

Preview Note

9 November 2017

Buy			
<i>Recommendation unchanged</i>			
Share price: EUR	0.25		
<i>closing price as of 08/11/2017</i>			
Target price: EUR	0.31		
<i>from Target Price: EUR 0.26</i>			
Upside/Downside Potential	25.8%		
<i>Reuters/Bloomberg</i>		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%;

**Analyst(s)**

André Rodrigues
 andre.rodrigues@caixabi.pt
 +351 21 389 68 39

3Q17 Preview: Commitment with the reduction of NPEs

The facts: Millennium BCP will publish its 3Q17 results on Monday, 13 November, after the market close. CC will take place on Tuesday, 14 at 15:00 (Local time).

Our analysis: We forecast a consolidated net profit of EUR 47.6m in 3Q17 vs. loss of EUR 53.8m in 3Q16 and a net profit of EUR 39.8mm in 2Q17 (+19.6% QoQ).

The net interest income (NII) should present a slight growth in 3Q17 (+0.3% QoQ) to EUR 347.4m. On a yearly basis, the 13.5% growth in 3Q17 vs. 3Q16 (and +13.1% YoY in 9M17 vs. 9M16) is mainly related to the reduction in the cost of term deposits. Moreover, BCP numbers will also continue to benefit from the reimbursement of the EUR 700m of CoCo bonds to the Portuguese State in 1Q17.

Commissions should decrease 3.3% QoQ to EUR 164m (seasonal effects), with a 2.0% YoY growth vs. 3Q16 and an increase of 2.7% YoY in 9M17 to EUR 494.3m when compared to the EUR 481.1m reported in 9M16. Trading results should be close to EUR 31m vs. EUR 54m in 2Q17, almost in line with 3Q16 (EUR 29.7m).

Costs should increase by 2.6% YoY in 3Q17 to EUR 244.5m with an almost flat evolution of staff costs (EUR 136.6m) and a 4.8% growth in administrative costs to EUR 94.4m. In 9M17 total costs are seen at EUR 694.7m, around 3.8% below the EUR 722.4m reported in 9M16, with a 7.9% YoY decrease in staff costs to EUR 378.1m. Operating profit is seen at EUR 289m in 3Q17 (+0.6% YoY).

Asset quality: BCP should present a progress in this area and the target of reducing its stock of Non-performing exposures (NPEs) by EUR 1bn in 2017 will be likely achieved (or close to that) already in 9M17. In fact, the non-performing exposures (NPEs) in Portugal were down by EUR 700m YtD to EUR 7.8bn in 1H17 vs. EUR 8.5bn by YE16. **Loan impairments** are seen at EUR 155m, with a cost of risk of 120bps in 3Q17 (119bps in 9M17). We also anticipate a reinforcement of "other impairments" with a cost of EUR 53m in 3Q17 (broadly in line with 2Q17).

Concerns removed on capital: By the end of June 2017 the bank reported a CET 1 ratio of 11.3% (fully implemented) and 13% (phased-in) from 11.2% and 13%, respectively in 1Q17 vs. SREP requirement of 8.15% for CET 1 ratio.

Sovereign Rating: 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+, the first "investment grade" classification from S&P since January 2012. The yield on the 10Y bonds of Portugal decreased by around 65bps (to c. 2.4%) in 3Q17 while the yield on the 5Y bond drop by c. 35bps to 0.96%. By the end of 1H17 BCP had EUR 5.1bn of Portuguese sovereign debt in its balance sheet, of which EUR 4.9bn or 97% in the banking book and only EUR 158m in the trading book. This should have a positive, although not material, impact for BCP in 3Q17, namely in its capital position (through fair value reserves - AFS portfolio).

Conclusion & Action: The focus of 3Q17 results should continue related to asset quality, namely the reduction NPEs in a context of a cost of credit risk close to 120bps. In terms of revenues, we do not expect the main variables to present significant deviations when compared to the recurrent trends of the most recent quarters. For more details see our Company Update: "Increasing ROE. Commitment with the reduction of NPEs".

Exhibit 1 – Income statement forecasts

	Quarterly					Accumulated		
	3Q17e	2Q17	Δ QoQ	3Q16	Δ YoY	9M17e	9M16	Δ YoY
Net interest income (narrow sense)	347.4	346.2	0.3%	306.2	13.5%	1,025.9	907.0	13.1%
Dividends from securities	1.2	1.5	-19.5%	1.2	5.0%	2.8	7.0	-59.5%
Net interest income	348.6	347.7	0.3%	307.3	13.4%	1,028.7	913.9	12.6%
Commissions and similar income (net)	164.0	169.5	-3.3%	160.8	2.0%	494.3	481.1	2.7%
Gains and losses in financial operations	30.8	53.5	-42.5%	29.7	3.8%	120.7	212.5	-43.2%
Operating income and charges	(9.9)	(71.4)	-86.2%	(8.3)	19.6%	(96.5)	(96.3)	0.2%
Net operating income from banking	533.5	499.3	6.9%	489.6	9.0%	1,547.2	1,511.3	2.4%
Personnel costs	(136.6)	(104.6)	30.7%	(136.7)	-0.1%	(378.1)	(410.4)	-7.9%
Other administrative expenses	(94.4)	(94.0)	0.5%	(90.1)	4.8%	(277.0)	(274.9)	0.8%
Depreciation of fixed assets	(13.4)	(13.4)	0.5%	(11.5)	16.7%	(39.6)	(37.0)	6.9%
Total Expenses	(244.5)	(211.9)	15.4%	(238.3)	2.6%	(694.7)	(722.4)	-3.8%
Operating profit before provisions	289.0	287.4	0.6%	251.3	15.0%	852.5	788.9	8.1%
Equity-accounted results of subsidiaries	15.7	15.5	1.3%	22.9	-31.6%	50.8	60.6	-16.2%
Loan provisions and impairments (net)	(155.1)	(156.1)	-0.7%	(251.5)	-38.4%	(460.0)	(870.2)	-47.1%
Other impairments and provisions	(53.0)	(56.0)	-5.3%	(44.9)	18.1%	(163.3)	(242.8)	-32.7%
Profits before taxes	96.6	90.8	6.4%	(22.2)	-534.7%	279.9	(263.5)	n.m.
Corporate income tax	(22.9)	(24.3)	-5.8%	(10.1)	127.2%	(66.4)	68.2	n.m.
Discontinued operations	-	1.25	n.m.	-	n.m.	1.3	45.2	-97.2%
Minority shareholders' share of profit	(26.1)	(27.9)	-6.4%	(21.5)	21.2%	(77.3)	(101.0)	-23.5%
Net Profit (reported)	47.6	39.8	19.6%	(53.8)	n.m.	137.5	(251.1)	n.m.

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

Exhibit 2 – Key data and ratios

	3Q17e	2Q17	3Q16	Chg. QoQ	Chg. YoY
Balance Sheet key data:					
Loans to clients (net)	47,946	48,066	48,806	-0.25%	-1.76%
RWA	38,328	38,135	38,287	0.51%	0.11%
Total Assets	73,006	73,024	73,042	-0.02%	-0.05%
Customer Deposits	50,889	50,636	48,937	0.50%	3.99%
Balance Sheet key ratios:					
NPL > 90 days / Loans to clients (gross)	9.61%	9.66%	7.17%		
Coverage of NPL (>90days)	75.1%	72.5%	100.9%		
Credit at risk ratio	15.3%	15.4%	11.4%		
Coverage of credit at risk ratio	47.1%	45.5%	63.3%		
Cost of credit risk (bps)*	119	118	221		
Cost-to-income ratio (Notice 16/2004 BoP)	43.5%	42.9%	46.0%		
Loans (net) to Deposits Ratio	94.2%	94.9%	99.7%		
Core TIER I (Basel III Phasing in)	13.0%	13.0%	12.2%		
Core TIER I (Basel III FL)	11.3%	11.3%	9.6%		

* Accumulated figure. Net of recoveries, as a % of gross loans (cost of risk of 120bps in 3Q17e).

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

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
<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	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)						
<i>Tangible equity as % of Assets</i>	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).

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)



Disclaimer

The information and opinion in this report were prepared by Caixa - Banco de Investimento, SA. (CaixaBI) The information upon which this report was based has been obtained from sources that we believe to be reliable, but we do not guarantee that it is accurate or complete. No part of this document may be (i) copied or duplicated by any form or means, or (ii) redistributed without the prior written consent of CaixaBI.

The analysts responsible for this report have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views by CaixaBI.

At any time Caixa Geral de Depósitos, CaixaBI's parent company, or any affiliated companies (or employees) may have a position subject to change in these securities.

There are no pre-established policies regarding frequency, change or update in recommendations issued by CaixaBI and the same applies to our coverage policy.

In the last market trade date Caixa – Banco de Investimento, SA has 0 shares of the company covered in this report.

In this date (date of published report) analyst or analysts responsible for this report has 0 shares of the company covered in this report.

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.

CaixaBI Analyst(s) did not participate in meetings to prepare CaixaBI's involvement in placing or assisting in public offers of securities issued by the company that is the subject of the recommendation.

Opinions in this report are subject to change without notice. This document is for your private information, and is not to be constructed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. Any opinion or recommendation contained herein and in the investments to which they refer may not be appropriate for investors due to their specific financial position or investment targets. Investors should consider this report as only a single factor in making their investment decision.

Any recommendation and opinions contained in this report may become outdated as a consequence of changes in the environment in which the company under analysis operates, in addition to changes in the estimates and forecast, assumptions and valuation methodology used herein. The securities mentioned in this report may not be eligible for sales in some countries.

This report does not have any specific recipient, investment objectives nor was solicited or originated by any specific operation in which CaixaBI or other CGD Group affiliate participate.

CaixaBI uses for valuation purposes primarily DCF valuation and Sum-of-the-Parts valuations as well peer group comparisons. The valuation methodologies used by CaixaBI is defined in the "Definition Guide", available in our website www.caixabi.pt.

CaixaBI is subject to an Internal Standards of Conduct on the securities market, which details the standards of Portuguese and EU regulations, it includes rules to prevent and avoid conflicts of interests, including information barriers (Conduct Code and Conduct Code and procedures of equity research analysts). The activity of equity research at CaixaBI is separated from execution, portfolio management and corporate finance activities, having its own information systems.

Investors should also note that income from the securities mentioned in this report, if any, may fluctuate and that each security's price or value may rise or fall. Thus, investors may receive back less than initially invested. Past performance is not a guarantee for future performance. CaixaBI or other companies in the Caixa Geral de Depósitos Group accepts no liability of any type for any indirect or direct loss arising from the use of this report.

CaixaBI or others companies in the Caixa Geral de Depósitos Group have participated in the last years as underwriter and/or placer in public share offerings or in others operations of the following companies: Santander Brasil (CaixaBI was one of the co-manager in the initial public offering of Santander Brasil), CCR (CaixaBI was appointed as one of co-managers of the rights issue of CCR), Sonae Sierra Brasil (CaixaBI was appointed as one of co-managers in the initial public offering of this company); EDP Brasil (CaixaBI was one of co-managers of offering shares by EDP); Bankia (CaixaBI was appointed as one of co-leads in the initial public offering of this company); Inapa (CaixaBI was appointed as one of managers of the rights issue of Inapa); EDP, Galp Energia and REN (CaixaBI was appointed by Portuguese State as adviser for next privatization operation in the energy sector). CaixaBI was one of the advisors of the capital increase operation of Petrogal Brasil (Galp Energia); Brisa (CaixaBI was appointed as one of the financial intermediaries of the tender offer for acquisition of the shares issue by Brisa). CaixaBI was selected by ZON Multimedia as one of the financial advisor of the merger between ZON Multimedia and Optimus, 100% owned by Sonaecom. CaixaBI acted as Joint Bookrunner in the Accelerated Bookbuilding offer of EDP shares (4.114% of EDP share capital) launched by Parública. CaixaBI acted as Joint Bookrunner in the Accelerated Bookbuilding offer of Portugal Telecom shares (6.1% of PT share capital) launched by CGD. CTT (CaixaBI was appointed as a Joint Global Coordinator and Bookrunner in the initial public offering of this company). Luz Saúde (CaixaBI was appointed as Co-Lead Manager in the initial public offering of this company). CaixaBI acted as Joint Bookrunner in the Accelerated Bookbuilding offer of Mota-Engil shares (16.76% of Mota-Engil share capital) launched by Mota-Engil and Mota Gestão e Participações. CaixaBI acted as Joint Bookrunner in the Accelerated Bookbuilding offer of EDP shares (2.59% of EDP share capital) launched by José de Mello Energia. REN (CaixaBI was appointed as a Joint Global Coordinator and Bookrunner in the offering of shares made by Parpublica and CGD). Sonae (CaixaBI acted as co-lead manager for the offering of convertible bonds by Sonae). Mota-Engil África (CaixaBI was appointed as Co-Lead in the initial public offering of this company for institutional investors and joint Bookrunner of public offering in Portugal). CaixaBI acted as Joint Global Coordinators and Joint Bookrunner in the Accelerated Bookbuilding offer of CTT shares (up to 31.5% of CTT share capital) launched by Parública. CaixaBI acted as Joint Global Coordinators of the rights issue of Sonae Indústria. CaixaBI acted as Joint Bookrunner in the Accelerated Bookbuilding offer of EDP shares (c. 2.0% of EDP share capital) launched by José de Mello Energia. CaixaBI acted as Joint Bookrunner in the Accelerated Bookbuilding offer of REN shares (5.0% of REN share capital) launched by NovoBanco. CaixaBI was appointed Joint Global Coordinators of the rights issue of Mota Engil. CaixaBI was appointed as Joint Global Coordinator, Joint Bookrunner and Joint Underwriter of the rights issue of REN.

Within the last years, CaixaBI provided investment banking services to: Altri, BCP, BPI, Cofina, Corticeira Amorim, CTT, EDP, EDP Renováveis, Luz Saúde, Galp Energia, Ibersol, Impresa, Inapa, Jerónimo Martins, Mota-Engil, Mota-Engil Africa, Novabase, The Navigator company, Pharol, NOS, Semapa, SDC Investimentos, Sonaecom, Sonae Indústria, Sonae, Sumol + Compal, Teixeira Duarte, REN and Sonae Capital.

Caixa Geral de Depósitos group has more than 99% of CaixaBI share capital and the Portuguese State has 100% of Caixa Geral de Depósitos share capital.

Furthermore, CaixaBI, SA, or other affiliated companies of Caixa Geral de Depósitos Group, does and seeks to provide investment banking or other services to the companies referred in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of research.

CaixaBI is liquidity provider for Orey Antunes, Cofina, Altri, Inapa, Ibersol, SAG, Galp Energia and Sonae Capital.

The activity of Caixa Banco de Investimento is supervised by Banco de Portugal (BoP) and Comissão de Mercado de Valores Mobiliários (CMVM).

The share price mentioned in the report is the closing price of the last trading day before the publication.

Caixa Geral de Depósitos group has qualified participations (2% or more) in the following companies: Inapa.

Caixa Geral de Depósitos group has non-qualified but relevant participations in the following companies: Altri, BCP, BPI, Cofina, CTT, Corticeira Amorim, EDP, EDP Renováveis, Luz Saúde, Galp Energia, Ibersol, Impresa, Inapa, Jerónimo Martins, Mota Engil, Novabase, Pharol, The Navigator Company, REN, Sonae Industria, Semapa, Sonae SGPS, Sonaecom, Sonae Capital, Sumol + Compal and NOS.

Portuguese State (Parpublica) has qualified participations in the following companies: Inapa and Galp Energia.

Portuguese State (Parpublica) has non-qualified but relevant participations in the following companies: Portugal Telecom and Nos

The supervisory board chairman of CaixaBI is non-executive member of Galp Energia's board.

CaixaBI reports (equity research reports) are available in our website www.caixabi.pt by request.

Recommendation System:

Since 18 October 2004, the Members of ESN are using an Absolute Recommendation System (before was a Relative Recommendation System) to rate any single stock under coverage. Since 4 August 2008, the ESN Rec. System has been amended, with a time horizon of 12 months (it was 6 months). Since 1 April 2015, the ESN Rec. System has been adjusted (Hold replaced with Neutral and expected return bands was modified). Caixa Banco de Investimento is a Member of ESN, therefore uses the same Recommendations System of ESN. 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) over a 12 months' time horizon.

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

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;
- Sell: the stock is expected to generate a total return below -15% during the next 12-month time horizon;
- Rating Suspended: the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer or a related party of the issuer is or could be involved or to a change of analyst covering the stock;
- Not Rated: there is no rating for a company being floated (IPO) by the issuer or a related party of the issuer.

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)**.

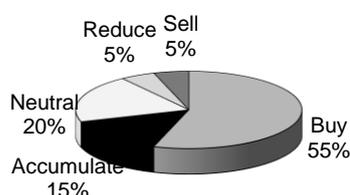
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **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
- **Rating Suspended:** the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Caixa Banco de Investimento Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

Date and time of production: 9 November 2017: 17:52 CET

First date and time of dissemination: 9 November 2017: 17:57 CET

Disclaimer:

These reports have been prepared and issued by the Members of European Securities Network LLP ("ESN"). ESN, its Members and their affiliates (and any director, officer or employee thereof), are neither liable for the proper and complete transmission of these reports nor for any delay in their receipt. Any unauthorised use, disclosure, copying, distribution, or taking of any action in reliance on these reports is strictly prohibited. The views and expressions in the reports are expressions of opinion and are given in good faith, but are subject to change without notice. These reports may not be reproduced in whole or in part or passed to third parties without permission. The information herein was obtained from various sources. ESN, its Members and their affiliates (and any director, officer or employee thereof) do not guarantee their accuracy or completeness, and neither ESN, nor its Members, nor its Members' affiliates (nor any director, officer or employee thereof) shall be liable in respect of any errors or omissions or for any losses or consequential losses arising from such errors or omissions. Neither the information contained in these reports nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities ("related investments"). These reports are prepared for the clients of the Members of ESN only. They do not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive any of these reports. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in these reports and should understand that statements regarding future prospects may not be realised. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in these reports. In addition, investors in securities such as ADRs, whose value are influenced by the currency of the underlying security, effectively assume currency risk. ESN, its Members and their affiliates may submit a pre-publication draft (without mentioning neither the recommendation nor the target price/fair value) of its reports for review to the Investor Relations Department of the issuer forming the subject of the report, solely for the purpose of correcting any inadvertent material inaccuracies. Like all members employees, analysts receive compensation that is impacted by overall firm profitability. For further details about the analyst certification, the specific risks of the company and about the valuation methods used to determine the price targets included in this report/note, please refer to the specific disclaimer pages prepared by the ESN Members. In the case of a short note please refer to the latest relevant published research on single stock or contact the analyst named on the front of the report/note for detailed information on the valuation methods, earning estimates and risks. A full description of all the organisational and administrative measures taken by the Members of ESN to manage interest and conflicts of interest are available on the website of the Members. Research is available through the ESN Members sales representative. ESN will provide periodic updates on companies or sectors based on company-specific developments or announcements, market conditions or any other publicly available information. Unless agreed in writing with an ESN Member, this research is intended solely for internal use by the recipient. Neither this document nor any copy of it may be taken or transmitted into Australia, Canada or Japan or distributed, directly or indirectly, in Australia, Canada or Japan or to any resident thereof. This document is for distribution in the U.K. Only to persons who have professional experience in matters relating to investments and fall within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (the "order") or (ii) are persons falling within article 49(2)(a) to (d) of the order, namely high net worth companies, unincorporated associations etc (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied upon by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The distribution of this document in other jurisdictions or to residents of other jurisdictions may also be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. By accepting this report you agree to be bound by the foregoing instructions. You shall indemnify ESN, its Members and their affiliates (and any director, officer or employee thereof) against any damages, claims, losses, and detriments resulting from or in connection with the unauthorized use of this document. For disclosure upon "conflicts of interest" on the companies under coverage by all the ESN Members and on each "company recommendation history", please visit the ESN website (www.esnpartnership.eu) or refer to the ESN Members website. Additional information is always available upon request. **For additional information and individual disclaimers please refer to www.esnpartnership.eu and to each ESN Member websites:**

www.bancaakros.it regulated by the CONSOB - Commissione Nazionale per le Società e la Borsa

www.caixabi.pt regulated by the CMVM - Comissão do Mercado de Valores Mobiliários

www.cmcicms.com regulated by the AMF - Autorité des marchés financiers

www.equinet-ag.de regulated by the BaFin - Bundesanstalt für Finanzdienstleistungsaufsicht

www.ibg.gr regulated by the HCMC - Hellenic Capital Market Commission

www.nbc.com regulated by the AFM - Autoriteit Financiële Markten

www.op.fi regulated by the Financial Supervision Authority

www.valores.gvcgaesco.es regulated by CNMV - Comisión Nacional del Mercado de Valores

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
Avenida João XXI, 63
1000-300 Lisboa
Portugal
Phone: +351 21 313 73 00
Fax: +351 21 389 68 98



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



equinet Bank AG
Gräbstraße 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 Bank N.V.
Gustav Mahlerlaan 348
P.O.Box 235
1082 ME 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

