PRESS RELEASE

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Millennium bcp

27 July 2022

Millennium bcp Earnings release as at 30 June 2022

Profitability
Robust business model; core operating profit increase

- **Net income** of the **Group** of **74.5 million euros**, which compares to 12.3 million euros in June 21, influenced by:
  - **Group's core income increase** of **22.7%**, with controlled costs;
  - Mandatory contributions for national entities of the banking sector in Portugal of 62.2 million euros;
  - Extraordinary effects[1] related with Bank Millennium including 257.8[2] million euros of costs related with the foreign exchange mortgage loan portfolio, contribution of 54.3 million euros for the Institutional Protection Scheme (IPS) and booking of Bank Millennium goodwill impairment amounting to 102.3 million euros.
- **Profit before impairment and provisions** increased **45.7%** in the **Group**.
- **Net income** of **174.5 million euros** in **Portugal**, a **significant increase** from the first half of 2021.

Capital and Liquidity
Capital at adequate levels; reinforced liquidity position

- Estimated **Fully-implemented Total capital ratio** and **Common Equity Tier 1 ratio** at **15.3%** and **11.3%**, respectively (**15.9%** e **11.9%,** on a pro forma basis[3], subject to ECB authorization), above regulatory requirements.

Business performance and Credit quality
Maintenance of growth trend in customer resources; general improvement in credit quality indicators and comfortable coverage levels

- Strong liquidity, well in excess of regulatory requirements, and **eligible assets** for **ECB funding** of **25.2 billion euros**.
- **Performing loans** of the **Group up** by **1.6[4] billion euros**, **+3.0%** from June 2021 (**+1.5 billion euros** in **Portugal**, **+4.1%)**. **NPE reduction** in **Portugal** of **0.5 billion euros** even in adverse context.
- **Growing Customer base**; **+631,000 mobile Customers** (**+20%**).

[1] Before taxes and minority interests; [2]includes provisions for legal risks, costs with out-of-court settlements and legal advice. [3] Subject to the already requested approval for the application of article 352 (2) of the CRR; [4] change in loans to customers on a proforma basis (excludes, in June 2021, the amounts from disposed operations).

BANCO COMERCIAL PORTUGUÊS, S.A.
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FINANCIAL HIGHLIGHTS (1)

Euro million

	30 Jun. 22	30 Jun. 21 (restated)	Chg 22/21
BALANCE SHEET			
Total assets	96,074	91,365	5.2%
Equity	6,291	7,386	-14.8%
Loans to customers (net)	57,039	55,885	2.1%
Total customer funds	91,070	90,351	0.8%
Balance sheet customer funds	74,546	69,621	7.1%
Deposits and other resources from customers	73,190	68,101	7.5%
Loans to customers (net) / Deposits and other resources from customers (2)	77.9%	82.1%	
Loans to customers (net) / Balance sheet customer funds	76.5%	80.3%	
RESULTS			
Net interest income	985.2	765.8	28.6%
Net operating revenues	1,283.4	1,116.6	14.9%
Operating costs	516.2	590.1	-12.5%
Operating costs excluding specific items (3)	510.5	502.9	1.5%
Loan impairment charges (net of recoveries)	179.4	156.9	14.3%
Other impairment and provisions	371.9	304.8	22.0%
Income taxes	155.8	101.9	52.9%
Net income	74.5	12.3	>200%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.7%	2.5%	
Return on average assets (ROA)	0.1%	-0.1%	
Income before tax and non-controlling interests / Average net assets (2)	0.5%	0.2%	
Return on average equity (ROE)	2.8%	0.4%	
Income before tax and non-controlling interests / Average equity (2)	7.0%	2.1%	
Net interest margin	2.29%	1.91%	
Cost to core income (2) (3)	37.2%	45.0%	
Cost to income (2)	40.2%	52.8%	
Cost to income (2) (3)	39.8%	45.0%	
Cost to income (Activity in Portugal) (2) (3)	38.8%	44.1%	
Staff costs / Net operating revenues (2) (3)	21.7%	25.6%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	61	55	
Non-Performing Exposures (loans to customers) / Loans to customers	4.3%	5.2%	
Total impairment (balance sheet) / NPE (loans to customers)	64.5%	66.6%	
Restructured loans / Loans to customers	3.6%	4.3%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	261%	270%	
Net Stable Funding Ratio (NSFR)	153%	148%	
CAPITAL (4)			
Common equity tier I phased-in ratio	11.5%	11.7%	
Common equity tier I fully implemented ratio	11.3%	11.6%	
Total fully implemented ratio	15.3%	14.9%	
BRANCHES			
Activity in Portugal	415	458	-9.4%
International activity	832	876	-5.0%
EMPLOYEES			
Activity in Portugal	6,254	6,937	-9.8%
International activity (5)	9,413	9,984	-5.7%

Notes:

(1) Some indicators are presented according to management criteria of the Group, with concepts being described and detailed at the glossary. Following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA, concluded in the fourth quarter of 2021, the contribution of this subsidiary to the consolidated results of the Group, in the first half of 2021, is reflected as income from discontinued operations in the international activity in order to ensure its comparability, as defined in the IFRS5. On the other hand, following the sale, at the end of 2021, of the of 70% of the investment held in Seguradora Internacional de Moçambique, S.A. ("SIM"), through its subsidiary BIM - Banco Internacional de Moçambique S.A., the contribution of this subsidiary to the consolidated results of the Group, in the first half of 2021, was restated, being reflected as income from discontinued operations in the international activity, as defined in the IFRS 5 in order to ensure its comparability. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. and of SIM was not changed compared to the criteria considered in the financial statements published in previous periods. In this context and taking into account the immateriality of the balance sheet balances of these operations in the Group, the calculation of the indicators relating the performance of the profit and loss account to the balance sheet items was not adjusted, with the exception of net interest margin, that reflects the fact that the assets of those subsidiaries were no longer considered interest earning assets in the period under analysis.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
(3) Excludes specific items: negative impact of 5.7 million euros in the first half of 2022, mainly related to the distribution of the Bank's 2021 results by the employees of the Bank. In the first half of 2021, the impact was also negative, in the amount of 87.2 million euros, mainly related with a provision booked to cover the costs related to the current adjustment of headcount, in the amount of 81.4 million euros. In both periods specific items were fully recognized as staff costs in the activity in Portugal.
(4) As at 30 June 2022 and 30 June 2021, capital ratios include the positive cumulative net income of each period. Ratios as of 30 June 2022 are estimated and non-audited.
(5) Of which, in Poland: 6,871 employees as at 30 June 2022 (corresponding to 6,735 FTE - Full-time equivalent) and 7,286 employees as at 30 June 2021 (corresponding to 7,148 FTE - Full-time equivalent). As of June 30, 2021, the number of employees associated with the international activity includes 83 employees of Banque Privée BCP (Suisse) and 150 employees of SIM at that date, nonexistent as of June 30, 2022, since both operations were disposal at the end of 2021.

RESULTS AND ACTIVITY IN THE FIRST HALF OF 2022

The outbreak of the war in Ukraine, resulting from the invasion of that country by the Russian Federation at the end of February, marked decisively the first half of 2022. In the context of the resulting geopolitical crisis, the Bank acted in accordance with the guidelines of the European Union and implemented a set of mechanisms to monitor the situation and measures to support the Ukrainian people. Although the direct exposure of the Group to the economies of the two countries involved in the conflict is not material, the worsening outlook for the world economy and the high level of uncertainty currently prevailing as to a potential escalation of the conflict means that significant indirect impacts in subsequent stages cannot be totally discarded. Such potential impacts, however, cannot be quantified or reliably projected at this stage. One of the most damaging effects could be the exacerbation of inflationary tensions, influencing the economic growth in Portugal and Europe.

Following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA, concluded in the fourth quarter of 2021, the contribution of this subsidiary to the consolidated results of the Group, in the first half of 2021, is reflected as income from discontinued operations in the international activity in order to ensure its comparability, as defined in the IFRS5. On the other hand, following the sale, at the end of 2021, of the of 70% of the investment held in Seguradora Internacional de Moçambique, S.A. ("SIM"), through its subsidiary BIM - Banco Internacional de Moçambique S.A., the contribution of this subsidiary to the consolidated results of the Group, in the first half of 2021, was restated, being reflected as income from discontinued operations in the international activity, as defined in the IFRS 5 in order to ensure its comparability. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. and of SIM was not changed compared to the criteria considered in the financial statements published in previous periods. In this context and taking into account the immateriality of the balance sheet balances of these operations in the Group, the calculation of the indicators relating the performance of the profit and loss account to the balance sheet items was not adjusted, with the exception of net interest margin, that reflects the fact that the assets of those subsidiaries were no longer considered interest earning assets in the period under analysis. The purchase price received may be adjusted positively or negatively in the future, according to typical adjustments in this kind of transactions, including the variation of the equity in the completion date, and the ones that may result from the variation of stocks and/or flows of assets under management, in pre-determined dates and specified portfolios. In the first half of 2022, income arising from discontinued operations essentially reflect a partial adjustment in that context.

RESULTS

The consolidated **net income** of Millennium bcp amounted to 74.5 million euros in the first six months of 2022, compared to 12.3 million euros posted in the same period of the previous year. In this evolution it is important to highlight the significant increase in the contribution from the activity in Portugal, despite its impact had been largely absorbed by the reduction in the net income of the international activity. In this sense, it should be mentioned that the result of the international activity and consequently the result of the Group were heavily penalized by the recognition, in the first half of the year, of impairments in the amount of 102.3 million euros, concerning to the total goodwill associated with the Group's stake in Bank Millennium S.A. in Poland. Notwithstanding the good operating performance of Bank Millennium S.A., the uncertainty associated with the material impacts arising from new legislative measures, led the Bank to consider the total impairment of the current goodwill associated with the acquisition by the BCP Group of the current percentage of control over Bank Millennium S.A. in the amount of 102.3 million euros as at 30 June 2022. In addition, it should be said that, despite the solid operational performance of the Polish subsidiary, the results of the Group continue to be strongly influenced by the activity of this subsidiary, in particular with regard to the increase in the costs incurred with mandatory contributions, which increased, from 51.8[1] million euros in the first half of 2021, to 116.7[1] million euros in the first six months of the current year, as well as the increase in the costs associated with the foreign exchange mortgage portfolio, the aggregate amount of which increased from 234.3[1] million euros, to 257.8[1] million euros in the same period.

On the other hand, the evolution of net income of the Group was influenced by the recognition in the first half of the previous year of an extraordinary provision in staff costs in the activity in Portugal, to face the costs of the headcount adjustment plan, carried out by the Bank that year, in the amount of 81.4[1] million euros.

The performance of the net income of the Group benefited mainly from the favourable evolution of core income, which stood 22.7% above the 1,118.7 million euros accounted in the first half of 2021, reaching 1,372.7 million euros in the first six months of the current year, mainly due to the increase in net interest income. The Polish subsidiary has contributed decisively to this evolution, driven by successive increases in the reference interest rates of the National Bank of Poland that have been taking place since the last months of 2021, ending the period of interest rates close to zero that had been set by the National Bank of Poland since the initial phase of the pandemic and which had been penalizing the net interest income of the subsidiary. Net commissions, in turn, also increased from the amount posted in the same period of the previous year, mainly benefiting from the performance of the activity in Portugal, largely reflecting the progressive normalisation of the economic activity. At the same time, and despite in a smaller size, the income from dividends from equity instruments and equity accounted earnings also contributed favorably to the evolution of the consolidated results of the Group, mainly due to the performance of the activity in Portugal.

[1] Before taxes and in the case of Bank Millennium S.A, before minority interests.

Conversely, other impairment and provisions negatively influenced the evolution of the consolidated results of the Group, due to the recognition of the above-mentioned impairment related to the totality of the goodwill associated with the Group's stake in Bank Millennium S.A. It should be mentioned that although the additional provisions to address the foreign exchange mortgage legal risk booked by the Polish subsidiary still represent the largest share of the total costs associated to this credits, strongly penalizing the results of the Group, the amount recognized in the first half of 2022 was below the amount accounted in the same period of the previous year. At the same time, the results of the Group were penalised by the evolution of other net operating income, mainly reflecting the increase in mandatory contributions incurred by the Polish subsidiary. The increase in the mandatory contributions of the subsidiary mainly reflects the contribution to the newly established Institutional Protection Scheme (IPS) in the amount of 54.3 million euros, the aim of which is to ensure the stability of the local financial system by ensuring the liquidity and solvency of the member banks, serving simultaneously to support situations of forced restructuring, carried out by the Bank Guarantee Fund in banks that are public companies. Additionally, the result of the Group was also influenced by the drop in net trading income, mainly reflecting the significant increase in costs with the agreements concluded by the Polish subsidiary with customers holding foreign exchange mortgages, in order to convert those credits to local currency or their early repayment (total or partially), mainly recognised under this heading. Finally, mention should be made to the increase in loans impairment charges, net of recoveries reflecting the performance of both the activity in Portugal and international activity and the increase in other administrative costs and depreciations, determined by the international activity, reflecting in part, inflationary pressures and the labour market situation in recent months.

Following the agreement entered into on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA, completed in the fourth quarter of 2021, the contribution of this subsidiary to the consolidated results of the Group in the amount of 3.3 million euros in the first half of 2021, is reflected as income from discontinued operations in the international activity in order to ensure its comparability, as defined in the IFRS5. On the other hand, following the sale, at the end of 2021, of the of 70% of the investment held in Seguradora Internacional de Moçambique, S.A. ("SIM"), through its subsidiary BIM - Banco Internacional de Moçambique S.A., the contribution of this subsidiary to the consolidated results of the Group, in the first half of 2021, in the amount of 3.1 million euros, was restated, being reflected as income from discontinued operations in the international activity, as defined in the IFRS 5 in order to ensure its comparability. In the first half of 2022, the same item totaled 1.5 million euros, mainly including the sale price adjustment of Banque Privée, according to previously agreed conditions[2].

Consolidated core operating profit amounted to 856.5 million euros at the end of June 2022, showing a significant increase of 62.0% from the 528.6 million euros reached in the first half of 2021, reflecting, on one hand the increase in core income and on the other, the reduction in operating costs (excluding specific items[3], the increase in core operating profit was 40.0%).

In the activity in Portugal, net income showed a very expressive growth from the 45.1 million euros achieved in the first half of 2021, amounting to 174.5 million euros in the first half of the current year. For this significant increase in net income in the activity in Portugal, contributed on one hand the increase in core income, reflecting the positive performance showed by both net interest income and by net commissions and on the other hand the reduction in staff costs, mainly reflecting the recognition, in the first half of 2021, of a provision in the amount of 81.4 million euros to adress the costs of the headcount adjustment plan that the Bank carried out that year. Beside the aforementioned impacts, net income of the activity in Portugal also benefited, even in a smaller dimension, from the favorable evolution of other impairment and provisions as well as of dividends from equity instruments and of the equity accounted earnings.

2 The purchase price received may be adjusted positively or negatively in the future, according to typical adjustments in this kind of transactions, including the variation of the equity in the completion date, and the ones that may result from the variation of stocks and/or flows of assets under management, in pre-determined dates and specified portfolios.

3 Negative impact of 5.7 million euros in the first half of 2022 and 87.2 million euros in the first half of 2021, fully recognized as staff costs in the activity in Portugal, in both periods. In the first half of 2022, specific items mainly include the distribution of the Bank's 2021 results by the employees of the Bank, as compensation for the temporary reduction of remuneration. In the first half of 2021, specific items are mainly related with a provision booked to cover the costs related to the current adjustment of headcount carried out by the Bank that year, in the amount of 81.4 million euros.

Conversely, the evolution of net income of the activity in Portugal was influenced by the higher levels of loans impairment (net of recoveries) and by the reduction in net trading income. The evolution of the net income of the activity in Portugal was also influenced, although in a smaller scale, by a slight increase in other administrative costs on the one hand and by the reduction in other net operating income on the other.

It should be noted that the expansion of core income, along with the reduction in operating costs, contributed to a growth of 54.9% of core operating profit in the activity in Portugal, which increased from 267.2 million euros in the first half of 2021 to 413.9 million euros in the first six months of 2022. Excluding the impact of specific items[3], the core operating profit of the activity in Portugal totaled 419.6 million euros in the first half of 2022, standing 18.4% above the 354.4 million euros achieved in the same period of 2021.

In the international activity, net income evolved from a negative amount of 32.9 million euros in the first half of 2021 to an also negative amount of 100.0 million euros in the first six months of 2022. This evolution was determined by the recognition of the already mentioned provision, in the first half of 2022, for the goodwill of Bank Millennium S.A. in Poland, amounting to 102.3 million euros. It should be noted that, excluding that provision, net income of the international activity improved significantly from the first half of 2021, due to the performance of the generality of the operations abroad, reflecting a marginally positive contribution in the first half of 2022.

In this sense, we must mention the contribution of the Polish subsidiary, which was heavily influenced by the increase in net interest income, that more than offset the increase in the costs with mandatory contributions, in particular as regards the contribution to the newly created International Protection Scheme (IPS), together with the costs associated with mortgage loans granted in exchange currency.

At the same time, although with less expression, the contribution of Millennium bim in Mozambique to the result of the international activity was also higher than at the end of the first half of 2021, influenced in part by the exchange rate evolution of the Metical against the euro. As for Angola, its contribution to net income from the international activity in the first half of 2022 was negative by 2.2 million euros, compared to an also negative amount of 4.9 million euros in the same period of the previous year. This evolution was strongly influenced by the recognition of a provision in the first half of 2021, in the amount of 3.2 million euros reflecting the risks associated with the context in which the Angolan operation develops its activity.

Core operating profit in the international activity grew 69.3%, from 261.4 million euros in the first half of 2021 to 442.6 million euros in the first six months of 2022.

Net interest income reached 985.2 million euros in the first half of 2022, showing a significant growth of 28.6% compared to the 765.8 million euros posted in the same period of the previous year. This evolution was driven by a general improvement in net interest income in the multiple geographies in which the Bank operates, highlighting the growth achieved by the Polish subsidiary, exceeding 50%.

In the activity in Portugal, net interest income showed a 5.2% growth from the 409.3 million euros achieved at the end of the first half of 2021, reaching 430.5 million euros in the first six months of 2022. This performance of net interest income largely reflects the favorable evolution of the commercial business. In this sense, mention should be made to the increase in the income generated by the loan portfolio, particularly relevant in the adverse macroeconomic and geopolitical context in which it occurs. Despite the historically low levels of interest rates, penalizing the performance of net interest income in the activity in Portugal, it should be noted that the recent increases in interest rates will have an impact in the income generate by performing loans portfolio, boosted by the increase in credit volumes . On the other hand, the strict reduction plan in the volume of non-performing loans (NPE portfolio), arising from the divestment strategy in this type of assets carried out by the Bank in recent years, had, as a side effect, a negative impact on net interest income in the activity in Portugal. In addition, it is important to mention the positive contribution of customer funds to the evolution of net interest income, still reflecting the downward trend in the remuneration of the deposit portfolio observed in this period, despite the fact that there has been an increase in the average balance of customer deposits, resulting from the higher level of savings of individuals in recent quarters.

On the other hand, we must point out the significant increase in costs incurred by the Bank with the excess liquidity deposited at the Bank of Portugal. At the same time, there was a marginally positive impact resulting from the positive impact from the additional funding obtained from the European Central Bank, following the Bank's decision to increase its participation in the new targeted longer-term refinancing operation (TLTRO III) to 8,150 million euros in March 2021, with a remuneration based on a more favourable negative interest rate to incentivize lending to the economy.

On the other hand, it is also worth mentioning the higher contribution to the evolution of net interest income in the activity in Portugal, of the increase in the income generated by the sovereign debt portfolio compared to the amount recognized in the first half of 2021, as well as the reduction in the costs incurred with subordinated debt issue reflecting on one hand, the maturity of some debt issues in the period under analysis, and on the other the lower cost of financing for the issue carried out in November 2021.

Conversely, costs incurred with the remaining debt issued were higher than in the first half of 2021. This evolution resulted, on the one hand, from the execution of a senior preferred issue amounting to 500 million euros in February 2021 and, on the other hand, from a new issue of preferred senior social debt securities, also in the amount of 500 million euros, placed under the Bank's Euro Note Programme, at the end of the third quarter of 2021, with both issues aiming to comply with the requirements known as "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities).

In the international activity, net interest income showed a significant growth of 55.6% from the 356.5 million euros accounted in the first half of 2021, amounting to 554.7 million euros in the first six months of the current year. The Polish subsidiary was the main responsible for this evolution, despite net interest income in the subsidiary in Mozambique also showing a very favorable performance still, with a smaller impact.

In the Polish subsidiary, net interest income, was driven by successive increases in the reference interest rates that have been taking place since the last months of 2021, ending the period of interest rates close to zero that had been set by the National Bank of Poland since the initial phase of the pandemic and which had been penalizing the net interest income of the subsidiary. The impact of these interest rate increases was mainly felt on the interest margin of loans to customers, which played a decisive role in the favourable evolution of the net interest income of the subsidiary.

In consolidated terms, net interest margin stood at 2.29% in the first half of 2022, up from 1.91% in the same period a year earlier, driven by the performance of the international activity.

In the activity in Portugal, net interest margin went from 1.46% in the first half of 2021, to 1.41% in the same period of 2022, reflecting essentialy the use of guarantees for credit risk mitigation, with the consequent impact in the interest rates. The loss of income associated with the reduction of the NPE portfolio and the context of negative interest rates that was still verified have also contributed to the decrease in the net interest margin of the activity in Portugal.

In the international activity, net interest margin showed a very favourable evolution, increasing from 2.96% in the first half of 2021, to 4.44% in the same period of the current year, mainly reflecting the reversal of the evolution trend of the reference interest rates set by the National Bank of Poland, which after a period of sharp reduction has recorded successive increases since the last quarter of 2021.

Equity accounted earnings together with **dividends from equity instruments**, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, totalled 45.7 million euros in the first half of 2022, above the 30.0 million euros recorded in the same period of the previous year, mainly reflecting the favorable performance of the activity in Portugal.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments stood at 46.3 million euros, that compares to 31.1 million euros posted in the same period of 2021. This evolution benefited mostly from the increase in the income associated with investments that are part of the shares portolio of the activity in Portugal, which amounted to 12.2 million euros in the first half of 2022, compared to 0.1 million euros in the same period of 2021. At the same time, equity accounted earnings also contributed to the favourable evolution of this aggregate, namely through the increase in income generated by the participation in Unicre.

In the international activity, the evolution of equity accounted earnings together with the income of dividends from equity instruments was driven by the appropriation of the results generated by Seguradora Internacional de Moçambique, S.A. (“SIM”), in the amount of 0.9 million euros, following the sale at the end of 2021 by BIM – Banco Internacional de Moçambique, S.A. ("BIM") to Fidelidade – Companhia de Seguros, S.A., of 70% of SIM's share capital and voting rights, keeping BIM approximately 22% of its share capital. The results generated by Banco Millennium Atlântico in Angola, by its turn, were marginally lower than those recorded in the first half of 2021, reflecting the impacts caused by the weaknesses of the local economy.

In the first half of 2022, **net commissions**[4] showed a 9.8% growth from the 352.9 million euros recorded in the first six months of 2021, reaching 387.6 million euros in the same period of the current year. The favourable performance of net commissions, in the period under analisys, ocurred in both the international activity and above all in the activity in Portugal.

In consolidated terms, there was a general improvement in the multiple types of commissions, largely reflecting the progressive normalisation of the economic activity. Banking commissions showed a favourable evolution in both the activity in Portugal and the international activity, while the growth of market related commissions was due to the performance of the activity in Portugal, which impact was partially offset by the lower contribution of the international activity in this type of commissions.

In the activity in Portugal, net commissions grew 12.1% from the 247.3 million euros recorded in the first half of 2021, amounting to 277.2 million euros at the end of the first half of the current year, reflecting the progressive normalisation of economic activity. The evolution of net commissions in the activity in Portugal benefited from the performance of both commissions related to the banking business, which showed an increase of 11.7%, and commissions related to financial markets, which were 14.3% above the amount recorded in the first six months of 2021.

Commissions related to the banking business, in the activity in Portugal, amounted to 233.4 million euros in the first half of 2022, representing a growth of 24.5 million euros from the 208.9 million euros recorded in the same period of 2021. Despite of the overall favourable performance of the commissions related to the banking business, it is important to highlight the performance of commissions related to cards and transfers, with the latter almost doubling the amount posted in the same period of the previous year, largely reflecting the impact of normalisation of economic activity, including the recovery of post-pandemic transactional levels. Additionally, should also be mentioned the contribution of management and maintenance of accounts commissions to the evolution of banking commissions, mainly due to the dynamics of new customer acquisition and by the proper management of value

[4] During 2021, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts related to the first half of 2021 of such items are presented considering these reclassifications with the purpose of ensuring their comparability. Except for the impacts produced by the restatement of the contribution of the subsidiary in Mozambique following the sale at the end of 2021, from the stake that the subsidiary had in SIM, the total amount of net commissions disclosed in previous periods remains unchanged compared to those published in the first half of 2021.

propositions.

Market-related commissions in the activity in Portugal, in turn, were 5.5 million euros (14.3%) higher then in the first six months of 2021, totalling 43.8 million euros at the end of the first half of 2022. This evolution reflects, on the one hand, the favorable performance of commissions associated with securities transactions, in particular with regard stock exchange transactions and, on the other, the growth of commissions associated with asset management and distribution, arising both from the third-party investment funds distribution activity and from portfolio management fees.

In the international activity, net commissions increased by 4.4% compared to 105.7 million euros posted in the first half of 2021, reaching 110.4 million euros at the end of June 2022. This evolution was due to the performance of the subsidiary in Mozambique, despite net commissions in the Polish subsidiary also evolved in a favorable way, albeit with less expression. The performance of net commissions in the international activity mainly reflects the growth of commissions related to the banking business, both in the Polish subsidiary and in the subsidiary in Mozambique, partially offset by the reduction in commissions related to the markets, mainly in the Polish subsidiary.

NET COMMISSIONS

Euro million

	6M22	6M21 (restated)	Chg 22/21
Banking commissions	332.7	299.1	11.2%
Cards and transfers	106.4	83.5	27.4%
Credit and guarantees	77.1	76.4	1.0%
Bancassurance	59.6	58.9	1.3%
Management and maintenance of accounts	82.0	74.0	10.7%
Other commissions	7.5	6.3	19.4%
Market related commissions	54.9	53.8	2.0%
Securities	19.7	17.9	10.4%
Asset management and distribution	35.2	35.9	-2.2%
NET COMMISSIONS	**387.6**	**352.9**	**9.8%**
Of which:			
Activity in Portugal	277.2	247.3	12.1%
International activity	110.4	105.7	4.4%

In the first six months of 2022, **net trading income** stood at 42.2 million euros, a significant reduction from the 80.3 million euros reached in the same period of the previous year, reflecting the performance of both the activity in Portugal and above all the international activity.

Net trading income, in the activity in Portugal, stood at 59.8 million euros in the first half of 2022, a 12.1% decrease from the 68.0 million euros recorded in the first half of 2021. The lower gains recognized in sovereign debt in the first six months of 2022, comparedt to the same period of 2021, were the main contributor to this evolution. Conversely, the evolution of net trading income benefited from the income recognized in the first half of 2022 arising from the revaluation of corporate restructuring funds contrasting to the losses that had been reflected in the profit and loss account for the first six months of 2021. Also the income recognized in the first half of 2022 with the sale of credits contrasts with the costs accounted in the same period of 2021, contributing favourably to the evolution of net trading income in the activity in Portugal.

In the international activity, net trading income went from a positive amount of 12.3 million euros in the first half of 2021, to a negative amount of 17.6 million euros in the first six months of 2022. This evolution was mainly due to the performance of the Polish subsidiary, which was strongly influenced by the impact of the costs incurred in converting mortgage loans granted into Swiss francs, following the agreements closed in the meantime with customers holding those credits, which more than doubled the 15.6 million euros recognised in the first half of 2021, amounting to 49.3 million euros in the same period of the current year. On the other hand, in the operation in Mozambique, net trading income showed a significant growth, although with a less material impact, mainly due to the increase in profits from foreign exchange operations, enhanced by the exchange evolution of the Metical against euro.

Other net operating income which, among others, includes the costs associated with the resolution and the deposit guarantee funds as well as with the other mandatory contributions, both in the activity in Portugal and in the international activity.

In the first half of 2022, other net operating income stood at a negative amount of 177.2 million euros, compared to an also negative amount of 112.4 million euros posted in the same period of the previous year. This evolution mainly reflects the performance of the international activity, since the change recorded in the activity in Portugal does not seem materially relevant.

In the activity in Portugal, other net operating income reached a negative amount of 72.0 million euros in the first half of 2022, in line with the also negative amount of 71.3 million euros recorded in the first half of 2021. Although overall the other net operating income remains similar to that observed in the same period of the previous year, this evolution stems from different dynamics with regard to its components. In this sense, it should be noted the significant increase in the gains recognized from the sale of non-current assets held for sale, despite the impact being fully absorbed by the increase of 11.3 million euros recorded in the costs incurred with mandatory contributions, which increased from 77.2 million euros in the first half of 2021 to 88.5 million euros in the first six months of 2022. It should be noted that, in the activity in Portugal, of the total amount of costs recognised with mandatory contributions in the first half of 2022, 62.2 million euros refer to contributions for national entities (56.2 million euros in the first six months of 2021).

In the international activity, other net operating income evolved from a negative amount of 41.1 million euros in the first half of 2021, to an also negative amount of 105.2 million euros in the first six months of 2022. This evolution is mainly influenced by the performance of the Polish subsidiary, mainly reflecting the increase in costs with mandatory contributions to which the operation is subject, in 64.9 million euros, from 51.8 million euros in the first half of 2021, to 116.7 million euros in the same period of 2022. In this context, we must point out the contribution of 54.3 million euros in the first half of 2022, to the new Institutional Protection Scheme (IPS), aiming to ensure the stability of the local financial system by ensuring the liquidity and solvency of the member banks, while serving to support situations of forced restructuring carried out by the Bank Guarantee Fund in banks that are public companies. Thus, the Bank, together with the other participating financial institutions, created a company that, in turn, constituted an "aid fund" to which each bank will contribute with the equivalent of 0.4% of its deposits covered by the local Deposit Guarantee Fund. On the other hand, following the creation of this new contribution, in 2022 Bank Millennium will only bear the costs with the deposit guarantee fund for the first quarter of the year, which arose at 8.0 million euros, at a level similar to the amount recognised in the first half of the previous year. On the other hand, other net operating income benefit from the income to be reimbursed from a third party, related to foreign exchange mortgage legal risk, following the contract of acquisition of Euro Bank S.A., since it was higher than the 16.4 million euros in the first half of 2021, totalling 20.7 million euros in the same period of the current year. In the subsidiary in Mozambique, other net operating income, although in a smaller size, recorded a favorable evolution compared to the first half of 2021, boosted by the exchange rate evolution of the Metical against the euro.

Operating costs, not considering the effect of specific items[5], totaled 510.5 million euros in the first six months of 2022, standing 1.5% above the 502.9 million euros recorded in the same period of the previous year. This evolution partly reflects the rise in inflation, across all geographies in which the Bank operates, with the most significant impact on international activity, namely in the Polish subsidiary.

In this sense, it should be noted that the performance of the operating costs of the Group, excluding specific items[5], was determined by the increase in the international activity, especially regarding staff costs and other administrative costs, that fully offset the savings achieved in the activity in Portugal, resulting from the reduction in staff costs.

In the activity in Portugal, operating costs, not considering the effect of the specific items[5], showed a 4.6% reduction from the 302.2 million euros posted in the first half of 2021, amounting to 288.2 million euros in the same period of 2022. The specific items recognized in the first half of 2022, mainly relate to the distribution of part of the 2021 results by the Bank's employees, as compensation for the temporary reduction of remuneration in the period 2014/2017, as proposed at the General Meeting of Banco Comercial Português, S.A., held on May 4, 2022. In the first half of 2021, the specific items are mainly related to the recognition of a provision, in the amount of 81.4 million euros, to face the costs arising from the headcount adjustment, which the Bank carried out that year.

In this context, it should be noted that the favorable evolution of operating costs in the activity in Portugal, excluding specific items[5], was due to the savings in staff costs, resulting from the implementation of the aforementioned headcount adjustment plan that the Bank carried out in 2021. For the evolution of operating costs, a slight increase in other administrative costs also contributed, while depreciations remained in line with the amount accounted in the first half of 2021.

In the international activity, operating costs totaled 222.4 million euros at the end of the first half of 2022, standing 10.8% above the 200.7 million euros accounted in the same period of the previous year, reflecting, in part, the inflationary increases recorded in recent months in the geographies where the Group operates. In this sense, the evolution of operating costs in the international activity stemmed from the performance of both the Polish subsidiary and the subsidiary in Mozambique, in the latter case, also strongly penalized by the exchange rate evolution of the Metical against the euro.

In consolidated terms, despite the slightly increase in operating costs, excluding specific items[5], compared to the amount recorded in the first half of 2021, the favorable evolution of both net operating revenues and core income allowed a significant improvement in the cost to income and cost to core income ratios, which excluding specific items, evolved, respectively, from 45.0% in the first half of 2021 to 39.8% in the first half of 2022, and from 45.0% to 37.2% in the same period. Cost to income and cost to core income stated ratios evolved, respectively, from 52.8% to 40.2% and from 52.7% to 37.6% in the same period.

Staff costs, not considering the effect of specific items (5.7 million euros in the first half of 2022 and 87.2 million euros in the first half of 2021), totaled 278.5 million euros in the first six months of 2022, showing a 2.5% reduction from 285.6 million euros accounted in the same period of 2021. This evolution benefited from the favourable performance of the activity in Portugal, although its impact was partially absorbed by the increase in staff costs in the international activity. The specific items previously mentioned were, in both periods, fully recognized in the activity in Portugal. The distribution of part of the Bank's 2021 results by the employees of the Bank, as approved at the General Meeting of Banco Comercial Portuguese, S.A., held on May 4, 2022, represents almost all of the specific

[5] Specific items: negative impact of 5.7 million euros in the first half of 2022 and 87.2 million euros in the first half of 2021, fully recognized as staff costs in the activity in Portugal.

items recognized in the first half of 2022. In the first half of 2021, specific items amounted to 87.2 million euros, mainly related to a provision in the amount of 81.4 million euros, booked to cover the costs related to the adjustment of headcount, carried out by the Bank that year.

In the activity in Portugal, staff costs, excluding the impact of specific items (5.7 million euros in the first half of 2022 and 87.2 million euros in the first half of 2021), showed a reduction of 9.5% compared to the 176.8 million euros posted in the first half of 2021, amounting to 160.0 million euros in the same period of the current year. This favorable evolution in staff costs, excluding specific items, reflects mainly the reduction, in net terms, in the number of employees, that went from 6,937 employees as at 30 June 2021, to 6,254 employees at the end of June 2022. The reduction in the number of employees mainly reflects the impact arising from the implementation of the headcount adjustment plan that the Bank carried out in 2021. It should be noted that the Bank continued to acquire the required capabilities to meet current needs by hiring new employees with specific digital and new technologies skills. Costs arising from the headcount adjustment were recognised as specific items in the first half of 2021, mostly including the already mentioned provision in the amount of 81.4 million euros.

In the international activity, staff costs amounted to 118.5 million euros in the first half of 2022, standing 8.9% above the 108.8 million euros recorded in the same period of 2021, due to the performance of both the Polish subsidiary and the subsidiary in Mozambique.

In the Polish subsidiary, the evolution of staff costs continued to be determined by the strong pressure on basic wages, resulting both from rising levels of inflation and from the characteristics of the Polish labour market, in particular from the very low unemployment rates verified in the country. In this sense, as a way of retaining and motivating employees, the amounts allocated to the bonus paid to employees were also higher than in the first half of 2021. Conversely, resulting from the need to accelerate efficiency improvement within the challenging context that the subsidiary has been facing, the evolution of staff costs at the Polish subsidiary also reflects the impact of the reduction in the total number of employees that went from 7,286 employees (7,148 FTE - full time equivalent) as of 30 of June 2021, to 6,871 employees (6,735 FTE – full-time equivalent) at the end of June 2022.

In the operation in Mozambique, in turn, despite a reduction of 72 employees in the staff, from 2,611 employees on 30 June 2021, to 2,539 in the same date of 2022, this reduction was due to the sale, at the end of 2021, by BIM - Banco Internacional de Moçambique of 70% of the share capital of SIM, becoming a minority shareholder with a stake of 22%. Excluding the 150 employees that at the end of the first half of 2021 belonged to SIM, the staff of the Mozambican operation increased by 78 employees, which together with the salary update and with the exchange rate evolution of the Metical against the euro, justified the increase in total staff costs compared to the same half of the previous year. It should be noted that, following the sale of SIM at the end of 2021, the historical amounts of this operation, related to the first half of 2021, were restated, being classified as discontinued operations, in accordance with IFRS 5, in order to ensure the comparability of the information.

As of June 30, 2022, the staff of the international activity, was composed by 9,413 employees, 571 fewer than the 9,984 employees existing on the same date of the previous year. Bank Millennium in Poland was the principal responsible for this evolution, showing a reduction of 415 employees in the period under analysis. The subsidiary in Mozambique, in turn, ended the first half of 2022 with 72 fewer employees than in the same half of the previous year, with this variation being strongly influenced by the impact of the sale of SIM, whose staff as of June 30, 2021, was composed of 150 employees. Additionally, the evolution of the number of employees related to international activity also reflects the impact of the disposal of the entire share capital of Banque Privée BCP (Suisse), which occurred at the end of 2021, with 83 employees allocated to this subsidiary, as of June 30, 2021. Although the sale of this subsidiary only occurred at the end of 2021, its contribution to the Group's consolidated results in the first half of 2021 was accounted for as a result of discontinued operations following the agreement concluded on June 29, 2021 with Union Bancaire Privée, UBP S.A., as provided for in IFRS 5.

Other administrative costs totaled 162.6 million euros in the first half of 2022, a 9.1% growth from the 149.0 million euros posted in the same period of the previous year, reflecting, in part, the general increase of inflation. This evolution was mainly driven by the performance of the international activity, despite other administrative costs in the activity in Portugal being slightly higher than those recorded in the first half of 2021.

In the first six months of 2022, other administrative costs in the activity in Portugal amounted to 88.4 million euros, 3.5% above the 85.4 million euros recorded in the same period of the previous year. To this performance mainly contributed the increase in costs related to water, energy and fuels, mainly reflecting the increased cost of energy, but also the progressive return of employees to the Bank's facilities after the various periods of lockdown imposed by the pandemic associated with COVID-19. At the same time, there was also an increase in the costs associated with information technology, namely for the maintenance of hardware and software, resulting from the greater investment by the Bank in technology and cybersecurity. On the other hand, the gradual recovery of economic activity, influenced by the favorable evolution of the pandemic, was reflected in other administrative costs in different ways. In this sense, it is highlighted, on the one hand, the increase in costs with advertising, transport and travel, hotel and representations, and on the other hand, the savings obtained in other headings, such as other supplies and services, namely cleaning of office buildings and costs with communications. At the same time, the Bank has continued to implement a series of measures to maintain disciplined cost management, including the resizing of its branch network in the activity in Portugal, which decreased from 458 on 30 June 30, 2021, to 415 at the end of June 2022, with widespread impact on the several headings of other administrative costs.

In the international activity, other administrative costs amounted to 74.2 million euros in the first half of 2022, standing 16.7% above the 63.6 million euros posted in the same period of the previous year. This evolution was due to the performance of both the Polish subsidiary, reflecting mainly the increase in legal advice costs associated with foreign exchange mortgage loan portfolio, and the subsidiary in Mozambique, penalized, above all, by the evolution of the Metical against the euro. On the other hand, the performance of other administrative costs, in the international activity, continues to benefit from the synergies achieved as a result of the optimisation of its branch network, in particular the reduction in the Polish subsidiary, whose number decreased from the 676 branches existing as of 30 June 2021, to 635 branches at the end of June 2022. The Mozambique subsidiary, in turn, ended the first half of 2022 with 197 branches, two less than on the same date a year earlier.

Depreciations amounted to 69.5 million euros in the first six months of 2022, standing 1.7% above the 68.3 million euros posted in the same period of the previous year. This evolution was determined by the international activity since in the activity in Portugal, depreciations remained aligned with the amount recorded in the first half of 2021.

Although, globally, depreciations in the activity in Portugal remained stable compared to the first half of 2021 (-0.6%), totaling 39.8 million euros in the first six months of 2022, it should be noted that there has been an increase in depreciations stemming from software investment over the last few years, although its impact was more than offset by the reduction in depreciation associated with computer equipment. The strengthening of investment in software highlights the Bank's commitment to the ongoing digital transformation process and the constant focus on technological innovation, particularly relevant in the context of the pandemic that has been experienced in recent times.

In the international activity, depreciations amounted to 29.7 million euros in the first half of 2022, standing 4.9% above the 28.3 million euros recorded in the same period of 2021. This evolution was mainly due to the performance of the subsidiary in Mozambique, reflecting the exchange rate evolution of Metical against the euro, since in local currency the amount of depreciations in this subsidiary remained at a similar level to that observed in the first half of 2021.

OPERATING COSTS (1)

Euro million

	6M22	6M21 (restated)	Chg. 22/21
Staff costs	278.5	285.6	-2.5%
Other administrative costs	162.6	149.0	9.1%
Depreciations	69.5	68.3	1.7%
OPERATING COSTS	**510.5**	**502.9**	**1.5%**
Of which:			
Activity in Portugal	288.2	302.2	-4.6%
International activity	222.4	200.7	10.8%
Cost to core income of the Group	37.2%	45.0%	
Cost to income of the Group	39.8%	45.0%	

(1) Excludes the impact of specific items.

In the first half of 2022, **impairment for loan losses** (net of recoveries) totaled 179.4 million euros, showing a 14.3% increase from the 156.9 million euros accounted in the same period of 2021, reflecting both the performance of the activity in Portugal and the international activity.

In the activity in Portugal, loans impairment charges (net of recoveries) amounted to 139.5 million euros at the end of the first half of 2022, being 9.8% above the 127.0 million euros recognized in the first six months of 2021. This evolution was influenced by the extraordinary, unanticipated positive impacts associated with the activity of an individual client that led to lower loans impairment charges in the first half of 2021, that more than offset the addittional impairments recognized in that period.

In the international activity, impairment charges (net of recoveries), stood 33.5% above the 29.9 million euros recognized in the first half of 2021, amounting to 40.0 million euros at the end of the first half of 2022, driven by the higher level of provisioning required by both the Polish and the Mozambican subsidiaries. It should be noted, however, that the evolution of impairment for loan losses in the Mozambican operation was influenced by the reversal, in the first half of 2021, of the impairment associated with an individual client, motivated by the assets received as payment in kind.

The evolution of impairment for loan losses (net of recoveries) in consolidated terms led the cost of risk of the Group to evolve from the 55 basis points in the first half of 2021, to 61 basis points in the same period of 2022. In the activity in Portugal the cost of risk (net of recoveries) went from 64 basis points in the first half of 2021, to 69 basis points in the same period of the current year. In the international activity, the cost of risk (net of recoveries) also increased from 33 basis points in the first half of 2021, to 44 basis points in the same period of the current year.

Excluding the extraordinary impacts mentioned above (one-off reversals), both in the activity in Portugal and in the subsidiary in Mozambique, the cost of risk of the Group and of the activity in Portugal, at the end of the first half of 2021, would be 68 basis points and 81 basis points, respectively.

Other impairments and provisions totaled 371.9 million euros in the first six months of 2022, standing 22.0% above the 304.8 million euros recorded in the same period of 2021, strongly influenced by the recognition in June 2022, of impairments of the goodwill of the Polish subsidiary. Notwithstanding the good operating performance of Bank Millennium S.A., the expected effect that the increase in reference interest rates has on the prospective evolution of net interest income and the fact that Bank Millennium S.A. continues to assess that the goodwill associated with the consumer credit business acquired from Euro Bank S.A. as recoverable, given the sensitivity of the estimated value to the main assumptions considered and the uncertainty associated with the material impacts on the Business Plan and projections arising from potential legislative measures, the Bank has considered the total impairment of the current goodwill associated with the acquisition by the BCP Group of the current percentage of control over Bank Millennium S.A. in the amount of 102.3 million euros as at 30 June 2022.

In the activity in Portugal, other impairments and provisions showed a favourable evolution, from 68.6 million euros in the first half of 2021, to 51.0 million euros in the first half of 2022, mainly reflecting the reduction in provisions for other risks.

In the international activity, other impairment and provisions amounted to 320.9 million euros at the end of the first half of 2022, showing a 35.9% growth from the 236.2 million euros posted in the same period of the previous year. This evolution reflects the recognition of the impairment to the goodwill associated with the Group's participation in Bank Millennium S.A., as previously mentioned.

On the other hand, despite continuing to strongly penalise the result of the Polish subsidiary, the reinforcement of the extraordinary provision, booked to address the foreign exchange mortgage legal risk, evolved favourably from the 230.6 million euros recognized in the first half of 2021, to 218.8 million euros in the same period of the current year. It should be noted that the impact of these provisions has been partially offset in both periods by the recognition of income, reflected under the heading of other net operating income, corresponding to the amount to be received from a third party, following the indemnity and contractual guarantees clauses foreseen in the agreement established for the purchase of Euro Bank S.A. (20.7 million euros in the first half of 2022 and 16.4 million euros in the first half of 2021).

The evolution of other impairments and provisions in the international activity was also influenced by the recognition, in the first half of 2021, of impairments, in the amount of 3.2 million euros for the investment in the participation in Banco Millennium Atlântico (including goodwill), in order to cover the risks inherent to the context in which the Angolan operation operates (non-existent in the first half of 2022). The subsidiary in Mozambique, in turn, showed a reduction compared to the 2.3 million euros that had been recognized in the first half of 2021, assuming a residual amount in the same period of 2022.

Income tax (current and deferred) amounted to 155.8 million euros in the first half of 2022, which compares to 101.9 million euros obtained in the same period of the previous year.

The recognized taxes include, in the first six months of 2022, current tax of 44.9 million euros (49.3 million euros in the first half of 2021) and deferred tax of 110.8 million euros (52.6 million euros in the first half of 2021).

Current tax expenses in the first half of 2022 were strongly influenced by provisions for legal risks related to the portfolio of foreign exchange mortgage loans and by mandatory contributions to the banking sector, both of them non-deductible for tax purposes at the level of the Polish subsidiary.

Deferred tax expenses in the first half of 2022 mainly result from the income of the period of the activity in Portugal and are influenced by some mandatory contributions to the banking sector in Portugal non-deductible for tax purposes.

The Group income before tax includes the expense of 102.3 million euros related to the impairment of the goodwill of the Polish subsidiary, which has no impact on current and deferred taxes.

BALANCE SHEET

Total assets of the consolidated balance sheet of Millennium bcp amounted to 96,074 million euros as of 30 June 2022, showing an increase of 5.2% from the 91,365 million euros posted on the same date in the previous year. This growth was mainly driven by the performance of the activity in Portugal, since the evolution of assets in the international activity recorded a slight decrease.

In the activity in Portugal, total assets showed a 7.8% growth compared to the 64,631 million euros recorded on 30 June 2021, totaling 69,695 million euros at the same date of 2022. This increase is explained by the growth of deposits at central banks, loans to customers portfolio (net of impairment) and other assets (increase in collateral associated with derivatives clearing/clearing houses). Inversely, the most significant reduction was in securities portfolio, mainly due to the divestment in Portuguese public debt and in non-current assets held for sale, in particular the portfolio of real estate properties received as payment, although in a smaller magnitude in the latter case.

In the international activity, total assets amounted to 26,379 million euros at the end of June 2022, recording a slight decrease of 1.3% comparing to the same period in the previous year (26,734 million euros recorded in the same date in the previous year). As far as the evolution of the balance sheet items is concerned, there was an increase of the deposits at central bank and other credit institutions that was more than offset by the decrease in the securities portfolio reduction, the recognition of total impairment of the goodwill related to the acquisition of the Polish subsidiary by BCP and by the deconsolidation impact related to the disposals of the operation in Switzerland and of SIM during the year 2021.

Consolidated **loans to customers (gross)**[6] of Millennium bcp, as defined in the glossary, amounted to 58,653 million euros on 30 June 2022, which comparing to the 57,512 million euros recorded at the end of June of the last year represents a 2.0% growth, mainly achieved through the performance of the activity in Portugal.

The evolution of loans to customers (before impairment) in the activity in Portugal showed a growth of 2.7% comparing to the 39,515 million euros achieved by the end of June 2021, standing at 40,577 million euros on 30 June 2022. This growth largely reflects the expansion of loans to individuals, which have evolved from 19,916 million euros on 30 June 2021 to 20,963 million euros by the end of the first half of 2022, benefiting mainly from the dynamism of mortgage loans and personal loans, although in a smaller magnitude in the latter case.

Loans to companies amounted 19,614 million euros at the end of the first half of the current year, remaining stable compared to the figure reached the same period of the previous year (19,599 million euros on 30 June 2021). Regarding the credit granted by the Bank under the COVID-19 lines guaranteed by the Portuguese State, the total figure of credit stood at 2,383 million euros as at 30 June 2022, comparing to 2,642 million euros recorded on the same period in the previous year. At the end of the first half of 2022, the COVID-19 lines represented about 5.9% of the total loan portfolio of the activity in Portugal.

The net growth of loans to customers portfolio includes, on the one hand, the expansion of the performing loans, which has grown by 1,522 million euros between the first half of 2021 and 2022 and on the other hand, the reduction of 460 million euros in NPE, as the Bank's divestment for these type of assets has continued to be successfully carried out over the last years.

Regarding the quality of the credit portfolio previously subject to a moratorium, which at the end of the first half 2022 amounted to 7,363 million euros (expired moratoriums), it should be noted that 88.2% of this exposure corresponded to performing loans. Consequently, only 11.8% concerned non-performing exposures (operations

[6] Following the disposal of the Swiss subsidiary in 2021, its historical values are not being considered in the context of this analysis, in order to ensure the comparability of the information.

classified as stage 3), which compared with a percentage of non-performing exposures of 4.0%[7] of the total portfolio.

In the international activity, loans to customers (gross)[6] went up from 17,997 million euros on 30 June 2021 to 18,076 million euros on 30 June 2022, with this slight increase justified by the activity in Polish subsidiary.

As for the foreign currency credit portfolio, mostly denominated in Swiss francs, it continued to show a downward trend by falling from 2,615 million euros as of 30 June 2021 to 1,812 million euros as of 30 June 2022. It should be noted that in the first half of 2021, the Group changed the presentation of provisions for individual mortgage loans in Swiss francs, starting to allocate provisions for future legal risks and recognizing them as a reduction in the gross book value of loans for those where a reduction in cash flows is expected, as provided for under IFRS 9. The foreign exchange loans portfolio represented 15.1% and 10.4% of the total amount of credit recorded on the balance sheet of Bank Millennium and 4.5% and 3.1% of the Group's total loans portfolio at the end of first half 2021 and 2022, respectively.

It should be noted that the foreign exchange loan portfolio before the aforementioned provisions (which amounted to 365 million euros and 770 million euros on 30 June 2021 and 2022, respectively), deducted from the part relating to Euro Bank S.A., whose risk is fully secured by a third party, under the clauses provided for in the contract of acquisition of that entity, amounted to 2,775 million euros at the end of the first half 2021 and 2,436 million euros at first half 2022, resulting in a reduction of 12.2%.

7 NPE ratio, measured by the quotient between non-performing exposures (only exposures included in the aggregate of loans to customers) and total loans (gross)

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Jun. 22	30 Jun. 21 comparable (1)	Chg. 22/21
INDIVIDUALS	**34,213**	**33,106**	**3.3%**
Mortgage	28,284	27,206	4.0%
Personal loans	5,929	5,900	0.5%
COMPANIES	**24,441**	**24,407**	**0.1%**
Services	8,462	8,410	0.6%
Commerce	4,230	4,234	-0.1%
Construction	1,632	1,686	-3.2%
Others	10,116	10,077	0.4%
	58,653	**57,512**	**2.0%**
Of which:			
Activity in Portugal	40,577	39,515	2.7%
International activity	18,076	17,997	0.4%
Descontinued operations (1)	--	372	
TOTAL	**58,653**	**57,885**	**1.3%**

(1) Following the sale of Banque Privée BCP in Switzerland in 2021, its historical figures related to 2021 were included in a single line called "Discontinued operations", in order to ensure the comparability of the information.

The **quality of the credit portfolio** continues to benefit from the focus on selectivity and monitoring of the credit risk control processes, as well as from the initiatives carried out by the commercial and credit recovery areas, in order to recover non-performing loans over the recent years.

With the emergence of the Russian/Ukraine conflict, the Bank has performed a set of quantitative and qualitative analysis to assess the potential impacts in the performance of the credit portfolio. This evaluation was carried out, particularly, in Portugal and Poland, the latter being a geography potentially more exposed to the impacts of this event, considering it is a neighbouring country of Ukraine. Taking into consideration the still high environment uncertainty, it is difficult to determine the economic consequences in the Bank's business and near/mid-term prospects from the military actions and sanctions imposed on Russia and Belarus by Western countries, among others, energy supply constraints, namely the provision of gas to Europe, and impacts in the supply chains of several products and commodities. Nevertheless, monitoring procedures were put in place focusing on specific portfolios identified as being potently more vulnerable, among which we highlight dedicated sessions of BCP Executive Committee with the purpose of evaluating the impacts of this geopolitical crisis in the risk profile of the bank and dedicated committees to follow exposures to more vulnerable customers.

The improvement in the quality of the loan portfolio is visible in all indicators, with a favorable evolution of all indicators observed. In this context, NPE ratio as a percentage of the total loan portfolio should be highlighted, as it has decreased from 5.2% on 30 June 2021 to 4.3% at the same date of 2022, essentially reflecting the performance of the domestic loan portfolio, whose NPE ratio showed a reduction from 5.3% to 4.0% between the periods previously referred.

Simultaneously, it should also be highlighted the overall increase of coverage by impairments of the Group, mainly in the activity in Portugal, with the coverage of NPL by more than 90 days being strengthened from 146.0% at the end of June 2021 to 211.8% on 30 June 2022. The coverage of NPE by impairments in the activity in Portugal, in turn, showed a drop of 4 p.p., standing at 63.6% by the end of the first semester of 2022, compared to 67.3% recorded in the same date last year.

The coverage of foreign exchange mortgage loan portfolio in the Polish Subsidiary, considering the total amount of the portfolio, i.e. before the reduction resulting from the provisions directly reducing the gross book value of the loans, but excluding the total amount of exposure from Euro Bank S.A. (2,775 million euros and 2,436 million euros at the end of first half 2021 and 2022, respectively) and the total amount of provisions booked (414 million euros and 884 million euros, including both provisions consisting directly of reduction in asset value and provisions in liabilities) showed a significant growth of 14.9% on 30 June 2021 to 36.3% on 30 June 2022.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	30 Jun. 22	30 Jun. 21	Chg. 22/21	30 Jun. 22	30 Jun. 21	Chg. 22/21
STOCK (M€)						
Loans to customers (gross)	58,653	57,885	1.3%	40,577	39,515	2.7%
Overdue loans > 90 days	618	1,126	-45.1%	287	753	-61.9%
Overdue loans	753	1,250	-39.8%	307	763	-59.7%
Restructured loans	2,109	2,512	-16.1%	1,616	1,965	-17.8%
Non-performing loans (NPL) > 90 days	904	1,463	-38.2%	491	965	-49.1%
Non-performing exposures (NPE)	2,502	3,003	-16.7%	1,635	2,095	-22.0%
Loans impairment (Balance sheet)	1,615	2,000	-19.3%	1,040	1,409	-26.2%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	1.1%	1.9%		0.7%	1.9%	
Overdue loans / Loans to customers (gross)	1.3%	2.2%		0.8%	1.9%	
Restructured loans / Loans to customers (gross)	3.6%	4.3%		4.0%	5.0%	
NPL > 90 days / Loans to customers (gross)	1.5%	2.5%		1.2%	2.4%	
NPE / Loans to customers (gross)	4.3%	5.2%		4.0%	5.3%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	261.1%	177.7%		362.8%	187.1%	
Coverage of overdue loans	214.5%	160.0%		338.5%	184.6%	
Coverage of NPL > 90 days	178.5%	136.7%		211.8%	146.0%	
Coverage of NPE	64.5%	66.6%		63.6%	67.3%	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	2.8%	3.5%		2.7%	3.6%	

Note: NPE include loans to customers only, as defined in the glossary.

Total customer funds[8] showed a favorable evolution, increasing 3.6% compared to the 87,867 million euros recorded at 30 June 2021, standing at 91,070 million euros at the end of the first half of the current year. This evolution reflects above all the good performance of the activity in Portugal, although international activity has also contributed for the aforesaid growth, though on a smaller magnitude. As far as the nature of resources is concerned, there was an expansion of balance sheet customer funds, against a decrease in off- balance sheet customer funds.

Balance sheet customer funds increased from 68,942 million euros on 30 June 2021 to 74,546 million euros on 30 June 2022, mostly due to the expansion of the deposits and other resources from customers, that in consolidated

[8] Following the disposal of the Swiss subsidiary in 2021, the historical figures are not being considered in the context of this analysis in order to ensure the comparability of the information.

terms increased by 5,767 million euros compared to the same period in the previous year. This evolution reflects the positive performance of the activity in Portugal, although it also benefited from the growth recorded in the international activity, albeit to a lesser extent.

Off-balance sheet customer funds have presented a negative evolution compared to the same date of the previous year, showing a decrease of 2,400 million euros, amounting to 16,524 million euros at the end of June 2022. Both activities in Portugal and in international geographies contributed to this decline.

In the activity in Portugal, total customer funds stood at 66,971 million euros on 30 June 2022, 4.6% above the 64,039 million euros recorded as of 30 June of the previous year. This growth was boosted by the performance of balance sheet customer funds, namely deposits and other resources from customers which recorded an increase of 4,840 million euros from 30 June 2021, reflecting the growth of customer savings, reinforcing the trend observed over the last quarters.

Off-balance sheet customer funds in the activity in Portugal showed a decrease of 1,758 million euros when compared with the figures reached at the end of June 2021, with this evolution being explained by the reduction in insurance products (savings and investment) and assets placed with customers that was not offset by the increase in assets under management.

In the international activity[8], total customer funds stood at 24,100 million euros on 30 June 2022, increasing 1.1% compared to the 23,828 million euros recorded on the same date of 2021, mainly reflecting the positive contribution from the Mozambican activity.

Balance sheet customer funds in the international activity stood at 22,655 million euros on 30 June 2022, 4.2% above the 21,741 million euros recorded in the same date in the previous year, with this evolution being explained by both the deposits increase in the Polish subsidiary and the Mozambican activity.

Off-balance sheet customer funds recorded a reduction of 642 million euros compared to 30 June 2021, standing at 1,445 million euros at the end of the first half 2022. This decline was observed in all the business segments, with the reduction in assets under management being the most significant one in absolute terms.

On 30 June 2022, balance sheet customer funds and deposits and other resources from customers, on a consolidated basis, represented 81.9% and 80.4% of total customer funds (77.1% and 75.4%, respectively on 30 June 2021, considering stated information).

The loans to deposits ratio (stated), in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 77.9% on 30 June 2022, with the same ratio, considering on-balance sheet customers' funds, standing at 76.5%. Both ratios show values below those obtained at the same date of the previous year, 82.1% and 80.3%, respectively.

TOTAL CUSTOMER FUNDS

Euro million

	30 Jun. 22	30 Jun. 21 comparable(1)	Chg. 22/21
BALANCE SHEET CUSTOMER FUNDS	**74,546**	**68,942**	**8.1%**
Deposits and other resources from customers	73,190	67,423	8.6%
Debt securities	1,356	1,519	-10.8%
OFF-BALANCE SHEET CUSTOMER FUNDS	**16,524**	**18,924**	**-12.7%**
Assets under management	5,173	5,348	-3.3%
Assets placed with customers	5,458	6,091	-10.4%
Insurance products (savings and investment)	5,893	7,485	-21.3%
	91,070	**87,867**	**3.6%**
Of which:			
Activity in Portugal	66,971	64,039	4.6%
International activity	24,100	23,828	1.1%
Discontinued operations (1)	--	2,485	
TOTAL	**91,070**	**90,351**	**0.8%**

(1) Following the sale of Banque Privée BCP in Switzerland in 2021, its historical figures related to 2021 were included in a single line called "Discontinued Operations" in order to ensure the comparibility of information. From the total amount of customer funds relating to Banque Privée BCP, which amounted to 2,485 million euros as of 30 June 2021, 678 million euros relates to balance sheet and 1,807 million euros to off-balance sheet customer funds.

The **securities portfolio** of the Group, as defined in the glossary, amounted to 21,133 million euros, showing a decrease of 7.5% from 22,837 million euros recorded in the same date of the previous year, which led to a decrease of its weight in total assets from 25.0% on 30 June 2021 to 22.0% on 30 June 2022. This decrease was mainly due to the reduction of the portfolio of the activity in Portugal, especially due to divestment in Portuguese public debt, since the amount invested in foreign public debt has increased when compared to the same period in the previous year. As for the portfolio of the international activity, it recorded a decrease of 710 million euros when compared to 30 June 2021, partially explained by the divestment in Polish public debt. It should also be noted that this evolution was influenced by the impact of the divestment of the Swiss subsidiary which occurred at the end of 2021.

LIQUIDITY MANAGEMENT

The BCP Group structurally improved its liquidity profile by recording a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 (current version) on 30 June 2022 of 78% and on 30 June 2021 this ratio was set at 82%.

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 261% at the end of June 2022 (June 2021: 270%), equivalent to a surplus of 14.3 billion euros (June 2021: 14.2 billion euros) to 100% regulatory minimum requirement, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity.

In consistent with the BCBS' stable funding standard, in June 2021, came into effect the minimum regulatory requirement of 100% for the NSFR (Article 428 of Regulation (EU) 2019/876). The Group reinforced the disposition of the stable funding base, characterized by the large share of customer deposits in the funding structure, collateralized funding and medium and long-term instruments, which enabled the stable funding ratio (Net Stable Funding Ratio or NSFR) as at 30 June 2022 to stand at 153% (148% as at 30 June 2021).

The crisis in Ukraine has not, to date, affected the strength of the liquidity positions of BCP and its main subsidiaries, whose risk indicators continue to reveal compliance with all regulatory minimums and the strictest requirements imposed by the risk appetite framework of the Group.

Thus, either since the beginning of 2022 or compared to the same period of last year, there was an increase in the balance of customer deposits at BCP, Bank Millennium and BIM.

In the activity in Portugal, this increase amounted to 4.8 billion euros on an annual basis, and is almost entirely attributable to the retail segment, thus giving added stability to the Bank's main source of funding, allowing at the same time a favorable evolution of the commercial gap.

With regard to medium-long-term market funding, and within the scope of its Strategic Plan 2021-24, in the second half of last year, BCP carried out two issues totaling 800 million euros, in order to comply with the requirements known as " MREL" (Minimum Requirements for Own Funds and Eligible Liabilities). On the other hand, at the end of May 2022, it reimbursed an issue of mortgage bonds in the amount of one billion euros, with the assets not subject to encumbrance having been the subject of a new issuance to reinforce the ECB's monetary policy pool, given the current slack. of the Bank's liquidity position. Such a decision may be taken at any time, in the event of a liquidity crisis, within the scope of the Bank's Recovery Plan measures.

Also in Portugal, compared to the same period last year, the liquidity generated by the reduction of the commercial gap and by the fulfillment of the MREL issuance plan was applied to the reimbursement of the referred issuance of mortgage bonds and to the reinforcement of 2.7 billion euros from the deposit with the Bank of Portugal and 1.2 billion euros from derivatives margin accounts, which provisioning needs grew significantly after the beginning of the crisis in Ukraine, as a result of the increase in swap's interest rates and its volatility.

The liquidity buffer available for discounting at the ECB stood at 23.1 billion euros on 30 June 2022, lower than that recorded at the end of 2021 (23.8 billion euros), due to the devaluation of the portfolio of assets eligible for discount at the ECB and the aforementioned reinforcement of derivatives margin accounts. It should be noted, however, that the figure as of 30 June is materially higher than in the same period of the previous year (21.1 billion euros), reflecting the solidity of BCP's short-term position.

Likewise, in the annual period ended 30 June 2022, Bank Millennium and BIM demonstrated the resilience of their liquidity positions, supported by robust buffers discountable at the respective central banks, with regulatory and internal liquidity risk indicators positioned in the comfort zone. In the case of the operation in Poland, this occurred despite the effects of the invasion of Ukraine, which resulted in the devaluation of the portfolio of eligible assets and the strengthening of derivatives margin calls.

In consolidated terms, the refinancing risk of medium and long-term instruments will remain at very low levels over the next three years, at values below one billion euros.

CAPITAL

The estimated CET1 ratio as at 30 June 2022 stood at 11.5% phased-in and 11.3% fully implemented reflecting a change of -17 and -30 basis points, respectively, compared to the 11.7% and 11.6% phased-in and fully implemented ratios reported in the same period of 2021 and above the minimum ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2022 (CET1 9.156%, T1 11.125% and Total 13.750%). The supervisory authority's decision on the application of article 352 (2) of the CRR is awaited to exclude certain structural exchange rate positions from the calculation of market risk-weighted assets, to immunize regulatory ratios against changes in exchange rates. This change would have an estimated impact on the CET1 ratio of +47 basis points.

The evolution of capital ratios in the period was still significantly impacted by the increase in provisioning for legal risks associated with foreign currency loans of Bank Millennium, as well as by the decrease in fair value reserves resulting from the rise of the interest rates in the Eurozone and in Poland, partially offset by the positive performance of the activity in Portugal. The bank's solvency medium-term goals remain unchanged.

SOLVENCY RATIOS

Euro million

	30 Jun. 22	30 Jun. 22 proforma*	30 Jun. 21
FULLY IMPLEMENTED			
Own funds			
Common Equity Tier 1 (CET1)	5,221	5,221	5,488
Tier 1	5,728	5,728	6,024
Total Capital	**7,060**	**7,060**	**7,047**
Risk weighted assets	**46,176**	**44,348**	**47,295**
Solvency ratios			
CET1	11.3%	11.8%	11.6%
Tier 1	12.4%	12.9%	12.7%
Total capital	15.3%	15.9%	14.9%
PHASED-IN			
CET1	11.5%	12.0%	11.7%

* Subject to the already requested approval of the application of article 352 (2) of the CRR.
Note: The capital ratios of June 2022 and June 2021 include the positive accumulated net income of the respective periods.
The capital ratios of June 2022 are estimated and non-audited.

SIGNIFICANT EVENTS IN THE FIRST HALF OF 2022

In the first half of 2022, the Bank kept its focus on supporting households and companies, particularly with the agents most affected by the effects of the COVID-19 pandemic.

Following the geopolitical crisis with the invasion of Ukraine, the Bank acted in accordance with the guidelines of the European Union and implemented a set of mechanisms to monitor the situation and measures to support the Ukrainian people.

In the scope of the Supervisory Review and Evaluation Process (SREP), BCP has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from March 1, 2022: CET1 9.16%, T1 11.13% and Total 13.75%.

The European Investment Bank (EIB) and Millennium bcp renewed their long-standing partnership through an agreement to support SMEs, medium-sized companies and large Portuguese companies by providing a guarantee of 200 million euros that aims to mobilize financing up to 840 million euros.

Bank Millennium (Poland) and the EIB Group, comprehending the European Investment Bank and the European Investment Fund, came together to support Polish SMEs affected by the COVID-19 crisis through a guarantee of 1.5 billion Zlotys.

BCP Group has implemented a set of solidarity initiatives to support the Ukrainian people following the invasion of the country.

Conclusion on May 4, 2022 of the Annual General Meeting of Shareholders, with 64.31% of the share capital represented, with the following resolutions:

- Approval of the individual and consolidated Annual Report, balance sheet and financial statements of 2021, and the Corporate Governance Report, that includes a chapter on the remuneration of the management and supervisory bodies and the Sustainability Report; and approval of the proposal for the appropriation of profit concerning the 2021 financial year;

- Approval of the updating of the policy for the remuneration of Members of the Management and Supervisory Bodies; approval of the update of the internal policy for the selection and assessment of the suitability of the Members of the Management and Supervisory Bodies and Key-functions Holders; approval of the update of the policy for selection and appointment of the Statutory Auditor or audit firm and the hiring of non-prohibited non-audit services, under the terms of the legislation in force; and approval of the proposal to amend the articles of association of the Bank;

- Election of the Board of Directors, including the Audit Committee and of the Remunerations and Welfare Board, for the term-of-office 2022/2025.

BCP has been notified by the Bank of Portugal, as the national resolution authority, about the establishment of its minimum requirement for own funds and eligible liabilities ("MREL" or "Minimum Requirement for own funds and Eligible Liabilities") as decided by the Single Resolution Board. The resolution strategy applied continues to be that of a multiple point of entry ("MPE"). The MREL requirements to be met by BCP Group of Resolution (consisting of BCP, S.A., Banco ActivoBank, S.A. and all the subsidiary companies of BCP apart from Bank Millennium S.A. and Banco Internacional de Moçambique and their respective subsidiaries), from 1 January 2024 is of:

- 23.81% of the total risk exposure amount ("TREA") (to which adds further a combined buffer requirement ("CBR") of 3.5%, thus corresponding to total requirements of 27.31%); and
- 6.92% of the leverage ratio exposure measure ("LRE").

Until the date mentioned before, BCP should comply with an interim requirement of:

- 18.09% of TREA (to which adds a further 3.25% CBR requirement, thus corresponding to a total requirement of 21.34%); and
- 6.92% of the LRE.

No subordination requirements have been applied to the Bank. In accordance with the regulations in force, MREL requirements must be updated or reconfirmed annually. The MREL requirements, now communicated to the BCP resolution group described above, are in line with the 2021-24 Strategic Plan and are accommodated by the ongoing funding plan. As of January 1, 2022, BCP complied to the intermediate MREL requirement set for that date, both as a percentage of the TREA (also including the applicable CBR) and as a percentage of the LRE.

Moody's Rating Agency, as part of its regular revision, upgraded BCP's senior unsecured debt ratings to Investment Grade, from Ba1/Prime-2 to Baa3/Prime-2, driven by the reduction in the stock of Non-performing assets (NPA) and the improvement in capitalization levels over the last years, the improvement in domestic profitability, which offsets the impact of provisions for legal risk in Poland, as well as the BCP's funding plan being executed to comply with its Minimum Requirement for own funds and Eligible Liabilities (MREL).

Moody`s Rating Agency assigned a rating of Baa3, corresponding to investment grade, to Bank Millennium's senior non-preferred debt in Poland, within the scope of the Euro Medium Term Notes (EMTN) program.

AWARDS AND DISTINCTIONS

Consumer Choice 2022, in the "Large Banks" category for the second year in a row.

ActivoBank distinguished with Consumer Choice, in the "Digital Banking" category, for the fourth consecutive year.

In 2022, the BCP Group was included again in The Sustainability Yearbook, a publication edited by S&P.

Millennium bcp is part of the Bloomberg Gender-Equality Index for the third consecutive year.

Best Investment Bank, in Portugal, in 2022, for the fourth consecutive year, according to Global Finance.

Best Foreign Exchange Provider, in Portugal, in 2022, according to Global Finance.

Millennium bcp wins Inovadora COTEC status for the second consecutive year, supporting more than 360 companies to achieve the status Inovadora COTEC.

Millennium bcp was distinguished as Best Bank for Sustainable Finance in Portugal in 2022, according to Global Finance.

Millennium bcp was once again distinguished as one of leading companies in the fight against climate change, according to "Europe's Climate Leaders 2022" ranking published by the Financial Times and Statista.

Bank Millennium is Best Bank in Poland in 2022, according to Global Finance.

Bank Millennium distinguished with the Kantar Polska Award for the most effective brand communication.

Bank Millennium among Poland's Best Employers in 2022 according to the ranking prepared by Forbes Polska and Statista.

Distinction at the Euronext Lisbon Awards with the Local Market Member in Equity and Growing Structured Finance awards.

ActivoBank distinguished as Powerful Brand, in the "Online Banking" category, in the joint study of Sábado magazine and Marktest.

Best Trade Finance Provider, in Mozambique, in 2022, according to Global Finance.

MACROECONOMIC ENVIRONMENT

The outlook for the world economy worsened driven by the outbreak of the war in Ukraine in February 2022. Against this background, the International Monetary Fund (IMF) revised in April its projection for the global GDP growth in 2022 from 4.4% to 3.6%.

In this set-up of higher uncertainty, the performance of international financial markets in the second quarter of 2022 was characterized by rising concerns regarding the pace of the global GDP, stemming from the impact on economic activity resulting from interest rates hikes needed to tame soaring inflation pressures in the main economies. The uncertainty related to global growth triggered a devaluation of the equity indices, the reduction of the non-energy commodities' prices and an inversion of the rising trend of Germany and United States governmental bond yields, as well as an increase of the risk premia of the Euro Area peripherical countries. In the foreign exchange market, it is worth noting a strong appreciation of the US Dollar against the Euro and a depreciation of the currencies of the emerging markets, fueled by the restrictive US monetary policy, as the Federal Reserve rose the key interest rate from 0.50% to 1.75% in the second quarter. In opposition, the European Central Bank (ECB) held its interest rates unchanged. Notwithstanding, the expectations of ECB's interest rates hikes in the near future have been pressing Euribor rates upwards, with the twelve-month rates increasing to levels close to 1.0%.

After the pronounced expansion of the Portuguese economy in the first quarter, the Bank of Portugal envisages a growth rate of 6.3% for 2022. Even though this represents an upward revision of previous forecasts it signals a stagnation of economic activity in the period between the second and fourth quarters, given the increase in commodity prices, tighter financial conditions, and the risks of a slower external demand. Concerning prices, the inflation rate reached 6.3% in the first half of the year, which is higher than the projection of the Bank of Portugal of 5.9% for 2022.

Poland recorded a GDP growth of 9.2% in the first quarter of 2022 (yoy), which entails an acceleration of the economy compared to the previous quarter, backed by the dynamism of private consumption and investment. Nonetheless, given the adverse external context, the marked increase in the inflation rate, which moved up to approximately 11% in the first half of the year, and the rise in interest rates (from 3.50% to 6.0%), the European Commission projects that economic growth is set to decelerate throughout the remaining of 2022. The Zloty has depreciated amid this background of higher uncertainty.

The Mozambican economy grew 4.1% in the first quarter bolstered by a favourable external demand, which benefited the extractive industry, as well as by a higher dynamism of domestic demand in the wake of the lifting of the sanitary restrictions. However, economic activity faces downside risks due to the slowdown of the global economy, along with rising inflation. Despite the adverse context, the Metical appreciated. The IMF projects an acceleration of GDP in 2022, from 2.2% to 3.8%. In Angola, there was a positive expansion of the economic activity in the first three months of the year, extending the recovery pace of the Angolan economy observed in 2021. Against this background, Kwanza continued to appreciate.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Jun. 22	Jun. 21 (restated)	Chg. % 22/21	Jun. 22	Jun. 21	Chg. % 22/21	Jun. 22	Jun. 21 (restated)	Chg. % 22/21
INCOME STATEMENT									
Net interest income	985.2	765.8	28.6%	430.5	409.3	5.2%	554.7	356.5	55.6%
Dividends from equity instruments	12.9	0.7	>200%	12.2	0.1	>200%	0.7	0.6	10.8%
Net fees and commission income	387.6	352.9	9.8%	277.2	247.3	12.1%	110.4	105.7	4.4%
Net trading income	42.2	80.3	-47.4%	59.8	68.0	-12.1%	(17.6)	12.3	<-200%
Other net operating income	(177.2)	(112.4)	-57.7%	(72.0)	(71.3)	-1.0%	(105.2)	(41.1)	-156.1%
Equity accounted earnings	32.8	29.3	12.0%	34.1	31.0	9.9%	(1.3)	(1.7)	24.8%
Net operating revenues	**1,283.4**	**1,116.6**	**14.9%**	**741.8**	**684.4**	**8.4%**	**541.6**	**432.2**	**25.3%**
Staff costs	284.2	372.8	-23.8%	165.7	263.9	-37.2%	118.5	108.8	8.9%
Other administrative costs	162.6	149.0	9.1%	88.4	85.4	3.5%	74.2	63.6	16.7%
Depreciation	69.5	68.3	1.7%	39.8	40.0	-0.6%	29.7	28.3	4.9%
Operating costs	**516.2**	**590.1**	**-12.5%**	**293.8**	**389.4**	**-24.5%**	**222.4**	**200.7**	**10.8%**
Operating costs excluding specific items	510.5	502.9	1.5%	288.2	302.2	-4.6%	222.4	200.7	10.8%
Profit before impairment and provisions	**767.2**	**526.6**	**45.7%**	**448.0**	**295.1**	**51.8%**	**319.2**	**231.5**	**37.9%**
Loans impairment (net of recoveries)	179.4	156.9	14.3%	139.5	127.0	9.8%	40.0	29.9	33.5%
Other impairment and provisions	371.9	304.8	22.0%	51.0	68.6	-25.7%	320.9	236.2	35.9%
Profit before income tax	**215.8**	**64.8**	**>200%**	**257.5**	**99.5**	**159.0%**	**(41.7)**	**(34.6)**	**-20.4%**
Income taxes	155.8	101.9	52.9%	83.2	53.9	54.3%	72.6	48.0	51.3%
Current	44.9	49.3	-8.9%	14.2	7.9	79.8%	30.8	41.4	-25.7%
Deferred	110.8	52.6	110.7%	69.0	46.1	49.9%	41.8	6.5	>200%
Income after income tax from continuing operations	**60.1**	**(37.1)**	**>200%**	**174.3**	**45.5**	**>200%**	**(114.3)**	**(82.6)**	**-38.3%**
Income arising from discontinued operations	1.5	6.4	-76.8%	–	–	-	1.5	6.4	-76.8%
Non-controlling interests	(13.0)	(43.0)	69.8%	(0.2)	0.4	-147.2%	(12.8)	(43.4)	70.5%
Net income	**74.5**	**12.3**	**>200%**	**174.5**	**45.1**	**>200%**	**(100.0)**	**(32.9)**	**<-200%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	96,074	91,365	5.2%	69,695	64,631	7.8%	26,379	26,734	-1.3%
Total customer funds	**91,070**	**90,351**	**0.8%**	**66,971**	**64,039**	**4.6%**	**24,100**	**26,313**	**-8.4%**
Balance sheet customer funds	**74,546**	**69,621**	**7.1%**	**51,892**	**47,202**	**9.9%**	**22,655**	**22,419**	**1.1%**
Deposits and other resources from customers	73,190	68,101	7.5%	50,536	45,696	10.6%	22,655	22,406	1.1%
Debt securities	1,356	1,519	-10.8%	1,356	1,506	-10.0%	–	13	-100.0%
Off-balance sheet customer funds	**16,524**	**20,731**	**-20.3%**	**15,079**	**16,837**	**-10.4%**	**1,445**	**3,894**	**-62.9%**
Assets under management	5,173	7,055	-26.7%	4,353	4,186	4.0%	820	2,870	-71.4%
Assets placed with customers	5,458	6,191	-11.8%	5,136	5,612	-8.5%	322	578	-44.4%
Insurance products (savings and investment)	5,893	7,485	-21.3%	5,590	7,039	-20.6%	303	446	-32.1%
Loans to customers (gross)	**58,653**	**57,885**	**1.3%**	**40,577**	**39,515**	**2.7%**	**18,076**	**18,370**	**-1.6%**
Individuals	**34,213**	**33,106**	**3.3%**	**20,963**	**19,916**	**5.3%**	**13,249**	**13,189**	**0.5%**
Mortgage	28,284	27,206	4.0%	18,798	17,873	5.2%	9,486	9,333	1.6%
Personal Loans	5,929	5,900	0.5%	2,166	2,043	6.0%	3,763	3,856	-2.4%
Companies	**24,441**	**24,779**	**-1.4%**	**19,614**	**19,599**	**0.1%**	**4,827**	**5,180**	**-6.8%**
CREDIT QUALITY									
Total overdue loans	753	1,250	-39.8%	307	763	-59.7%	445	487	-8.5%
Overdue loans by more than 90 days	618	1,126	-45.1%	287	753	-61.9%	332	373	-11.0%
Overdue loans by more than 90 days / Loans to customers	1.1%	1.9%		0.7%	1.9%		1.8%	2.0%	
Total impairment (balance sheet)	1,615	2,000	-19.3%	1,040	1,409	-26.2%	574	591	-2.8%
Total impairment (balance sheet) / Loans to customers	2.8%	3.5%		2.6%	3.6%		3.2%	3.2%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	261.1%	177.7%		362.8%	187.1%		173.1%	158.6%	
Non-Performing Exposures	2,502	3,003	-16.7%	1,635	2,095	-22.0%	867	908	-4.5%
Non-Performing Exposures / Loans to customers	4.3%	5.2%		4.0%	5.3%		4.8%	4.9%	
Total impairment (balance sheet) / NPE	64.5%	66.6%		63.6%	67.3%		66.2%	65.0%	
Restructured loans	2,109	2,512	-16.1%	1,616	1,965	-17.8%	493	547	-9.9%
Restructured loans / Loans to customers	3.6%	4.3%		4.0%	5.0%		2.7%	3.0%	
Cost of risk (net of recoveries, in b.p.)	61	55		69	64		44	33	

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS

FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2022 AND 2021

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Interest and similar income	1,141,684	825,026
Interest expense and similar charges	(156,526)	(59,249)
NET INTEREST INCOME	985,158	765,777
Dividends from equity instruments	12,873	709
Net fees and commissions income	387,583	352,935
Net gains / (losses) from financial operations at fair value through profit or loss	6,810	(9,289)
Net gains / (losses) from foreign exchange	14,811	27,504
Net gains / (losses) from hedge accounting operations	(3,673)	1,424
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	5,238	(2,993)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehe	19,038	63,658
Other operating income / (losses)	(189,326)	(113,352)
TOTAL OPERATING INCOME	1,238,512	1,086,373
Staff costs	284,152	372,787
Other administrative costs	162,569	148,977
Amortisations and depreciations	69,475	68,330
TOTAL OPERATING EXPENSES	516,196	590,094
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	722,316	496,279
Impairment for financial assets at amortised cost	(183,203)	(158,772)
Impairment for financial assets at fair value		
through other comprehensive income	1,366	(4,192)
Impairment for other assets	(125,129)	(26,674)
Other provisions	(244,410)	(272,107)
NET OPERATING INCOME	170,940	34,534
Share of profit of associates under the equity method	32,789	29,286
Gains / (losses) arising from sales of subsidiaries and other assets	12,100	988
NET INCOME BEFORE INCOME TAXES	215,829	64,808
Income taxes		
Current	(44,930)	(49,302)
Deferred	(110,836)	(52,592)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	60,063	(37,086)
Income arising from discontinued or discontinuing operations	1,479	6,381
NET INCOME AFTER INCOME TAXES	61,542	(30,705)
Net income for the period attributable to:		
Bank's Shareholders	74,509	12,266
Non-controlling interests	(12,967)	(42,971)
NET INCOME FOR THE PERIOD	61,542	(30,705)
Earnings per share (in Euros)		
Basic	0.007	-0.001
Diluted	0.007	-0.001

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2022 AND 2021 AND 31 DECEMBER 2021

(Thousands of euros)

	30 June 2022	31 December 2021	30 June 2021
ASSETS			
Cash and deposits at Central Banks	7,930,297	7,796,299	4,688,434
Loans and advances to credit institutions repayable on demand	329,648	361,786	256,424
Financial assets at amortised cost			
Loans and advances to credit institutions	875,317	453,213	671,309
Loans and advances to customers	55,187,231	54,972,401	53,994,754
Debt securities	12,102,018	8,205,196	8,330,961
Financial assets at fair value through profit or loss			
Financial assets held for trading	1,758,419	931,485	1,704,537
Financial assets not held for trading mandatorily at fair value through profit or loss	932,227	990,938	1,290,058
Financial assets at fair value through other comprehensive income	8,644,875	12,890,988	13,882,942
Hedging derivatives	531,459	109,059	55,853
Investments in associated companies	443,532	462,338	436,290
Non-current assets held for sale	630,736	780,514	905,016
Investment property	2,869	2,870	6,714
Other tangible assets	586,244	600,721	620,831
Goodwill and intangible assets	151,835	256,213	242,660
Current tax assets	13,822	17,283	14,333
Deferred tax assets	2,845,515	2,688,216	2,663,653
Other assets	3,107,464	1,385,292	1,599,737
TOTAL ASSETS	96,073,508	92,904,812	91,364,506
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	8,996,119	8,896,074	9,056,077
Resources from customers	73,190,262	69,560,227	68,101,260
Non subordinated debt securities issued	1,114,595	2,188,363	1,751,893
Subordinated debt	1,350,165	1,394,780	1,199,743
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	192,880	231,241	372,225
Financial liabilities at fair value through profit or loss	1,343,985	1,581,778	1,481,477
Hedging derivatives	1,677,170	377,206	173,690
Provisions	503,232	458,744	404,940
Current tax liabilities	8,746	20,427	6,590
Deferred tax liabilities	9,232	16,932	7,253
Other liabilities	1,396,035	1,116,983	1,423,094
TOTAL LIABILITIES	89,782,421	85,842,755	83,978,242
EQUITY			
Share capital	4,725,000	4,725,000	4,725,000
Share premium	16,471	16,471	16,471
Other equity instruments	400,000	400,000	400,000
Legal and statutory reserves	268,534	259,528	259,528
Reserves and retained earnings	8,383	580,304	855,470
Net income for the period attributable to Bank's Shareholders	74,509	138,082	12,266
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,492,897	6,119,385	6,268,735
Non-controlling interests	798,190	942,672	1,117,529
TOTAL EQUITY	6,291,087	7,062,057	7,386,264
TOTAL LIABILITIES AND EQUITY	96,073,508	92,904,812	91,364,506

GLOSSARY

Assets placed with customers – amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions.

Balance sheet customer funds – deposits and other resources from customers and debt securities placed with customers.

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

Commercial gap – loans to customers (gross) minus on-balance sheet customer funds.

Core income - net interest income plus net fees and commissions income.

Core operating profit - net interest income plus net fees and commissions income deducted from operating costs.

Cost of risk, net (expressed in basis points) - ratio of loans impairment (P&L) accounted in the period to loans to customers at amortised cost and debt instruments at amortised cost related to credit operations before impairment at the end of the period.

Cost to core income - operating costs divided by core income.

Cost to income – operating costs divided by net operating revenues.

Coverage of non-performing exposures by impairments – loans impairments (balance sheet) divided by the stock of NPE.

Coverage of non-performing loans by impairments – loans impairments (balance sheet) divided by the stock of NPL.

Coverage of overdue loans by impairments - loans impairments (balance sheet) divided by overdue loans.

Coverage of overdue loans by more than 90 days by impairments - loans impairments (balance sheet) divided by overdue loans by more than 90 days.

Debt instruments – non-subordinated debt instruments at amortised cost and financial liabilities measured at fair value through profit or loss (debt securities and certificates).

Debt securities placed with customers - debt securities issued by the Bank and placed with customers.

Deposits and other resources from customers – resources from customers at amortised cost and customer deposits at fair value through profit or loss.

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading.

Equity accounted earnings - results appropriated by the Group related to the consolidation of entities where, despite having some influence, the Group does not control the financial and operational policies.

Insurance products – includes unit linked saving products and retirement saving plans (“PPR”, “PPE” and “PPR/E”).

Loans impairment (balance sheet) – balance sheet impairment related to loans to customers at amortised cost, balance sheet impairment associated with debt instruments at amortised cost related to credit operations and fair value adjustments related to loans to customers at fair value through profit or loss.

Loans impairment (P&L) – impairment (net of reversals and net of recoveries - principal and accrual) of financial assets at amortised cost for loans to customers and for debt instruments related to credit operations.

Loans to customers (gross) – loans to customers at amortised cost before impairment, debt instruments at amortised cost associated to credit operations before impairment and loans to customers at fair value through profit or loss before fair value adjustments.

Loans to customers (net) - loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

Loan to Deposits ratio (LTD) – loans to customers (net) divided by deposits and other resources from customers.

Loan to value ratio (LTV) – mortgage amount divided by the appraised value of property.

Net commissions - net fees and commissions income.

Net interest margin (NIM) - net interest income for the period as a percentage of average interest earning assets.

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.

Non-performing exposures (NPE) – non-performing loans and advances to customers (loans to customers at amortised cost and loans to customers at fair value through profit or loss) more than 90 days past-due or unlikely to be paid without collateral realisation, if they recognised as defaulted or impaired.

Non-performing loans (NPL) – overdue loans (loans to customers at amortised cost and loans to customers at fair value through profit or loss) more than 90 days past due including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Off-balance sheet customer funds – assets under management, assets placed with customers and insurance products (savings and investment) subscribed by customers.
Operating costs - staff costs, other administrative costs and depreciation.

Other impairment and provisions – impairment (net of reversals) for loans and advances of credit institutions classified at amortised cost, impairment for financial assets (classified at fair value through other comprehensive income and at amortised cost not associated with credit operations), impairment for other assets, namely assets received as payment in kind, investments in associated companies and goodwill of subsidiaries and other provisions.

Other net income – dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Other net operating income – other operating income/(loss) and gains/(losses) arising from sales of subsidiaries and other assets.

Overdue loans – total outstanding amount of past due loans to customers (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Overdue loans by more than 90 days – total outstanding amount of past due loans to customers by more than 90 days (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Performing loans - loans to customers (gross) deducted from Non-performing exposures (NPE).

Profit before impairment and provisions – net operating revenues deducted from operating costs.

Resources from credit institutions – resources and other financing from Central Banks and resources from other credit institutions.

Return on average assets (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on average assets (ROA) – net income (before minority interests) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on equity (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average attributable equity + non-controlling interests (weighted average of the average of monthly equity in the period).

Return on equity (ROE) – net income (after minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments (weighted average of the average of monthly equity in the period).

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income and assets with repurchase agreement.

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

Total customer funds - balance sheet customer funds and off-balance sheet customer funds.

Disclaimer

The financial information in this presentation has been prepared under the scope of the International Financial Reporting Standards ("IFRS") of the BCP Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002, as the currently existing version.

The information in this presentation is for information purposes only and should be read in conjunction with all other information made public by the BCP Group.

The interim condensed consolidated financial statements, for the six months ended at 30 June 2022, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

The figures presented do not constitute any form of commitment by BCP regarding future earnings.

The figures for the first six months of 2022 and 2021 were not audited.