BCP

Portugal | Banks

Investment Research

Company Update

Reason: Estimates Revision

9 November 2017

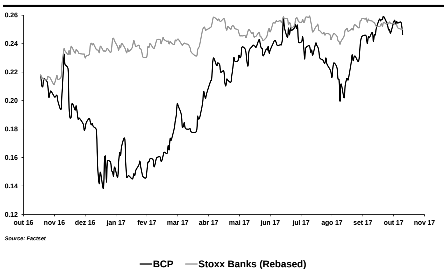
Buy	
Recommendation unchanged	
Share price: EUR	**0.25**
closing price as of 08/11/2017	
Target price: EUR	**0.31**
from Target Price: EUR	*0.26*
Upside/Downside Potential	**25.8%**
Reuters/Bloomberg	BCP.LS/BCP PL

Market capitalisation (EURm)	**3,724**
Current N° of shares (m)	15,114
Free float	**55%**
Daily avg. no. trad. sh. 12 mth	66,274
Daily avg. trad. vol. 12 mth (m)	14,178.98
Price high/low 12 months	0.14 / 0.26
Abs Perfs 1/3/12 mths (%)	0.90/3.53/23.33

Key financials (EUR)	**12/16**	**12/17e**	**12/18e**
Total Revenue (m)	2,016	2,091	2,179
Pre-Provision Profit (PPP) (m)	755	936	1,038
Operating profit (OP)	*-362*	*321*	*594*
Earnings Before Tax (m)	-281	388	665
Net Profit (adj.) (m)	*24*	*193*	*404*
Shareholders Equity (m)	4,382	6,051	6,456
Tangible BV (m)	4,306	5,720	5,840
RWA (m)	39,160	39,659	40,032
ROTE	0.6%	3.3%	6.4%
Total Capital Ratio (B3)	13.4%	13.2%	12.8%
Cost/Income	*38.7%*	*45.1%*	*45.1%*
Price/Pre-Prov Prof	3.7	4.0	3.6
P/E (adj.)	nm	19.3	9.2
P/BV	0.6	0.6	0.6
P/TBV	0.6	0.6	0.6
Dividend Yield	0.0%	0.0%	0.0%
Pre-Prov Prof per share	0.05	0.06	0.07
EPS (adj.)	0.00	0.01	0.03
BVPS	0.29	0.40	0.43
TBVPS	*0.29*	*0.40*	*0.43*
DPS	*0.00*	*0.00*	*0.00*

Shareholders

Fosun 25%; Sonangol 15%; EDP Group 2%;



Source: Factset

Analyst(s)

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Increasing ROE. Commitment with the reduction of NPEs.

(In this report we change the fair value to EUR 0.31 with an unchanged Buy recommendation).

We have fine-tuned our estimates for BCP and rolled over the valuation for YE18. The fair value is increased to EUR 0.31 per share (from EUR 0.26) with an unchanged Buy recommendation.

- ✓ **Positive view reaffirmed:** With this report we reinforce our positive view for the equity story of BCP in a context of an acceleration of the economic recovery in Portugal (73% of total assets by the end of 1H17). The normalization of the P&L account is expected to continue in the coming quarters, driven by the increase in the net interest income and the gradual reduction of the cost of credit risk (any 10bps drop in the cost of credit risk is equivalent to around -EUR 48m of loan impairments).
- ✓ **Commitment to NPEs reduction:** The strong focus of BCP management in the reduction of problematic assets (namely NPEs) led us to expect an overachievement of the EUR 1bn reduction guidance envisaged for 2017. Going forward, this EUR 1bn annual reduction should continue, based on sales (1/3), write-offs (1/3) and recoveries (the other 1/3). BCP reported a consolidated stock of non-performing exposures (NPEs) close to EUR 8.8bn in 1H17 which accounted for 17.8% of its loan portfolio (vs. EUR 9.4bn or 18.9% by YE16). NPEs in Portugal decreased by around EUR 720m in 1H17 to EUR 7.8bn.
- ✓ **A transition year? So far, yes.:** The message of 2017 as a “transition year” towards normalization (namely in the P&L account) remains intact and was broadly confirmed by 1H17 results. The bank continues to reiterate its main targets for 2018, also highlighting the solid deliver of its restructuration plan, which puts BCP among the most efficient banks in the Eurozone (cost-to-income ratio at 45% in 1H17).
- ✓ **Strong cost reduction:** Operating costs went down by more than 40% since 2011 with a 30% reduction in the domestic branches and a 25% reduction in employees. Recurrent costs are expected to remain under strict control in the next quarters (close to +1.5% YoY in 2018). The reversal of cuts in salaries applied when the bank asked for the CoCo bonds will have an annual impact of EUR 16m (from 2H17 onwards) but should be compensated by other savings.
- ✓ **Concerns removed on capital:** The EUR 1.33bn capital increase concluded in February removed the main concerns regarding the bank’ capital position. By the end of June 2017 BCP reported a CET 1 ratio of 11.3% (fully implemented) and 13% (phased-in). Moreover, we forecast an organic capital generation of around 25bps in 2H17 and close to 100bps in 2018. SREP: ECB defined a minimum CET 1 ratio (phased in) of 8.15% for 2017. At this stage there is no news regarding the SREP requirement for 2018. This could be a positive newsflow in case of any reduction presented by the regulator in terms of Pillar 2.

At current market prices the stock is trading with a consolidated P/B 2018e of around 0.6x vs. a ROE that is improving towards c. 10% in the 2019-2022 period. Considering the market cap of the 50.1% stake in Bank Millennium (Poland) and assuming adequate multiples for the African units and the insurance operations, the implied P/BV for the domestic operation is close to 0.4x.

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Investment Case

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A transition year? So far, yes.: The message of 2017 as a “transition year” towards normalization (namely in the P&L account) remains intact and was broadly confirmed by 1H17 results. The bank continues to reiterate its main targets for 2018 (details on page 8), also highlighting the solid deliver of its restructuration plan, which puts BCP among the most efficient banks in the Eurozone (cost-to-income ratio at 45% in 1H17).

Strong cost reduction: Operating costs went down by more than 40% since 2011 with a 30% reduction in the domestic branches (to 596 in June 2017) and a 25% reduction in employees (to 7,303 by the end of 1H17). Recurrent costs are expected to remain under strict control in the next quarters (close to +1.5% YoY in 2018). The reversal of cuts in salaries applied when the bank asked for the CoCo bonds will have an annual impact of EUR 16m (from 2H17 onwards) but should be compensated by other savings.

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Valuation

We have fine-tuned our estimates for BCP and rolled over the valuation for YE18. The fair value is increased to **EUR 0.31** (vs. EUR 0.26) with an unchanged **Buy recommendation**.

Main assumptions

We used the CAPM approach to reach Cost of Equity (Ke) or "minimum required" Return on Equity (RoE).

The risk free rate and the market risk premium are geared towards the specifications on DCF valuation used within the ESN network.

However, and due to the relevance of the international operations for BCP, our parameters incorporate the weight of the activities abroad and therefore assume a heavy amount, as explained below. The parameters of out valuation are not changed in this assessment and remain similar to the previous report (11 May).

Exhibit 1 – Valuation: Main assumptions

	ESN	BCP
Risk Free rate	3.5%	3.5%
Beta	-	1.2
Market Risk Premium	5.0%	5.5%
Cost of Equity		**9.90%**
Perpetual growth rate		2.1%

Source: CaixaBI Equity Research

In the valuation of BCP we defined a weight of 30% for the international operations:

- **Portugal**: Beta of 1.1 and market risk premium of 5%;
- **International**: Beta of 1.35 and market risk premium of 6.5%;
- In terms of perpetual growth rate, we used 2.1% (consolidated).

Valuation Methods

To reach our FY18 fair value of Millennium BCP, we maintained our usual methodology. The valuation of the Portuguese banks remains based on a combination of three different methods each worth 1/3 of attributed fair value.

1) – Discounted Cash Flow (DCF) Model

We use the Discounted Cash flow model with the abovementioned assumptions for risk free rate, beta, market risk premium and perpetual growth rate. Although we consider the valuation of financial institutions to be significantly different from that of industrial companies, the underlying methodology is the same for financials and non-financials.

We define "cash flow" as the difference between the required retained capital, measured by the annual variation in risk-weighted assets **x 11% (minimum capital ratio**) and net profit of the year. We also define normalized capital employed as 11% of their 2017e RWA.

- Cash Flow = [Net profit of the year – (Annual variation of RWA * 11%)]
- "Normalized capital employed" = (2017e RWA * 11%)

The value of the bank is the sum of: i) its initial excess of capital (2018e capital minus "normalized capital employed"), ii) net present value of cash flows, iii) net present value of terminal value and iv) 2017 dividends to be paid in 2018 (if applicable).

2) – "Bond Pricing" Model (Adjusted with Dividends)

We determine the Long term ROE as the average of the 2018e-2023e ROE (Return on total equity) and then extract the implicit premium on book value (dividing long term ROE by the cost of equity). Then we apply this "premium" to 2023e Shareholder's Equity in order to achieve the 2023 implicit equity value. After this, we adjust our 2023 value to current prices, add the present value of the 2018e-2023e dividends and subtract the amount of actuarial differences of the pension fund (net of taxes).

3) – Residual Income Model

The "Residual Income" model is theoretically derived from the Dividend Discount Model (DDM) and is equivalent to the present value of discounted cash flows from a DCF analysis.

Our residual income valuation model measures an entity's value as the sum of its invested capital and discounted expected residual income. Through this approach we make an explicit link between the accounting measures of Net Asset Value (Equity) and earnings.

The value of the bank is the sum of its 2018e Equity, the present value of the expected "excess" profitability (residual income) and its terminal value.

- Residual Value = [Net profit of the year – (Average Equity* Cost of Equity)]

We show below the result of our approach for Millennium BCP:

Valuation summary

Exhibit 2 – BCP: Summary valuation table and sensitivity analysis

Summary of valuation models					
	Value p/ share		@ Fair Value		
Discounted Cash-Flows	0.318		P/E	DY	P/BV
BPM & DDM	0.323	2017e	24.2	0.0%	0.8
Residual Income	0.290	2018e	11.6	2.6%	0.7
		2019e	9.6	3.1%	0.7
Fair value	0.310				
Current Stock Price	0.246				
Potential Upside / Downside	25.8%				

Sensitivity analysis	Perpetual growth rate ("g")				
Cost of Equity	**0.0%**	**1.0%**	**2.05%**	**3.0%**	**4.0%**
7.90%	0.40	0.41	0.42	0.43	0.46
8.90%	0.35	0.35	0.36	0.37	0.38
9.90%	0.30	0.31	0.31	0.31	0.32
10.90%	0.27	0.27	0.27	0.28	0.28
11.90%	0.24	0.24	0.24	0.24	0.24

Source: CaixaBI Equity Research. Amounts expressed in EUR. Prices as of 8 November 2017.

Market valuation – Domestic operations priced at 0.4x P/BV

At current market prices the stock is trading with a P/BV close to 0.6x. The stake in Bank Millennium (50.1%) listed in Warsaw has a market cap. close to EUR 1.2bn (32% of the consolidated market cap). Assuming some adequate multiples for the African units and the insurance operations, the implied P/BV for the domestic operation is at 0.4x.

Exhibit 3 – BCP: Implied valuation of the domestic operation

Millennium BCP	Market value	BV	P/BV	% of total
Consolidated market cap (@ 08-11-2017)	**3,724**	**5,888**	**0.6**	**100.0%**
Poland (market price - 50.1% stake)	1,197	996	1.2	32.1%
Banco Millennium Atlântico (Angola)*	338	211	1.6	9.1%
Mozambique (assumed P/BV)	366	244	1.5	9.8%
Suisse (assumed P/BV)	78	78	1.0	2.1%
Insurance (assumed P/BV)	244	244	1.0	6.6%
Portugal - retail banking (implied valuation)	1,502	4,115	0.4	40.3%

*Source: CaixaBI Equity Research. Book Value (BV) amounts refer to 1H17. * Associate company, multiple implied in the M&A with Atlântico*

Revision of Financial Statements - Summary

Exhibit 4 – BCP: Revision of Financial Statements - Summary

	2016	2017e	YoY (%)	2018e	YoY (%)	2019e	YoY (%)	2020e	YoY (%)
Balance Sheet (EUR m)									
Net Loans									
Current data	**48,018**	**48,066**	**0.1%**	**48,791**	**1.5%**	**50,271**	**3.0%**	**51,796**	**3.0%**
Old data		*48,291*		*48,775*		*50,006*		*52,165*	
Variation		-0.5%		0.03%		0.5%		-0.7%	
Customers Deposits									
Current data	**48,798**	**51,143**	**4.8%**	**52,174**	**2.0%**	**53,225**	**2.0%**	**54,840**	**3.0%**
Old data		*50,893*		*51,919*		*52,965*		*54,572*	
Variation		0.5%		0.5%		0.5%		0.5%	
Total Assets									
Current data	**71,265**	**73,361**	**2.9%**	**75,206**	**2.5%**	**77,077**	**2.5%**	**79,674**	**3.4%**
Old data		*72,811*		*74,707*		*76,620*		*79,157*	
Variation		0.8%		0.7%		0.6%		0.7%	
RWA									
Current data	**39,160**	**39,659**	**1.3%**	**40,032**	**0.9%**	**40,928**	**2.2%**	**42,572**	**4.0%**
Old data		*40,189*		*41,056*		*41,971*		*44,329*	
Variation		-1.3%		-2.5%		-2.5%		-4.0%	
Income Statement (EUR m)									
Net interest income									
Current data	**1,238**	**1,379**	**11.4%**	**1,450**	**5.2%**	**1,513**	**4.3%**	**1,574**	**4.1%**
Old data		1,350		1,410		1,444		1,464	
Variation		2.1%		2.9%		4.8%		7.6%	
Commissions									
Current data	**644**	**663**	**2.9%**	**677**	**2.2%**	**694**	**2.5%**	**712**	**2.5%**
Old data		653		671		683		693	
Variation		1.4%		1.0%		1.7%		2.7%	
Results on Financial operations									
Current data	**240**	**157**	**-34.9%**	**154**	**-1.8%**	**158**	**2.7%**	**156**	**-1.2%**
Old data		160		174		174		152	
Variation		-1.8%		-11.8%		-9.4%		2.7%	
Total Expenses									
Current data	**(780)**	**(943)**	**20.9%**	**(983)**	**4.3%**	**(997)**	**1.4%**	**(1,012)**	**1.6%**
Old data		(971)		(983)		(993)		(1,000)	
Variation		-2.9%		0.0%		0.4%		1.2%	
Loan Provisions (net)									
Current data	**(1,117)**	**(615)**	**-44.9%**	**(444)**	**-27.9%**	**(428)**	**-3.5%**	**(386)**	**-9.7%**
Old data		(638)		(446)		(401)		(387)	
Variation		-3.6%		-0.6%		6.6%		-0.2%	
Cost of credit risk ((accumulated, bps)									
Current data	**216**	**119**	*(97)*	**84**	*(35)*	**78**	*(5)*	**69**	*(10)*
Old data		122		84		74		70	
Variation (bps)		(3)		()		5		(1)	
Net Profit (stated)									
Current data	**24**	**193**	**707.7%**	**404**	**109.1%**	**490**	**21.3%**	**576**	**17.5%**
Old data		193		462		513		528	
Variation		0.3%		-12.5%		-4.4%		9.1%	

Source: BCP and CaixaBI Equity Research. Old data refers to the report "On the way to normalization", published on 11 May 2017.

BCP targets vs. CaixaBI estimates

Our estimates for 2018 are below BCP' targets in terms of the profitability (ROE of 7.2% in our estimates). This is mainly due to the higher cost of credit risk (84bps vs. target of <75bps). We are assuming a dividend payment in 2019 (30% payout on the 2018 results).

Exhibit 5 – BCP targets vs. CaixaBI estimates

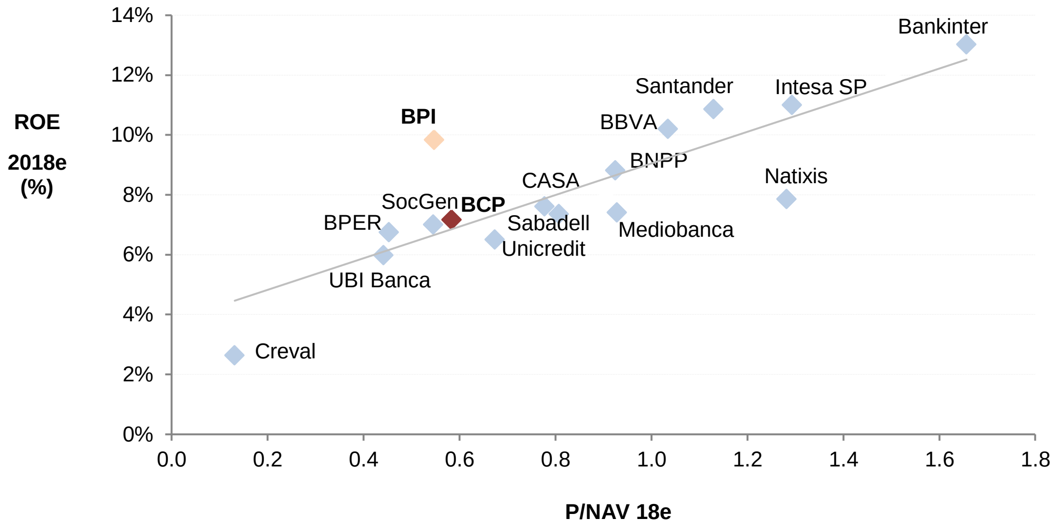
Millennium BCP	2014	2015	2016	1H17	Target 2018	CaixaBI 2018e
Phased-in CET 1 ratio	11.7%	13.3%	12.8%	13.0%	**>= 11%**	**12%**
Fully implemented CET 1 ratio	7.8%	10.2%	11.1%	11.3%		**11%**
Loans to Deposits	108%	102%	98%	95%	**< 100%**	**93%**
Cost-core income	64%	55.4%	48.5%	44.6%	**< 50%**	**46%**
Cost-income	50%	44.2%	51.5%	42.9%	**< 43%**	**44%**
Cost of risk	194 bps	150 bps	216 bps	118 bps	**< 75bps**	**84 bps**
ROE (consistent with a 11% CET 1 ratio)	-4.5%	5.3%	0.6%	3.3%	**> 10%**	**7%**

Source: BCP and CaixaBI Equity Research. ROE calculations based on average equity during 2018.

Sector overview

European comparison – Relative valuation

Exhibit 6 – Banking multiples: European comparison ROE18e (%) vs. P/NAV 18e



Source: ESN and CaixaBI Equity Research. Prices as of 8 November 2017.

European comparison – Multiples

Exhibit 7 – European banks: Multiples comparison

Company name	Country	Share price	Target Price	Upside (%)	Market Cap (€)	P/E 2018e	P/E 2019e	P/NAV 2018e	P/NAV 2019e	ROE 2018e	ROE 2019e	Div. Yield 2018e	Div. Yield 2019e
BCP	**Portugal**	**0.246**	**0.31**	**25.8%**	**3,724**	**9.2x**	**7.6x**	**0.6x**	**0.5x**	**7.2%**	**8.5%**	**0.0%**	**1.4%**
BPI	**Portugal**	**1.148**	**1.15**	**0.2%**	**1,673**	**5.8x**	**5.9x**	**0.5x**	**0.5x**	**9.8%**	**8.9%**	**0.0%**	**0.0%**
AKTIA	Finland	9.09	9.70	6.7%	605	11.3x	11.3x	1.0x	1.0x	8.6%	8.4%	6.8%	6.8%
BNP PARIBAS	France	64.82	72.00	11.1%	80,831	11.5x	10.0x	0.9x	0.9x	8.8%	9.7%	4.3%	5.0%
CREDIT AGRICOLE SA	France	14.26	17.00	19.2%	36,739	11.0x	11.0x	0.8x	0.7x	7.6%	7.9%	4.5%	4.9%
SOCIETE GENERALE	France	44.15	53.00	20.1%	35,590	8.3x	7.9x	0.5x	0.5x	7.0%	7.0%	6.0%	6.4%
NATIXIS	France	6.77	6.90	2.0%	20,878	13.7x	12.7x	1.3x	1.2x	7.9%	8.1%	3.6%	3.9%
ALPHA BANK	Germany	1.51	3.13	107.3%	2,321	6.1x	4.2x	0.3x	0.2x	4.0%	5.4%	0.0%	0.0%
DEUTSCHE BANK	Germany	14.74	17.50	18.7%	30,768	12.1x	8.2x	0.5x	0.4x	3.9%	5.5%	0.7%	3.4%
COMMERZBANK	Germany	11.73	11.50	-1.9%	14,684	20.0x	13.3x	0.5x	0.5x	2.7%	3.9%	0.0%	1.7%
AAREAL BANK	Germany	36.03	38.00	5.5%	2,157	13.1x	11.3x	0.8x	0.8x	6.3%	7.1%	6.7%	6.9%
INTESA SANPAOLO	Italy	2.86	3.00	5.0%	45,327	11.9x	10.6x	1.3x	1.3x	11.0%	12.4%	7.7%	8.4%
UNICREDIT	Italy	16.35	18.80	15.0%	36,389	10.6x	7.0x	0.7x	0.6x	6.5%	9.2%	2.1%	3.5%
BANCA MPS	Italy	4.28	4.60	7.4%	4,883	13.2x	8.6x	0.4x	0.4x	3.2%	4.8%	0.0%	0.0%
MEDIOBANCA	Italy	9.68	9.60	-0.8%	6,516	12.3x	12.3x	0.9x	0.9x	7.4%	7.1%	3.8%	3.8%
UBI BANCA	Italy	3.86	3.85	-0.3%	3,774	7.5x	5.4x	0.4x	0.4x	6.0%	7.9%	4.7%	6.5%
BPER	Italy	3.89	4.50	15.7%	1,866	6.9x	5.4x	0.5x	0.4x	6.7%	8.2%	3.9%	5.1%
BANCA CARIGE	Italy	0.20			163	nm	5.9x	0.1x	0.1x	-0.9%	1.4%	0.0%	0.0%
CREVAL	Italy	1.80			200	5.1x	2.4x	0.1x	0.1x	2.6%	5.3%	0.0%	16.7%
BANCO SANTANDER	Spain	5.60	7.10	26.8%	89,827	10.7x	9.6x	1.1x	1.1x	10.9%	11.4%	3.7%	4.7%
BBVA	Spain	7.22	9.00	24.7%	47,398	10.5x	9.6x	1.0x	1.0x	10.2%	10.4%	3.3%	4.2%
CAIXABANK	Spain	3.98	4.90	23.2%	23,769	11.4x	10.3x	1.3x	1.2x	11.6%	11.9%	3.9%	4.9%
BANCO SABADELL	Spain	1.66	2.30	38.2%	9,345	11.3x	10.5x	0.8x	0.8x	7.4%	7.5%	2.7%	3.3%
BANKINTER	Spain	7.68	9.00	17.2%	6,904	13.2x	12.3x	1.7x	1.5x	13.0%	13.0%	3.5%	3.8%
BANKIA	Spain	3.92	4.90	25.0%	11,290	11.7x	10.8x	1.0x	1.0x	8.9%	9.2%	3.8%	4.6%
NORDEA	Finland	10.30	11.50	11.7%	41,684	11.7x	10.9x	1.4x	1.3x	10.8%	11.2%	7.1%	7.8%
EUROBANK	Greece	0.62	0.96	56.1%	1,344	4.7x	3.8x	0.2x	0.2x	4.0%	4.7%	0.0%	0.0%
NAT. BANK GREECE	Greece	0.26	0.43	65.4%	2,378	7.0x	5.0x	0.3x	0.3x	4.4%	5.8%	0.0%	0.0%
PIRAEUS BANK	Greece	2.20	5.30	140.9%	961	3.1x	2.5x	0.1x	0.1x	5.1%	5.7%	0.0%	0.0%
Summary													
Mean						10.2x	8.5x	0.7x	0.7x	7.0%	7.9%	2.9%	4.1%
Market cap weighted (mean)						10.7x	9.9x	1.0x	0.9x	8.8%	9.6%	4.1%	5.0%
Median						11.1x	9.6x	0.7x	0.6x	7.2%	7.9%	3.5%	3.9%

Source: ESN and CaixaBI Equity Research. Prices as of 8 November 2017.

Performance overview

Exhibit 8 – Portuguese Banks: Performance overview

Company *(ordered by 1 week performance)*	Currency	Absolute performance 1 week	1 month	3 months	12 months	YTD
BPI	EUR	-1.3	7.0	5.4	1.7	1.5
BCP	EUR	-2.9	0.9	3.5	23.3	33.6

Performances %	1 week	1 month	3 months	12 months	YTD
Banks	-1.3%	-2.4%	-3.6%	21.4%	8.1%
Stoxx TMI	-0.6%	1.3%	3.2%	18.0%	9.3%

Source: Factset (*) ordered by weekly performance. Prices as of 8 November 2017.

Asset quality: Strong reduction of NPEs to continue

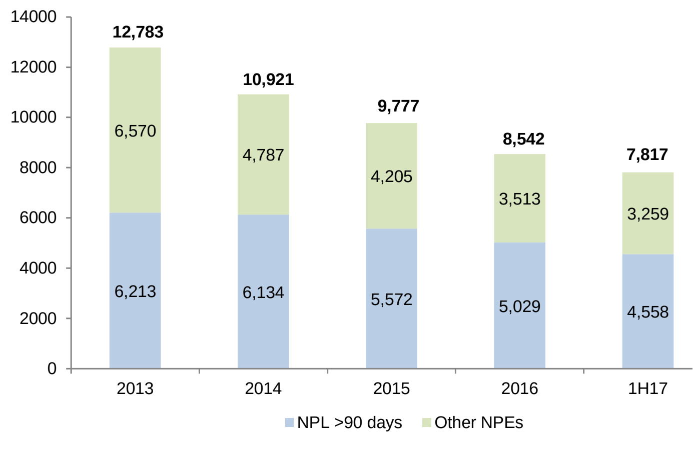
By the end of June 2017 BCP reported a consolidated stock of non-performing exposures (NPEs) close to EUR 8.8bn which accounted for 17.8% of its loan portfolio (vs. EUR 9.4bn or 18.9% by YE16). These problematic assets presented a coverage ratio of around 103% (when considering loan losses reserves, collaterals and the expected loss gap) or close to 40% when considering only the loan losses reserves in the balance sheet.

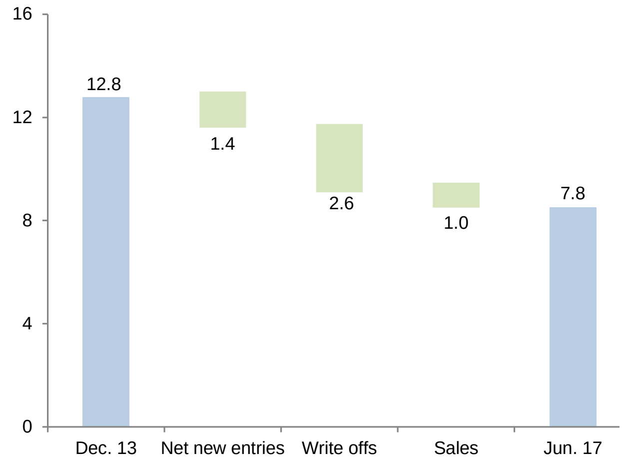
Strong reduction of NPEs since YE13…: The consolidated portfolio of NPEs was reduced from around EUR 10.5bn by YE15 to EUR 8.8bn in 1H17 (-17%). This dynamics is more evident when considered the domestic operation where BCP presented a reduction from EUR 12.8bn in 2013 to EUR 7.8bn in June 2017 (-38%, a reduction of almost EUR 5bn or around EUR 1.4bn per year on average). NPEs in the domestic operation account for 89% of the total (EUR 7.8bn). The stock of NPEs in the international operations was close to EUR 945m in 1H17.

…through loan sales, write-offs and net recoveries: As detailed below (right side) this reduction has been made through a mix between provisioning effort, namely write-offs (EUR 2.6bn or 53% of the total reduction), sales of credits (EUR 1bn or 19% of the total) and net recoveries (EUR 1.4bn or 28% of the total reduction). It is worth to mention the importance of loan sales in 1H17 which accounted for more than EUR 370m or 52% of the c. EUR 720m reduction presented since YE16. This was particularly focused on loans to companies with higher collaterals and loans to individuals with lower prospects of recovery.

In this context, the Texas ratio[1] of BCP was at 93.2% in June 2017 vs. 101.3% by YE16 and 139.6% by YE15.

Exhibit 9 – BCP: Domestic NPEs (EUR m) since YE13 and NPEs reduction in Portugal 2013-1H17 (EUR bn)





Source: BCP and CaixaBI Equity Research

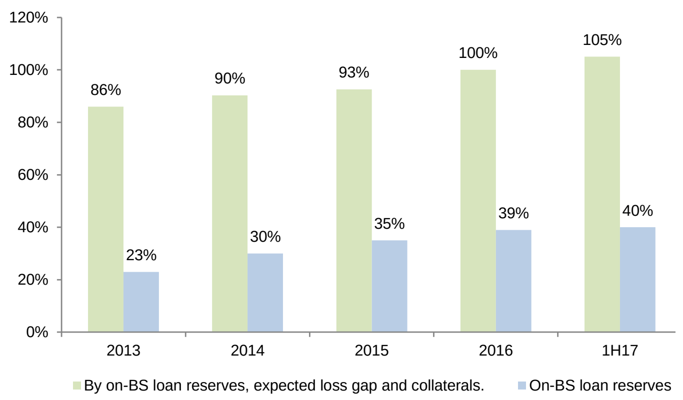
EUR 1bn reduction per year up to 2020: As part of its plan for the reduction of NPEs, BCP already disclosed the intention to further decrease this stock of problematic assets by around EUR 1bn per year in the coming years. For 2017 this will likely be achieved (or very close to that) already in 9M17 results. In fact, the non-performing exposures (NPEs) in Portugal were down by around EUR 720m YtD to EUR 7.8bn in 1H17, equivalent to 70% of the annual reduction target.

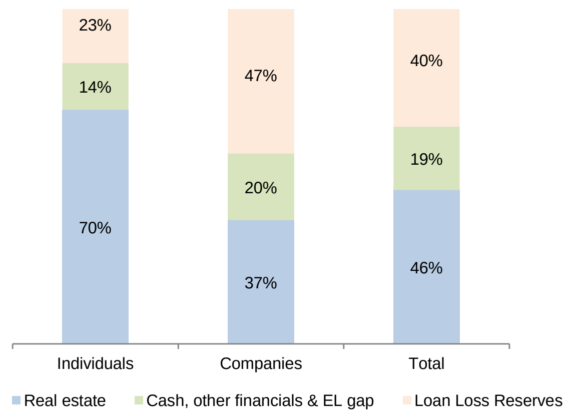
[1] Defined as a ratio between the total NPEs / (Tangible Equity + on B/S impairments).

The focus of BCP management in this area has been very clear and we consider a central scenario of NPEs reduction by around EUR 1bn to a level close to EUR 5bn in 2020 with no material deviations in terms of the cost of credit risk. This should be achieved by around 1/3 of loans sales, another 1/3 of write-offs and 1/3 of net recoveries.

The coverage of NPEs in Portugal was at 105% in 1H17 when considered the loan loss reserves in the B/S, the expected loss gap and real collaterals (40% when considered only the loan loss reserves).

Exhibit 10 – BCP: NPEs coverage ratios and coverage per type of collateral in Portugal as of 30 June 2017



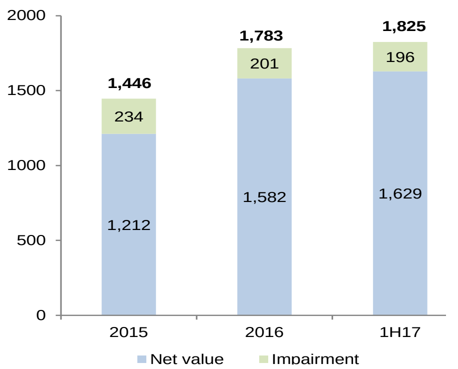


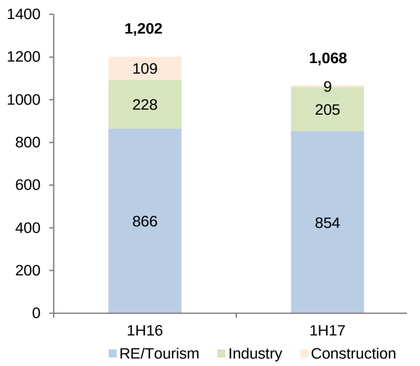
Source: BCP and CaixaBI Equity Research

Corporate restructuring funds at EUR 1.1bn (net): Following the devaluation booked in 2016 with around EUR 224m of provisions, the exposure of BCP to these funds was at EUR 1.1bn in June 2017. This is based on an initial credit exposure of EUR 2bn, being the coverage at 47%. It is worth to refer that around 80% of the assets in those funds is related to credits to Real Estate and Tourism segments (almost no net exposure to Construction).

Foreclosed assets: The stock of foreclosed assets was relatively stable in 1H17 with a 2.4% increase since YE16 to EUR 1.8bn and a coverage ratio of 10.7%. BCP concluded the sale of 1,615 properties in the first semester of 2017 with a total sale value of EUR 165m, around 11.5% above the EUR 148m of the respective book value. This follows the trend of 2016 where BCP disclosed that it sold 2,566 properties in the year with a sale value around 9.7% above the book value (EUR 272m sale value vs. EUR 248m book value).

Exhibit 11 – BCP: Foreclosed assets (lhs) and Corporate restructuring funds (rhs) in 1H17 (EURm)

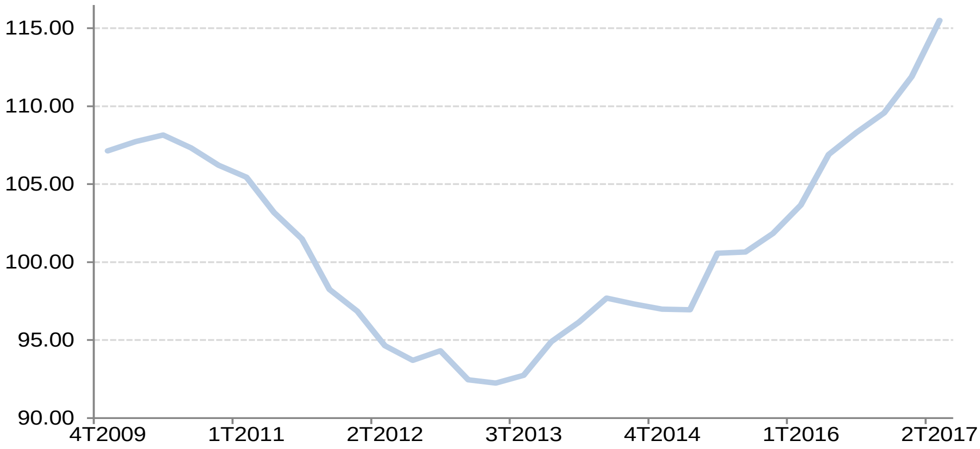




*Source: INE, BCP and CaixaBI Equity Research. *House prices index with 4Q15=100*

We did not change our assessment and maintain a cautious approach related to these assets. This partially explains the EUR 158m and c. EUR 120m of “other impairments” forecasted for 2018 and 2019, respectively (vs. a long term forecast of around EUR 75m). Positively, real estate prices continue to present a positive evolution with a recovery of the House Price Index (2015=100) from c. 95pts in 2013 and 2014 to around 115pts in 2Q17.

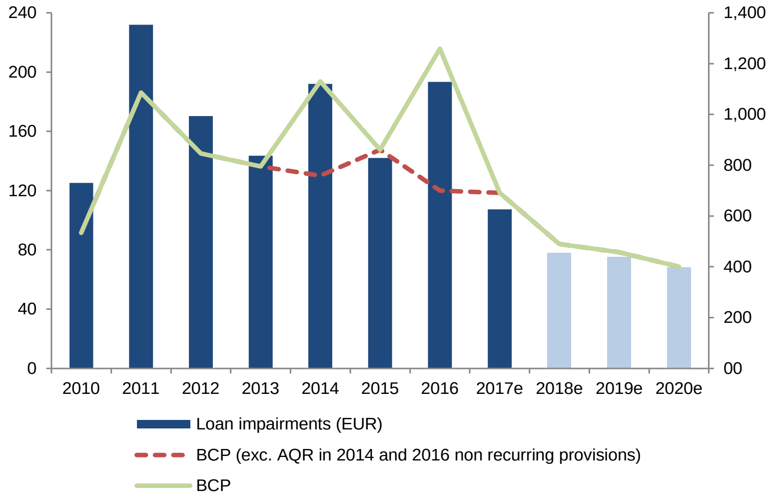
Exhibit 12 – Portugal: Evolution of House prices*



*Source: INE, BCP and CaixaBI Equity Research. *House prices index with 4Q15=100*

Positively, asset quality has been improving in Portugal with BCP reporting net new entries in NPL (> 90 days) of only EUR 37m in 1H17 vs. EUR 392m in 1H16 and EUR 477m in 1H15. Our base assumption is that the cost of credit risk for BCP should drop to around 120bps in 2017e, 84bps in 2018e (above the <75bps target of the bank for YE18) and 78bps in 2019, towards a long term assumption of 55bps.

Exhibit 13 – BCP cost of risk* (lhs, bps) and loan impairments per year (rhs, EURm), 2010-2020



*Source: BCP and CaixaBI Equity Research. * Loan impairments, net of recoveries, as a % of Gross Loans*

Platform for the management of problematic loans – not a game changer

By the end of September BCP signed a Memorandum of Understanding (MoU) with Caixa Geral de Depósitos and Novo Banco for the creation of "Plataforma de Gestão de Créditos Bancários", a tool for the integrated management of problematic loans.

Under the terms of that MoU, those banks have stated their intention to create the Platform with the purpose of managing, in an "integrated manner", a set of credits granted to shared debtors and classified as Non Performing Exposures ("NPE").

BCP also stated that this new tool is expected to allow for an enhanced coordination among lenders, thus reinforcing the potential effectiveness and speed of credit and companies' restructuring processes. In its initial phase this platform is managing credits with a nominal aggregate value not lower than EUR 5m per eligible debtor, while the assets managed under this arrangement will remain in each of the banks' balance sheets.

Although positive, we do not see this as a material fact for BCP in the coming quarters. The coordinated management of problematic assets should translate into greater efficiency in the resolution of those cases. Nevertheless, the short term impact on BCP' balance sheet and P&L account should not be material. Moreover, it will focus on loans with a nominal aggregate value not lower than EUR 5m per eligible debtor and in a context where the assets managed will remain in the banks' balance sheet.

Exhibit 14 – BCP asset quality details as of 30 June 2017 and 30 June 2016

	BCP
June 2017	
Consolidated NPEs (EUR bn)	8,761
Coverage ratio (Consolidated NPEs)	103%
Domestic NPEs (EUR bn)	7,817
Coverage ratio (Domestic NPEs)	105%
NPL > 90 days, as a % of gross loans	6.4%
Coverage ratio (overdue loans > 90 days)	110.1%
Balance sheet provisions / gross loans	7.0%
Accumulated cost of credit risk, gross (bps)	118
June 2016	
Consolidated NPEs (EUR bn)	10,227
Coverage ratio (Consolidated NPEs)	97%
Domestic NPEs (EUR bn)	9,498
Coverage ratio (Domestic NPEs)	97.0%
NPL > 90 days, as a % of gross loans	7.5%
Coverage ratio (overdue loans > 90 days)	93.9%
Balance sheet provisions / gross loans	7.1%
Accumulated cost of credit risk, gross (bps)	234
YoY change	
Consolidated NPEs (EUR bn)	-1,466
Coverage ratio (Consolidated NPEs)	*6p.p.*
Domestic NPEs (EUR bn)	-1,681
Coverage ratio (Domestic NPEs)	*8p.p.*
NPL > 90 days, as a % of gross loans	*-1.14pp*
Coverage ratio (overdue loans > 90 days)	*16.2p.p.*
Balance sheet provisions / gross loans	*-10p.p.*
Accumulated cost of credit risk, gross (bps)	*-116.0*

Source: BCP and CaixaBI Equity Research

Solvency – Adequate position

The conclusion of the EUR 1.33bn rights issue in February (that followed an EUR 175m initial investment from Fosun in November 2016) removed the main concerns on the capital front. As detailed below, in its 1H17 results presentation the bank reported a proforma CET 1 ratio of 11.3% (fully implemented) and 13.0% (phased-in). On the top of this, we expect an organic capital generation of around +25bps in 2H17 and close to +100bps in 2018.

Based on its 1H17 results, BCP is deducting c. EUR 1.6bn to its fully implemented CET 1 ratio, mainly due to DTAs (c. EUR 1.1bn) and IRB expected loss gap (close to EUR 450m).

Exhibit 15 – BCP: Capital position, 1H17 and YE16

	1H17	YE16
Phased in		
Common Equity Tier 1 (CET I)	5.0	4.9
Risk Weighted assets	38.1	39.2
CET I ratio	**13.0%**	**12.4%**
Fully Implemented		
Common Equity Tier 1 (CET I)	4.3	3.7
Risk Weighted assets	37.7	38.6
CET I ratio	**11.3%**	**9.6%**

Source: BCP and CaixaBI Equity Research. Data expressed as EUR bn

Regulation: The regulatory context, namely in terms of requirements for capital, continues evolving. It is important to refer that in 2Q17 results BCP increased the deductions to capital related to the "IRB expected loss" to around EUR 450m from EUR 226m in 1Q17.

IFRS9: In spite of the potential higher volatility for the P&L account, the impact from the introduction of IFRS 9 is seen as not material (around EUR 100m for the fully implemented capital position). Moreover, and due to the recession in Portugal between 2011 and 2013, the large part of the problematic assets is already classified as a default operation (Phase 3) while the recovery momentum in Portugal makes unlikely any relevant transfer of performing loans (Phase1 of IFRS9) to "underperforming loans" (Phase 2)

SREP: ECB analysis and its direct interaction with banks as part of the Supervisory Review and Evaluation Process (SREP) also translated into an higher connection between the specific capital position of each bank and its risk profile. For BCP, the ECB defined a minimum CET 1 ratio (phased in) of 8.15% for 2017. At this stage there is no news regarding the SREP requirement for 2018. This could be a positive newsflow in case of any reduction presented by the regulator in terms of Pillar 2 requirements (a scenario that we do not rule out, namely when considered the solid decrease of NPEs presented by BCP).

Exhibit 16 – BCP: Minimum phased-in capital requirements for 2017 (SREP)

	Minimum requirements for 2017			
Phased-in	**Total**	Of which:		
		Pillar 1	Pillar 2	Buffers
CET1	**8.15%**	4.50%	2.40%	1.25%
Total capital	**11.65%**	8.00%	2.40%	1.25%

Source: BCP and CaixaBI Equity Research.

Sovereign debt yields

During 3Q17 the yield on the Portuguese 10Y sovereign bonds decreased by around 65bps (to a level close to 2.4%) while the yield on the 5Y bonds drop by around 35bps to 0.96%. If we consider yesterday's prices the decline in the yield of the 10Y bond since 30 June 2017 is now close to 105bps (65 bps in the case of the 5Y bonds).

On 15 September the ratings agency Standard & Poor's ("S&P") upgraded the Long Term credit rating of the Portuguese Republic to BBB- from BB+ with a Stable Outlook. In this context, the Portuguese Republic obtained an "investment grade" classification from S&P for the first since time January 2012. We recall that the investment grade classification given by the Canadian agency DBRS already allowed the country to qualify for the quantitative easing programmes of ECB ("QE eligibility").

Exhibit 17 – BCP: Portugal – Sovereign debt yield on 10Y bonds

Source: Bloomberg and CaixaBI Equity Research.

The **sovereign debt portfolio** of BCP was close to EUR 9.9bn in June 2017 with EUR 5.1bn related to Portuguese debt (of which EUR 4.9bn or 97% in the banking book and only EUR 158m in the trading book and an average maturity close to 4 years). In this context, the impact of any mark-to-market of this portfolio (around 20bps for CET 1 ratio in 3Q17 if we assume the above mentioned exposure) will be accounted as part of the equity position.

Exhibit 18 – BCP: Exposure to sovereign debt as of June 2017 (EUR m)

	Portugal	Italy	Poland	Others	Total	Net assets	Sov. Debt as a % of assets	Portugal as a % of assets
Millennium BCP	**5,089**	**0**	**3,847**	**991**	**9,927**	73,024	**13.6%**	**7.0%**

Source: BCP and CaixaBI Equity Research.

Exhibit 19 – BCP current Ratings

Millennium BCP			
Agency	Long term	Short term	Outlook
S&P	**BB-**	**B**	Stable
Moody's	**B1**	**Not Prime**	Stable
Fitch	**BB-**	**B**	Stable

Source: BCP and CaixaBI Equity Research.

Revenues – NII to remain a driver in 2018

The dynamics of the NII, namely in the domestic operation (+9.0% YoY in 1H17) will continue a relevant driver for the investment story and for the recovery of its profitability. We are forecasting a CAGR of around 4.6% for the consolidated NII in 2017-2020 with a NIM converging towards 2%. This performance should be related to:

(+) Further reduction in the cost of term deposits **-** the spread on term deposits in Portugal decreased from 123bps above Euribor in 2015 to c. 70bps in 1H17. This should continue to go down as the average spread on new deposits (front book) paid by BCP stood at 57bps in June. As the term deposits in Portugal stood at EUR 19.9bn, this implies a potential impact of c. +EUR 25m per year, only based on a back book cost similar to June 2017' front book).

If we were to assume a more aggressive price policy, with a spread of around 40bps above Euribor, it would generate an additional impact of c. EUR 20m per year after the bank reprices portfolio. We highlight that some banks in Portugal already present remunerations of zero or close to that in their term deposits, thus implying a spread close to 30bps.

(+) TLTRO - Contrary to some of its Iberian peers, BCP is not considering the positive impact from the negative interest rates on the EUR 3.6bn of TLTRO funding obtained at ECB (c. -40bps). This could represent around EUR 15m for the bank' interest income in the future (not considering the non-accrued interest from the previous years) – A decision on this topic should be disclosed early in 2018.

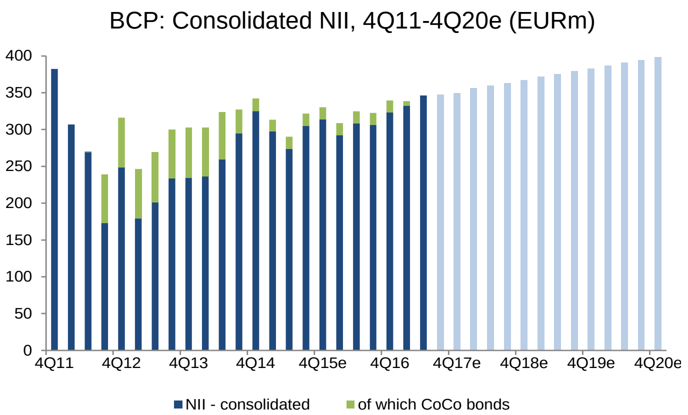
(+) Wholesale funding **-** In 2Q17 the bank issued EUR 1bn of covered mortgage bonds with a coupon rate of 0.75% that was used to reimburse another covered bond with a previous cost of around 4.75%. This will allow BCP to save around EUR 40m per year going forward.

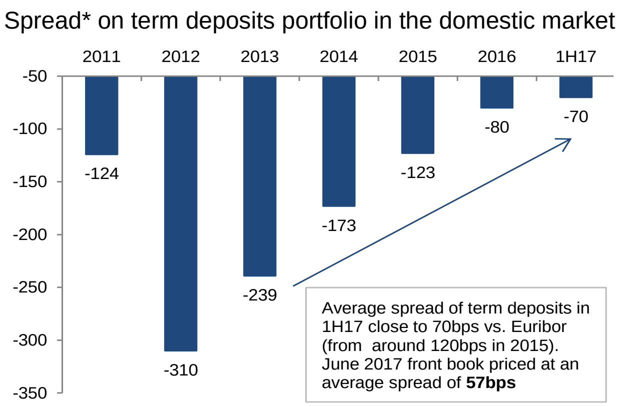
(-) Volume contribution continued negative in 1H17 (consolidated gross loans drop by 2.4% YoY). The negative effect from the lower volume of "performing loans" was at EUR 18m in 1H17 (vs. 1H16). Volume growth is not expected to be a driver for the story in 2018.

(-) Asset Spreads - BCP reported a 10bps decline in the average spread of its performing loan book (2.8% vs. 2.9% in 1H16 and also 2.9% FY16). As competition should gradually increase, asset spreads should decline going forward.

(-) Others - The contribution of the sovereign debt portfolio to the NII is expected to decline in the coming quarters. Moreover, the effect from NPL recoveries to the NII should also fade out (EUR 12m effect in 1H17 vs. 1H16).

Exhibit 20 – BCP: Evolution of net interest income (EUR m), spreads on term deposits and on the loan book





*Source: BCP and CaixaBI Equity Research. * Spread= Term deposits remuneration – Euribor 3m (bps)*

Poland - FX loans: cost may be lower than expected

By the beginning of August a new draft for the support of distressed borrowers who have taken out FX mortgage loan was published by the office of the Polish President. In this context, conversions should be implemented on the basis of agreement reached between a bank and a client. The regulation is expected to come into force in 1 January 2018.

Forced conversion was abandoned...: Positively, the local authorities abandoned the previous idea of forcing banks to convert FX mortgage loans in favour of a gradual and voluntary conversion, including limitations on dividend payments and higher capital ratios.

Contributions to the Restructuring Fund: The Presidential draft defines that a quarterly contribution to the new Fund made by lenders shall not exceed 0,5% of their FX mortgage portfolio (around 2% per year). According to an estimate of Polish Financial Supervision Authority (KNF) this is equivalent to around PLN 2.8bn (EUR 660m) of costs for the system in the first year. Reportedly, the contribution rate could be reduced to 0.2% amid concerns over stability of industry and weakest lenders. In that case the total cost of the sector would decline to around PLN 1.1bn per year (EUR 260m.

Lobby from the Financial Authority: This week KNF requested an amendment to the presidential legislation in order to temporarily suspend banks' obligatory fees into the fund. In this context, the Polish Finance Minister would have right to defer payments on an individual basis, According to KNF this would "significantly limit risks" while "encourage banks to swiftly and effectively" convert their FX loans into Zloty operations.

Bank Millennium - FX mortgage portfolio details: By the end of 9M17 the credit portfolio of Bank Millennium (50.1% held by BCP) was at PLN 49.1bn (gross loans), of which PLN 26.6bn of mortgage loans. Accordingly, 32% of the total portfolio was related to FX mortgage (around PLN 15.8bn or EUR 3.7bn) an amount close to 7.2% of BCP total consolidated loans. This is equivalent to a market share close to 10% of the total FX mortgage loans in the country. It is worth to mention the high asset quality of the portfolio as mortgage loans impaired ratio stood at only 2.57% in 9M17 (vs. 2.47% by the end of 2016).

Exhibit 21 – BCP: Bank Millennium: Loan Portfolio breakdown as of 30 September 2017

	PLN m	% of total	EUR m
Loans to companies	15,690	32.0%	3,702
Consumer	6,761	13.8%	1,595
Mortgage	26,647	54.3%	6,287
of which:			
FX mortgage	*15,791*	*32.2%*	3,726
PLN mortgage	10,856	*22.1%*	2,561
Total	**49,098**	***59.3%***	**11,584**

Source: BCP and CaixaBI Equity Research. EUR/PLN @ 4.24.

Bank Millennium cost: Firstly, it must be stated that it is also not clear if this proposal will impact all FX loans in banks' portfolios or if it will be limited by some criteria, namely related to the client financial condition. The other big question mark is the contribution horizon for this fund. If we were to assume a 3 years contribution period (our central scenario), the impact would be fairly accommodated by Bank Millennium (and by BCP) in their P&L accounts.

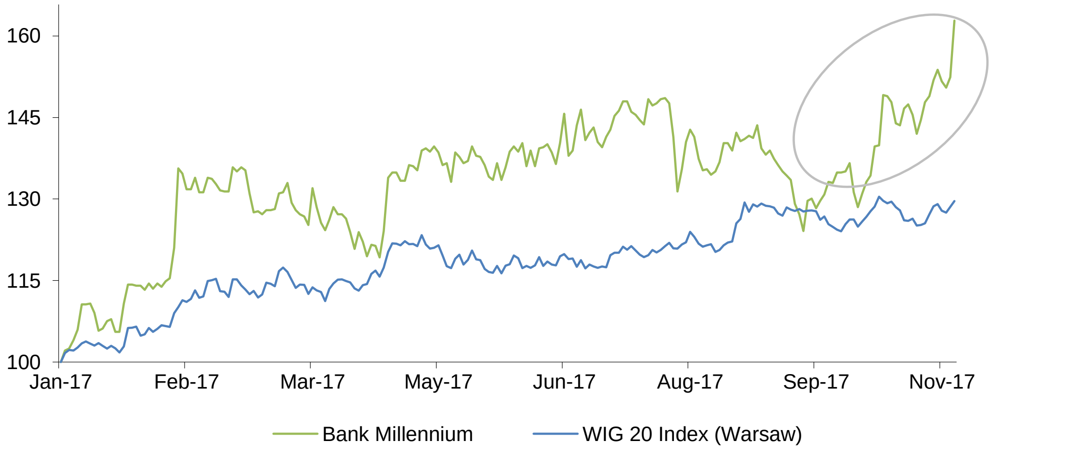
Assuming that it applied to the entire FX portfolio, the maximum annual impact of this current plan for Bank Millennium would be close to EUR 75m, before taxes (EUR 37m for BCP, of which around EUR 29m net of taxes). If we assume the 0.2% contribution rate, the total annual cost for Bank Millennium would be close to EUR 30m before taxes ((EUR 15m for BCP, of which around EUR 11m net of taxes). The proposal seems to be manageable for the sector as the annual cost (even assuming the maximum 0.5% rate) is well below the main scenarios initially assumed and seems to be reasonable not to exclude a reduction of the contribution rate.

Overall, this topic seems to have evolved to a more manageable situation for banks. In any case, this remains uncertain and a source of risk for the operation, namely due to the uncertainties mentioned above.

Market prices: Bank Millennium is up by around 60% since 1 January 2017, already incorporating the better than expected outlook for the FX mortgage topic and the positive performance of 9M17 results with a welcomed 2018-2010 business plan presented in 30 October 2017 (details below).

The profitability levels continued to recover in 9M17 with a ROE converging towards 10% (9.3% in the quarter and 9.4% in 9M17). The bank continues to present a solid evolution of its core activity (13.2% YoY growth of core income - NII and commissions) and a cost of credit risk in the 50-60bps range. Considering the current market prices, Bank Millennium shares are trading with a P/BV 17 of 1.25x (vs. 1.05x YE15 and 0.9x by YE16).

Exhibit 22 - Bank Millennium vs. WIG 20 (Warsaw Index) shareprice evolution since January 2017



*Source: Bloomberg and CaixaBI Equity Research. *1 January 2017 = 100*

Bank Millennium: Ambitious strategy for 2020

Following the presentation of its 9M17 results, Bank Millennium also announced its strategy and ambition for the 2018-2020 period, from which we highlight the ambition to achieve:

- ✓ Core business income growth by ~30% (vs. 2017 levels);
- ✓ **Double-digit volume growth** in core selected areas;
- ✓ Double the pace of active client acquisition;
- ✓ **Cost-to-income ratio of 40%;**
- ✓ **Cost of risk in line with historical trends** (around 40/50bps); and
- ✓ **PLN 1 bn of net profit in 2020,** being a **top 3 bank in** terms **of ROE** in Poland.

BCP in a snapshot

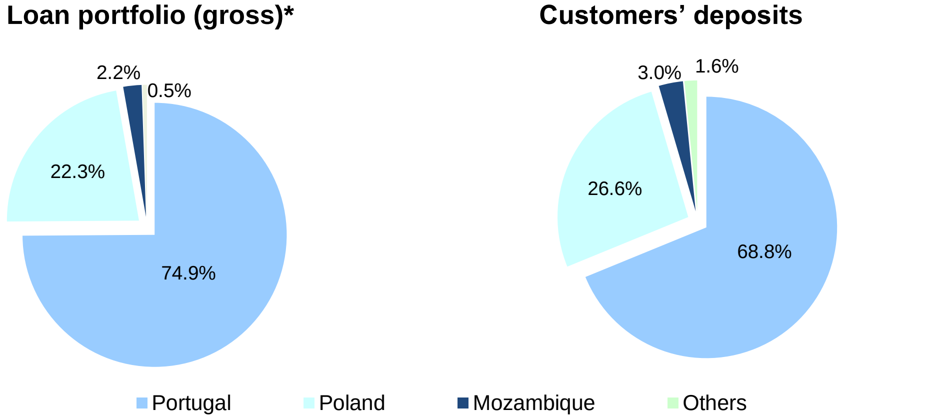
Profile and key data

BCP is the second largest financial institution in Portugal (being the state owned CGD the market leader) with a market share close to 17.8% (Loans) and 17.3% (Customers' deposits). By the end of 1H17 the operation in Portugal accounted for 73% of total assets, 75% of gross loans and 74% of the on-BS customer funds, with 596 branches.

It operates in all the main business areas in Portugal and also runs some international banking activities, notably in Poland and Mozambique. Those international operations contributed with EUR 87.1m to the EUR 89.9m of net profit in 1H17.

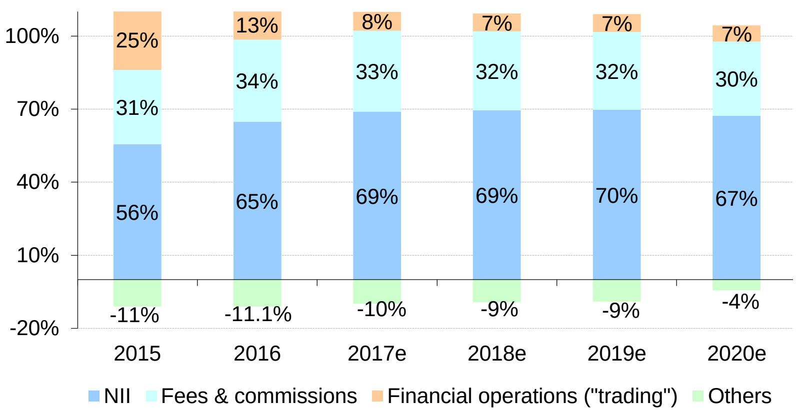
Bank Millennium in Poland (50.1% stake) has a market share of 4.4% on loans and 5.2% on deposits, being the 6th/7th player in market with its network of 360 branches. In Mozambique (66.7% stake), BCP is present since 1995 and is the market leader both in loans and deposits, with market share of 29.7% and 29.5%, respectively and a network of 179 branches. BCP is also present in Angola (22.5% stake following the M&A with Atlântico in 2016), with around 11% market share in loans and 12% in customer funds (141 branches).

Exhibit 23 – BCP: Gross loan portfolio* and customers' deposits per market as of 30 June 2017



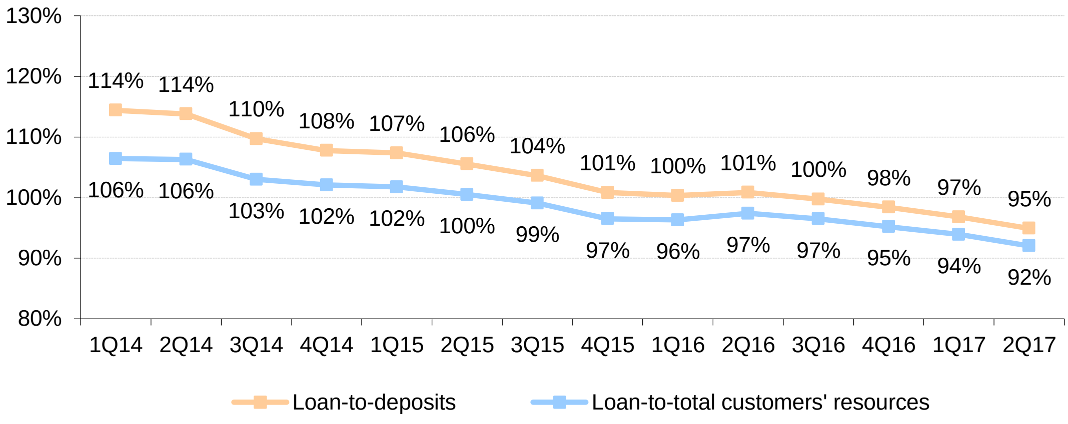
*Source: BCP and CaixaBI Equity Research. * It includes securitized credit*

Exhibit 24 – BCP: Revenues breakdown per P&L line (%)



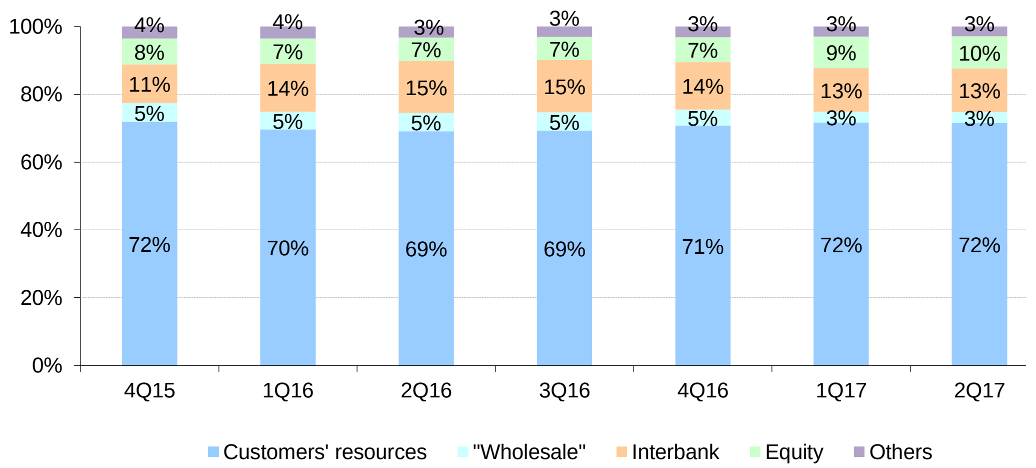
Source: BCP and CaixaBI Equity Research

Exhibit 25 – BCP: Consolidated loan-to-deposits* ratio and Loan-to-total customers' resources* ratio



*Source: BCP and CaixaBI Equity Research. * Loans refer to Net loans to customers. Total customers' resources include deposits and debt securities placed with clients*

Exhibit 26 – BCP: Liabilities & Equity structure 4Q15-2Q17



Source: BCP and CaixaBI Equity Research. "Wholesale" refers to debt securities placed (excluding debt securities placed with clients). Interbank includes funding from Central Banks

SWOT Analysis

STRENGTHS	WEAKNESSES
▪ Extensive branch network in Portugal ▪ Bank Millennium is the 6th largest bank in Poland, a market with both organic and M&A growth potential ▪ Market leader in Mozambique, an operation with an ROE close to 26% (1H17)	▪ Weak level of recurrent profitability ▪ Low interest rate environment ▪ Asset quality in Portugal with a NPL > 90 ratio of 11.8% and NPE ratio of around 18% in 1H17
OPPORTUNITIES	**THREATS**
▪ Growing profitability in the domestic operation ▪ Support from the main shareholders, namely Fosun ▪ Ambitious business plan for 2018-2020 in Poland	▪ Further regulatory requirements in Europe, namely on Capital & Liquidity (IFRS9, DTAs, MREL) ▪ Political and macroeconomic headwinds in the external markets (Poland, Angola, Mozambique) ▪ Setback in the macroeconomic recovery in Portugal ▪ Further deterioration of asset quality in Portugal

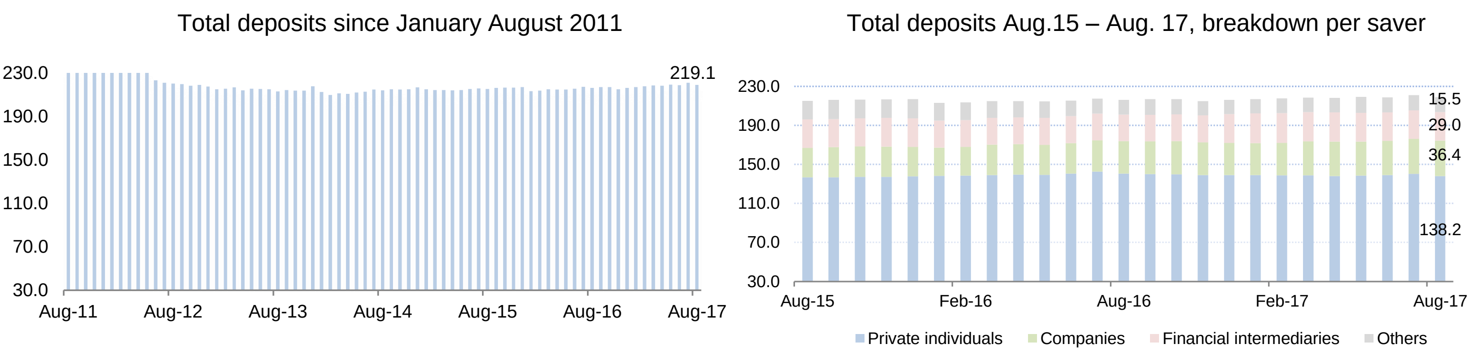
Annex – Portuguese banking sector data

Funding

Customer deposits – Stable volume evolution in 9M17

The resilient evolution of deposits in the Portuguese banking sector continued throughout 2017 with a +1.3% evolution of total deposits by the end of August 2017 (most recent data). In this context, the banking system has managed to reduce its Loan-to-Deposits ratio from a maximum of around 160% by YE10 to a level close to 94% by the end of June 2017 (95% in the case of BCP consolidated accounts, with around 102% in the domestic operation).

Exhibit 27 – Portuguese banking system: Evolution of customer deposits

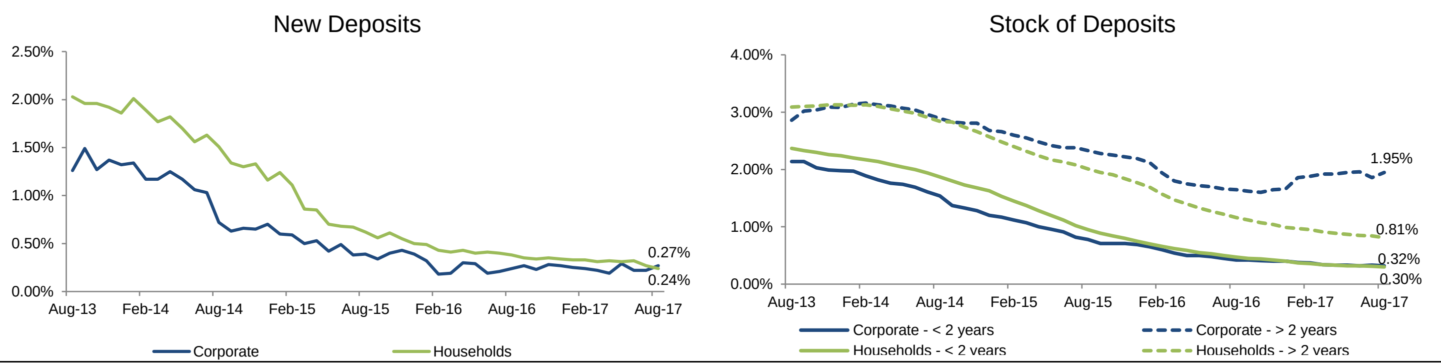


Source: Bank of Portugal and CaixaBI Equity Research. Data expressed as EUR bn

Customer deposits – Decreasing interest rates

In the most recent months the local banks reported stable funding conditions2, with slight improvements in the retail funding conditions, as the interest rates paid on customers' deposits continued to decrease to historical minimums.

Exhibit 28 – Portuguese Banking sector: Average interest rates on Deposits (%)

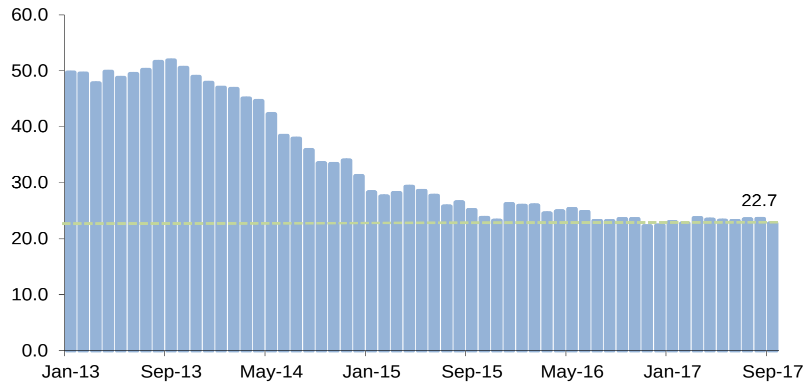


Source: Bank of Portugal and CaixaBI Equity Research

[2] Bank Lending Survey – banco de Portugal, October 2017

Use of ECB funding – Almost stable since YE15

Exhibit 29 - Portuguese banks – total funding via ECB (EUR bn)



Source: Bank of Portugal & CaixaBI Equity Research.

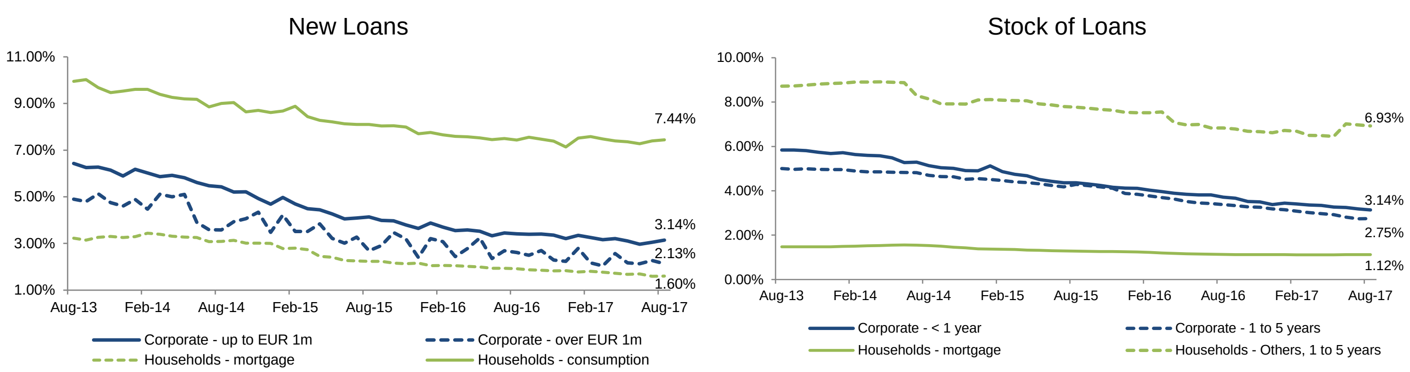
Loan growth – weak dynamics in 9M17

Banking loans continued to present a low dynamic in 9M17. According to the last “Bank Lending Survey” from Banco de Portugal (October 2017), the main banking groups continue to report that the credit standards applied to the private sector remained broadly stable in the last quarters and none of the banks foresee any relevant change in this situation in 4Q17.

Supply side – Credit standards stood broadly unchanged in 9M17

The better macroeconomic context in Portugal and the increasing competition have contributed to slightly lower level of restrictiveness in credit policies. It continues to be visible a gradual decrease in the average interest rate on new loans to SMEs (3.14% in August 2017 from 3.41% in August 2016) and also in the new loans to large companies (2.13% vs. 2.61% in August 2016). The same trend is visible in the case of mortgage and consumer loans, with an average cost in the new production of 1.60% vs. 1.92% in August 2016.

Exhibit 30 – Portuguese Banking sector: Average interest rates on Loans (%)



Source: Bank of Portugal and CaixaBI Equity Research

Demand – Slight Increase from households (mortgage and consumer loans)

Banks continued to report a general stability in loan demand during 9M17, namely in the corporate segment. In the case of households there has been a slight increase in the demand for mortgage and consumer loans, driven by the improvement in consumer confidence, the low the interest rate environment and housing market prospects (the average value of housing bank appraisals in Portugal stood at EUR 1,135 per sqm in September 2017, +5.5% YoY – INE data).

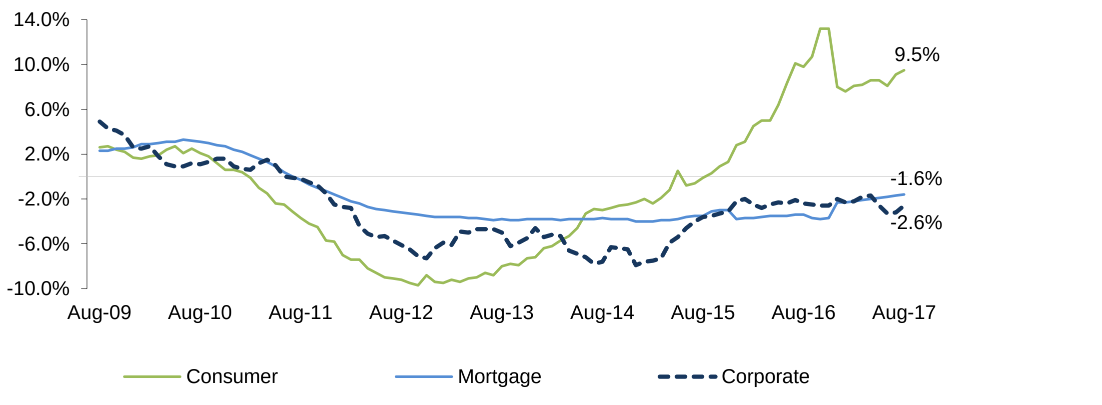
For 4Q17, the Portuguese banks anticipate a stable evolution of credit demands by companies. On the other hand, the positive trend in the mortgage and consumer segments is expected to continue.

Outstanding volumes: According to the central bank outstanding volumes continued to decline throughout the year with a YoY decrease of 1.6% in mortgage loans in August and 2.6% in the corporate segment, in spite of a 9.5% YoY increase in consumption loans. The evolution of the loan stock in Portugal continues to be affected by the measures adopted by banks to reduce the stock of problematic assets.

Credit origination: The total new production of credit in Portugal stood at EUR 3.3bn in August a decline of 13% when compared to the EUR 3.7bn reported in July. New loans to large companies stood at only EUR 796m around 16% below the EUR 947m average reported in the last 12 months. New loans to SME's (up to EUR 1 million) stood at EUR 1.25bn, in this case being 12% below the EUR 1.42bn average of the last 12 months.

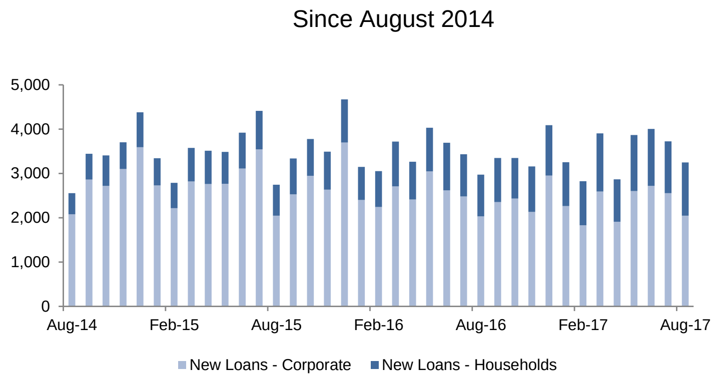
This is a very low level of credit origination for the corporate segment (being the 4th lowest monthly figure out of 176, since January 2003 when the central bank started to report this data. On the other hand, the production of new loans to households' stood at EUR 1.21bn (+9.1% above the 12m average of EUR 1.11bn), with higher volumes of credit for mortgage and consumption loans.

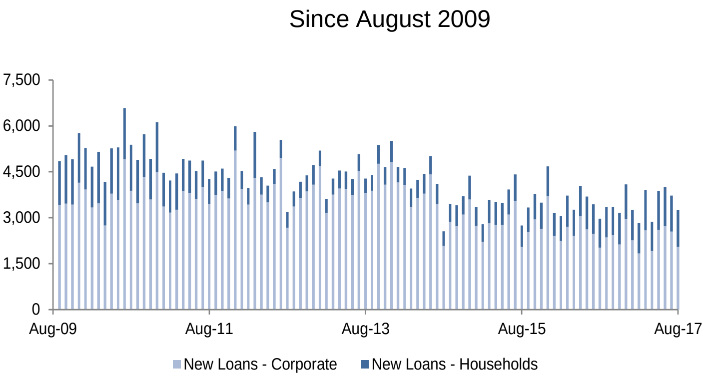
Exhibit 31 – Portuguese Banking sector: Loan Growth by segment, Aug.09 - Aug.17 (YoY)

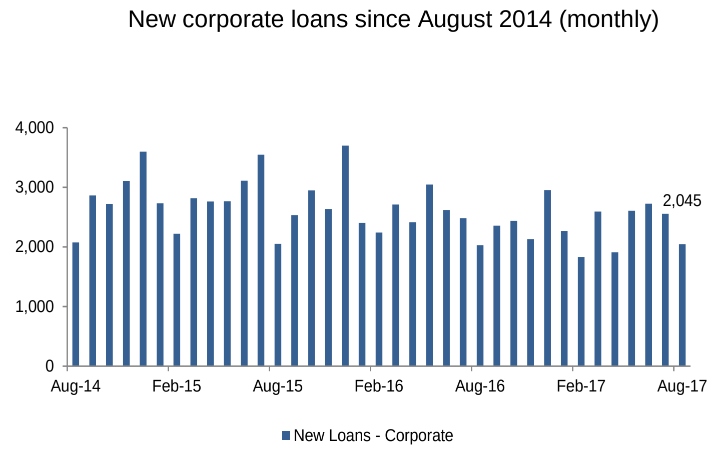


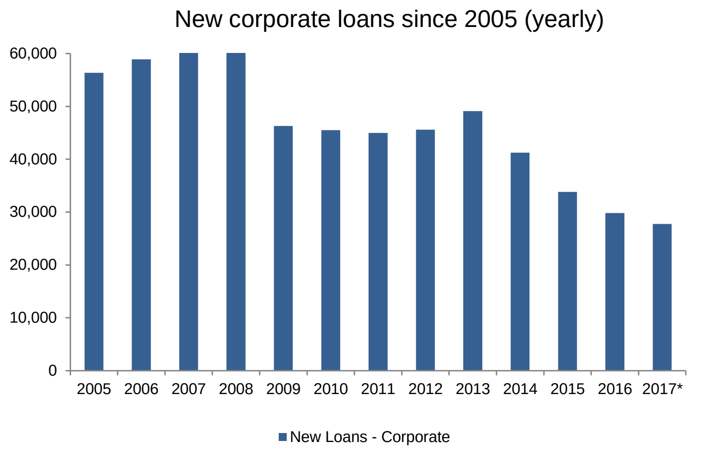
Source: Bank of Portugal and CaixaBI Equity Research

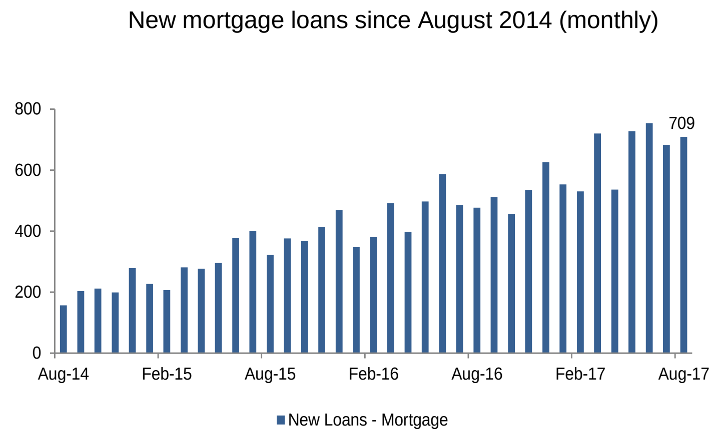
Exhibit 5 - Portuguese Banking sector: New loans by segment, EUR m

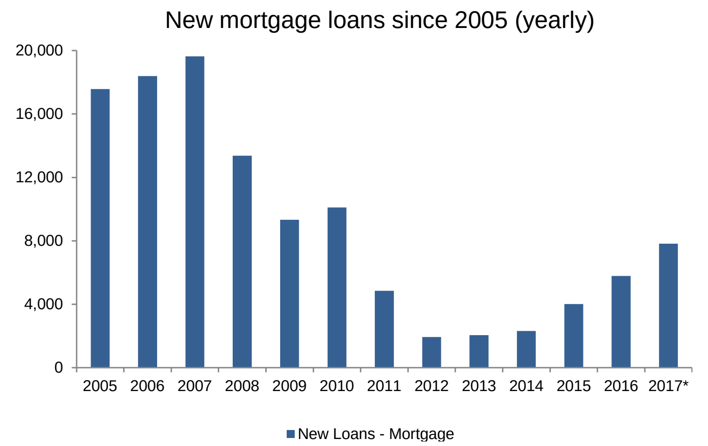












Source: Bank of Portugal and CaixaBI Equity Research. 2017* corresponds to the annualized figures of January to August.

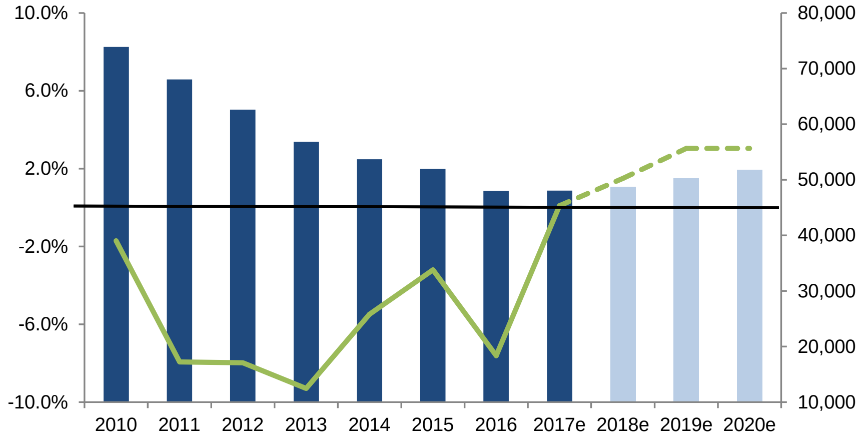
Exhibit 32 – BCP: Gross Loan details, 1H17 and FY16

	BCP	
	1H17	**FY16**
Total Loans (domestic)	**38,709**	**39,361**
Mortgage Loans	17,314	17,698
Consumer Loans	2,477	2,435
Corporate & Public Sector Loans	18,918	19,227
Total Loans (YoY %)	**-4.9%**	**-5.4%**
Mortgage Loans (YoY %)	-4.6%	-4.2%
Consumer Loans (YoY %)	5.5%	0.5%
Corporate & Public Sector Loans (YoY %)	-6.5%	-7.1%
Mortgage Loans (% of loan Portfolio)	44.7%	45.0%
Consumer Loans (% of loan Portfolio)	6.4%	6.2%
Corporate Loans (% of loan Portfolio)	48.9%	48.8%
Total Loans (international)	**12,975**	**12,398**
International Loans (YoY %)	6.3%	-3.5%
of which:		
Poland	*11,543*	*10,971*
	5.8%	*-2.2%*
Mozambique	*1,157*	*1,121*
	10.9%	*-18.7%*
Total Loans	**51,684**	**51,759**
Total Loans (YoY %)	-2.4%	-4.9%

Source: BCP and CaixaBI Equity Research. Data expressed as EURm. It includes securitized credit.

For Millennium BCP we expect a gradual positive evolution of its domestic and consolidated portfolio from YE18 onwards, with an almost flat evolution in 2017 (+0.1%) and an increase close to 1.5% in total outstanding volumes in 2018. An acceleration of volume growth is expected for 2019 and 2020 (average growth close to 3% YoY in that period).

Exhibit 33 – BCP: Consolidated net loans, 2010-2020e (EURm, rhs) and YoY change rate (lhs, %)



Source: BCP and CaixaBI Equity Research. Data expressed as EURm.

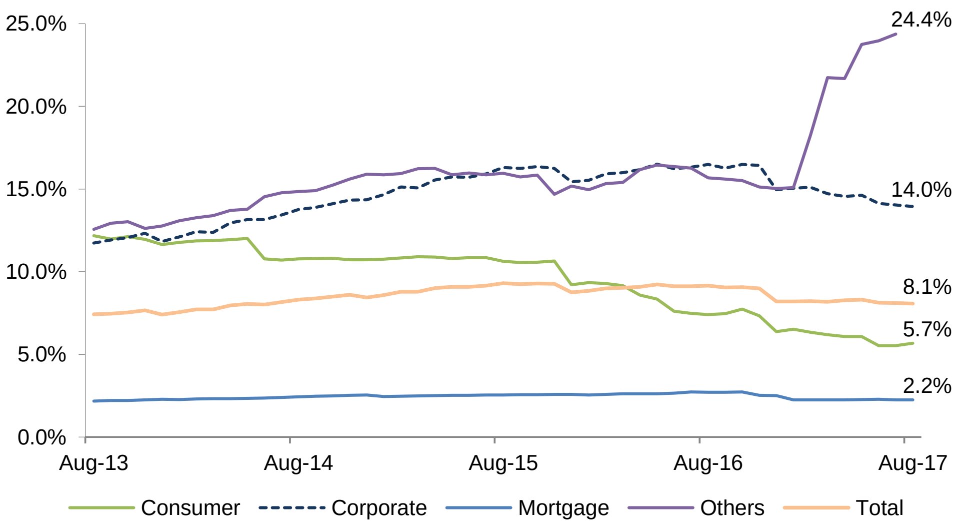
Asset quality: better picture due to sales & write-offs

According to the central bank the non-performing loan ratio ("NPL") in Portugal stood at 4.2% for households and 13.9% on the corporate segment, with a total NPL ratio (private + corporate) of 8.1% in August 2017. On a yearly basis, this was equivalent to 109bps improvement in the NPL ratio from 9.16% in August 2016.

These substantial YoY improvements are partially based on lower NPL formation in the country (this was very clear for BCP in 1H17 with net new entries in NPL > 90 days at EUR 37m vs. EUR 392m in 1H16 and EUR 477m in 1H15) but are mostly linked to the measures adopted by banks to reduce the stock of problematic assets in their balance sheets, namely write-offs or loan sales.

This is also the case of the "Plataforma de Gestão de Créditos Bancários", a tool for the integrated management of problematic loans announced by BCP, CGD and Novo Banco by the end of September 2017 (as detailed on page 12).

Exhibit 34 – Non performing Loans evolution by segment, August 2013 – August 2017



Source: Bank of Portugal and CaixaBI Equity Research

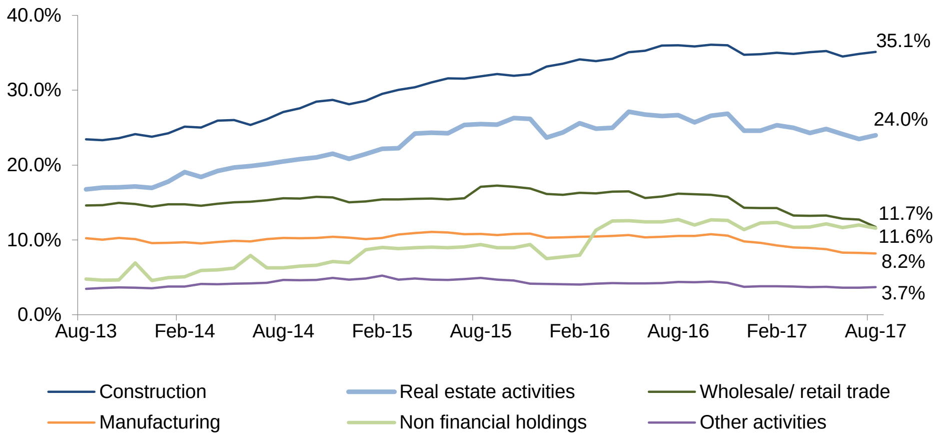
Mortgage loans represented 81.4% of total outstanding loans from households in August 2017 and 49.3% of total loans to the private sector.

This segment continues to have the lowest levels of NPL (2.3%) as the majority of those loans have monthly instalments based on the Euribor rate (3m our 6m) + spread.

As previously described, mortgage loans were one of the most dynamic segments in Portugal in the last quarters with a fierce competition from some Spanish banks operating in the country, namely Santander and Bankinter, both with an offer starting at 1.25% spread, which compares to the average spread for mortgage loans close to 150bps in the sector.

Not surprisingly, corporate loans remain the main challenge for the local banking system. Those loans represent 39.4% of total loans to the private sector and some of its segments present concerning level of problematic assets, namely Construction (NPL at 35.1% in August 2017) and Real Estate activities (24%) which stand out as banks are particularly exposed to them (together, these two segments represent 26.5% of the loans to non-financial companies and account for 56.7% of its total NPL).

Exhibit 35 – Corporate non-performing loans: evolution by sector, August 2013 – August 2017 (%)



Source: Bank of Portugal and CaixaBI Equity Research

BCP : Summary tables

PROFIT & LOSS (EURm)	12/2015	12/2016	12/2017e	12/2018e	12/2019e	12/2020e
Net Interest Income	**1,191**	**1,230**	**1,375**	**1,446**	**1,509**	**1,570**
Commissions	660	644	663	677	694	712
Trading income	539	240	157	154	158	156
Dividends	9.7	7.7	3.6	3.8	4.0	4.2
Other Operating Income	**-120**	**-106**	**-106**	**-102**	**-103**	**-103**
Non-Interest Income	**1,089**	**786**	**716**	**733**	**754**	**769**
Total Income from Banking Business	**2,280**	**2,016**	**2,091**	**2,179**	**2,263**	**2,339**
Revenues from Insurance Business	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total Revenue	**2,280**	**2,016**	**2,091**	**2,179**	**2,263**	**2,339**
Operating Costs	**-1,017**	-780	-943	-983	-997	-1,012
-of which Personnel Expenses	-574	-357	-513	-543	-552	-563
Other Operating Provisions	-160	-481	-213	-158	-120	-110
Pre-Provision Profit (PPP)	**1,103**	**755**	**936**	**1,038**	**1,146**	**1,217**
Loan Impairment Charge (LIC)	-818	-1,117	-615	-444	-428	-386
Operating profit (OP)	**285**	**-362**	**321**	**594**	**718**	**831**
Associates	23.5	80.5	67.0	70.6	75.6	79.4
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)	**308**	**-281**	**388**	**665**	**794**	**910**
Tax	-37.7	382	-91.9	-158	-188	-216
Tax rate	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Discontinued Operations	90.3	45.2	1.3	0.0	0.0	0.0
Minorities	-126	-122	-104	-103	-115	-118
Preference Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (Reported)	**235**	**23.9**	**193**	**404**	**490**	**576**
Earnings Before Tax (Adj.) (1)	308	-281	388	665	794	910
Net Profit (Adj.)	235	23.9	193	404	490	576

BALANCE SHEET (EURm)	12/2015	12/2016	12/2017e	12/2018e	12/2019e	12/2020e
Due from Banks	3,538	3,079	3,682	5,127	5,421	6,337
Customer Loans	51,970	48,018	48,066	48,791	50,271	51,796
Securities	12,688	12,380	13,729	13,341	13,394	13,507
Interest Earning Assets (IEA)	**68,196**	**63,477**	**65,476**	**67,258**	**69,085**	**71,641**
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	6,688	7,788	7,884	7,948	7,992	8,033
Total Assets	**74,885**	**71,265**	**73,361**	**75,206**	**77,077**	**79,674**
Due to Banks	8,591	9,938	9,382	9,639	9,916	10,267
Customer Deposits	51,539	48,798	51,143	52,174	53,225	54,840
Bonds & Debt Capital	7,137	5,605	4,086	4,082	4,083	4,105
Technical Provisions Insurance (Life and Non-Life)	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities	1,938	1,659	1,647	1,703	1,761	1,822
Shareholders Equity	**4,623**	**4,382**	**6,051**	**6,456**	**6,825**	**7,253**
Minorities Equity	1,057	883	1,050	1,153	1,268	1,387
Total Liabilities	**74,885**	**71,265**	**73,361**	**75,206**	**77,077**	**79,674**
Tangible Book Value (2)	**4,345**	**4,306**	**5,720**	**5,840**	**5,882**	**5,928**

REGULATORY CAPITAL (EURm)	12/2015	12/2016	12/2017e	12/2018e	12/2019e	12/2020e
Risk Weighted Assets	43,271	39,160	39,659	40,032	40,928	42,572
CT1 ratio (B3 fully loaded)	***10.2%***	***9.6%***	***11.2%***	***10.9%***	***12.8%***	***0.0%***
CT1 ratio (B3 phased-in)	***13.3%***	***12.4%***	***12.1%***	***11.8%***	***12.8%***	***0.0%***
Total Capital Ratio (B3)	*14.4%*	*13.4%*	*13.2%*	*12.8%*	*13.8%*	*0.0%*
Leverage Ratio (fully loaded)						
Tangible equity as % of Assets	*5.8%*	*6.0%*	*7.8%*	*7.8%*	*7.6%*	*7.4%*

BCP : Summary tables

GROWTH RATES %	12/2015	12/2016	12/2017e	12/2018e	12/2019e	12/2020e
Revenue Growth	*1.0%*	*-11.6%*	*3.7%*	*4.2%*	*3.8%*	*3.4%*
Operating Cost Growth	*-11.5%*	*-23.3%*	*20.9%*	*4.3%*	*1.4%*	*1.6%*
Interest Income Growth	*6.7%*	*3.3%*	*11.8%*	*5.2%*	*4.3%*	*4.1%*
Non Interest Income Growth	*-4.5%*	*-27.8%*	*-8.9%*	*2.3%*	*2.8%*	*2.0%*
Pre-Provision Profit Growth	***22.8%***	***-31.5%***	***23.9%***	***10.9%***	***10.4%***	***6.2%***
Customer Loan Growth	*-3.2%*	*-7.6%*	*0.1%*	*1.5%*	*3.0%*	*3.0%*
Deposits Growth	*3.5%*	*-5.3%*	*4.8%*	*2.0%*	*2.0%*	*3.0%*
Change in NPLs	*3.4%*	*-0.7%*	*-2.3%*	*-3.8%*	*-0.1%*	*-0.2%*

KEY RATIOS %	12/2015	12/2016	12/2017e	12/2018e	12/2019e	12/2020e
Interest Income/Avg. IEA	*1.7%*	*1.9%*	*2.1%*	*2.2%*	*2.2%*	*2.2%*
Interest Income/Avg. RWA	*2.7%*	*3.0%*	*3.5%*	*3.6%*	*3.7%*	*3.8%*
Total Revenue/Avg. RWA	*5.3%*	*4.9%*	*5.3%*	*5.5%*	*5.6%*	*5.6%*
Cost/Income ratio (4)	***44.6%***	***38.7%***	***45.1%***	***45.1%***	***44.1%***	***43.3%***
LIC/Avg. Customer Loans	*1.55%*	*2.23%*	*1.28%*	*0.92%*	*0.86%*	*0.76%*
LIC/Avg.RWA	*1.88%*	*2.71%*	*1.56%*	*1.11%*	*1.06%*	*0.93%*
Loan Loss Provisions (Balance Sheet)/Loans	*6.3%*	*7.2%*	*7.4%*	*7.7%*	*7.9%*	*7.9%*
NPL Ratio (gross)	*7.2%*	*9.7%*	*9.5%*	*9.1%*	*8.5%*	*8.0%*
NPL Coverage	*86.7%*	*74.4%*	*77.7%*	*84.9%*	*92.0%*	*98.4%*
Loans/Deposits Ratio	*100.8%*	*98.4%*	*94.0%*	*93.5%*	*94.4%*	*94.4%*
ROE	*5.3%*	*0.5%*	*3.7%*	*6.5%*	*7.4%*	*8.2%*
ROTE or ROE (adj.) (5)	*5.1%*	*0.6%*	*3.3%*	*6.4%*	*7.4%*	*2.2%*
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)	12/2015	12/2016	12/2017e	12/2018e	12/2019e	12/2020e
P/Pre-Provision Profit per Share	*2.6*	*3.7*	*4.0*	*3.6*	*3.2*	*3.1*
P/E (reported)	*12.3*	*n.m.*	*19.3*	*9.2*	*7.6*	*6.5*
P/E (adj.)	***12.3***	***n.m.***	***19.3***	***9.2***	***7.6***	***6.5***
P/BV	*0.6*	*0.6*	*0.6*	*0.6*	*0.5*	*0.5*
P/TBV	*0.6*	*0.6*	*0.6*	*0.6*	*0.5*	*0.5*

PER SHARE DATA (EUR)(6)	12/2015	12/2016	12/2017e	12/2018e	12/2019e	12/2020e
Average diluted number of shares	0.0	0.0	0.0	0.0	0.0	0.0
Pre-Provision Profit per Share	0.24	0.05	0.06	0.07	0.08	0.08
EPS (reported)	0.05	0.00	0.01	0.03	0.03	0.04
EPS (adj.)	**0.05**	**0.00**	**0.01**	**0.03**	**0.03**	**0.04**
BVPS	1.01	0.29	0.40	0.43	0.45	0.48
TBVPS (2)	1.01	0.29	0.40	0.43	0.45	0.48
DPS	0.00	0.00	0.00	0.00	0.00	0.00

PRICE & SHARES & MKT CAP (EURm)	12/2015	12/2016	12/2017e	12/2018e	12/2019e	12/2020e
Price** (EUR) (7)	0.6	0.2	0.2	0.2	0.2	0.2
Outstanding number of ordinary shares (m)	4,571	15,114	15,114	15,114	15,114	15,114
Total Market Cap (8)	**2,887**	**2,788**	**3,724**	**3,724**	**3,724**	**3,724**
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 17.8% (Loans) and 17.3% (Customers Funds).It operates in all main business areas in Portugal and also runs some international banking activities (Poland, Angola and Mozambique).

European Coverage of the Members of ESN

Aerospace & Defense	Mem(*)
Airbus Se	CIC
Dassault Aviation	CIC
Latecoere	CIC
Leonardo	BAK
Lisi	CIC
Mtu Aero Engines	EQB
Ohb Se	EQB
Rheinmetall	EQB
Safran	CIC
Thales	CIC
Zodiac Aerospace	CIC

Alternative Energy	Mem(*)
Daldrup & Soehne	EQB
Siemens Gamesa Re	GVC
Sif Group	NIBC
Solaria	GVC

Automobiles & Parts	Mem(*)
Bittium Corporation	OPG
Bmw	EQB
Brembo	BAK
Continental	EQB
Daimler Ag	EQB
Elringklinger	EQB
Faurecia	CIC
Ferrari	BAK
Fiat Chrysler Automobiles	BAK
Groupe Psa	CIC
Hella	EQB
Indelb	BAK
Kamux	**OPG**
Landi Renzo	BAK
Leoni	EQB
Michelin	CIC
Nokian Tyres	OPG
Norma Group	EQB
Piaggio	BAK
Plastic Omnium	CIC
Pwo	EQB
Sogefi	BAK
Stabilus	EQB
Stern Groep	NIBC
Valeo	CIC
Volkswagen	EQB

Banks	Mem(*)
Aareal Bank	EQB
Aktia	OPG
Alpha Bank	IBG
Banca Carige	BAK
Banca Mps	BAK
Banco Sabadell	GVC
Banco Santander	GVC
Bankia	GVC
Bankinter	GVC
Bbva	GVC
Bcp	CBI
Bnp Paribas	CIC
Bper	BAK
Bpi	CBI
Caixabank	GVC
Commerzbank	EQB
Credem	BAK
Credit Agricole Sa	CIC
Creval	BAK
Deutsche Bank	EQB
Deutsche Pfandbriefbank	EQB
Eurobank	IBG
Intesa Sanpaolo	BAK
Mediobanca	BAK
Merkur Bank	EQB
National Bank Of Greece	IBG
Natixis	CIC
Nordea	OPG
Piraeus Bank	IBG
Poste Italiane	BAK
Procredit Holding	EQB
Rothschild & Co	CIC
Societe Generale	CIC
Ubi Banca	BAK
Unicredit	BAK

Basic Resources	Mem(*)
Acerinox	GVC
Altri	CBI
Arcelormittal	GVC
Corticeira Amorim	CBI
Ence	GVC
Europac	GVC
Metka	IBG
Metsä Board	OPG
Mytilineos	IBG
Outokumpu	OPG
Semapa	CBI
Ssab	OPG
Stora Enso	OPG
Surteco	EQB
The Navigator Company	CBI
Tubacex	GVC
Upm-Kymmene	OPG

Chemicals	Mem(*)
Air Liquide	CIC
Avantium	NIBC
Brenntag	EQB
Fuchs Petrolub	EQB
Holland Colours	NIBC
K+S Ag	EQB
Kemira	OPG
Kws Saat	EQB
Linde	EQB
Siegfried Holding Ag	EQB
Symrise Ag	EQB
Tikkurila	OPG

Electronic & Electrical Equipment	Mem(*)
Euromicron Ag	EQB
Legrand	CIC
Neways Electronics	NIBC
Nexans	CIC
Pkc Group	OPG
Rexel	CIC
Schneider Electric Se	CIC
Vaisala	OPG
Viscom	EQB

Financial Services	Mem(*)
Anima	BAK
Athex Group	IBG
Azimut	BAK
Banca Farmafactoring	BAK
Banca Generali	BAK
Banca Ifis	BAK
Banca Sistema	BAK
Bb Biotech	EQB
Bolsas Y Mercados Espanoles Sa	GVC
Capman	OPG
Cir	BAK
Comdirect	EQB
Corestate Capital Holding S.A.	EQB
Corp. Financiera Alba	GVC
Digital Magics	BAK
Dobank	BAK
Eq	OPG
Eurazeo	CIC
Ferratum	EQB
Ffp	CIC
Finecobank	BAK
Grenke	EQB
Hypoport Ag	EQB
Mlp	EQB
Ovb Holding Ag	EQB
Patrizia	EQB
Rallye	CIC
Tip Tamburi Investment Partners	BAK
Unipol Gruppo Finanziario	BAK
Wendel	CIC

Food & Beverage	Mem(*)
Acomo	NIBC
Atria	OPG
Bonduelle	CIC
Campari	BAK
Coca Cola Hbc Ag	IBG
Corbion	NIBC
Danone	CIC
Ebro Foods	GVC
Enervit	BAK
Fleury Michon	CIC
Forfarmers	NIBC
Heineken	NIBC
Hkscan	OPG
La Doria	BAK
Lanson-Bcc	CIC
Laurent Perrier	CIC
Ldc	CIC
Lucas Bols	NIBC
Massimo Zanetti	**BAK**
Naturex	CIC
Olvi	OPG
Orsero	**BAK**
Pernod Ricard	CIC
Raisio	OPG
Refresco Group	NIBC
Remy Cointreau	CIC
Suedzucker	EQB
Telepizza	GVC
Vidrala	GVC
Vilmorin	CIC
Viscofan	GVC
Vranken Pommery Monopole	CIC
Wessanen	NIBC

Food & Drug Retailers	Mem(*)
Ahold Delhaize	NIBC
Carrefour	CIC
Casino Guichard-Perrachon	CIC
Ceconomy Ag	EQB
Dia	GVC
Jeronimo Martins	CBI
Kesko	OPG
Marr	BAK
Metro Ag	EQB
Sligro	NIBC
Sonae	CBI

General Industrials	Mem(*)
2G Energy	EQB
Aalberts	NIBC
Accell Group	NIBC
Ahlstrom	OPG
Arcadis	NIBC
Aspo	OPG
Cembre	BAK
Huhtamäki	OPG
Kendrion	NIBC
Nedap	NIBC
Pöyry	OPG
Prelios	BAK
Saf-Holland	EQB
Serge Ferrari Group	CIC
Tkh Group	NIBC

General Retailers	Mem(*)
Beter Bed Holding	NIBC
Elumeo Se	EQB
Fielmann	EQB
Fnac Darty	CIC
Folli Follie Group	IBG
Fourlis Holdings	IBG
Hornbach Holding	EQB
Inditex	GVC
Jumbo	IBG
Ovs	**BAK**
Rapala	OPG
Stockmann	OPG
Takkt Ag	EQB
Tokmanni	OPG
Unieuro	**BAK**
Windeln.De	EQB
Yoox Net-A-Porter	BAK
Zalando	EQB

Healthcare	Mem(*)
4Sc	EQB
Amplifon	BAK
Bayer	EQB
Biotest	EQB
Diasorin	BAK
El.En.	BAK
Epigenomics Ag	EQB
Genfit	CIC
Guerbet	CIC
Korian	CIC
Merck	EQB
Oriola-Kd	OPG
Orion	OPG
Orpea	CIC
Pihlajalinna	OPG
Recordati	BAK
Wilex	EQB

Household Goods	Mem(*)
De Longhi	BAK
Elica	BAK
Fila	BAK
Philips Lighting	NIBC

Industrial Engineering	Mem(*)
Accsys Technologies	NIBC
Aixtron	EQB
Alstom	CIC
Ansaldo Sts	BAK
Biesse	BAK
Caf	GVC
Cargotec Corp	OPG
Carraro	BAK
Cnh Industrial	BAK
Danieli	BAK
Datalogic	BAK
Deutz Ag	EQB
Duro Felguera	GVC
Emak	BAK
Envipco	NIBC
Exel Composites	OPG
Fincantieri	BAK
Gesco	EQB
Heidelberger Druck	EQB
Ima	BAK
Indus Holding Ag	EQB
Interpump	BAK
Kone	OPG
Konecranes	OPG
Manitou	CIC
Manz Ag	EQB
Max Automation Ag	EQB
Metso Corporation	OPG
Outotec	OPG
Pfeiffer Vacuum	EQB
Ponsse	OPG
Prima Industrie	BAK
Prysmian	BAK
Smt Scharf Ag	EQB
Technotrans	EQB
Valmet	OPG
Wärtsilä	OPG
Zardoya Otis	GVC

Industrial Transportation	Mem(*)
Bollore	CIC
Ctt	CBI
Logwin	EQB

Insurance	Mem(*)
Allianz	EQB
Axa	CIC
Banca Mediolanum	BAK
Cattolica Assicurazioni	BAK
Generali	BAK
Hannover Re	EQB
Mapfre Sa	GVC
Munich Re	EQB
Sampo	OPG
Talanx Group	EQB
Unipolsai	BAK

Materials, Construction & Infrastructure	Mem(*)
Abertis	GVC
Acs	GVC
Aena	GVC
Aeroports De Paris	CIC
Astaldi	BAK
Atlantia	BAK
Boskalis Westminster	NIBC
Buzzi Unicem	BAK
Caverion	OPG
Cramo	OPG
Eiffage	CIC
Ellaktor	IBG
Eltel	OPG
Ezentis	GVC
Fcc	GVC
Ferrovial	GVC
Heidelberg Cement Ag	CIC
Heijmans	NIBC
Imerys	CIC
Lafargeholcim	CIC
Lehto	OPG
Lemminkäinen	OPG
Maire Tecnimont	BAK
Mota Engil	CBI
Obrascon Huarte Lain	GVC
Ramirent	OPG
Royal Bam Group	NIBC
Sacyr	GVC
Saint Gobain	CIC
Salini Impregilo	BAK
Sias	BAK
Srv	OPG
Tarkett	CIC
Thermador Groupe	CIC
Titan Cement	IBG
Trevi	BAK
Uponor	OPG
Vicat	CIC
Vinci	CIC
Yit	OPG

Media	Mem(*)
Ad Pepper	EQB
Alma Media	OPG
Arnoldo Mondadori Editore	BAK
Atresmedia	GVC
Axel Springer	EQB
Brill	NIBC
Cairo Communication	BAK
Cofina	CBI
Cts Eventim	EQB
Digital Bros	BAK
Gedi Gruppo Editoriale	BAK
Gl Events	CIC
Havas	CIC
Impresa	CBI
Iol	BAK
Ipsos	CIC
Jcdecaux	CIC
Lagardere	CIC
M6-Metropole Television	CIC
Mediaset	BAK
Mediaset Espana	GVC
Notorious Pictures	BAK
Nrj Group	CIC
Publicis	CIC
Rcs Mediagroup	BAK
Relx	NIBC
Rtl Group	EQB
Sanoma	OPG
Solocal Group	CIC
Spir Communication	CIC
Syzygy Ag	EQB
Telegraaf Media Groep	NIBC
Teleperformance	CIC
Tf1	CIC
Ubisoft	CIC
Vivendi	CIC
Wolters Kluwer	NIBC
Xing Ag	EQB

Oil & Gas Producers	Mem(*)
Eni	BAK
Galp Energia	CBI
Gas Plus	BAK
Hellenic Petroleum	IBG
Maurel Et Prom	CIC
Motor Oil	IBG
Neste Corporation	OPG
Qgep	CBI
Repsol	GVC
Total	CIC

Oil Services	Mem(*)
Bourbon	CIC
Cgg	CIC
Fugro	NIBC
Rubis	CIC
Saipem	BAK
Sbm Offshore	NIBC
Technipfmc Plc	CIC
Tecnicas Reunidas	GVC
Tenaris	BAK
Vallourec	CIC
Vopak	NIBC

Personal Goods	Mem(*)
Adidas	EQB
Adler Modemaerkte	EQB
Amer Sports	OPG
Basic Net	BAK
Geox	BAK
Gerry Weber	EQB
Hugo Boss	EQB
Luxottica	BAK
Marimekko	OPG
Moncler	BAK
Puma	EQB
Safilo	BAK
Salvatore Ferragamo	BAK
Sarantis	IBG
Technogym	BAK
Tod'S	BAK

Real Estate	Mem(*)
Adler Real Estate	EQB
Beni Stabili	BAK
Citycon	OPG
Demire	EQB
Deutsche Euroshop	EQB
Hispania Activos Inmobiliarios	GVC
Igd	BAK
Lar España	GVC
Merlin Properties	GVC
Realia	GVC
Sponda	OPG
Technopolis	OPG
Wcm Ag	EQB

Software & Computer Services	Mem(*)
Affecto	OPG
Akka Technologies	CIC
Alten	CIC
Altran	CIC
Assystem	CIC
Atos	CIC
Basware	OPG
Comptel	OPG
Ctac	NIBC
Digia Plc	OPG
Econocom	CIC
Esi Group	CIC
Exprivia	BAK
F-Secure	OPG
Gft Technologies	EQB
Ict Group	NIBC
Indra Sistemas	GVC
Nemetschek Se	EQB
Neurones	CIC
Nexus Ag	EQB
Novabase	CBI
Ordina	NIBC
Psi Software Ag	EQB
Reply	BAK
Rib Software	EQB
Seven Principles Ag	EQB
Software Ag	EQB
Sopra Steria Group	CIC
Tie Kinetix	NIBC
Tieto	OPG
Tomtom	NIBC
Visiativ	CIC

Support Services	Mem(*)
Amadeus	GVC
Asiakastieto Group	OPG
Batenburg	NIBC
Cellnex Telecom	GVC
Dpa	NIBC
Ei Towers	BAK
Enav	BAK
Fiera Milano	BAK
Lassila & Tikanoja	OPG
Openjobmetis	BAK

Technology Hardware & Equipme	Mem(*)
Asm International	NIBC
Asml	NIBC
Besi	NIBC
Ericsson	OPG
Gigaset	EQB
Nokia	OPG
Roodmicrotec	NIBC
Slm Solutions	EQB
Stmicroelectronics	BAK
Suess Microtec	EQB
Teleste	OPG
Va-Q-Tec	EQB

Telecommunications	Mem(*)
Acotel	BAK
Bouygues	CIC
Deutsche Telekom	EQB
Dna	OPG
Drillisch	EQB
Elisa	OPG
Euskaltel	GVC
Freenet	EQB
Iliad	CIC
Kpn Telecom	NIBC
Masmovil	GVC
Nos	CBI
Oi	CBI
Orange	CIC
Ote	IBG
Retelit	BAK
Tele Columbus	EQB
Telecom Italia	BAK
Telefonica	GVC
Telefonica Deutschland	EQB
Telia	OPG
Tiscali	BAK
United Internet	EQB
Vodafone	BAK

Travel & Leisure	Mem(*)
Accor	CIC
Aegean Airlines	IBG
Air France Klm	CIC
Autogrill	BAK
Beneteau	CIC
Compagnie Des Alpes	CIC
Elior	CIC
Europcar	CIC
Finnair	OPG
I Grandi Viaggi	BAK
Ibersol	CBI
Int. Airlines Group	GVC
Intralot	IBG
Kotipizza	OPG
Melia Hotels International	GVC
Nh Hotel Group	GVC
Opap	IBG
Snaitech	BAK
Snowworld	NIBC
Sodexo	CIC
Sonae Capital	CBI
Trigano	CIC

Utilities	Mem(*)
A2A	BAK
Acciona	GVC
Acea	BAK
Albioma	CIC
Direct Energie	CIC
Edp	CBI
Edp Renováveis	CBI
Enagas	GVC
Endesa	GVC
Enel	BAK
Erg	BAK
Eydap	IBG
Falck Renewables	BAK
Fortum	OPG
Gas Natural Fenosa	GVC
Hera	BAK
Iberdrola	GVC
Iren	BAK
Italgas	BAK
Public Power Corp	IBG
Red Electrica De Espana	GVC
Ren	CBI
Snam	BAK
Terna	BAK

LEGEND: BAK: Banca Akros; CIC: CM CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Beksa, SV, SA; EQB: equinet bank; IBG: Investment Bank of Greece, NIBC: NIBC Bank N.V: OPG: OP Corporate Bank:;as of 2nd October 2017

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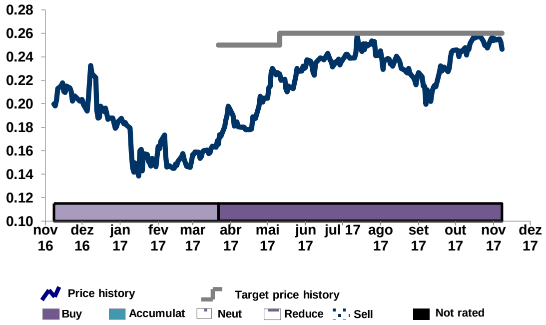
(**) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts

Recommendation history for BCP

Date	Recommendation	Target price	Price at change date
09-nov-17	Buy	0.31	0.25
11-mai-17	Buy	0.26	0.23
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

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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The company or companies covered in this report had knowledge of the changes in the fair-value, recommendation included in this report or validated the assumptions used in the report before its publication? No.

This report was initiated after the announcement of the 2Q17 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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SELL	REDUCE	NEUTRAL	ACCUMULATE	BUY
-15%	-5%	5%	15%	

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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
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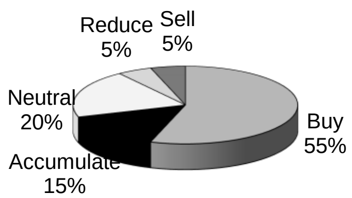
Caixa Banco de Investimento Ratings Breakdown



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Date and time of production: *9 November 2017: 17:47* ***CET***
First date and time of dissemination: *9 November 2017: 17:52* ***CET***

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