
Other Operating Income	11.4	-120	-106	-92.5	-91.7	-92.2
Non-Interest Income	1,140	1,089	786	765	778	781
Total Income from Banking Business	2,257	2,280	2,016	2,111	2,183	2,219
Revenues from Insurance Business	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue	2,257	2,280	2,016	2,111	2,183	2,219
Operating Costs	-1,150	-1,017	-780	-989	-999	-1,009
-of which Personnel Expenses	-636	-574	-357	-550	-556	-561
Other Operating Provisions	-209	-160	-481	-110	-49.9	-49.9
Pre-Provision Profit (PPP)	898	1,103	755	1,012	1,134	1,160
Loan Impairment Charge (LIC)	-1,107	-818	-1,117	-684	-443	-399
Operating profit (OP)	-209	285	-362	327	690	761
Associates	36.0	23.5	80.5	69.1	74.8	80.9
Other Income/Loss(Exceptional)	0.0	0.0	0.0	0.0	0.0	0.0
Results from Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	-173	308	-281	397	765	842
Tax	97.7	-37.7	382	-109	-210	-232
<i>Tax rate</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
Discontinued Operations	-40.8	90.3	45.2	0.0	0.0	0.0
Minorities	-110	-126	-122	-96.3	-95.6	-101
Preference Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (Reported)	-227	235	23.9	191	459	509
Earnings Before Tax (Adj.) (1)	-173	308	-281	397	765	842
Net Profit (Adj.)	-227	235	23.9	191	459	509

BALANCE SHEET (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Due from Banks	3,959	3,538	3,079	4,872	6,000	6,332
Customer Loans	53,686	51,970	48,018	47,776	48,255	49,473
Securities	12,360	12,688	12,380	12,462	12,628	12,809
Interest Earning Assets (IEA)	70,005	68,196	63,477	65,110	66,883	68,614
Unit Linked Investments	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets	6,356	6,688	7,788	7,940	8,077	8,202
Total Assets	76,361	74,885	71,265	73,050	74,960	76,816
Due to Banks	10,966	8,591	9,938	10,161	10,458	10,758
Customer Deposits	49,817	51,539	48,798	49,781	50,784	51,807
Bonds & Debt Capital	8,688	7,137	5,605	4,542	4,542	4,542
Technical Provisions Insurance (Life and Non-Life)	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities	1,903	1,938	1,659	1,712	1,768	1,827
Shareholders Equity	4,213	4,623	4,382	5,874	6,333	6,705
Minorities Equity	774	1,057	883	979	1,075	1,176
Total Liabilities	76,361	74,885	71,265	73,050	74,960	76,816
Tangible Book Value (2)	3,467	4,345	4,306	5,699	5,830	5,854

REGULATORY CAPITAL (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Risk Weighted Assets	43,515	43,271	39,186	40,056	40,947	41,848
CT1 ratio (B3 fully loaded)	7.8%	10.2%	9.6%	12.0%	11.6%	13.5%
CT1 ratio (B3 phased-in)	11.7%	13.3%	12.4%	12.9%	12.6%	13.5%
Total Capital Ratio (B3)	13.3%	14.4%	13.4%	13.9%	13.5%	14.5%
Leverage Ratio (fully loaded)						
<i>Tangible equity as % of Assets</i>	<i>4.5%</i>	<i>5.8%</i>	<i>6.0%</i>	<i>7.8%</i>	<i>7.8%</i>	<i>7.6%</i>

BCP : Summary tables

GROWTH RATES %	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Revenue Growth	32.2%	1.0%	-11.6%	4.7%	3.4%	1.7%
Operating Cost Growth	-11.2%	-11.5%	-23.3%	26.8%	1.0%	1.0%
Interest Income Growth	31.6%	6.7%	3.3%	9.4%	4.4%	2.4%
Non Interest Income Growth	32.8%	-4.5%	-27.8%	-2.6%	1.7%	0.3%
Pre-Provision Profit Growth	n.m.	22.8%	-31.5%	34.0%	12.0%	2.3%
Customer Loan Growth	-5.5%	-3.2%	-7.6%	-0.5%	1.0%	2.5%
Deposits Growth	1.8%	3.5%	-5.3%	2.0%	2.0%	2.0%
Change in NPLs	-3.5%	3.4%	-0.7%	-2.3%	-3.8%	-0.1%

KEY RATIOS %	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Interest Income/Avg. IEA	1.5%	1.7%	1.9%	2.1%	2.1%	2.1%
Interest Income/Avg. RWA	2.6%	2.7%	3.0%	3.4%	3.5%	3.5%
Total Revenue/Avg. RWA	5.2%	5.3%	4.9%	5.3%	5.4%	5.4%
Cost/Income ratio (4)	50.9%	44.6%	38.7%	46.9%	45.8%	45.5%
LIC/Avg. Customer Loans	2.00%	1.55%	2.23%	1.43%	0.92%	0.82%
LIC/Avg. RWA	2.53%	1.88%	2.71%	1.73%	1.09%	0.96%
Loan Loss Provisions (Balance Sheet)/Loans	6.1%	6.3%	7.2%	8.2%	8.5%	8.6%
NPL Ratio (gross)	7.3%	7.2%	9.7%	9.5%	9.2%	8.8%
NPL Coverage	83.1%	86.7%	74.4%	85.7%	92.5%	98.4%
Loans/Deposits Ratio	107.8%	100.8%	98.4%	96.0%	95.0%	95.5%
ROE	-6.7%	5.3%	0.5%	3.7%	7.5%	7.8%
ROTE or ROE (adj.) (5)	-6.3%	5.1%	0.6%	3.3%	7.5%	7.8%
Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend Yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

VALUATION (x)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
P/Pre-Provision Profit per Share	4.0	2.6	3.7	3.1	2.7	2.7
P/E (reported)	n.m.	12.3	n.m.	16.2	6.7	6.1
P/E (adj.)	n.m.	12.3	n.m.	16.2	6.7	6.1
P/BV	0.8	0.6	0.6	0.5	0.5	0.5
P/TBV	0.8	0.6	0.6	0.5	0.5	0.5

PER SHARE DATA (EUR)(6)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Average diluted number of shares	0.0	0.0	0.0	0.0	0.0	0.0
Pre-Provision Profit per Share	0.21	0.24	0.05	0.07	0.08	0.08
EPS (reported)	-0.05	0.05	0.00	0.01	0.03	0.03
EPS (adj.)	-0.05	0.05	0.00	0.01	0.03	0.03
BVPS	1.00	1.01	0.29	0.39	0.42	0.44
TBVPS (2)	1.00	1.01	0.29	0.39	0.42	0.44
DPS	0.00	0.00	0.00	0.00	0.00	0.00

PRICE & SHARES & MKT CAP (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Price** (EUR) (7)	0.8	0.6	0.2	0.2	0.2	0.2
Outstanding number of ordinary shares (m)	4,196	4,571	15,114	15,114	15,114	15,114
Total Market Cap (8)	3,561	2,887	2,788	3,095	3,095	3,095
Assets Under Management (bn)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company, Caixa-Banco de Investimento estimates.

Notes

(1) Earnings Before Tax (adj.) = EBT +/- Exceptional Items

(2) Tangible Book Value = Shareholders Equity less Goodwill

(3) Core Tier1 Ratio (ESN adj.) = Tier1 capital less Tier1 Hybrid capital and less preference capital divided by risk weighted assets

(4) Cost/Income = Operating Costs divided by Banking Revenues

(5) ROTE or ROE (adj.) = Net Profit (adj.) divided by the two-years (according to fiscal year end) average of Shareholders Equity excluding Goodwill

(6) EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

(7) Price (in local currency): Historical Price for Historical Years and Current Price for current and forecast years

(8) Total Market Cap includes also other categories of shares (preferred and/or savings)

Sector: Banks/Banks

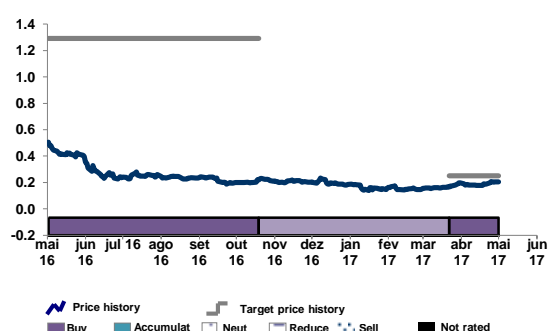
Company Description: Millennium BCP is the largest private financial institution in Portugal (credit and deposits) with an average market share close to 18% (Loans) and 17% (Customers Funds).It operates in all main business areas in Portugal and also runs some international banking activities (Poland, Angola and Mozambique).

Recommendation history for BCP

Date	Recommendation	Target price	Price at change date
22-mar-17	Buy	0.25	0.17
19-out-16	Rating Suspended		0.22
30-nov-15	Buy	1.29	0.65
20-jan-15	Buy	1.81	0.93
22-jul-14	Buy	1.68	1.34

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Caixa-Banco de Investimento continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
Current analyst: André Rodrigues (since 26/11/2007)



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This report was initiated after the announcement of the 4Q16 results and was concluded (produced) on the date and time mentioned on the ESN Recommendation System page and was published immediately afterwards.

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Meaning of each rating or recommendation:

- Buy: the stock is expected to generate a total return of over 15% during the next 12-month time horizon;
- Accumulate: the stock is expected to generate a total return of 5% to 15% during the next 12-month time horizon;
- Neutral: the stock is expected to generate a total return of -5% to +5% during the next 12-month time horizon;
- Reduce: the stock is expected to generate a total return of -5 to -15% during the next 12-month time horizon;
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ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

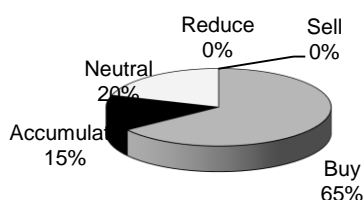
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Meaning of each recommendation or rating:

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- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
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Caixa Banco de Investimento Ratings Breakdown



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Members of ESN (European Securities Network LLP)



Banca Akros S.p.A.
Viale Eginardo, 29
20149 MILANO
Italy
Phone: +39 02 43 444 389
Fax: +39 02 43 444 302



Caixa-Banco de Investimento
Rua Barata Salgueiro, nº 33
1269-057 Lisboa
Portugal
Phone: +351 21 313 73 00
Fax: +351 21 389 68 98



CM - CIC Market Solutions
6, avenue de Provence
75441 Paris
Cedex 09
France
Phone: +33 1 53 48 81 93



equinet Bank AG
Gräfrstraße 97
60487 Frankfurt am Main
Germany
Phone: +49 69 - 58997 - 212
Fax: +49 69 - 58997 - 299



GVC Gaesco Beka, SV, SA
C/ Marques de Villamagna 3
28001 Madrid
Spain
Phone: +34 91 436 7813



Investment Bank of Greece
32 Aigialeias Str & Paradissou,
151 25 Maroussi,
Greece
Phone: +30 210 81 73 383



NIBC Markets N.V.
Nieuwezijds Voorburgwal 162
P.O.Box 235
1000 AE Amsterdam
The Netherlands
Phone: +31 20 550 8500
Fax: +31 20 626 8064



OP Corporate Bank plc
P.O.Box 308
Teollisuuskatu 1, 00013 Helsinki
Finland
Phone: +358 10 252 011
Fax: +358 10 252 2703

