1H 2022
REPORT & ACCOUNTS

Pursuant to article 9 of the Regulation 5/2018 of the CMVM, amended by Regulation 7/2018 of the CMVM, please find herein the transcription of the

1H 2022 Report & Accounts

BANCO COMERCIAL PORTUGUÊS, S.A.

Public limited company
Registered Office: Praça D. João I, 28, 4000-295 Porto - Share Capital Euros 4,725,000,000.00
Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

The 1H 2022 Report & Accounts is a translation of the "Relatório e Contas do 1º semestre de 2022" document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the "Relatório e Contas do 1º semestre de 2022" prevails.

All references in this document to the application of any regulations and rules refer to the respective version currently in force.

Miguel Maya
Chief Executive Officer
Vice-Chairperson of
the Board of Directors

Nuno Amado
Chairperson of
the Board of Directors

Joint Message of the Chairman of the Board of Directors and of the CEO

The outbreak of war in Ukraine at the end of February drastically changed the macroeconomic framework, due to the high uncertainty that it induces in economic agents, the worsening of restrictions in global production chains and the dramatic increase in the prices of energy and food. In fact, the slowdown risks of the most significant world economies increased. At the same time, worsening inflationary pressures prompted a faster and more intense change than expected in global monetary policy, fostering an environment of concern in relation to the adverse effects of the increase in funding costs on economic activity. Within this context, the degree of uncertainty regarding the evolution of the world economy in the second half of 2022 is particularly high.

In the first quarter, Portuguese GDP growth was very strong (2.6% quarter on quarter and 11.9% versus 2021), especially when compared to other European countries. However, for the remaining quarters of 2022, Banco de Portugal foresees a stagnation of the Portuguese economy, as a result of the current context of rising of raw material prices, aggravation in financing costs and uncertainty regarding the evolution of external demand, which should translate into an annual GDP growth rate of 6.3%.

In Poland, the European Commission foresees a significant slowdown in the economic activity in the forthcoming quarters, translating the adverse external situation, the sharp rise in the inflation rate and the increase in reference interest rates within a process which is gradual and supported by the evolution to be recorded by the main economic indicators, namely in terms of inflation.

In Mozambique, the International Monetary Fund (IMF) estimates a rise of the GDP in 2022, from 2.2% to 3.8%, triggered by the structural reforms implemented under the IMF’s financial assistance program and the execution of important energy projects, which should allow mitigating the negative impact of the slowdown in global demand.

In Angola, after five years of recession, the economy resumed growth, mostly due to the reforms implemented and by the evolution recorded by the price of oil, a growth trajectory that started in 2021 and that the IMF foresees will become more significant in 2022.

In Macau, after a GDP contraction of 8.9% in the first quarter as a result of the substantial reduction in the number of tourists due to the various lockdowns in continental China, a gradual recovery is expected to happen in the last quarter of 2022 with further intensification in 2023, supported by the recovery in the tourism sector as well as by the acceleration in domestic demand and investment.

The Group's net income in the first half of this year amounted to 74.5 million euros, compared to 12.3 million euros in the same period of the previous year, confirming the robustness of the Bank's business model and its ability to face an adverse macroeconomic context, very much characterised by the impacts and restrictions still arising from the pandemic and exacerbated by the war in Europe.

Crucial to this outcome was the very significant increase in the contribution from the activity in Portugal, which reached 174.5 million euros in the first half of this year, compared to 45.1 million euros in the first half of 2021 and which, on a comparable basis, represents 63.1% growth compared to the same period of the previous year.

The result of the international activity in the first half of the year was significantly impacted by extraordinary effects in Bank Millennium in Poland, including costs of 257.8 million euros associated with the mortgage loan portfolio in Swiss francs, a contribution of 54.3 million euros to the recently created Institutional Protection Scheme (IPS), designed to ensure the stability of the financial system by guaranteeing the liquidity and solvency of its member banks, and also an impairment in the amount of 102.3 million euros concerning the total goodwill associated with the Group's stake in Bank Millennium in Poland.

Excluding the impact associated with the Swiss franc mortgage loans portfolio in Poland, the consolidated net income would have amounted to 200.9 million euros, up 58.8% from the same period of last year on a comparable basis.

The contribution of the international activity to consolidated net income, excluding the above-mentioned goodwill impairment of the stake in Bank Millennium, improved significantly when compared with the same period last year, from negative 32.9 million euros to a marginally positive 2.3 million euros coming from the performance of the operations abroad.

It should be emphasised that the results achieved by the activity in Poland confirm the growing improvement in Bank Millennium's operating profitability, which, excluding the extra contribution to the IPS, would have reported marginally positive results in the last quarter, revealing the capacity of the Bank's business model to accommodate the provisioning effort associated with the legal risks with loans in Swiss francs.

Again in Poland, of significance is the enactment in July of a new and uncommon legislative package with measures to support debtors in mortgage loans in zlotys, including the possibility of indiscriminate application of credit holidays up to a maximum of 8 instalments of capital with suppression of interest payments, as well as a contribution for a borrowers support fund (FWK) and the prospect of replacement in 2023 of the main interest rate index used in the loans.

Following this enactment, Bank Millennium will proceed in the third quarter of 2022 with the upfront accounting of the estimated cost of the implementation of the credit holidays, expecting that its adoption will be in a range between 75% and 90% of the loans covered, considering an estimated impact of 178 million zlotys (equivalent to approximately 38 million euros) for each 10% of eligible borrowers fully using the credit holidays.

As a consequence of the impact of the moratoria in Poland it is expected that Bank Millennium will report a loss in the third quarter and that its capital ratios will fall below current regulatory requirements and thus its Management Board has immediately activated the recovery plan, which was approved by the Polish regulator in February this year, envisaging to restore capital ratios above regulatory requirements within a reasonable timeframe and exclusively through a combination of further improvements in operating profitability and capital optimisation initiatives, such as the management of its risk weighted assets, including securitisations.

Millennium bim's contribution in Mozambique to international activity rose from 40.6 million euros to 46.4 million euros between June 2021 and June 2022, confirming the business model's profitability and capacity to adapt to the market's characteristics and requirements, without neglecting the rigour in preserving the Bank's risk profile.

With regard to activity in Angola, the contribution to net income from international activity in the first half of 2022 was negative by 2.2 million euros, compared to an equally negative 4.9 million euros in the same period of the previous year, a development strongly conditioned by the constitution of a provision of 3.2 million euros to cover the risks inherent to the context in which the operation develops its activity.

Earnings before impairments and provisions increased 45.7% on a consolidated basis, from 526.6 million euros in June 2021 to 767.2 million euros in June 2022, growth supported by an increase of 22.7% in core income and by the rigorous management of recurring operating costs, confirming the progress made in terms of the efficiency of the business model with a cost-to-income ratio of 40% aligned with the strategic goal for 2024.

In a challenging context, the Bank maintains a capital position above regulatory requirements, having closed the first half of this year with the total capital and CET1 ratios standing at 15.3% and 11.3% respectively, both remaining above the regulatory requirements of 13.75% and 9.16% respectively (on a pro forma basis, subject to the approval already requested for the application of article 352 (2) of the CRR, the total capital ratio would have been 15.9% and the CET1 ratio 11.8%).

Simultaneously, the liquidity position continues to largely exceed the regulatory requirements, with assets available for funding from the ECB in the amount of 25.2 billion euros.

The Bank once again showed remarkable growth in business volumes at a consolidated level, with performing loans increasing by 1.6 billion euros, up 3.0% since June 2021, and total Customer funds growing by 3.2 billion euros, 3.6% higher than on 30 June 2021. For this very positive evolution the performance of commercial activity in Portugal should be underlined, where performing loans increased by 1.5 billion euros, over 4.1% against June 2021, and total Customer funds grew 4.6% compared to the first half of 2021.

In Portugal, the Bank continues to consolidate its leadership in the corporate segment, having taken the lead for the fourth consecutive year in the PME Líder 21 programme, for the second consecutive year appointed leader in the COTEC Inovadora programme and elected Best Corporate Bank, Main Bank for customers, Most Innovative Bank, the Bank closest to the customer and the Bank with the Most Appropriate Products by Data-E 2022.

Despite the adverse scenario, the Bank continued to focus on improving asset quality, having significantly reduced Non-Performing Exposures (NPEs), which declined in consolidated terms by 501 million euros compared to 30 June 2021, including a reduction of 460 million euros in Portugal.

The expansion of the Group's Customer base continues to progress strongly, particularly in mobile Customers that already account for 60% of the Customer base with 631 thousand more mobile Customers (of which 229 thousand in Portugal) in the first half of the year than at the end of the first half of the previous year, clearly demonstrating the Bank's ability to respond to new demands and forms of interaction with customers.

In Portugal, confirming the innovation and receptiveness of the mobile solutions made available to Customers, the Bank was once again recognised as the Leading Bank in terms of satisfaction with digital channels (NPS) according to Basef-Marktest (5 largest banks), considered the Best Digital Bank by BrandScore, awards particularly relevant considering the growing use of the mobile platform by customers for their daily needs, shown by the 27% increase in the number of transactions and 46% increase in the number of sales made through the app this semester compared to the same period last year.

Throughout the first half of 2022, the Bank further expanded its commitment to the communities with which it is associated, with special emphasis on the support provided to the refugees following the war in Ukraine, while at the same time maintaining its support to Culture and continuing to strengthen its ESG practices and for the second consecutive year it was included in the "Europe's Climate Leaders" ranking of the Financial Times and Statista, being one of the European companies that has made greatest progress in reducing greenhouse gas emissions (GHG).

The performance in the first six months of 2022 revealed, once again, the resilience of the Bank’s business model and its ability to manage the risks within an extremely challenging context resulting from the pandemic crisis, the war in Ukraine and the macroeconomic challenges that are posed at a global level and especially in Europe.

A final word to thank the preference with which the Customers continue to distinguish us, as well as for the distinctive contribution given by the Bank’s employees and, also relevant, the support given by the Shareholders.

Miguel Maya

Chief Executive Officer

Vice-Chairman of the Board of Directors

Nuno Amado

Chairman of the Board of Directors

From left to right:
Maria José Campos (Member of the Executive Committee); **Rui Manuel Teixeira** (Member of the Executive Committee); **Miguel Bragança** (Vice-Chairman of the Executive Committee); **Miguel Maya** (Chairman of the Executive Committee); **João Nuno Palma** (Vice-Chairman of the Executive Committee); **José Miguel Pessanha** (Member of the Executive Committee).

BCP in the first half of 2022

- 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.
- Estimated Fully-implemented Total capital ratio and Common Equity Tier 1 ratio at 15.3% and 11.3%, respectively (15.9% e 11.8%, on a pro forma basis[3], subject to ECB authorization), above regulatory requirements.
- LCR at 261% and NSFR at 153%, 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).

Main 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)	78%	82%	
Loans to customers (net) / Balance sheet customer funds	77%	80%	
RESULTS			
Net interest income	985	766	28.6%
Net operating revenues	1,283	1,117	14.9%
Operating costs	516	590	-12.5%
Operating costs excluding specific items (3)	511	503	1.5%
Loan impairment charges (net of recoveries)	179	157	14.3%
Other impairment and provisions	372	305	22.0%
Income taxes	156	102	52.9%
Net income attributable to Shareholders of the Bank	75	12	>200%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.7%	2.5%	
Return on average total assets (ROA)	0.1%	-0.1%	
Income before tax and non-controlling interests / Average net assets (2)	0.5%	0.2%	
Return on average shareholders' equity (ROE)	2.8%	0.4%	
Income before tax and non-controlling interests / Average equity (2)	7.0%	2.1%	
Net interest margin	2.3%	1.9%	
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	11.5%	11.7%	
Common equity tier I fully implemented	11.3%	11.6%	
Total ratio fully implemented	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%

(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 6 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 million euros, mainly related with a provision booked to cover the costs related to the current adjustment of headcount, in the amount of 81 million euros. In both periods specific items were fully recognized as staff costs in the activity in Portugal.

(4) Presented figures include the cumulate net results of the respective periods.

(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, non-existent as of June 30, 2022, since both operations were disposal at the end of 2021.

Information on BCP Group

Brief description

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese private sector bank. The Bank, with its decision centre in Portugal, operates and acts with respect for people and institutions, focusing on the Customer, pursuing a mission of excellence, trust, ethics and responsibility, and is a distinguished leader in various financial business areas in the Portuguese market and a reference institution on an international level. The Bank also holds a prominent position in Africa through its banking operations in Mozambique (in Angola, Banco Millennium Angola - BMA merged with Banco Privado Atlântico-BPA and now the Bank holds a equity accounted shareholding) and in Europe through its banking operation in Poland. Since 2010, the Bank operates in Macau through a full branch.

Bank History

BCP was incorporated on 17 June 1985 as a limited liability company ("sociedade anónima") organised under the laws of Portugal, following the deregulation of the Portuguese banking industry. BCP was founded by a group of over 200 shareholders and a team of experienced banking professionals who sought to capitalise on the opportunity to form an independent financial institution that would serve the then underdeveloped Portuguese financial market more effectively than state-owned banks.

While the Bank's development was initially characterised by organic growth, a series of strategic acquisitions helped solidify its position in the Portuguese market and increase its offering of financial products and services. In March 1995, BCP acquired control of Banco Português do Atlântico, S.A. ("Atlântico"), which was then the largest private sector bank in Portugal. This was followed by a joint takeover bid for the whole share capital of Atlântico. In June 2000, Atlântico was merged into BCP. In 2000, BCP also acquired Império, along with Banco Mello and Banco Pinto & Sotto Mayor.

In 2004, with a view to strengthening its focus on the core business of distribution of financial products and optimising capital consumption, BCP sold insurers Império Bonança, Seguro Directo, Impergesto and Servicomercial to the Caixa Geral de Depósitos group. BCP also entered into agreements with Fortis (now named Ageas) for the sale of a controlling stake and management control of insurers Ocidental - Companhia Portuguesa de Seguros, S.A., Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Médis - Companhia Portuguesa de Seguros de Saúde, S.A., as well as the pension fund manager PensõesGere - Sociedade Gestora de Fundos de Pensões, S.A.

After the consolidation of its position in the Portuguese banking market, the Bank focused on the development of its retail business in new regions, with the goal of attaining significant positions in emerging markets in Europe and in Africa. The Bank concentrated on businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large communities of Portuguese origin (such as Angola, Mozambique, the United States, Canada, France, Luxembourg and Macao), as well as in markets where the Bank's successful Portuguese business model could be effectively exported to and tailored to suit such local markets (such as Poland, Greece and Romania).

The Bank has pursued a consistent strategy of market segmentation. Until 2003, these segments were served through autonomous distribution networks operating under a variety of brand names. In October 2003, BCP began the process of replacing these brands in Portugal with a single brand name: Millennium bcp. The rebranding in other markets was completed in 2006. All banking operations controlled by BCP are now carried out under the "Millennium" brand. In Portugal, the Bank also operates under the "ActivoBank" brand.

In 2004, the Bank sold its non-life insurance businesses and divested a portion of its life insurance business by entering into a joint venture with Ageas (formerly Fortis), named Millenniumbcp Ageas, of which 51% is held by Ageas and 49% by the Bank.

In recent years, the Bank has refocused on operations that it considers core to its business. As part of this refocus, the Bank divested several of its international operations (in France, Luxembourg, United States, Canada, Greece, Turkey and Romania), while retaining commercial protocols to facilitate remittances from Portuguese emigrants in some markets. In 2010, the Bank transformed its Macao off-shore branch into an on-shore branch.

In February 2012, the Bank adopted a management restructuring through the introduction of a one-tier management and supervisory model, in which the Board of Directors includes an Executive Committee and an Audit Committee (the latter comprising non-executive members, in accordance with the applicable law).

In December 2012, the Bank prepared and presented to the Portuguese government a Restructuring Plan, required by national law and by the applicable European rules on matters of State aid. The Restructuring Plan was formally submitted by the Portuguese government to the EC and, In July 2013, the Bank agreed on the plan with the EC, entailing an improvement of the profitability of the Bank in Portugal through continued cost reduction, among other drivers. On September 2013, the DG Comp announced its formal decision in connection with its agreement with the Portuguese authorities concerning the Bank's Restructuring Plan. Pursuant to the decision, the Bank's Restructuring Plan was found in compliance with the European Union's rules relating to State aid, demonstrating the Bank's viability without continued State support. The implemented Restructuring Plan aimed at strengthening the Bank's strategy by focusing on its core activities.

In May 2014, as part of a process to refocus on core activities defined as a priority in its Strategic Plan, the Bank announced that it agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental – Companhia Portuguesa de Seguros, S.A. and Médis – Companhia Portuguesa de Seguros de Saúde, S.A..

In April 2016, the Bank announced the conclusion of the merger between Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., resulting in the second-largest private sector bank in Angola in terms of loans to the economy, with a market share of approximately 10% in business volume. The entity resulting from this merger ceased to be controlled by BCP.

In January 2017, BCP announced a Euros 1.3bn rights issue with transferable pre-emptive subscription rights. The aim of this transaction was to bring forward the full repayment of remaining Government Subscribed Securities and the removal of key State-aid related restrictions, including the dividend ban, the risk of potential sale of core businesses and the tail risk of conversion. This transaction was designed to strengthening the balance sheet through the improvement of the CET1 FL ratio and Texas ratio, bringing them in line with new industry benchmarks and above regulatory requirements.

On December 27, 2019, the merger deed of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of Banco Comercial Português, S.A., by incorporation into the latter, was signed, thus completing the incorporation process of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A..

On 27 August 2019, the Extraordinary General Meeting of Bank Millennium S.A., in which 216 shareholders representing 78.53% of its share capital, participated, approved the merger of Bank Millennium S.A. with Euro Bank S.A.. The completion of the integration of Eurobank S.A. into Bank Millennium S.A. took place in November, with the Bank resulting from the merger now operating under a single brand, a single operating system and a single legal entity.

On June 29, 2021 BCP entered into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA (“Banque Privée”). The sale of the entire share capital of Banque Privée BCP (Suisse) SA (“Banque Privée”) to Union Bancaire Privée, UBP SA was completed on November 2, 2021. The sale of Banque Privée allows BCP Group to pursue its strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

On 29 December 2021, BIM – Banco Internacional de Moçambique, SA (a bank incorporated under Mozambican law in which BCP indirectly holds a stake of 66.69%) formalized the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, SA, with a view to strengthening capabilities and expanding the offer of insurance through the banking channel (bancassurance) in Mozambique. Under this partnership, the possibility of which was provided for in the memorandum of understanding signed between BCP and the Fosun Group in November 2016, BIM and Fidelidade also formalized the sale by BIM to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, SA, with BIM maintaining approximately 22% of its share capital. BIM and Fidelidade also agreed call and put options with a view to enabling Fidelidade to acquire additional shares, and BIM's shareholding, as a result of these options, may be reduced to 9.9% of SIM's capital. Under the long-term exclusive distribution agreement, BIM will promote the distribution of SIM insurance through the banking channel, continuing to provide its customers with a wide range of competitive insurance products, which is reinforced by the partnership with Fidelidade, an Insurance Group of reference.

Governance

Banco Comercial Português, S.A. has a one-tier management and supervision model, composed of a Board of Directors (BD), which includes an Executive Committee (EC) and an Audit Committee composed of only non-executive directors. The Company also has a Remuneration and Welfare Board (RWB) and an International Strategic Board.

In addition, the Group uses a Statutory Auditor and an external auditing firm to audit the individual and consolidated accounts of the Bank, elected at the General Meeting.

The General Meeting is the highest governing body of the company, representing all shareholders, and its resolutions are binding for all when adopted under the terms of law and the articles of association. The General Meeting is responsible for:

- Electing and dismissing the Board, as well as the members of the management and supervisory bodies, and the RWB;
- Approving amendments to the articles of association;
- Resolving on the annual management report and accounts for the year and proposed appropriation of profits;
- Resolving on matters submitted upon request of the management and supervisory bodies;
- Resolving on all issues especially entrusted to it by the law or articles of association, or on those not included in the duties of other corporate bodies.

The BD is the governing body of the Bank with the amplest powers of management and representation, pursuant to the law and the articles of association.

Under the terms of the articles of association, the BD is composed of a minimum of 15 and a maximum of 19 members with and without executive duties, elected by the General Meeting for a period of four years, and can be re-elected. The current Board of Directors is composed of 17 members, of which 6 are executive and 11 are non-executive, with 5 qualified as independent.

The BD began its functions on July 23, 2018 and appointed an EC on July 24, 2018, composed of six of its members, with the Chief Executive Officer being appointed by the General Meeting.

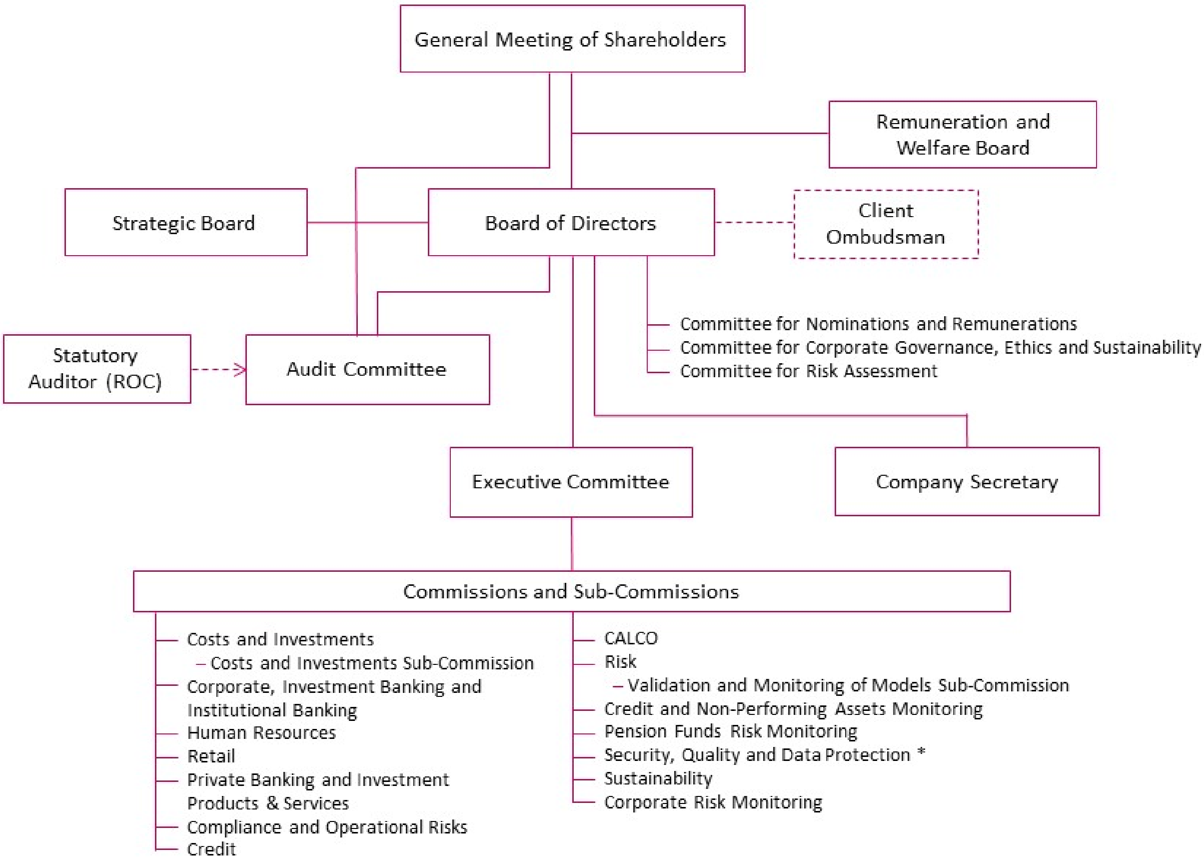
The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

The supervision of the company is made by an Audit Committee elected by the General Meeting of Shareholders and composed of 3 to 5 elected members. The lists proposed for the BD should indicate the members to be part of the Audit Committee and indicate the respective Chairperson. As far as Audit Committee is concerned, the non-executive directors are mostly independent.

The RWB is elected by the General Meeting.

The Company Secretary and the Alternate Secretary are appointed by the Bank's BD, and their term-of-office matches that of the BD that appointed them.

Corporate Governance Model



* The Security, Quality and Data Protection Commission covers topics related to cybersecurity.

Identification and composition of the Corporate Bodies and Committees from the Board of Directors

The General Shareholders Meeting held on May 4, 2022 elected the Bank's Board of Directors to exercise functions in the four-year period 2022/2025, with the election taking effect subject to the suspensive condition of obtaining, by the European Central Bank, authorization for the exercise of functions of the majority of the members of the Board of Directors, the Audit Committee and the Executive Committee, an authorization process that is in progress.

	Board of Directors (BD)	Executive Committee (EC)	Audit Committee (AudC)	Remuneration and Welfare Board (RWB)	Board for Strategy *	Committee for Corporate Governance, Ethics and Sustainability (CCGES)	Committee for Nominations and Remunerations (CNR)	Committee for Risk Assessment (CRA)
Nuno Manuel da Silva Amado (BD President)	●				●			
Jorge Manuel Baptista Magalhaes Correia (BD Vice-President and RWB Member)	●			●	●			
Valter Rui Dias de Barros (BD Vice-President)	●		●	●	●	●		
Miguel Maya Dias Pinheiro (BD Vice-President and CEO)	●	●			●			
Ana Paula Alcobia Gray	●			●				●
Cidalia Maria da Mota Lopes (AudC President)	●		●					
Fernando da Costa Lima**	●		●					
Joao Nuno de Oliveira Jorge Palma	●	●						
Jose Manuel Alves Elias da Costa (CNR President)	●					●	●	●
Jose Miguel Bensliman Schorcht da Silva Pessanha	●	●						
Lingjiang Xu ((CCGES President)	●					●	●	
Maria Jose Henriques Barreto de Matos de Campos	●	●						
Miguel de Campos Pereira de Bragança	●	●						
Rui Manuel da Silva Teixeira	●	●						
Teofilo Cesar Ferreira da Fonseca (CRA President)	●						●	●
Wan Sin Long	●		●					●
Xiao Xu Gu (Julia Gu)	●							
José António Figueiredo Almaça (RWB President)				●				

* The Board of Directors may, on a case-by-case basis, appoint up to five ad-hoc members, to choose from among the representatives of shareholders with qualified holdings and other personalities of recognized merit linked to the topics that, at any given moment, are the object of analysis by part of the Strategic Board, and whose functions will cease at the same time as the term of office of the Board of Directors expires.

Main 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.

The 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 Banco de 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).

AWARDS

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.

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

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.

BCP Share

During the 1st half of 2022, the performance of the financial markets was strongly constrained by the political/military tensions associated with the invasion of Ukraine by Russia, by the increase in inflation worldwide, related to disruptions in supply chains, in particular and by the monetary policy decisions of the main central banks, consisting in the increase in reference rates (the ECB started a cycle of increase in reference rates in July with the announcement of the first increase of 50 bp on 27 July), as well as as well as fears of a sharp slowdown in GDP in Europe and the US, with some analysts advancing towards the end of the semester with scenarios of a potential recession in these continents. The main European indices have registered significant devaluations since March 2020.

At the European level, inflation reached new highs, with the Euro Zone aggregate recording a record 8.6% in June, largely driven by the high costs of food and energy. Natural gas for distribution in Europe appreciated by more than 60% due to supply cuts from Russia.

In the United States, June ended the first half of the year, with the S&P500 recording its worst half-year performance since the 1970s. The US Federal Reserve's reference interest rate (the Fed Funds rate) at the end of in June it was fixed at 1.75% and already during the month of July, the FED raised the reference rates to 2.5%.

During the current semester, the ECB, bearing in mind the strong inflationary pressures, revealed that it would start the cycle of hikes in reference rates from July onwards. At its meeting on 27 July, the ECB effectively raised the reference rate by 50 bp, setting the rate applicable to the marginal lending facility at 0.75% and the rate applicable to the deposit facility at 0%.

Sovereign debt yields reached the highest levels of the last decade, anticipating a more hawkish positioning by central banks. Low levels of consumer confidence, combined with higher debt costs, a generalized loss of purchasing power, and geopolitical instability have been generating fears of a possible recession in Europe in 2023.

BCP SHARES INDICATORS

	Units	H1 2022	H1 2021
ADJUSTED PRICES			
Maximum price	(€)	0.1982	0.1662
Average price	(€)	0.1657	0.1308
Minimum price	(€)	0.1269	0.1126
Closing price	(€)	0.1650	0.1350
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group	(M€)	5,493	6,269
Shareholder's Equity attributable to ordinary shares (1)	(M€)	5,493	6,269
VALUE PER SHARE			
Adjusted net income (EPS) (1)	(€)	0.007	(0.001)
Book value (2)	(€)	0.337	0.388
MARKET INDICATORS			
Closing price to book value	(PBV)	0.39	0.30
Market capitalisation (closing price)	(M€)	2,130	1,862
LIQUIDITY			
Turnover	(M€)	2,376	878
Average daily turnover	(M€)	18.7	7.0
Volume	(M)	14,364	6,661
Average daily volume	(M)	113.1	52.9
Capital rotation (3)	(%)	95.0%	44.1%

(1) Based on the average number of shares outstanding
(2) Based on the average number of shares minus the number of treasury shares in portfolio
(3) Total number of shares traded divided by the average number of shares issued in the period

During the 1st half of 2022, the BCP share appreciated 17.1%, comparing favorably with the performance of the European banks index, which registered a devaluation of 13.9% in the same period.

The 1st semester was marked by political/military tensions associated with the invasion of Ukraine by Russia, by the increase in inflation worldwide and by the monetary policy decisions of the main central banks, as well as by fears of a sharp slowdown in GDP in Europe and the USA, with some analysts advancing as scenarios of a potential recession in these continents.

The performance of the BCP share was also conditioned by the continuation of the provisioning effort to face the legal risk in Poland and by the announcement by the Polish Government of measures aimed at the protection of debtors in Poland, which has registered a scenario of high and significant inflation increase in reference interest rates.

Based on analysts who regularly follow BCP, at the end of June, buy recommendations represented 62% versus 62% at the end of 2021. 31% of analysts have a neutral recommendation versus 23% in December 2021 and 8% of analysts recommend selling the share versus 15% at the end of 2021. The average price target of the BCP share at the end of June, after several revisions, was fixed at €0.23, reflecting an increase of 28% vs. the end of 2021.

PERFORMANCE

Index	Change H1 2022
BCP share	17.1%
Eurostoxx 600 Banks	-13.9%
PSI	8.5%
IBEX 35	-7.2%
CAC 40	-17.2%
DAX XETRA	-19.5%
FTSE 100	-2.9%
MIB FTSE	-22.1%
Dow Jones Indu Average	-15.3%
Nasdaq	-29.5%
S&P500	-20.6%

Source: Euronext, Reuters, Bloomberg

Liquidity

During the first half of 2022, 2,376 million euros in BCP shares were traded, corresponding to an average daily turnover of 18.3 million euros. 14,364 million shares were traded during this period of time, corresponding to a daily average volume of 113.1 million shares. The capital turnover index stood at 95% of the average annual number of shares issued.

Follow-up with Investors

The Bank participated in several events during the first half of 2022, having attended 5 conferences (1 in person the other virtual) and 5 road shows in Europe and in the USA, where it held one-on-one and group meetings with investors. More than 90 meetings were held with analysts and institutional investors, demonstrating significant interest in the Bank.

Indexes listing BCP shares

The BCP share is part of more than 50 domestic and international stock exchange indexes, among which we point out the Euronext 150, the PSI and the PSI All-Share Index GR.

Additionally, at the end of the 1st half of 2022, Millennium bcp also included the following Sustainability indices: “European Banks Index” and “Bloomberg Gender-Equality Index””, as well as the “EURO STOXX Total Market ESG-X”, “STOXX® Developed Markets Total Market ESG-X” and “STOXX Europe Total Market ESG-X” indices. Bank Millennium, in Poland, is also part of the “WIG-ESG” of the Warsaw Stock Exchange.

Sustainability Indexes

standard ethics

Bloomberg Gender-Equality Index 2022

WIG ESG

Material information announced to the market and impact on the share price

The following table summarizes the material information announced in the first half of 2022 and the price changes in the following day and 5 days, comparing it also to performance of the main domestic and European index in the same periods:

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
1	17/Jan	Banco Comercial Português, S.A. informs about calendar of events in 2022	-1,5%	-1,2%	-0,7%	-11,7%	-8,0%	-3,8%
2	26/Jan	Banco Comercial Português, S.A. informs about provisions for FX-denominated mortgage loans booked by Bank Millennium, S.A.	-0,6%	-1,3%	-1,9%	5,5%	3,6%	2,4%
3	4/Feb	Banco Comercial Português, S.A. informs about minimum prudential requirements	2,4%	2,4%	0,8%	5,5%	5,8%	1,5%
4	28/Feb	Millennium bcp Earnings release as at 31 December 2021	-6,7%	-5,6%	-1,1%	-23,1%	-20,1%	-8,2%
5	30/Mar	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-0,7%	-1,2%	1,4%	-7,4%	-8,4%	-2,8%
6	1/Apr	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-0,3%	-0,5%	0,0%	-5,0%	-6,9%	-3,0%
7	13/Apr	Banco Comercial Português, S.A. informs about provisions for FX-denominated mortgage loans booked by Bank Millennium, S.A.	5,3%	4,5%	4,3%	8,1%	7,4%	4,9%
8	19/Apr	Banco Comercial Português, S.A. informs about notice of acquisition of securities	3,1%	2,8%	1,0%	-10,2%	-6,2%	-5,9%
9	26/Apr	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in Q1 2022	-3,2%	-3,6%	-3,4%	-1,8%	-2,2%	-4,3%
10	4/May	Banco Comercial Português, S.A. informs about resolutions of the Annual General Meeting	-1,8%	-1,1%	0,1%	2,4%	3,1%	5,3%
11	10/May	Banco Comercial Português, S.A. informs on the payment of the dividend relating to the 2021 financial year	3,2%	2,0%	0,9%	13,2%	11,2%	7,3%
12	11/May	Banco Comercial Português, S.A. informs on notification by Banco de Portugal of its MREL requirements	-1,1%	1,2%	-0,5%	11,8%	11,1%	8,8%

(Continues)

(Continuation)

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
13	16/May	Millennium bcp Earnings release as at 31 March 2022	**6,9%**	**5,3%**	**5,0%**	**17,1%**	**11,2%**	**13,8%**
14	19/May	Banco Comercial Português, S.A. informs about notice of acquisition of securities	**-1,9%**	**-2,2%**	**-2,1%**	**11,3%**	**4,5%**	**5,9%**
15	14/Jun	Banco Comercial Português, S.A. informs about the upgrade to Investment Grade of senior unsecured debt ratings by Moody's	**2,8%**	**2,4%**	**0,5%**	**6,3%**	**6,9%**	**2,6%**
16	27/Jun	Banco Comercial Português, S.A. informs about granting of shares to the Executive Directors and Managers	**0,9%**	**-1,1%**	**0,3%**	**-8,4%**	**-8,3%**	**-5,1%**
17	30/Jun	For the second consecutive year, Millennium bcp is the #1 Bank for Innovative Companies	**-1,9%**	**-2,1%**	**-1,5%**	**-8,0%**	**-6,7%**	**-7,5%**

The following chart depicts BCP's share price performance in the first half of 2022:

Dividend policy

The BCP Group's dividend policy takes into account in particular: (i) the promotion of conditions for sustainable compliance with the capital ratios applicable to the Bank at any given time, as well as other applicable legal provisions, including the limitations applicable at any given time that result from the calculation of the maximum distributable amount; (ii) retention of own funds to promote consistency with the Risk Appetite Statement (RAS) and with the results of the internal capital adequacy self-assessment process (ICAAP); and (iii) safeguarding an appropriate safety margin over the values established by the regulator within the scope of its analysis and assessment regarding the adequacy of strategies, processes, capital and liquidity, to the risks to which the Bank is exposed (SREP). In the current context, it will naturally still be worth considering the guidance issued by the ECB mentioned above.

The decision on the application of profits for the year is the responsibility of the General Meeting, based on a proposal from the Board of Directors.

Bearing in mind the permanent consideration of the Bank's capital needs to meet its strategic objectives, it is the intention of the Board of Directors, in a context of macroeconomic stability, to re-establish a distribution of net profits, determined in the individual accounts for each year, that goes to meeting the legitimate expectations of its shareholders and that, in the medium term, it is in line with the best practices of the reference banking sector.

The Board of Directors will define the implications of these criteria in the maximum limit of prospective dividend payout resulting from the dividend policy, as well as the respective application period, which must be evidenced in the Bank's annual budgets.

Shareholder structure

According to Interbolsa, Banco Comercial Português had 138,937 Shareholders at 30 June 2022.

At the end of June 2022 there were two qualified shareholders, with a stake above 5% of the Bank's share capital.

Shareholder structure	Number of Shareholders	% of share capital
INDIVIDUAL SHAREHOLDERS		
Group Employees	2,578	0.32%
Other	132,165	23.43%
COMPANIES		
Institutional	258	22.40%
Qualifying Shareholders	2	49.44%
Other companies	3,936	4.42%
TOTAL	**138,937**	**100%**

Shareholders with more than 5 million shares represented 75.64% of the share capital.

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	107	75.64%
500,000 a 4,999,999	1,233	8.94%
50,000 a 499,999	12,194	10.75%
5,000 a 49,999	35,583	4.14%
< 5,000	89,820	0.53%
TOTAL	**138,937**	**100%**

The Bank’s shareholding structure remained stable in terms of geographical distribution in the first half of 2022. Domestic shareholders held 29.6% of the total shares of the Bank as of June 30, 2022.

	Nr. of Shares (%)
Portugal	29.6%
China	29.9%
Africa	19.7%
UK / EUA	9.0%
Other	11.8%
Total	**100%**

Qualifying Holdings

The following Shareholders held more than 5% of the share capital of Banco Comercial Português, S.A. as of June 30, 2022:

31 December 2021

Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	4,525,940,191	29.95%	29.95%
TOTAL FOR FOSUN GROUP	**4,525,940,191**	**29.95%**	**29.95%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
TOTAL OF QUALIFYING SHAREHOLDERS	**7,472,294,105**	**49.44%**	**49.44%**

Regulatory, economic and financial system environment

Regulatory environment

The Russia-Ukraine conflict remains a very relevant factor for the regulatory and supervisory context, both in terms of monitoring and in the establishment of restrictions/sanctions adopted by the European Union, and in terms of macroeconomic and financial level, namely the effects resulting from the greater restriction in access to essential energy and food goods, impacting distribution chains, inflationary pressures and the normalization of monetary policy.

Climate change and cybersecurity also rank as priorities for regulators and supervisors, supporting monitoring exercises and preparation for the definition of new regulatory acts. In the climate action plan, the ECB adopted measures to incorporate climate change into its monetary policy operations, the integration of environmental, social and governance ("ESG") risks into the supervisory framework will be supported by the "stress test" exercise of the ECB perimeter economies, which takes place this year, and the EBA is in the process of analysing the inclusion of ESG-related risks in Pillar 2 of banking supervision. In the scope of cybersecurity, the European Council and the European Parliament reached a provisional agreement on the "Digital Operational Resilience Regulation ("DORA"). While the complexity of the matter regarding artificial intelligence has not yet reached the consensus of the relevant entities for a close finalization of the regulation, the European Council and the European Parliament reached a provisional agreement on the extension to crypto assets of the requirements applicable to the transfer of funds.

Following the decision to phase out, starting in July 2022, of the collateral easing measures that were adopted in 2020 in response to the exceptional economic and financial circumstances associated with COVID-19, the ECB signalled future increases in key rates but maintaining flexibility to accommodate changing circumstances.

Some exceptional capital and liquidity relief measures allowed by the ECB due to the COVID-19 pandemic still remain, namely being able to temporarily operate below the level of own funds defined for Pillar 2 ("P2G") guidelines until the end of December 2022.

The proposed revision, known as the "banking package", included the following legislative elements: (i) amendment of the Capital Requirements Directive (Directive 2013/36/EU), amendment of the Capital Requirements Regulation (Regulation (EU) 575/2013) and amendments to the resolution framework, and amendments are currently being produced by the European Parliament and the European Council.

The public consultation of the European Comission (under the proposal to review the general framework of the macroprudential policy and the corresponding instruments available to the macroprudential authorities has ended, pending the assessment by the European Comission.

Money laundering and terrorist financing risk factors are among the elements to be considered included in supervisory practices and internal governance models, with the European Council having already issued its position on the proposal to create a European authority dedicated to the prevention of money laundering ("AMLA" Anti-money laundering authority).

In Portugal, it was approved the draft law, to be submitted to the national parliament, which transposes Directives (EU) 2019/878 and 2019/879, relating to access to banking activity and prudential supervision and to the recovery and resolution of credit institutions and investment companies. These two EU Directives aim to strengthen, on the one hand, the mechanisms for supervising the activity of credit institutions and, on the other hand, their respective capacity to absorb losses in the event of any resolution. The revised version of the draft Banking Activity Code that aims to replace the General Regime for Credit Institutions and Financial Companies is currently being analysed by the Ministry of Finance.

The national authorities adopted measures within their competence, namely macroprudential, behavioral and financial markets, in line with local reality and, when applicable, in accordance with the guidelines issued by the European authorities, with emphasis on:

- Decree-Law No. 31/2022, of 6 May, which establishes the legal framework for covered bonds, transposing Directive (EU) 2019/2162 on the issuance of covered bonds and the public supervision of these bonds, harmonizing the requirements of the issuance and supervision of covered bonds within the European Union resulting from Directive (EU) 2021/2261;

- Instruction 11/2022 and Instruction 12/2022, of the Bank of Portugal, concerning the implementation of the Eurosystem's monetary policy – additional temporary measures;
- Notice 1/2022 of the Bank of Portugal, published on 6 June 2022 (DR 2nd series, no. 109), and which regulates measures to prevent money laundering and terrorist financing;
- At the macroprudential level, the countercyclical capital buffer applicable to credit exposures to the domestic non-financial private sector remained at 0% of the total amount of exposures.

The European Council approved the implementation of Poland's recovery and resilience plan, aimed at mitigating the effects of the pandemic crisis. The total allocation under the Recovery and Resilience Facility is EUR 35.4 billion. The disbursement is conditional on reaching the goals and interim objectives established for investments and reforms in the recovery and resilience plan.

The Polish government extended measures to mitigate the effects of high inflation, namely through the reduction of some taxes, and the program to support families with housing loans in local currency was approved to mitigate the impact of the rise in the inflation rate and of the interest rates, with an impact on banks' profitability. Additionally, an assistance fund, financed by the financial system, is in progress, and the introduction of a new indexing interest rate that will replace the WIBOR from 1 January 2023 is still being planned.

The Civil Chamber of the Supreme Court of Poland has not yet disclosed the understanding in the scope of loans denominated in foreign currency that could contribute to greater uniformity in the decisions of ordinary courts, with potential relevance to the magnitude of potential losses for the banking sector arising from provisioning for legal risks.

The Government of Mozambique reached an agreement with the IMF to resume financing for the economy. Within the scope of the implementation of the reform program, it is planned - with a view to improving the stability of the financial system - to strengthen actions in the context of combating money laundering and improving financial inclusion indicators. Likewise, as a cyber risk mitigation mechanism, the Bank of Mozambique outlined a set of actions in terms of regulatory and supervisory legislation.

Economic environment

The outlook for the world economy worsened driven by the outbreak of the war in Ukraine in February. 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, the performance of international financial markets in the first half of the year was characterized by the strong uncertainty related to the evolution of the Russia-Ukraine conflict and 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 both the German and US governmental bond yields, as well as an increase of the risk premia of the Euro Area peripheral countries. In the foreign exchange market, it was worth noting a strong appreciation of the US Dollar against the Euro and the Yen, fueled by the restrictive US monetary policy, as the Federal Reserve decided to end its asset purchase program and rose the key interest rate from 0.50% to 1.75%, throughout the semester. In turn, the European Central Bank (ECB) reduced its intervention in debt markets but maintained the key 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%. The greater uncertainty regarding the global economy contributed to heighten the vulnerabilities of emerging markets.

The Portuguese economy recorded a GDP growth rate of 2.6% in the first quarter, which represents a marked acceleration compared to the previous period that took the GDP above its pre-pandemic level. The favourable performance of the Portuguese economy reflected the dynamism of consumption, backed by accumulated savings and a robust labour market; the expansion of investment, driven by the execution of the NextGenerationEU funds; and the substantial contribution from tourism exports as Portugal benefits from its geographical position in the current geopolitical situation. For 2022, the Bank of Portugal envisages a growth rate of 6.3%. 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, above 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, the adverse external context, the marked increase on 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%), lead the European Commission to project a deceleration of the economic growth throughout the remainder 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 forecasts an acceleration of GDP in 2022, from 2.2% to 3.8%, driven by the structural reforms implemented under the IMF's financial assistance program and the execution of important energy projects.

In Angola, the GDP grew in the first three months of the year, extending the recovery that the Angolan economy observed in 2021, after five years of recession. In 2022, the IMF expects an acceleration of the GDP. Against this background, the Kwanza appreciated significantly in the first months of the year.

Financial System environment

The first half of 2022 is marked by the invasion of Ukraine by Russia, with Western countries imposing unprecedented sanctions on Russia, which could lead to a geopolitical realignment and trigger a reversal in the process of economic globalization. The full impact on the economy is still uncertain, but the main supranational organizations are revising downwards their economic growth forecasts for 2022-23. The Russia-Ukraine conflict caused turmoil in financial markets and significantly increased uncertainty about the level and pace of the global economic recovery, also increasing the general level of concern with food shortages in the short/medium term and a general decrease of purchasing power. It should be noted that the Covid-19 pandemic is still very much present in the economy, with new waves continuing to cause delays and disruptions in supply chains, in the labour market, as well as changing consumption patterns, compromising the homogeneity of the recovery of economic activity across sectors and countries. Also noteworthy is the return of measures to control the pandemic, namely in Asia (e.g. China decreed new lockdowns), the high levels of inflation, the shortage of some intermediate goods and the rise in the prices of raw materials/commodities, with a particularly relevant impact on the cost of energy.

Beginning of the normalization of monetary policy, with the ECB announcing in March 2022 the end of net purchases under the PEPP ("Pandemic Emergency Purchase Programme"), although continuing to be accommodative and supporting favourable financing conditions in the current high inflation context. In June 2022, ECB announced the end of net purchases in the asset purchase programs ("APP") and the increase in interest rates in the third quarter, with calibration dependent on the evolution of inflation in the mid-term. It was also announced the creation of an "anti-fragmentation" mechanism to avoid a repeat of the Eurozone debt crisis, taking into account the vulnerabilities that still persist in the economies from the pandemic. Thus, geopolitical issues (e.g. Russian invasion of Ukraine, US-China tensions, Middle East, globalisation) and possible new pandemic developments (e.g. new variants) will continue to impact the pace of economic recovery and the normalization of monetary policy.

In a very uncertain economic context, the Portuguese banking system maintains positive levels of profitability, although still low in relation to its cost of capital. The evolution and performance of the banking system continued to be impacted by increasingly demanding and costly supervision and regulation, including the intensification of ad-hoc reporting, and regulatory contributions that continue to increase (e.g. contributions to the European and National Resolution Funds, and Contributions to the Banking Sector, in these last two cases at a clear disadvantage compared to other European jurisdictions). In the current context of high uncertainty, the Portuguese banking system continues to show greater strength both in terms of capital and liquidity, and improved asset quality indicators, reflecting the efforts made in recent years to reduce NPE and to reinforce provisioning and coverage levels. The exception continues to be one player that still relies on the National Resolution Fund to top-up its capital ratios to comply with its minimum requirements. This situation, together with the other financial needs generated by the resolution processes of Banco Espírito Santo and BANIF, remains a source of risk potentially affecting the normalisation of the profitability of the Portuguese banking system and raising questions around the fairness of the competition.

The last few years have seen the business model and customers relationship adjustment by Banks, making it more digital, closer, simpler, safer and more sustainable, improving the overall quality of service provided to increasingly demanding

Customers. But the absence of a single regulatory framework applying to all entities that can operate in specific business segments, which would ensure a level playing field, will continue to force the banking system to maintain its focus on efficiency levels in order to compensate for the loss of business and revenues to unregulated non-bank players, inevitably implying the adaptation of their business models to the new environment. Required enhanced investment in appropriate operating and technological risk assessment and control policies, as well as in IT, and particularly data security systems and the defence lines of the Banks, together with the integration of sustainability issues (“ESG”) in daily management will contribute to a more resilient response of the Portuguese financial system to the current and future economic context.

Business Model

Nature of operations and main activities

The Group provides a wide variety of banking services and financial activities in Portugal and abroad, where it is present in the following markets: Poland, Mozambique, Angola (through its associate BMA) and China (Macao). All its banking operations develop their activity under the Millennium brand. The Group also ensures its international presence through representation offices and/or commercial protocols.

The Bank offers a vast range of financial products and services: current accounts, payment systems, savings and investment products, private banking, asset management and investment banking, including mortgage loans, personal loans, commercial banking, leasing, factoring and insurance, among others. The back-office operations for the distribution network are integrated to benefit from economies of scale.

In Portugal, Millennium bcp is focused on the retail market, providing services to its Customers in a segmented manner. The subsidiary companies generally provide their products through the Bank's distribution networks, offering a wide range of products and services.

Distinctive factors of the business model

Largest private sector banking institution

Millennium bcp is Portugal's largest private sector banking institution on business volumes, with a leading position and particular strength in various financial products, services and market segments based on a modern branch network with nationwide coverage. The Bank also offers remote banking channels (banking service by telephone, mobile banking and online), which operate as distribution points for its financial products and services.

The activity in the domestic market focuses on Retail Banking, which is segmented in order to best serve Customer needs, through a value proposition based on innovation and speed targeted at Mass-market Customers, and through the innovation and customized management of service for Prestige, Business, Companies, Corporate and Large Corporate Customers Retail Banking and also through ActivoBank, a bank aimed specifically at Customers who are young in spirit, intensive users of new communication technologies and prefer a banking relationship based on simplicity and offering innovative products and services.

At the end of June 2022, Millennium bcp continued to be the largest Portuguese privately-owned bank on business volumes with a relevant position in the countries where it operates.

On 30 June 2022, operations in Portugal accounted for 73% of total assets, 69% of total loans to Customers (gross) and 74% of total customer funds. The Bank had over 2.6 million active Customers in Portugal and market shares of 17.6% and 18.4% of loans to Customers and customer deposits, respectively, in March 2022.

International presence as a platform for growth

At the end of June 2022, Millennium bcp was also present throughout the world through its banking operations, representative offices and/or commercial protocols, serving over 6.3 million active Customers.

In Poland, Bank Millennium has a well distributed network of branches, supported by a modern multi-channel infrastructure, on a reference service quality, with high brand recognition, a robust capital base, comfortable liquidity and sound risk management and control. In May 2022, Bank Millennium had a market share of 6.0% in loans to Customers and of 5.7% in deposits.

On June 29, 2021 BCP entered into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA (“Banque Privée”). The sale of the entire share capital of Banque Privée BCP (Suisse) SA (“Banque Privée”) to Union Bancaire Privée, UBP SA was completed on November 2, 2021. The amount received for the sale of Banque Privée’s share capital is CHF 113,210,965.00, reflecting the distribution of dividends and the share capital reduction that have occurred in the meantime. Considering this amount, the transaction has a (positive) impact on the consolidated results for the current year, on a pro forma basis as at 30/09/2021, of approximately 46 million euros and a positive impact on the consolidated CET1 ratio of 15 basis points and on total capital of 17 basis points, confirming the amounts previously announced. The final price is still subject to adjustments arising from the evolution of assets under management and the activity of Banque Privée BCP (Suisse) SA. The sale of Banque Privée allows BCP Group to pursue its strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has about 1.1 million Active Customers and is the reference bank in this country, with market shares of 15.1% in loans and advances to Customers and of 23.8% in deposits, in May 2022. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

On **29 December 2021**, BIM – Banco Internacional de Moçambique, SA (a bank incorporated under Mozambican law in which BCP indirectly holds a stake of 66.69%) formalized the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, SA, with a view to strengthening capabilities and expanding the offer of insurance through the banking channel (bancassurance) in Mozambique. Under this partnership, the possibility of which was provided for in the memorandum of understanding signed between BCP and the Fosun Group in November 2016, BIM and Fidelidade also formalized the sale by BIM to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, SA, with BIM maintaining approximately 22% of its share capital. BIM and Fidelidade also agreed call and put options with a view to enabling Fidelidade to acquire additional shares, and BIM's shareholding, as a result of these options, may be reduced to 9.9% of SIM's capital. Under the long-term exclusive distribution agreement, BIM will promote the distribution of SIM insurance through the banking channel, continuing to provide its customers with a wide range of competitive insurance products, which is reinforced by the partnership with Fidelidade, an Insurance Group of reference.

The deed of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was signed on 22 April 2016. The bank resulting from the merger is an associate of Banco Comercial Português.

The Group also operates in the Far East since 1993. The activity of the existing branch in Macau was expanded in 2010, through the attribution of a full license (onshore) aimed at establishing an international platform for business operations between Europe, China and Portuguese-speaking African countries.

The Bank also has 7 representation offices (1 in the United Kingdom, 2 in Switzerland, 2 in Brazil, 1 in China, in Guangzhou, and 1 in South Africa), 3 commercial protocols (USA, France and Luxembourg).

Growth based on digital/mobile banking

Since its incorporation, the Bank has been recognized by the innovation. The Bank was the first in Portugal to introduce specific innovative concepts and products, including direct marketing methods, branch formats based on customer profiles, salary accounts, simplified branches ("NovaRede"), telephone banking services, through Banco 7, which later became the first online banking services platform, health insurance (Médis) and direct insurance, and a website dedicated to individual Customers and corporate banking. The Bank was also a pioneer in the launching of a new Internet Banking concept, based on the ActivoBank platform, which provides a simplified service to the Customer, including the opening of a current account using Mobile Banking solutions.

Digital banking

In the 1st half of 2022, the Bank continued its strategy of accelerating and innovating the digital business. It invested in strengthening and improving convenience features, in differentiating the service and in an ambitious digital activation plan, with a particular focus on the App.

In this period, in Individual Customers, the Bank maintained the growth trend of the Digital Assets base, with a variation of 14% compared to the same period of the previous year, to which the 21% growth of users of the App channel. Consolidating itself as the central platform of the banking relationship, App Customers already represent 80% of all Digital Customers and of these, around 59% use this channel exclusively. Digital penetration in the new acquisition continues to improve with around 71% of customers acquired in May already digital.

In the main Digital Transactions, we registered a growth of 20%, compared to the same period in 2021, largely driven by the growth of the App channel (+33%).

In the 1st half of 2022, sales made through digital channels represented 74% of the Bank's total sales, an increase of 3 p.p. compared to 2021. The Bank continued its plan to develop a strong digital experience model focused on mobile, with the application of a more personalized, contextual and targeted communication strategy, highlighting the products and services available on the Millennium App that best serves each

Client and always looking to simplify their day-to-day.

Several campaigns were carried out in owned and paid media, very oriented to the profile of each Customer, in order to meet their real needs. As a result of this strategy, we achieved higher levels of monthly production of Personal Loans on Digital and a product penetration rate of 55% in the 1st half, in number of transactions (+16 p.p. compared to the same period in 2021), with the App be responsible for 86% of them (+9p.p. compared to the same period in 2021).

The Credit Card ordering process in the App, with an automatic decision to increase the credit limit, the new fractional payments functionality and better communication personalization, also proved to have been a good bet for increasing sales, representing the App 82% of digital card sales in 2022.

Also in terms of credit, a new Mortgage Loan simulator was developed for the website and App with a credit request, a faster, more intuitive journey with contextual explanations for a greater financial literacy of Customers.

In Savings, there was a growth of 5 p.p. compared to the same period of 2021, in the penetration rate in number of transactions, with the App representing around 80% of the digital total.

In terms of investments, the significant weight of most products sold on digital was maintained: 25% of subscriptions to Investment Funds, 93% of subscriptions to Millennium bcp Stock Exchange Certificates and 97% of Stock Orders were carried out on digital in 1st semester of the year. It should be noted that the Millennium App represents 40% of digital investment fund sales. In the online trading business, we highlight the significant growth in the value of orders +22% carried out on our digital channels and the weight of the Bank's online trading platform – MTrader –, with 76% of orders placed, having registered around 5,000 new additions in the 1st half of 2022.

In Risk Insurance, the Bank closed the 1st half with 42% of digital sales (+11p.p. compared to the same period in 2021). Following the trend of increasing demand from its Customers for products related to their protection, in addition to the launch of Médis Dental Health Insurance, Médis Health Insurance and YOLO!, the Bank will continue to provide new solutions in line with this need, also allowing Customers to consult their insurance portfolio through the App.

Customer-oriented relationship model

In the 1st half of 2022, Millennium bcp invested in a strong and continuous brand visibility, following up on a Communication strategy focused not only on the commercial dimension with a clear focus on mobile, with the dissemination of strategic solutions and products, but also growing the reputation and strengthening of Customer relationships, through the long-awaited return to face-to-face events.

At the beginning of the year, the launch of the Housing Credit Campaign should be highlighted. Lead by the actor Diogo Morgado, Millennium invited Customers to take the next step and advance in the purchase of the house of their dreams, through a high-coverage multimedia campaign, which allowed the Bank to reach very significant levels of remembrance.

The brand's presence in the media was also felt through the Consumer Choice Campaign. Millennium bcp was once again elected as the choice of Customers and Non-Customers in the “Big Banks” category, a prize that was shared with the various Stakeholders.

Alongside the Private Customers area, the Companies and Business segment consolidated its proximity communication strategy, with a strong Export campaign in the 1st half of the year and the dissemination of leadership in the attribution of the “PME Líder” and the "COTEC Inovadora” statues.

In terms of Business events, the 1st half of 2002 also marks the new edition of Millennium Talks, an event to bring together the experiences of leading figures in the Portuguese business community, with the presence of Customers, Employees and institutional representatives.

The commitment to Customers was continuously evident throughout the first six months of the year, also in Sponsorships. The return of a physical event as cherished as the “Millennium Estoril Open” made it possible to strengthen the relationship with Customers, society and sports lovers, in a clear expression of the Bank's positioning towards a way of being in life: healthy, sustainable, positive.

And it was in this spirit that Millennium became the Official Bank of the World Surf League Portugal events and of the young promising Teresa Bonvalot, national surf champion and European champion of the WSL. The Bank's connection to surfing emerges as a natural and expected path, in the reinforcement of the narrative with which it has always presented itself to the market - in the concern with Sustainability, with the Environment and in the awareness of the role it plays as the largest private financial institution in the country .

Business Model Sustainability

Millennium bcp, strengthening its response to the growing importance of Sustainability and responsible finance matters for its Stakeholders, but also to the expectations of regulators in these areas of action, has been leading an accelerated transformative dynamic of adaptation to new ESG (Environmental , Social and Governance).

In order to make this evolution possible, the Bank has, within the framework of its governance and decision-making model, a Sustainability Committee led by the CEO and a Master Sustainability Plan (PDS), a management instrument that must be understood as a coherent aggregator of the multidisciplinary actions to be developed within the scope of the ESG dimensions.

Millennium bcp's intervention is thus divided into three fundamental axes: Environmental, aiming at the implementation of measures that promote a fair and inclusive transition to a decarbonized economic development model, including the incorporation of the climate dimension in the Bank's risk models and in the offer of commercial products and services; Social, which ensures proximity and involvement with internal and external communities in the creation of shared value, despite the role that the Millennium bcp Foundation already plays in this dimension; and Corporate Governance, promoting the integration of Sustainability principles into the Bank's decision-making and management processes.

This alignment is central to Sustainability at Millennium bcp, and at organizations in general, being a privileged means of determining the social and environmental impact of the activity carried out and the expected corporate performance of the company in these matters. The Bank is aware of the competitive advantage of incorporating environmental, social and governance factors, opportunities and risks into decision-making processes and of reflecting them in the offer, a conviction that is well expressed in the inclusion of Sustainability as one of the structuring vectors of the 2024 Strategic Plan, document that summarizes the essence of Millennium bcp's vision, objectives and value proposition for the next three years.

Deepening a culture of Responsible Business and the ability to positively influence the organization's long-term value proposition, in balance with the well-being of people, the company and the communities in which it operates, with respect for the preservation of natural resources, climate and the environment, constitute the priority objectives of the sustainability strategy, policies and practices defined and implemented by the BCP Group in all its geographies.

Millennium network

USA
Commercial protocols

Brazil
2 Representative offices

BRANCHES

BRANCHES OPENED ON SATURDAY

BRANCHES WITH DIFFERENTIATED SCHEDULE

BRANCHES WITH ACCESS CONDITIONS TO PEOPLE WITH REDUCED MOBILITY

REPRESENTATIVE OFFICES

COMMERCIAL PROTOCOLS

PARTNERSHIP

* Includes Macao branch.
** Includes branches of different networks that share the same physical space.

Portugal
415* Branches
154** 16 361

United Kingdom
1 Representative office

Poland
635 Branches
81 97 291

Macao (China)
1 Branch

France
Commercial protocols

Luxembourg
Commercial protocols

South Africa
1 Representative office

China
1 Representative office

Switzerland
2 Representative offices

Mozambique
197 Branches
28 63 187

Angola
Partnership

	Customers (Thousands)	Internet	Call Centre	Mobile Banking	ATM (1)	POS (2)
Portugal	2,609	627,949	331,019	1,142,086	1,920	84,087
Poland	2,585	2,163,363	243,410	2,147,574	404	2,094
Mozambique	1,139	12,168	79,018	747,323	510	8,016
Macao (China)	2	-	-	-	-	-

Note: Considered Customers/ active users those who used Internet, Call Centre or Mobile Banking at least once in the last 90 days
Do not include AtivoBank Customers. Internet Customers/active users Mozambique: Dec. 2020.

(1) Automated Teller Machines.

(2) Points of Sale.

Financial information

Results and Balance Sheet

The consolidated Financial Statements were prepared under the terms of Regulation (EC) 1606/2002, of 19 July (in the version in force), and in accordance with the reporting model determined by Banco de Portugal (Banco de Portugal Notice 5/2015, in the version in force), following the transposition into Portuguese law of Directive 2003/51/EC, of 18 June, of the European Parliament and Council in the versions currently in force.

In order to achieve a better understanding of the performance of the Group's financial standing and ensure comparability with the information of previous periods, a number of concepts that reflect the management criteria adopted by the Group within the scope of the preparation of the financial information are mentioned in this analysis. The accounting information corresponding to such concepts is presented in the glossary and throughout the document, whenever applicable.

Banco Comercial Português, S.A. informed, on 29 June 2021, by an announcement that it had concluded on that day an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"). On 2 November 2021, after obtaining the non-opposition of the local competent supervisory entities and all the remaining conditions agreed were complied with, the sale was completed. The final price could be adjusted upwards or downwards, being subject to the usual adjustments in these type of transactions, including the change in equity in the Bank's final accounts on the deal date and also adjustments related to change in stocks and assets under management, on pre-determined dates and for pre-established portfolios. The completion of the sale of Banque Privée allows BCP Group to continue its strategy focused on the allocation of resources and on the management of core geographies, enhancing its development and thus ensuring the creation of value for stakeholders.

On 31 December 2021, BIM – Banco Internacional de Moçambique, S.A. (a bank incorporated under Mozambican law here BCP holds, indirectly, a 66.69% stake) ("BIM") formalized the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, S.A. ("Fidelidade"), to enhance capacities and increase the offer of insurances in the banking channel (bancassurance) in Mozambique. Within the scope of this partnership, which was planned in the memorandum of understanding signed between BCP and Group Fosun in November 2016, BIM and Fidelidade also formalised the sale by BIM to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, S.A. ("SIM"). Following this deal, BIM holds approximately 22% of SIM's share capital. BIM and Fidelidade also agreed call and put options to enable Fidelidade to acquire additional shares. Thus, the stake held by BIM, due to those options, may be reduced to 9.9 % of SIM's share capital.

Following the sales mentioned above and as defined in IFRS 5, the contribution from Banque Privée to consolidated earnings, in the first half 2021, was accounted as income from discontinued operations in the international activity and the contribution from SIM was restated, in order to assure the comparability of the historical information and also reflected as income from discontinued operations in the international activity. The accounting of assets and liabilities of Banque Privée 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.

In the first half of 2022, the amounts associated with discontinued or discontinued operations mostly include the the price adjustment of Banque Privée, as previously agreed.

During 2021, some reclassifications were made, in particular regarding net commissions, in order to improve the quality of the information reported. The historical amounts of such items, included in this analysis, are presented considering these reclassifications with the purpose of ensuring their comparability, with the total amount of net commissions remaining unchanged compared to those published in previous periods.

The re-expressions, made in the first half of 2022, from the information disclosed before in the same period in the previous year, resulted exclusively from the situations previously mentioned aiming to ensure the comparability of the information.

SUBSEQUENT EVENTS

Following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland on the same day of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers ('the Act'), introducing, among others, a possibility of up to 8 months of credit holidays in 2022-2023 for Zloty mortgage borrowers, the Bank Millennium S.A. estimated the maximum impact of the implementation of this Act for Bank Millennium S.A. Capital Group, at 1,779 million Zlotys (378.72 million euros) if all eligible Bank Millennium Group's borrowers were to use such an opportunity. The Bank Millennium Group expects to recognise an upfront cost in third quarter 2022 results in the range between 75-90% of the above amounts. The impact of each 10% of eligible borrowers fully using the credit holidays is estimated at 178 million Zlotys (37.89 million euros) at the Bank Millennium Group level.

Due to costs generated as a result of the above mentioned Act, it could be reasonably assumed that the Bank Millennium S.A. will post a negative net result for the third quarter of 2022 and as a result its capital ratios may fall below the current minimum requirements set by Polish Financial Supervision Authority ('PFSA'). As the emergence of risk of a breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Polish Banking Act of 29 August 1997, on 15 July 2022 the Management Board of the Bank Millennium S.A. took a decision to launch the Recovery Plan, notifying of the fact both PFSA and Bank Guarantee Fund.

The Management Board of the Bank Millennium, S.A. intends to increase capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations).

At the same time, the Act introduced a process leading to the WIBOR interest rate benchmark being replaced with a new benchmark. Due to the lack of information on the details of potential new index that will be replacing WIBOR, it is not possible to estimate the potential impact of the above changes in the future.

Additionally, the Act introduced a contribution in the amount of 1,4 billion Zlotys (0.3 million euros) to Borrowers' Support Fund till the end of 2022 year to be made by banking sector. There is no information yet on the exact amount that the Bank Millennium S.A. will be obliged to contribute to the Fund. The Act introduces several conditions enabling the release from the obligation to make a payment to the Fund, the Bank Millennium, S.A. will assess whether these conditions apply to the Bank Millennium S.A.

PROFITABILITY ANALYSIS

NET INCOME

The consolidated net income of Millennium bcp amounted to 75 million euros in the first six months of 2022, compared to 12 million euros posted in the same period of the previous year.

NET INCOME

Million euros

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 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. and the expected effect that the increase in reference interest rates has on the prospective evolution of net interest income, 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 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 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 52[5] million euros in the first half of 2021, to 117[5] 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[5] million euros, to 258[5] 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[5] 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 1,119 million euros accounted in the first half of 2021, reaching 1,373 million euros in the first six months of the current year. This performance was mainly due to the increase in net interest income by 28.6%, from 766 million euros in the first half of 2021 to 985 million euros at the end of June 2022. 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, grew by 9.8% in consolidated terms, from 353 million euros, to 388 million euros in the same period, mainly benefiting from the performance of the activity in Portugal.

At the same time, and despite in a smaller size, the income from dividends from equity instruments and equity accounted earnings also contributed favourably to the evolution of the consolidated results of the Group, mainly due to the performance of the activity in Portugal.

Conversely, other impairment and provisions negatively influenced the evolution of the consolidated results of the Group, increasing from 305 million euros in the first half of 2021, to 372 million euros in the first half of 2022. However, it should be noted that this performance was strongly influenced by 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. Excluding this impairment, in the amount of 102 million euros, other impairment and provisions were lower than in the first half of 2021,

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

both in activity in Portugal and in international activity.

In this context, 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 of 219 million euros recognized in the first half of 2022 was below the 231 million euros accounted in the same period of the previous year (198 million euros and 214 million euros, respectively, net amounts of the value originated by the operations of Euro Bank S.A., to be repaid by a third party).

At the same time, the results of the Group were penalised by the evolution of other net operating income, from a negative amount of 112 million euros in the first half of 2021, to an also negative amount of 177 million euros, in the first six months of the year, mainly reflecting the increase in mandatory contributions incurred by the Polish subsidiary. The increase of 65 million euros in the mandatory contributions of the subsidiary mainly reflects the contribution to the newly established Institutional Protection Scheme (IPS) in the amount of 54 million euros, the aim of which is to ensure the stability of the local financial system by ensuring the liquidity and solvency of the 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, from 80 million euros in the first half of 2021, to 42 million euros in the first six months of the year, mainly reflecting the performance of the international activity, namely 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 (49 million euros in the first half of 2022, compared to 16 million euros in the first half of 2021).

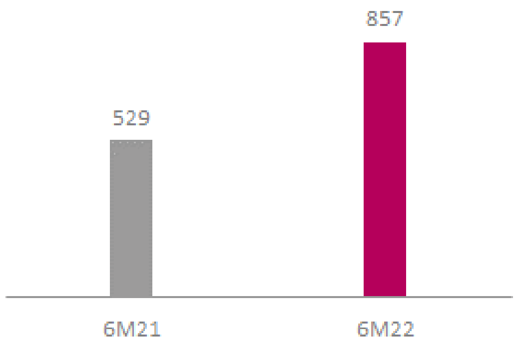
Finally, mention should be made to the increase in loans impairment charges, net of recoveries, that in consolidated terms went from 157 million euros in the first half of 2021, to 179 million euros at the end of June 2022, reflecting the performance of both the activity in Portugal and international activity. Other administrative costs and depreciation also increase due to 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 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 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 totalled 1 million euros, mainly including the sale price adjustment of Banque Privée, according to previously agreed conditions[6].

Consolidated core operating profit amounted to 857 million euros at the end of June 2022, showing a significant increase of 62.0% from the 529 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[7], the increase in core operating profit was 40.0%).

CORE OPERATING PROFIT

Million euros



[6] 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.

[7] Negative impact of 6 million euros in the first half of 2022 and 87 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 amount of 6 million euros. 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 million euros.

In the activity in Portugal, net income showed a very expressive growth from the 45 million euros achieved in the first half of 2021, amounting to 175 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, that went from 657 million euros in the first half of 2021, to 708 million euros in the first half of 2022, and on the other hand the reduction in staff costs, from 264 million euros, to 166 million euros, in the same period. The growth in core income, of 51 million euros, reflects the positive performance showed by both net interest income, which increased 21 million euros amounting to 431 million euros in the first six months of the current year, and by net commissions which stood at 277 million euros, showing an increase of 30 million euros from the amount posted in the same period of the previous year. The reduction of 98 million euros in staff costs, in turn, mainly reflects the recognition, in the first half of 2021, of a provision in the amount of 81 million euros to address 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 favourable evolution of other impairment and provisions that stood 18 million euros below the amount posted in the first half of 2021, as well as dividends from equity instruments and the equity accounted earnings, that increased 12 million euros and 3 million euros, respectively.

Conversely, the evolution of net income of the activity in Portugal was influenced by the higher levels of loans impairment (net of recoveries), that went from 127 million euros in the first half of 2021, to 139 million euros in the first half of 2022, and by the reduction in net trading income that stood at 60 million euros, compared to 68 million euros achieved in the first half of 2021, mainly reflecting lower gains associated with sovereign debt in the first half of 2022, in contrast to the ones recorded in the same period of the previous year. 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 million euros in the first half of 2021 to 414 million euros in the first six months of 2022. Excluding the impact of specific items[7], the core operating profit of the activity in Portugal totalled 420 million euros in the first half of 2022, standing 18.4% above the 354 million euros achieved in the same period of 2021.

In the international activity, net income evolved from a negative amount of 33 million euros in the first half of 2021 to an also negative amount of 100 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 goodwill of Poland, amounting to 102 million euros. It should be noted that, excluding that provision, net income of the international activity improved from the first half of 2021, due to the performance of the generality of the operations abroad. 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. Although the recognition of additional provisions to address the legal risk implied in this credits still represents the most significant share of the costs associated with these credits, which impact affects several items of the profit and loss account, the most significant increase was 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 net trading income.

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 million euros, compared to an also negative amount of 5 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 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 million euros in the first half of 2021 to 443 million euros in the first six months of 2022.

Bank Millennium in Poland, despite having a negative net income of 57 million euros in the first six months of 2022, evolved favourably compared to the also negative 113 million euros, posted in the same period of the previous year. This performance was largely due to the growth of 180 million euros in net interest income, from 281 million euros in the first half of 2021 to 461 million euros in the first half of 2022, due to the successive increases in the reference interest rates of the National Bank of

Poland that began in the last quarter of 2021 and continued in the first half of 2022, putting an end to the period of close to zero rates in the initial phase of the pandemic. At the same time, other impairment and provisions, although with a lesser impact, contributed favourably to the results of the Polish subsidiary. Conversely, the net income of the subsidiary continues to be strongly penalized by the costs incurred with mandatory contributions, that increased 65 million euros in the period under analysis. The increase in mandatory contributions that the subsidiary is subject was worsened by the recognition in the first half of 2022 of the contribution to the newly created Polish Institutional Protection Scheme (IPS), in the amount of 54 million euros. This fund was created with the aim of ensuring the stability of the local financial system, ensuring the liquidity and solvency of the banks, serving simultaneously to support situations of forced restructuring carried out by the Bank Guarantee Fund in banks that are public companies. Additionally, the costs associated with foreign exchange mortgages, were also higher than the 234 million euros recognized in the first half of 2021, totalling 258 million euros in the same period of the current year. The recognised exchange losses on net trading income, following the agreements concluded with customers, with a view to converting the credits to local currency or their early (full or partial) repayment, represented the highest increase in the period under analysis, evolving from 16 million euros, to 49 million euros. On the other hand, provisions to address the legal risk implied in the foreign currency mortgage portfolio, despite representing the most significant share of the costs associated with these credits, were lower than the 231 million euros posted in the first half of 2021, amounting to 219 million euros at the end of June 2022.

Net income of Millennium bim in Mozambique, in turn, amounted to 46 million euros in the first half of 2022, 22.7% above the 38 million euros obtained in the same period of 2021, benefiting in part from the exchange rate evolution of the Metical against the euro. The majority of the items of the profit and loss account showed a favourable performance, with particular emphasis on the increase in net interest income benefiting from the reference interest rates' increases. Conversely, we must point out the negative impact of increased operating costs and loans impairment on the results of the Mozambican subsidiary.

INCOME STATEMENT

Million euros

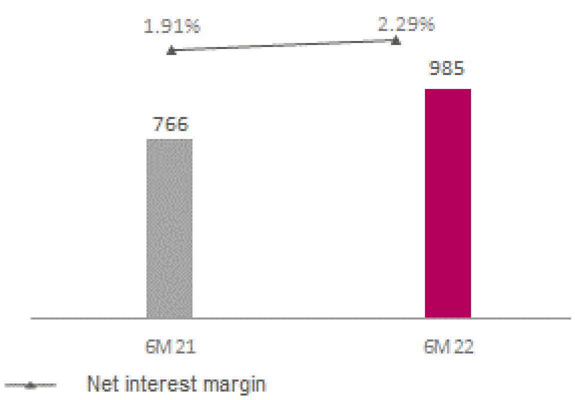
	6M22	6M21 (restated)	Chg. % 22/21
NET INTEREST INCOME	985	766	28.6 %
OTHER NET INCOME			
Dividends from equity instruments	13	1	>200%
Net commissions	388	353	9.8 %
Net trading income	42	80	(47.4)%
Other net operating income	(177)	(112)	(57.7)%
Equity accounted earnings	33	29	12.0 %
TOTAL OTHER NET INCOME	298	351	(15.0)%
NET OPERATING REVENUES	1,283	1,117	14.9 %
OPERATING COSTS			
Staff costs	284	373	(23.8)%
Other administrative costs	163	149	9.1 %
Depreciation	69	68	1.7 %
TOTAL OPERATING COSTS	516	590	(12.5)%
RESULTS BEFORE PROVISIONS AND IMPAIRMENTS	767	527	45.7 %
IMPAIRMENT			
Loans impairment (net of recoveries)	179	157	14.3 %
Other impairment and provisions	372	305	22.0 %
INCOME BEFORE INCOME TAX	216	65	>200%
INCOME TAX			
Current	45	49	(8.9)%
Deferred	111	53	110.7 %
NET INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	60	(37)	>200%
Income arising from discontinued operations	1	6	(76.8)%
NET INCOME AFTER INCOME TAX	62	(31)	>200%
Non-controlling interests	(13)	(43)	69.8 %
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	75	12	>200%

NET INTEREST INCOME

Net interest income reached 985 million euros in the first half of 2022, showing a significant growth of 28.6% compared to the 766 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%.

NET INTEREST INCOME

Million euros



In the activity in Portugal, net interest income showed a 5.2% growth from the 409 million euros achieved at the end of the first half of 2021, reaching 431 million euros in the first six months of 2022. This performance of net interest income largely reflects the favourable evolution of the commercial business. In this sense, mention should be made to the increase in the income generated by the loan portfolio, boosted by the increase in credit volumes 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 this effect will be softened by the rise in interest rates already initiated. 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 Banco de 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.

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. The reduction in the costs incurred with subordinated debt issue also contributed positively to the evolution of net interest income in the activity in Portugal, reflecting on the 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 million euros accounted in the first half of 2021, amounting to 555 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 favourable 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.

Net interest income of the subsidiary in Mozambique, in turn, was also higher than in the first half of 2021, mainly due to the increase in the volume of the public debt portfolio and the higher implied yields, having benefited additionally from the exchange rate evolution of the Metical against the euro.

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 essentially 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.

OTHER NET INCOME

Other net income, that includes dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, amounted to 298 million euros in the first half of 2022, below the 351 million euros posted in the same period of the previous year. This evolution was determined by the performance of the international activity, whose reduction completely offset the growth achieved by the activity in Portugal. In consolidated terms, other net income largely reflects the decrease in other net operating income in the international activity, namely in the Polish subsidiary, reflecting the increase in costs associated to mandatory contributions. The reduction in net trading income, mainly verified in the international activity, more specifically in the Polish subsidiary arising from the increase in costs incurred in converting mortgage loans granted into Swiss francs, following the agreements closed in the meantime with customers holding those credits, also contributed largely to the performance of other net income of the Group.

On the other hand, it is important to mention the positive impact of the growth in net commissions, especially regarding the activity in Portugal. Additionally, despite the smaller impact, both dividends from equity instruments and equity accounted earnings were higher than in the first half of 2021, mainly due to the activity in Portugal.

OTHER NET INCOME

Million euros

	6M22	6M21 (restated)	Chg. % 22/21
Dividends from equity instruments	13	1	>200%
Net commissions	388	353	9.8%
Net trading income	42	80	-47.4%
Other net operating income	(177)	(112)	-57.7%
Equity accounted earnings	33	29	12.0%
TOTAL	298	351	-15.0%
of which:			
Activity in Portugal	311	275	13.1%
International activity	(13)	76	-117.3%

DIVIDENDS FROM EQUITY INSTRUMENTS

Dividends from equity instruments incorporates dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading. In the first half of 2022, dividends from equity instruments totaled 13 million euros that compares to 1 million euros posted in the same period of 2021. This evolution was almost entirely driven by the income received related to the investments that integrate the shares portfolio in the activity in Portugal.

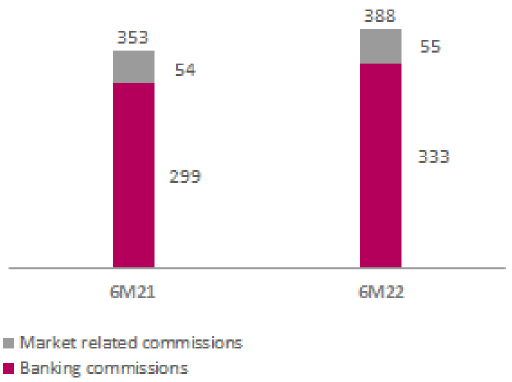
NET COMMISSIONS

Net commissions include commissions related to the banking business and commissions more directly related to financial markets. During 2021, some accounting reclassifications were made, in order to improve the quality of the reported information. The historical amounts, of the reclassified items, considered for the purposes of this analysis, are presented on a pro forma basis according to the reclassifications made, in order to ensure its comparability. We must point out that except for the impacts produced by the restatement of the contribution of the subsidiary in Mozambique[8] the total amount of net commissions disclosed in the first half of 2021 remains unchanged.

In the first half of 2022, net commissions showed a 9.8% growth from the 353 million euros recorded in the first six months of 2021, reaching 388 million euros in the same period of the current year. The favourable performance of net commissions, in the period under review, occurred in both the international activity and above all in the activity in Portugal.

NET COMMISSIONS

Million euros



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 million euros recorded in the first half of 2021, amounting to 277 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 million euros in the first half of 2022, representing a growth of 24 million euros from the 209 million euros recorded in the same period of 2021. Despite of the overall favourable performance of the commissions related to the banking business in the activity in Portugal, it is important to highlight the performance of commissions related to cards and transfers that increased 32.1%, from 51 million euros, to 67 million euros, with the latter increasing 13 million euros (86.7%) from the first half of 2021 totalling 28 million euros at the end of the first half of the current year. The favourable performance of these commissions largely reflects the impact of normalisation of economic activity, including the recovery of post-pandemic transactional levels.

Management and maintenance of accounts commissions, in turn, reached 68 million euros, standing 9 million euros (14.7%) above the amount accounted in the first six months of 2021, mainly due to the dynamics of new customer acquisition and by the proper management of value

[8] Following the sale, at the end of 2021, 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 considered as income arising from discontinued operations, as defined in the IFRS 5, in order to ensure the comparability of the historical information.

propositions. Bancassurance commissions and other banking business commissions also showed favourable evolutions, although with lesser expression, while credit and guarantee commissions together were slightly below the 53 million euros in the first half of 2021, setting at 51 million euros at the end of the first half of 2022. However, it should be noted that both credit commissions and the income associated with guarantees have shown a favorable evolution, and the reduction in this aggregate is due to the increase in costs associated with guarantees, following the increase in credit granted in particular with EIF/EIB guarantees.

Market-related commissions in the activity in Portugal, in turn, were 5 million euros (14.3%) higher than in the first six months of 2021, totalling 44 million euros at the end of the first half of 2022. This evolution reflects, on the one hand, the good 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 106 million euros posted in the first half of 2021, reaching 110 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.

In the subsidiary in Mozambique, the performance of net commissions reflects the growth of commissions related to the banking business, also benefiting from the exchange rate evolution of the Metical against the euro. Conversely, in the Polish subsidiary, the exchange rate evolution of the Zloty against the euro had a negative impact on the evolution of net commissions, which were still higher than in the first half of 2021, benefiting from the growth of commissions related to the banking business, although it was largely absorbed by the reduction in market-related commissions.

NET COMMISSIONS

Million euros

	6M22	6M21 (restated)	Chg. % 22/21
BANKING COMMISSIONS			
Cards and transfers	106	84	27.4%
Credit and guarantees	77	76	1.0%
Bancassurance	60	59	1.3%
Management and maintenance of accounts	82	74	10.7%
Other commissions	7	6	19.4%
SUBTOTAL	333	299	11.2%
MARKET RELATED COMMISSIONS			
Securities	20	18	10.4%
Asset management and distribution	35	36	-2.2%
SUBTOTAL	55	54	2.0%
TOTAL NET COMMISSIONS	388	353	9.8%
of which:			
Activity in Portugal	277	247	12.1%
International activity	110	106	4.4%

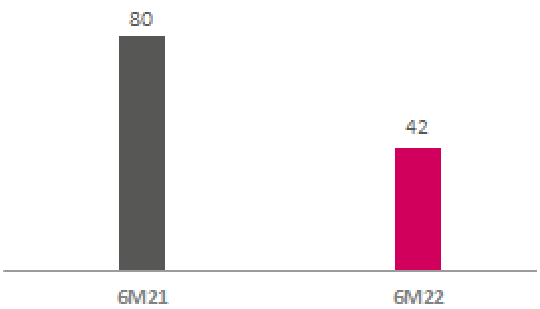
NET TRADING INCOME

Net trading income includes 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 amortized cost and results from derecognition of financial assets measured at fair value through other comprehensive income.

In the first six months of 2022, net trading income stood at 42 million euros, a reduction from the 80 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

Million euros



Net trading income, in the activity in Portugal, stood at 60 million euros in the first half of 2022, a 12.1% decrease from the 68 million euros recorded in the first half of 2021. The lower gains recognized in sovereign debt, arising from both sales and revaluations in the first six months of 2022 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, in the amount of 5 million euros, contrasting to 21 million euros of 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, in the amount of 5 million euros, contrasts with the costs of 3 million euros 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 million euros in the first half of 2021, to a negative amount of 18 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 16 million euros recognised in the first half of 2021, amounting to 49 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.

NET TRADING INCOME

Million euros

	6M22	6M21 (restated)	Chg. % 22/21
Net gains / (losses) from financial operations at fair value through profit or loss	7	(9)	173.3%
Net gains / (losses) from foreign exchange	15	28	-46.1%
Net gains / (losses) from hedge accounting operations	(4)	1	<-200%
Net gains / (losses) from derecognition of assets and financial liabilities measured at amortised cost	5	(3)	>200%
Net gains / (losses) from derecognition of financial assets measured at fair value through other comprehensive income	19	64	-70.1%
TOTAL	42	80	-47.4%
of which:			
Activity in Portugal	60	68	-12.1%
International activity	(18)	12	<-200%

OTHER NET OPERATING INCOME

Other net operating income includes other operating income, net of other operating costs, which comprises costs related to deposit guarantee funds and resolution funds, as well as other mandatory contributions, both in the activity in Portugal and in the international activity. Other net operating income also includes the results arising from sales of subsidiaries and other assets.

In the first half of 2022, other net operating income stood at a negative amount of 177 million euros, compared to an also negative amount of 112 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 million euros in the first half of 2022, in line with the also negative amount of 71 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 mainly by the increase of 11 million euros recorded in the costs incurred with mandatory contributions, which increased from 78 million euros in the first half of 2021 to 90 million euros in the first six months of 2022. The increase in the total amount of mandatory contributions was mainly due to the cost of the contribution to the Single Resolution Fund (SRF), that went from 21 million euros in the first half of 2021, to 26 million euros in the same period of the current year and the contribution on the banking sector that went from 33 million euros to 37 million euros in the same period. The contribution required for the national resolution fund rose from 17 million euros, to 19 million euros, while the additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to the impact of the crisis caused by COVID-19, reached 7 million euros, 1 million euros above the amount recorded in the first six months of 2021. The contribution to the deposits guarantee fund, in turn, went from a non-material amount in the first half of 2021 to 1 million euros in the same period this year, while the supervisory fee charged by the ECB remained close to 1 million euros in both periods. 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 million euros refer to contributions for national entities (56 million euros in the first six months of 2021).

In the international activity, other net operating income evolved from a negative amount of 41 million euros in the first half of 2021, to an also negative amount of 105 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 65 million euros, from 52 million euros in the first half of 2021, to 117 million euros in the same period of 2022. In this context, we must point out the contribution of 54 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 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 a "aid fund" to which each bank will contribute 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 million euros, at a level similar to the amount recognised in the first half of the previous year. At the same time, there was an increase in the remaining mandatory contributions, with the contribution to the resolution fund totalling 18 million euros in the first six months of 2022, compared to 11 million euros in the same period of 2021, while the special tax on the Polish banking sector increased from 33 million euros, to 36 million euros in the same period.

Other net operating income also reflect the increase in legal costs related to claims filed by Bank Millennium, mainly to claim the reimbursement of the costs associated with the capital use, by the customers, during the period of the respective loans, that amounted to 4 million euros, compared to a nonmaterial amount recognized in the first half of 2021. 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 million euros in the first half of 2021, totalling 21 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 favourable evolution compared to the first half of 2021, boosted by the exchange rate evolution of the Metical against the euro.

EQUITY ACCOUNTED EARNINGS

Equity accounted earnings from associates include the results appropriated by the Group related to the entities where, despite exercising some influence, it does not have control over their financial and operating policies.

In the first half of 2022, equity accounted earnings totalled 33 million euros, showing a 12.0% growth from the 29 million euros in the same period of the previous year, strongly influenced by the performance of the activity in Portugal.

Equity accounted earnings in the activity in Portugal amounted to 34 million euros in the first half of 2022, standing 9.9% above the 31 million euros accounted in the same period last year, mainly due to the increase in income generated by the participation in Unicre.

In the international activity, equity accounted earnings totalled a negative amount of 1 million euros in the first half of 2022, evolved favourably from the also negative amount of 2 million euros posted in the same period of the previous year. This performance was driven by the appropriation of the results generated by Seguradora Internacional de Moçambique, S.A. ("SIM"), in the amount of 1 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. On the other hand, the appropriation of the results generated by Banco Millennium Atlântico was lower than a year earlier, reflecting the impacts caused by the weaknesses of the local economy.

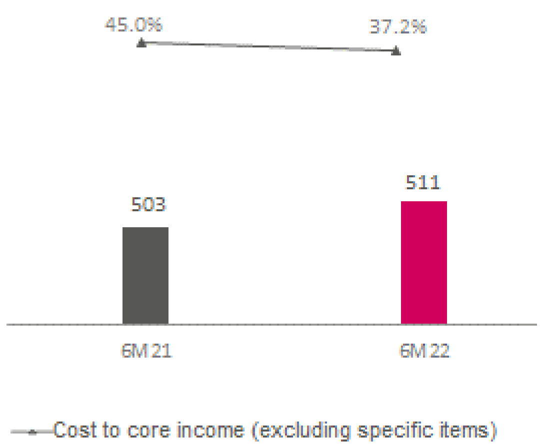
OPERATING COSTS

Operating costs include staff costs, other administrative costs and depreciation.

Excluding the effect of specific items[9], operating costs totalled 511 million euros in the first six months of 2022, standing 1.5% above the 503 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[9], 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.

OPERATING COSTS

Million euros



[9] Specific items: 6 million euros in the first half of 2022 and 87 million euros in the first half of 2021, fully recognized as staff costs in the activity in Portugal.

In the activity in Portugal, operating costs, not considering the effect of the specific items[9], showed a 4.6% reduction from the 302 million euros posted in the first half of 2021, amounting to 288 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 and approved 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 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 favourable evolution of operating costs in the activity in Portugal, excluding specific items[9], 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 totalled 222 million euros at the end of the first half of 2022, standing 10.8% above the 201 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[9], compared to the amount recorded in the first half of 2021, the favourable 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, increased, 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.

In the activity in Portugal, in the period under analysis, the cost to income and cost to core income ratios evolved from 44.1% to 38.8%, and from 46.0% para 40.7%, respectively, strengthening the robustness of the operation in Portugal and the resilience of its business model.

In the international activity, in turn, cost to income and cost to core income ratios also showed a favourable evolution, from 46.4% and 43.4% in the first half of 2021, to 41.1% and 33.4% in the same period of 2022, with the increase in net operating revenues and core income to more than offset the increase in operating costs.

OPERATING COSTS

Million euros

	6M22	6M21 (restated)	Chg. % 22/21
Staff costs (1)	278	286	-2.5%
Other administrative costs	163	149	9.1%
Depreciation	69	68	1.7%
OPERATING COSTS (excluding specific items)	511	503	1.5%
of which:			
Activity in Portugal	288	302	-4.6%
International activity	222	201	10.8%
Specific items	6	87	-93.5%
OPERATING COSTS	516	590	-12.5%

(1) Excluding the impact of specific items.

STAFF COSTS

Staff costs, not considering the effect of specific items (6 million euros in the first half of 2022 and 87 million euros in the first half of 2021), totalled 278 million euros in the first six months of 2022, showing a 2.5% reduction from 286 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, in the amount of 6 million euros, as proposed and approved at the General Meeting of Banco Comercial Português, S.A., held on May 4, 2022, represents almost all of the specific items recognized in the first half of 2022. In the first half of 2021, specific items amounted to 87 million euros, mainly related to a provision in the amount of 81 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 (6 million euros in the first half of 2022 and 87 million euros in the first half of 2021), showed a reduction of 9.5% compared to the 177 million euros posted in the first half of 2021, amounting to 160 million euros in the same period of the current year. This favourable 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 million euros. In the first half of 2022, specific items, in the activity in Portugal, mainly incorporate the impact of the distribution of part of the 2021 results by the Bank's employees. According to the proposal approved at the General Meeting of Banco Comercial Português, S.A., held on May 4, 2022, the amount to be distributed was 6 million euros, referring to compensation for the temporary adjustment of employees remuneration.

In the international activity, staff costs amounted to 118 million euros in the first half of 2022, standing 8.9% above the 109 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 semester 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.

STAFF COSTS

Million euros

	6M22	6M21 (restated)	Chg. % 22/21
Salaries and remunerations	225	230	-2.2%
Social security charges and other staff costs	54	56	-3.7%
STAFF COSTS (excluding specific items)	278	286	-2.5%
Of which:			
Activity in Portugal	160	177	-9.5%
International activity	118	109	8.9%
Specific items	6	87	-93.5%
STAFF COSTS	284	373	-23.8%

OTHER ADMINISTRATIVE COSTS

Other administrative costs totalled 163 million euros in the first half of 2022, a 9.1% growth from the 149 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 million euros, 3.5% above the 85 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 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 million euros in the first half of 2022, standing 16.7% above the 64 million euros posted in the same period of the previous year. This evolution was due to the performance of both the Polish subsidiary, reflecting in part the increase in legal advice costs associated with foreign exchange mortgage loan portfolio, and the subsidiary in Mozambique, penalized, above all, by the exchange 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.

OTHER ADMINISTRATIVE COSTS[10]

Million euros

	6M22	6M21 (restated)	Chg. % 22/21
Water, electricity and fuel	8	6	40.6%
Consumables	4	3	7.8%
Rents	10	10	-4.9%
Communications	12	10	13.5%
Travel, hotel and representation costs	2	1	107.1%
Advertising	13	11	22.4%
Maintenance and related services	8	7	11.9%
Credit cards and mortgage	0	0	-214.9%
Advisory services	12	11	9.9%
Information technology services	22	21	7.5%
Outsourcing	38	38	0.4%
Other specialised services	14	13	7.9%
Training costs	0	0	26.8%
Insurance	2	2	-2.3%
Legal expenses	3	2	46.5%
Transportation	5	4	22.3%
Other supplies and services	10	9	3.8%
TOTAL	163	149	9.1%
of which:			
Activity in Portugal	88	85	3.5%
International activity	74	64	16.7%

DEPRECIATIONS

Depreciations amounted to 69 million euros in the first six months of 2022, standing 1.7% above the 68 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%), totalling 40 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 30 million euros in the first half of 2022, standing 4.9% above the 28 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.

[10] At the end of 2021, some accounting reclassifications were made, in order to improve the quality of the reported information. Despite the non-materiality of those reclassifications, the historical amounts, of the reclassified items, considered for the purposes of this analysis, are presented on a pro forma basis according to the reclassifications made, in order to ensure its comparability. We must point out that except for the impacts produced by the restatement of the contribution of the subsidiary in Mozambique the total amount of other administrative costs disclosed in the first half of 2021 remains unchanged.

LOANS IMPAIRMENT

Impairment for loan losses includes impairment of financial assets at amortised cost for loans to customers and for debt instruments related to credit operations, net of reversals and of recoveries (principal and accrual).

The reconciliation of the impairment of financial assets at amortized cost presented in the consolidated profit and loss account with the impairment of loans to customers considered for the purposes of this analysis is presented as follows:

LOANS IMPAIRMENT (P&L)

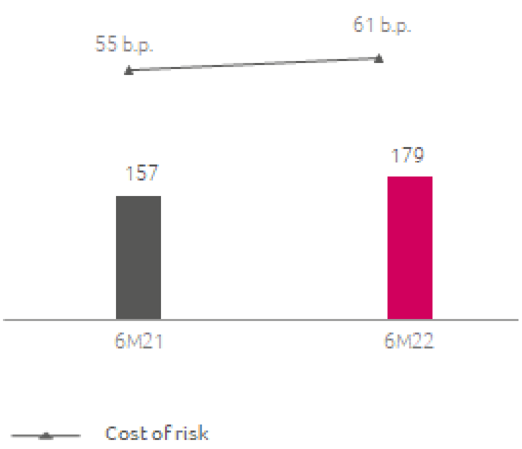
Million euros

	6M22	6M21
Impairment of financial assets at amortised cost (accounting P&L) (1)	183	159
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	0	0
Impairment of financial assets at amortised cost not associated with credit operations (3)	4	2
Loans impairment considering management criteria (1)-(2)-(3)	179	157

In the first half of 2022, loans impairment charges (net of recoveries) totalled 179 million euros, showing a 14.3% increase from the 157 million euros accounted in the same period of 2021, reflecting both the performance of the activity in Portugal and the international activity.

LOANS IMPAIRMENT (NET)

Million euros



In the activity in Portugal, loans impairment charges (net of recoveries) amounted to 139 million euros at the end of the first half of 2022, being 9.8% above the 127 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 additional impairments recognized in that period.

In the international activity, impairment charges (net of recoveries), stood 33.5% above the 30 million euros recognized in the first half of 2021, amounting to 40 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. We must also mention that, in this case, there was simultaneously an increase in other impairments and provisions through the reinforcement of impairments for non-current assets held for sale.

The evolution of impairment for loan losses (net of recoveries) in consolidated terms led the cost of risk of the Group (net of recoveries) 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.

LOANS IMPAIRMENT (NET OF RECOVERIES)

Million euros

	6M22	6M21	Chg. % 22/21
Loan impairment charges (net of reversions)	189	168	12.3%
Credit recoveries	10	11	-15.4%
TOTAL	179	157	14.3%
of which:			
Activity in Portugal	139	127	9.8%
International activity	40	30	33.5%
COST OF RISK OF THE GROUP:			
Impairment charges (net of recoveries) as a % of gross loans	61 b.p.	55 b.p.	7 b.p.

OTHER IMPAIRMENT AND PROVISIONS

Other impairment and provisions include (i) impairment, net of reversals, for loans and advances of credit institutions classified at amortised cost; (ii) impairment for financial assets (classified at fair value through other comprehensive income and at amortised cost not associated with credit operations); (iii) impairment for other assets, namely for assets received from the termination of loan contracts with customers, investments in associates and goodwill of subsidiaries and (iv) other provisions.

Other impairments and provisions totalled 372 million euros in the first six months of 2022, standing 22.0% above the 305 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, in the amount of 102 million euros. Notwithstanding the good operating performance of Bank Millennium S.A. and the expected effect that the increase in reference interest rates has on the prospective evolution of net interest income, 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 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 million euros as at 30 June 2022.

In the activity in Portugal, other impairments and provisions showed a favourable evolution, from 69 million euros in the first half of 2021, to 51 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 321 million euros at the end of the first half of 2022, showing a 35.9% growth from the 236 million euros posted in the same period of the previous year. This evolution mainly reflects the recognition of the impairment to the total goodwill associated with the Group's participation in Bank Millennium, 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 231 million euros recognized in the first half of 2021, to 219 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. (21 million euros in the first half of 2022 and 16 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 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 million euros that had been recognized in the first half of 2021, assuming a residual amount in the same period of 2022.

INCOME TAX

Income tax (current and deferred) amounted to 156 million euros in the first half of 2022, which compares to 102 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 45 million euros (49 million euros in the first half of 2021) and deferred tax of 111 million euros (53 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 million euros related to the impairment of the goodwill of the Polish subsidiary, which has no impact on current and deferred taxes.

NON-CONTROLLING INTERESTS

Non-controlling interests incorporate the part attributable to third parties of the net income of the subsidiary companies consolidated under the full method in which the Group Banco Comercial Português does not hold, directly or indirectly, the entirety of their share capital, recording mainly the income for the year attributable to third parties related to the shareholdings in Bank Millennium in Poland (49.9%) and in Millennium bim in Mozambique (33.3%).

In the first half of 2022, the non-controlling interests totalled a negative amount of 13 million euros, compared to an also negative amount of 43 million euros accounted in the same period of the previous year. This evolution was essentially due to the income for the year attributable to third parties arising from the activity of the Polish subsidiary, which grew by 28 million euros in the same period, following the lower losses reported by Bank Millennium in the first half of this year compared to the losses in the first half of 2021. Income for the year attributable to third parties via the consolidation of the subsidiary in Mozambique, although in a smaller dimension, was also higher than in the first half of 2021, reflecting the growth of the subsidiary net income, compared to the same period of the previous year.

REVIEW OF THE BALANCE SHEET

A set of concepts, mentioned in the present analysis reflects the management criteria adopted by the Group in the preparation of the financial information, whose accounting correspondence is presented in the glossary and throughout the document, where applicable, highlighting the ones related to loans to customers, balance sheet customer funds and securities portfolio.

BALANCE SHEET AS ON 30 JUNE 2022 AND 2021 AND 31 DECEMBER 2021

Million euros

	30 Jun. 22	31 Dec. 21	30 Jun. 21	Chg. % Jun. 22/21
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions (1)	8,260	8,158	4,945	67.0 %
Financial assets measured at amortised cost				
Loans and advances to credit institutions	875	453	671	30.4 %
Loans and advances to customers	55,187	54,972	53,995	2.2 %
Debt instruments	12,102	8,205	8,331	45.3 %
Financial assets measured at fair value through profit or loss				
Financial assets held for trading	1,758	931	1,705	3.2 %
Financial assets not held for trading mandatorily at fair value through profit or loss	932	991	1,290	-27.7 %
Financial assets measured at fair value through other comprehensive income	8,645	12,891	13,883	-37.7 %
Investments in associated companies	444	462	436	1.7 %
Non-current assets held for sale	631	781	905	-30.3 %
Other tangible assets, goodwill and intangible assets	738	857	863	-14.5 %
Current and deferred tax assets	2,859	2,705	2,678	6.8 %
Other (2)	3,642	1,497	1,662	119.1 %
TOTAL ASSETS	96,074	92,905	91,365	5.2 %
LIABILITIES				
Financial liabilities measured at amortized cost				
Resources from credit institutions	8,996	8,896	9,056	-0.7 %
Resources from customers	73,190	69,560	68,101	7.5 %
Non subordinated debt securities issued	1,115	2,188	1,752	-36.4 %
Subordinated debt	1,350	1,395	1,200	12.5 %
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	193	231	372	-48.2 %
Financial liabilities measured at fair value through profit or loss	1,344	1,582	1,481	-9.3 %
Other (3)	3,594	1,990	2,016	78.3 %
TOTAL LIABILITIES	89,782	85,843	83,978	6.9 %
EQUITY				
Share capital	4,725	4,725	4,725	
Share premium	16	16	16	
Other equity instruments	400	400	400	
Reserves and retained earnings (4)	277	840	1,115	-75.2 %
Net income for the period attributable to Bank's Shareholders	75	138	12	>200%
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,493	6,119	6,269	-12.4 %
Non-controlling interests	798	943	1,118	-28.6 %
TOTAL EQUITY	6,291	7,062	7,386	-14.8 %
TOTAL LIABILITIES AND EQUITY	96,074	92,905	91,365	5.2 %

(1) Includes Cash and deposits at Central Banks and Loans and advances to credit institutions.
(2) Includes Hedging derivatives, Investment property and Other assets.
(3) Includes Hedging derivatives, Provisions, Current and deferred income tax liabilities and Other liabilities.
(4) Includes Legal and statutory reserves and Reserves and retained earnings.

A reconciliation between the management criteria defined and the accounting amounts published in the consolidated financial statements is presented below.

Loans to customers (gross) includes loans to customers at amortized cost before impairment, the debt securities at amortized cost associated with credit operations before impairment and loans to customers at fair value through profit or loss before fair value adjustments. The amount of balance sheet impairment considered for the purpose of estimating loans to customers (net) and the coverage of the credit portfolio includes the balance sheet impairment associated with the loans at amortized cost, the balance sheet impairment associated with debt securities at amortized cost associated with credit operations and the adjustments associated with loans to customers at fair value through profit and loss.

Loans to customers

Million euros

	30 Jun. 22	31 Dec. 21	30 Jun. 21
Loans to customers at amortised cost (accounting Balance Sheet)	55,187	54,972	53,995
Debt instruments at amortised cost associated to credit operations	1,811	1,308	1,520
Balance sheet amount of loans to customers at fair value through profit or loss	40	79	370
Loan to customers (net) considering management criteria	**57,039**	**56,360**	**55,885**
Balance sheet impairment related to loans to customers at amortised cost	1,596	1,849	1,964
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	7	7	10
Fair value adjustments related to loans to customers at fair value through profit or loss	11	14	27
Loan to customers (gross) considering management criteria	**58,653**	**58,231**	**57,885**

Balance sheet customer funds include, apart from deposits and other resources from customers, debt securities classified at amortized cost or designated at fair value through profit or loss. Deposits and other resources from customers comprise resources from customers at amortized cost and customer deposits at fair value through profit and loss.

Balance sheet customer funds

Million euros

	30 Jun. 22	31 Dec. 21	30 Jun. 21
Financial liabilities at fair value through profit or loss (accounting Balance sheet) (1)	1,344	1,582	1,481
Debt securities at fair value through profit or loss and certificates (2)	1,344	1,582	1,481
Customer deposits at fair value through profit or loss considering management criteria (3) = (1) - (2)	—	—	—
Resources from customers at amortised cost (accounting Balance sheet) (4)	73,190	69,560	68,101
Deposits and other resources from customers considering management criteria (5) = (3) + (4)	**73,190**	**69,560**	**68,101**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet) (6)	1,115	2,188	1,752
Debt securities at fair value through profit or loss and certificates (7)	1,344	1,582	1,481
Non subordinated debt securities placed with institucional customers (8)	1,103	2,155	1,714
Debt securities placed with customers considering management criteria (9)=(6)+(7)-(8)	**1,356**	**1,615**	**1,519**
Balance sheet customer funds considering management criteria (10)=(5)+(9)	**74,546**	**71,175**	**69,621**

The securities portfolio includes debt securities at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding amounts related to credit operations and trading derivatives) and financial assets at fair value through other comprehensive income.

Securities portfolio

Million euros

	30 Jun. 22	31 Dec. 21	30 Jun. 21
Debt instruments at amortised cost (accounting Balance sheet) (1)	12,102	8,205	8,331
Debt instruments at amortised cost associated to credit operations net of impairment (2)	1,811	1,308	1,520
Debt instruments at amortised cost considering management criteria (3) = (1) - (2)	**10,291**	**6,897**	**6,811**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet) (4)	932	991	1,290
Balance sheet amount of loans to customers at fair value through profit or loss (5)	40	79	370
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (6)=(4)-(5)	**892**	**912**	**920**
Financial assets held for trading (accounting Balance sheet) (7)	1,758	931	1,705
of which: trading derivatives (8)	453	431	482
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (9)	8,645	12,891	13,883
Securities portfolio considering management criteria (10)=(3)+(6)+(7)-(8)+(9)	**21,133**	**21,201**	**22,837**

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, totalling 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 decreased 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.

Total liabilities of the consolidated balance sheet of Millennium bcp stood at 89,782 million euros on 30 June 2022, showing a 6.9% growth from the 83,978 million euros recorded at the same date of the previous year, mainly due to the evolution of deposits and other resources from customers mainly in the activity in Portugal, confirming a trend verified in the last periods and increase of hedging derivatives.

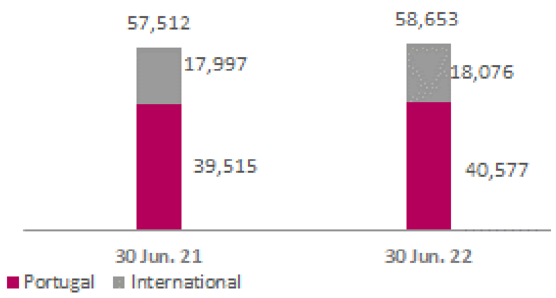
Equity, including non-controlling interests, totalled 6,291 million euros on 30 June 2022, which compares to 7,386 million euros recorded at the end of June of the previous year. In fact, excluding non-controlling interests, equity attributable to bank’s shareholders stood at 5,493 million euros as of 30 June 2022, below the 6,269 million euros recorded in the same period last year, being the positive effect related to the actuarial differences of the pension fund more than offset by the negative evolution of the fair value reserves, mainly from the impact arising from cash flow hedging instruments. Additional information and details on the evolution of equity are described in the Interim Condensed Consolidated Statements of Changes in Equity for the periods of six months ended 30 June 2022 and 2021 in Consolidated accounts for the first half of 2022.

LOANS TO CUSTOMERS

Consolidated loans to customers[11] (gross of impairment) 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 in the same date last year represents a 2.0% growth, mainly achieved through the performance of the activity in Portugal.

LOANS TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments and on a comparable basis: excludes the impact from discontinued operations

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 semester 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 1st 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 classified as stage 3), which compared with a percentage of non-performing exposures of 4.0% [12] of the total portfolio.

In the international activity, loans to customers (gross)[11] 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.

[11] 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

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

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%.

LOANS TO CUSTOMERS (GROSS)

Million euros

	30 Jun. 22	30 Jun. 21 comparable (1)	Chg. % 22/21
INDIVIDUALS	**34,213**	**33,106**	**3.3%**
Mortgage loans	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%
Discontinued 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 loan 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 favourable 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 half of 2022, compared to 67.3% recorded in the same date last year.

The coverage of foreign exchange mortgage loan portfolio, 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%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	1.5%	2.5%		1.2%	2.4%	
Non-performing exposures (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 Non-performing loans (NPL) > 90 dias	178.5%	136.7%		211.8%	146.0%	
Coverage of Non-performing exposures (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.

CUSTOMER FUNDS

Total customer funds [13] showed a favourable 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 terms increased by 5,767 million euros compared to the same date 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.

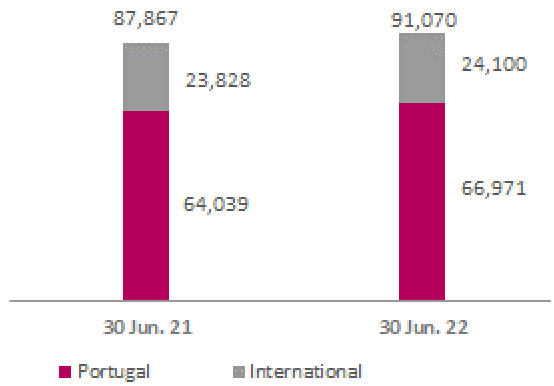
Off-balance sheet customer funds have presented a negative evolution compared to the same date period of the previous year, showing a decrease of 2,400 million euros, amounting to 16,524 million euros at the end of June 2022. Both activities in Portugal and in international geographies contributed to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

TOTAL CUSTOMER FUNDS (*)

Million euros



(*) On a comparable basis: excludes the impact from discontinued operations

In the international activity[13], 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 period 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 of 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.

[13] 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.

TOTAL CUSTOMER FUNDS

Million euros

	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 placed with customers	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 comparability 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.

SECURITIES PORTFOLIO

The securities portfolio, as defined above, comprises a diversified set of financial assets that are broken-down according to the following accounting categories: debt instruments at amortised cost not associated with credit operations, financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives) and financial assets at fair value through other comprehensive income.

On 30 June 2022, the securities portfolio of the Group 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.

SECURITIES PORTFOLIO

Million euros

	30 Jun. 22	30 Jun. 21	Chg. % 22/21
Financial assets measured at amortised cost (1)	10,291	6,811	51.1%
Financial assets measured at fair value through profit or loss (2)	2,198	2,143	2.6%
Financial assets measured at fair value through other comprehensive income	8,645	13,883	-37.7%
TOTAL	**21,133**	**22,837**	**-7.5%**
of which:			
Activity in Portugal	15,877	16,871	-5.9%
International activity	5,256	5,966	-11.9%

(1) Debt instruments not associated to credit operations.
(2) Excludes the amounts related to loans to customers and trading derivatives.

Business Areas

Activity per Segments

Millennium bcp conducts a wide range of banking activities and financial services in Portugal and abroad, with special focus on Retail Banking, Companies Banking and Private Banking business.

BUSINESS SEGMENT	PERIMETER
Retail Banking	Retail Network of Millennium bcp (Portugal) Retail Recovery Division Banco ActivoBank
Companies, Corporate & Investment Banking	Companies and Corporate Network of Millennium bcp (Portugal) Specialised Recovery Division Interfundos Large Corporate Network of Millennium bcp (Portugal) Specialised Monitoring Division Investment Banking Trade Finance Department (*)
Private Banking	Private Banking Network of Millennium bcp (Portugal) Millennium bcp Bank & Trust (Cayman Islands)
Foreign Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Atlântico (***) Millennium bcp Bank & Trust (Cayman Islands)
Other	Comprises the activity carried out by Banco Comercial Português, S.A. not included in the commercial business in Portugal which corresponds to the segments identified above, including the activity carried out by Macao branch. Also includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) From Marketing Division for Corporate, Business and Institutional since last quarter of 2021.
(**) For the purposes of business segments, It should be noted that, following the sale of the operation in Switzerland on 2 November 2021, the subsidiary's net income in June 2021, as well as eventual adjustments in 2022 in the capital gain generated with the sale of the entire shareholding in Banque Privée BCP (Suisse), S.A., is reflected as income from discontinued and discontinuing operations, as provided for in IFRS 5.
(***) Consolidated by the equity method.

The figures reported for each segment resulted from aggregating the subsidiaries and business units integrated in each segment. For the business units in Portugal, the aggregation process reflects the impact from capital allocation and balancing process in the balance sheet and income statement, based on average figures. The balance sheet headings for each business unit and Portuguese subsidiaries were re-calculated, considering the replacement of the equity book values by the amounts assigned through the allocation process, based on the regulatory solvency criteria.

Thus, as the process of capital allocation complies with the regulatory criteria of solvency in force, the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Each segment's income includes the non-controlling interests, when applicable. Therefore, the values of net income presented incorporate the individual net income of the business units, regardless of the percentage stake held by the Group, and the impacts of the transfers of funds described above.

Operating costs related to the business segments do not include headcount adjustment costs and other costs considered as specific items recorded in June 2021 and in June 2022.

The information presented below for the individually more relevant business areas in Portugal and aggregately for the international activity was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 30 June 2022. In this context, it should be noted that, 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) S.A., the contribution of this subsidiary to the net income of the Foreign Business segment is reflected as income from discontinued operations. Banque Privée BCP (Suisse) S.A. ceased to be part of the BCP Group on 2 November 2021, the date on which the sale of this subsidiary was completed. In this context, income from discontinued or discontinued operations also reflect the capital gain from the sale of the operation or eventual adjustments in 2022 on this capital gain. It should also be noted that on 29 December 2021, BIM – Banco Internacional de Moçambique, S.A. also formalized the sale to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, S.A., with BIM maintaining approximately 22% of its share capital. The contribution of this subsidiary to the net income of the Foreign Business segment is also presented as income from discontinued or discontinued operations as at June 2021, as required by IFRS 5. The presentation of assets and liabilities of Banque Privée BCP (Suisse) S.A. and Seguradora Internacional de Moçambique. S.A. referring to previous periods remained unchanged when compared to the criteria considered in the preparation of the consolidated financial statements previously disclosed.

RETAIL

Mass Market

Millennium bcp pursued its strategy of strongly increasing the digital involvement of Customers with the Bank, through actions to collect/update e-mails, subscribe to the digital statement and activate/use digital channels, in particular the Millennium App.

As a result of this action, the Bank was able to reach the historic milestone of 84% of active current accounts with extracts in digital format and 44% of individual Active Customers using the App.

In terms of attracting Customers, priority was given to the younger and digital segments with targeted digital campaigns and specific offers to Summer Festivals.

Given the importance of the domiciliation of wages for the strengthening of relations with the 1st Bank, campaigns to capture wages were continuously developed with differentiating offers for Customers:

- In the 1st quarter, consisting of a stay in a 4-star hotel for 2 people and a Lifestyle Experience of your choice;
- In the 2nd quarter, refund of 10% of the value of the first salary domiciled at the Bank (with a maximum of €200) in a gift card.

At the same time, and with the aim of increasing cross-networking, actions were carried out to publicize the exclusive offer for Customers working in Companies with a protocol agreement with the Bank - Plano Mais Colaborador. When paying their salary, these Customers had access to distinctive benefits, in particular:

- Integrated Solution of Banking Products and Services at special price conditions;
- Promotional advantages in Mortgage Loans, Personal Loans and Car Loans with discounts on spreads and commissions;
- Discounts on insurance: Médis, Homin (Multirisk insurance) and Yolo (Life insurance).

The model for remote management of Customers in the Mass Market segment, launched in 2020, continued to prove to be a major driver of increased contacts and sales, with an increasingly relevant contribution to the strategic items of Retail.

Prestige

The Bank maintained its strategy of attracting high value Customers and promoting initiatives to attract Customers through credit and salary campaigns.

In Personalized Remote Management, the process of boosting the value proposition for Digital Customers continued and focus on Prestige Direct, a service that has a new schedule, new system, offer and an expanded commercial structure.

In terms of investments, the Bank kept the Personalized Investment service for Prestige Customers that allows making investment recommendations based on the investor profile through an innovative Customer experience, reinforcing this way the segment's innovative positioning and continuous improvement of working hours. Customer-centric. Currently two journeys are available (Retirement and Investment) through the Prestige Manager.

The Bank continued on improving Customer journeys across all channels, in order to meet Customer expectations and objectives, with the implementation of new experiences for subscribing to investment products in the App.

The strong dynamics of lending continued, both in personal loans (online and pre-approved) and in mortgage loans through targeted campaigns.

Portuguese Diaspora & Foreigners

In the 1st half of the year, this segment maintained a strategy of strengthening the relationship and increasing proximity to Customers, enhancing the use of the Bank's digital channels, with special emphasis on the Millennium App, through:

- Development of new features, such as the possibility of linking accounts of some French banks in the App, or Western Union “Direct to Account” transfers;
- Continuous improvement of the Customer experience, with the translation of their journeys into English, for example, the Mortgage Credit journey.

The offer dedicated to new Portuguese Customers residing abroad was consolidated, with the signing of partnerships in order to assign more advantageous conditions to these Customers with the Bank.

There was a strong dynamic in the attribution of advantages in the subscription of Insurance products, with campaigns aimed at Customers in this segment, with exclusive conditions in the acquisition of the Homin Homin Multirisk Insurance for properties with an address in

Portugal and the Médis Health Insurance for Residents in Portugal .

Business

Business Support

Focus on attracting new Customers, ensuring the growth of the Business Customer base.

Customer Recognition

The Bank was distinguished for the 4th consecutive year as the Leader Bank of SMEs, supporting more than 3,500 companies in obtaining the PME Líder status. The Bank celebrated this accomplishment with the launch of a dedicated campaign with the motto "É muito Sucesso Junto". The idea of the campaign was to recognize the success of companies that obtained the PME Líder 2021 status.

Millennium bcp joined COTEC as a partner bank and was, for the 2nd consecutive year, the leading bank in the COTEC Innovative Status, with more than 360 statutes attributed, which represents a share of 61%, reinforcing its position in supporting Innovative Companies.

Products

Loans to individuals

Credit to Individuals

The Bank maintained a strong focus on Loans to Individuals through a competitive offer, adjusted to all Customer's needs, based on an agile and fast process, with emphasis on:

- continuation of the commitment and promotion of Digital Channels;
- within the scope of the Sustainability policy, the Bank continued to promote products aimed at financing renewable energy production equipment and energy efficiency solutions;
- support for the training of young people, through the sale of University Credit with Mutual Guarantee.

In Real Estate Credit, the Bank continued its policy of promoting the product, through a strong campaign with visibility in all the media, including Digital channels, and maintained:

- competitive offer, with particular relevance to the Youth and A/B segment;
- within the scope of the sustainability policy, it provided special conditions for properties with the best energy rating;
- continuous improvement of the Digital tools, and a new monitoring process in the Digital channels, website and App Millennium, always aiming at innovation, simplification, agility and speed in processes.

Investment solutions

- In the 1st half, the Bank expanded the offer of investment products on Digital channel, with the availability of Reforma Activa unit linked and the marketing of a selected offer of ESG ETFs in the App. The offer managed by IMGA of allocation products was also extended with the IMGA Defensive Allocation.
- Concern for the future of the Customers continued with high dynamism in the commercialization of adequate solutions for the preparation of the Retirement.

Integrated Solutions

- The Bank reinforced the insurance benefits in the Family Advantage for Customers with Prestige Integrated Solutions (including Yolo life insurance), cementing its leadership position in benefits for the families of the best Customers.

ActivoBank

During the 1st half of 2022, ActivoBank launched the first integrated product and service solutions: the AB Plus and AB Premium Plans. These Plans add benefits in day-to-day management products, Investments and Insurance with a competitive pricing positioning aimed at younger Customers with greater involvement with the Bank.

The 2nd wave of institutional campaign was also developed with the well recognized influencer which contributed to the reinforcement of the Bank's reputation as the 1st bank and in the approach to the younger segment, the main target of the Asset.

In terms of Personal Loans and Mortgage, monthly campaigns with themes suited to the audiences to be impacted continued to be particularly prominent in digital media, maintaining the product as one of the most competitive on the market.

The launch of the new Wage Activo offer was one of the novelties of the semester, with a competitive wage overdraft TAN in the market, and with exclusive access to a digital showcase of technological offer, the checklist. In addition, a new Affiliated Personal Credit product was launched, Crédito Certo, an exclusive contracting product for the purchase of Checklist equipment, with TAN 0% and exempt from Credit Opening Commission.

Within the scope of Investments, several campaigns related to thematic Investment were implemented, associated with mega-trends, with the possibility for the Customer to choose and invest in the themes of their preference. The topics covered were: Technology, Water, Sustainability, Health, Natural

Resources, Energy and Agriculture. The highlight of these themes was accompanied by monthly conferences (About Investments) for Clients.

In digital marketing, it should be highlighted the implementation of specific project in order to improve performance and at the same time support the improvement of financial literacy.

In terms of sustainability, ActivoBank launched its partnership with Ocean Alive, which will allow it to play a relevant role in the protection of one of the marine prairies of the Sado estuary.

Net banking Income increased by 15% over the same period, amounting to 23.9 million euros. Net income grew by 13% compared to the same period in the previous year, reaching 7.4 million euros, at the end of June 2022.

The Customer base grew by 19%, reaching around 432 thousand customers at the end of the semester, with a greater impact on the growth of the Affluent and Class AB Customer segments, by 29% and 23%, respectively.

Microcredit

In the 1st half of 2022, the Bank continued its institutional activity of disseminating Microcredit and promoting entrepreneurship, although in a context still marked by COVID-19. As a result of the work carried out in the 1st half of 2022, Millennium bcp's Microcredit approved the financing of 30 new operations, translating into a total of 520 thousand euros in credit and 42 new jobs created.

The Bank's Microcredit partners, business associations, municipalities, training and consultancy companies, social economy entities, began to resume their activities and initiatives for dissemination, training and capacity building. Thus, in the 1st half of 2022, as part of the work to boost Microcredit, 10 dissemination activities were carried out (training sessions, workshops, fairs).

Million euros

RETAIL BANKING in Portugal	30 Jun. 22	30 Jun. 21	Chg. 22/21
PROFIT AND LOSS ACCOUNT			
Net interest income	232	223	3.7%
Other net income	223	206	8.6%
	455	429	6.0%
Operating costs	208	234	-10.8%
Impairment and provision	17	44	-63.1%
Income before tax	230	151	52.5%
Income taxes	71	47	52.2%
Income after tax	159	104	52.6%
SUMMARY OF INDICATORS			
Allocated capital	1,312	1,201	9.3%
Return on allocated capital	24.4%	17.5%	
Risk weighted assets	10,590	9,800	8.1%
Cost to income ratio	45.8%	54.4%	
Loans to Customers (net of impairment charges)	25,496	24,334	4.8%
Balance sheet Customer funds	39,108	34,967	11.8%

Notes:

Allocated capital, Loans to customers (net of recoveries) and Balance sheet Customer funds figures based on average balance.

Income

As at 30 June 2022, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 159 million, showing a 52.6% increase compared to Euros 104 million in 2021, reflecting an higher net operating income, a lower level of operating costs and a lower level of impairment recorded in 2022. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income reached Euros 232 million as at 30 June 2022, increasing 3.7% compared to the previous year (Euros 223 million), as a result from the higher income arising from the internal placements of the excess liquidity and, to a lesser extent, from the higher income arising from the loan portfolio and the lower costs incurred with term deposits.
- Other net income reached Euros 223 million as at 30 June 2022, showing an increase of 8.6% compared to the amount attained in the previous year. This evolution mainly reflects the positive performance of commissions, mainly from transfer fees, cards and management and maintenance of accounts. Regarding to market-related commissions, it should be highlighted the commissions associated with the exchange and brokerage transactions, which showed a significant growth compared to previous year.
- Operating costs dropped of 10.8% from the amounts recognized in 2021, reflecting mainly the decrease in staff costs as a result of the implementation of the headcount adjustment plan that the Bank carried out in 2021.
- Impairment charges amounted to Euros 17 million by the end of June 2022, decreasing 63.1% compared to the amount of Euros 44 million recorded in the same period of the previous year, reflecting the reduction of implicit risks in the credit portfolio.
- In June 2022, loans to customers (net) totalled Euros 25,496 million, 4.8% up from the position at the end of June 2021 (Euros 24,334 million), while balance sheet customer funds increased by 11.8% in the same period, amounting to Euros 39,108 million by the end of June 2022 (Euros 34,967 million at the end of June the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Millennium bcp occupies a leading position in supporting the Portuguese business community, with a market share of 19.8% in loans to SMEs, 19.0% in loans to non-financial companies and 20.3% in deposits to non-financial companies.

The 1st half was marked by the acceleration in credit volumes, particularly in the short term, with significant growth in Factoring and Confirming: +61% in invoicing taken, +56% in the average credit balance, +22% in contracts, +19 % adherent and higher retention rate in SMEs.

In Trade Finance, Millennium bcp has been reinforcing its positioning as a Partner Bank of Exporting and Importing Companies:

- Leadership in credit to Exporting Companies, with a 21.7% market share;
- Expansion of the Customer base with Trade Finance products, in particular export documentary credits, foreign allowances, export factoring, import remittances, foreign exchange and bank guarantees;
- More than 40% of Exporting Companies work with Millennium bcp;
- Market share above 20% in almost all Trade Finance products, especially documentary credits and documentary remittances (based on SWIFT messages);
- Strengthening the offer of credit insurance in partnership with COSEC, with a very strong 2nd quarter in the contracting of new insurance;
- Launch of a new communication campaign dedicated to Exporting Companies, with the motto “Transforme sucesso em success. Vamos lá!”

In the Business segment, continued reinforcement of skills in the management and monitoring of Companies, in partnership with the Millennium Banking Academy (MBA), to reinforce the expertise and ability to respond to the needs of Business Customers.

Leadership in Factoring and Confirming, with 5.1 billion euros of invoicing taken in the 1st half of 2022 and 28% market share (May/2022). Highlight for Confirming's leadership, with a 38% market share, and a year-on-year growth of 45% in invoicing taken and 53% in the average credit balance. Launch of a new communication campaign, with the motto “Adianta sempre vir ao Millennium” to reinforce the positioning as a Partner Bank.

21% market share (accumulated to March 2022) in the placement of loans with mutual guarantee, in partnership with Banco Português de Fomento (BPF), affirming the Bank's role in supporting Portuguese Companies and Entrepreneurs. Availability of new lines of support, with financial guarantee provided by the BPF, with preferential conditions in the financing of Companies.

Sustained leadership in Leasing, with 311 million euros of new production in the 1st half of 2022 and 29% market share (May/2022).

Bank #1 in EIF/EIB guaranteed financing lines, with the largest contract ever in Europe signed between the EIF and a commercial bank. In the 1st half, Millennium bcp reinforced its support for investment projects in the Portuguese business fabric, and more than 2,100 million euros have already been disbursed in more than 14 thousand loan operations.

In European Funds, Millennium bcp has led with a share of 45% in Portugal 2020 and more than 5 thousand projects financed. The expertise accumulated in the previous European community framework and the availability of a Specialized Team in European Funds, makes Millennium bcp better prepared to support the economy and Companies:

- **Provision of support solutions for investment projects:** advance of incentives at the application stage, preliminary financial analysis with declaration of intention to finance, financing of debt, issuance of bank guarantees to anticipate incentives and Factoring and Confirming solutions to anticipate revenue from Customers and/or payment to suppliers.
- **Portugal 2020:** as part of the support to Companies with applications and investment projects approved under the Portugal 2020 Programme, new financing was granted, with a reinforced leadership in the number of projects supported.
- **SI Inovação:** reinforcing its leadership as the #1 Bank in the choice of Companies in the new SI Innovation notices, with the option of a hybrid financing system.

The Recovery and Resilience Plan (PRR) will run until 2026 and will implement a set of reforms and investments aimed at restoring sustained economic growth, reinforcing the objective of convergence with Europe over the next decade. With the PRR as a central theme, Millennium is promoting, throughout the country, the Millennium Talks, an initiative of proximity and sharing of experiences with Portuguese Entrepreneurs.

In the main business recognition programs, Millennium bcp has been consolidating its market leadership in the business segments:

- Achievement of leadership in the PME Líder Program, for the 4th consecutive year, with a 31% market share, supporting more than 3,500 companies to achieve this corporate status.
- Conquest of the COTEC Inovadora Program, for the 2nd consecutive year, with a 61% market share, supporting more than 360 companies to achieve this corporate status.
- Continued recognition of Business Customers, who consider Millennium bcp the Best Bank for Companies, the Closest Bank, the Main Bank, the Most Innovative Bank and with the Most Suitable Products (BFin Data-E 2022 Study).

Improvement in recommendation and satisfaction rates, with the best results ever in customer surveys, in all business segments.

Availability of new digital services, which aim to simplify the life of Entrepreneurs, with a simple and distinctive Customer experience in all channels:

- **M2030 Platform**: digital service where companies, individually or collaboratively with the support of their European Funds Consultant, manage the execution of the investment in articulation with the State at the European Funds Branch. In a totally new digital experience, Business Customers can identify, classify, attach documentation of investment items in order to obtain all the necessary documentation to deliver to the State (currently at Balcão2020).
- **Simulation and contracting of Factoring and Confirming 100% online**, through the Millennium bcp companies website. Currently, this solution already represents more than 6 million euros of average credit balance.
- **M Accounting**, the first open banking service that allows for the integration of Business Customers' accounts with the platform of Accountants of the Order of Certified Accountants (TOC online), benefiting Business Owners and Accountants by integrating payments and supporting bank reconciliation.

Proximity to the primary sector, with a Specialized Team dedicated to Agriculture

Line of credit to support the fishing sector, registered with IFAP, for financing the treasury of natural or legal persons with activity in the fishing, aquaculture, processing industry and marketing of fishery products.

Promotion CAP and AJAP protocols, namely in the period destined to the Single Request for Aid, for payments to farmers, through IFAP.

Investment banking

- In Corporate Finance, the Bank participated in several projects in Portugal and in international markets, providing financial advisory to its Customers and to the Bank itself in various projects, involving researching, developing and completing M&A operations, valuation of companies, corporate restructuring and reorganization processes, as well as research and economic-financial analysis of projects. A number of Mergers & Acquisition transactions are on its final phase of execution.
- Millennium investment banking has been increasing its Project Finance activity, especially in the infrastructure and energy sectors, as this type of financing structure is particularly well suited to large and capital-intensive projects. We highlight in the first half of 2022, the closing of the refinancing of a portfolio of five wind farms and a strong effort in terms of origination of renewable energy deals, with a special focus in photovoltaic projects.
- In what regards Structured Finance, we highlight the analysis, structuring and negotiation of new financing operations in Portugal in diverse segments, namely agribusiness, industry, metallurgic, utilities, renewable energy, real estate, healthcare, retail and distribution, pharma, hotels and tourism. Despite 2022's economic framework, it is particularly noteworthy the successfully closing of Grupo Pestana corporate financing.
- In the debt capital markets, we note the joint lead of the € 1,250 million green bond issued by EDP, the €260 million bond issued by the Autonomous Region of Madeira guaranteed by the Republic of Portugal, the €455 million issued by the Autonomous Region of Azores and the sole lead of the €50 million issued by Greenvolt. We led several new commercial paper programs for relevant Portuguese corporates, among which the €100 million Sustainability Linked Commercial Paper Program for NOS.
- In the Sectoral Approach, ecosystems were mapped to create business opportunities and maximize the number of new clients, increasing, in conjunction with the Bank's networks, the added value to companies and investors.

JOINT LEAD MANAGER

Green Bonds
2022-2029

1,250,000,000 €

2022

Millennium investment banking

Região Autónoma da Madeira
Governo Regional

JOINT LEAD MANAGER

Bond Issue due 2035

260,000,000 €

2022

Millennium investment banking

JOINT LEAD MANAGER

Bond Issue due 2032

455,000,000 €

2022

Millennium investment banking

GreenVolt

LEAD MANAGER

Bond Issue due 2024

50.000.000 €

2022

Millennium investment banking

ONEX Holding

MANDATED LEAD ARRANGER

Financing of two wind power plants
(221 MW)

361,900,000 €

2022

Millennium investment banking

NOS

LEAD MANAGER

Sustainability-Linked Commercial Paper Programme

100,000,000 €

2022

Millennium investment banking

PESTANA
HOTEL GROUP

MANDATED LEAD ARRANGER

Medium-long term loan

50,000,000 €

2022

Millennium investment banking

Real estate business

Main lines of action during the 1st half of 2022:

Management of available-for-sale properties - The Bank has continued to reduce the assets in its portfolio, despite the various constraints that have arisen in the market, caused by various external factors, such as the continuation of the pandemic, the increase in construction costs, the rising inflation and a war in Europe. These factors have required a growing commercial dynamics, supported by a greater proximity to the mediation agents and the Bank's Customer base and translated into the formulation of suitable investment proposals for the various types of potential buyers. Thus, more than selling a simple real estate asset, the Bank has sought to present mutually advantageous investment solutions. In terms of promotional initiatives, various means of proximity have also been used, predominantly using digital media aimed at the segments of assets in the Bank's portfolio (mostly non-residential properties), noting that the strategies adopted have been appropriate in view of the results intended and always impacting the Bank's accounts;

Management of properties not available for sale – Maintenance of the focus on competent physical, legal and administrative regularization of properties and promotion of agreements with litigants in pending cases for legal reasons. The implementation of these actions made it possible to put on sale in the shortest possible time the properties acquired through credit recovery or that were no longer allocated to the operation, thus reducing the property portfolio;

Management of Investments controlled by the Bank in Entities that manage real estate risk, Funds and Companies in a divestment strategy with preservation of value.

Interfundos

As of 30 June 2022, Interfundos had twenty-five (25) Real Estate Investment Undertakings (Real Estate Investment Funds and Fixed Capital Real Estate Investment Companies) under management, corresponding to 1,126 million euros of net assets under management, which compares with 1,215 million euros recorded in the same period of 2021, showing a 7.3% decrease in the volume of managed assets compared to the same period of the previous year. This asset assures Interfundos a market share of 10.7% in the set of Real Estate Investment Undertakings.

Interfundos pursued its strategy of strengthening the financial sustainability of Real Estate Investment Undertakings and creating liquidity conditions for Participants and Shareholders, a situation evidenced by the completion of capital increase operations in a Real Estate Investment Fund (Oceânico III) and capital reduction in two Real Estate Investment Funds (Imopromoção and Neudelinveste).

Following the deliberations of the respective Participants, Interfundos proceeded to extend the term of a fixed-term Real Estate Investment Fund (Imopromoção).

In the first half of 2022, global sales amounted to 95 million euros, corresponding to a total of 129 properties.

Interfundos' net income in the 1st half of 2022 amounted to 1,081 thousand euros, which corresponds to a decrease of 16.0% compared to the figure recorded in the same period last year (1,287 thousand euros). This performance is mainly attributable to the unfavourable evolution of net commissions, resulting from the reduction of 89 million euros in assets under management and the increase in personnel costs.

Operating costs increased by 1.7%, due to the increase in Personnel Costs, partially offset by the reduction in Other Income, Other Administrative Cots and Depreciation. As a result of this situation, the efficiency ratio increased from 43.4% to 47.9%.

Financial Institutions Group

Correspondence banking and the business lines managed by the FIG were impacted by the geopolitical tensions resulting from the war in Europe, namely in terms of changing patterns in international trade, new sanctions framework and consolidation of macroeconomic changes with the resurgence of persistent inflation and consequent responses by central banks.

By line of business, the following stand out:

Trade Finance & Payments

It continued to respond to the needs of companies with international business, in a context of reorganization of distribution chains and the emergence of new opportunities in foreign markets. At the same time that the Bank had to accommodate a constantly evolving regulatory and sanctions framework, maintaining the creation of value for its Customers based on the offer of efficient payment solutions and instruments to mitigate the risks of international business (trade finance) in competitive conditions and with global coverage. In this area, reference should be made to the pioneering adhesion in the national market to the Global Payments Innovation and the ongoing transition to the new SWIFT ISO20022 message standard, which will reinforce the role of correspondence relationships in the international payment system, making them even more fast, efficient, accessible and transparent.

Custody

The institutional custody activity remained a reference service in the national market and with increasing importance in its different segments. Of particular note is the provision of depository banking services to venture capital fund management companies, where we reinforced our leadership in the domestic market, with an increase in the number of funds and a further increase in total paid-in capital. This performance results from a value proposition based on a flexible service model, with follow-up and customized offer along with very competitive conditions.

Multilateral lines

The challenges of this period also made evident the advantages of Millennium bcp being a reference bank in the negotiation of products and financial instruments with multilateral lines. The negotiation of risk mitigation instruments with the EIB/FEI Group was particularly critical in responding to the crisis caused by the pandemic, with a clear benefit in terms of financing conditions for national companies. In this context, the Bank maintained a close monitoring of the new initiatives, namely under the InvestEU Program, in order to continue an effective and sustainable response in the various domains and business segments.

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING in Portugal	30 Jun. 22	30 Jun. 21	Chg. 22/21
PROFIT AND LOSS ACCOUNT			
Net interest income	122	127	-4.8%
Other net income	82	70	17.4%
	204	197	3.1%
Operating costs	69	59	17.3%
Impairment (excluding the impairment related to NPE in the beginning of the year)	29	26	12.3%
Income before tax (excluding impairment charges for NPE)	106	112	-5.5%
Impairment charges for NPE	91	50	81.1%
Income before tax	15	62	-75.8%
Income taxes	5	19	-73.7%
Income after tax	10	43	-76.7%
SUMMARY OF INDICATORS			
Allocated capital	1,171	1,252	-6.4%
Return on allocated capital	1.7%	6.9%	
Risk weighted assets	8,393	10,803	-22.3%
Cost to income ratio	34.1%	30.0%	
Loans to Customers (net of impairment charges)	12,458	12,243	1.8%
Balance sheet Customer funds	9,656	9,505	1.6%

Notes:

Allocated capital, Loans to customers (net of recoveries) and Balance sheet Customer funds figures based on average balance.

Income

Companies, Corporate and Investment Banking segment in Portugal income after tax of Euros 10 million in June 2022, compared unfavourably to a net income of Euros 43 million presented in June 2021. The unfavourable performance of this segment results from higher level of impairment. It is worth noting that net income achieved remains constrained by the progressive implementation of non-performing exposures reduction plan, with an impact on the volumes of the loan portfolio and on its levels of impairment charges. In 2022 the performance of this segment is explained by the following changes:

- Net interest income stood at Euros 122 million as at 30 June 2022, 4.8% below the amount attained in the previous year (Euros 127 million). The lower income arising from the loan portfolio, influenced by the negative interest rate environment, penalized the net interest income. It should be noted that, despite the growth of the credit portfolio with the loans granted under the credit lines backed by the Portuguese Government and under the agreements with the European Investment Fund and also the indications of monetary policy inversion in the Eurozone, the margin of the credit portfolio continues to be under pressure by low interest rate. On the other hand, in the opposite direction, net interest income benefited from a higher volume of deposits, with the decrease in term deposits, more than offset by an increase in demand deposits, which consequently reduced the need for internal funding. However, these gains were insufficient to cover the lower income arising from the loan portfolio.
- Other net income reached Euros 82 million in June 2022, being 17.4% higher compared to the amount achieved in June 2021, which is mainly explained by the positive impact on net fees and commissions, with emphasis on the commissions from cards and transfer fees.
- Operating costs totalled Euros 69 million by the end of June 2022, above the overall amount of costs recorded in the same period of the previous year.
- Impairments charges recorded Euros 120 million in June 2022, increasing from Euros 76 million in the same period of 2021, whose evolution is explained by the impairment charges related to the non

performing exposures, as the Bank significantly reduces legacy exposures.

- As at June 2022, loans to customers (net) totalled Euros 12,458 million, increasing 1.8% from the position in June 2021 (Euros 12,243 million), reflecting, on one hand, the Bank's positive performance in granting credit under the agreements established with the European Investment Fund and, on the other hand, the impact of reduction of the non-performing exposures. Balance sheet customer funds reached Euros 9,656 million, 1.6% above the amount recorded in June 2021, in particular through the expansion of the client's deposits base.

PRIVATE BANKING

In the current context of uncertainty and instability, the focus on the culture of even greater proximity between Private Bankers and Customers, to whom the Bank had already accustomed with, proved to be of crucial importance. The permanent monitoring of Customers' assets was ensured, keeping them informed about markets evolution, which contributed to the continuous evolution of the service provided to execution Customers, through the Investments Area, which reinforced the short term vision about the markets by Private Banking Network.

In the 1st half of 2022, the Millennium private banking, was also marked by the focus on the "First Bank" concept, that is, on promoting the Bank as the main Bank of each Customer. Millennium private banking aims to be the Customers' partner in the management of their day-to-day life – their tangible assets (risk insurance), their health and their travels – and in the management of their financial investments.

The promotion of digital channels among Customers who had not yet adhered to digital solutions continued to be the order of the day, as well as the increase in transactions through these channels, as the Bank believes that, even after the pandemic, the intensive use of remote channels and Digital tools will continue to be a key component of the success of our business and that commercial relationships will be a symbiosis between Digital and Human channels, designed to maximize the quality of customer service. It should be noted the continuous growth in the number of active Customers with the Millennium App installed, in the number of users of the Millennium website, in the number of subscribers to the digital statement and in the number of Customers with Mtrader installed, as well as the promotion of remote investment hubs of the App Millennium with our Customer base.

Priorities continued to be:

- strengthening the Customer base;
- the growing diversification of Customers' assets;
- cross selling;
- the increase in the financial margin;
- credit growth;
- the management of the stock of deposits; and
- improving the quality of the service provided through the adoption of new tools suited to the challenges imposed by the diversification of the type of Customer and Offer;

without ever undermining the existing relationship of trust between Private Bankers and Clients.

Million euros

PRIVATE BANKING in Portugal	30 Jun. 22	30 Jun. 21	Chg. 22/21
PROFIT AND LOSS ACCOUNT			
Net interest income	4	2	58.7%
Other net income	22	17	31.7%
	26	19	35.1%
Operating costs	10	9	11.4%
Impairment and provision	(3)	(3)	-19.0%
Income before tax	19	13	37.9%
Income taxes	6	4	37.0%
Income after tax	13	9	38.3%
SUMMARY OF INDICATORS			
Allocated capital	86	76	12.7%
Return on allocated capital	29.9%	24.4%	
Risk weighted assets	694	643	8.0%
Cost to income ratio	39.9%	48.4%	
Loans to Customers (net of impairment charges)	344	304	13.1%
Balance sheet Customer funds	2,759	2,635	4.7%

Notes: Allocated capital, Loans to customers (net of recoveries) and Balance sheet Customer funds figures based on average balance.

Income

Income after tax from Private Banking business in Portugal, computed according to the geographic segmentation perspective, totalled Euros 13 million in June 2022, showing an increase of 38.3% compared to the net profit reached in the same period of 2021 (Euros 9 million). Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Net operating revenues stood at Euros 26 million in June 2022, 35.1% up from the same period of the previous year (Euros 19 million), achieved by the growth shown both in other net income and in net interest income. Net interest income totalled Euros 4 million in June 2022, comparing to Euros 2 million reached in June 2021, benefiting from the higher income arising from the internal placements of the excess liquidity. Other net income amounted to Euros 22 million in June 2022, reflecting an increase of 31.7% compared to the same period of the previous year, mainly driven by higher commissions from asset management activity and from exchange and brokerage transactions.
- Operating costs amounted to Euros 10 million in June 2022, being above the operating costs recorded in June 2021.
- The impairment and provision charges had a positive impact on the income statement, with reversals reaching Euro 3 million on 30 June 2022, in line with reversals recorded in the same period of 2021, highlighting the quality on the assets of this segment in a systematic way.
- Loans to customers (net) amounted to Euros 344 million by the end of June 2022, showing an increase of 13.1% compared to figures accounted in the same period of the previous year (Euros 304 million), while balance sheet customer funds grew 4.7% during the same period, from Euros 2,635 million in June 2021 to Euros 2,759 million in June 2022, mainly due to the increase in customer deposits.

FOREIGN BUSINESS AND OTHERS

Poland

- Adjusted net income grows 106.2%[14].
- Net income of -56.6 million euros, influenced by charges of 252.2[15] million euros associated with the loan portfolio denominated in CHF.
- Banking income mainly influenced by net interest income.
- Operating costs increase 9.4% excluding contributions.
- Continuation of the implementation of measures to optimize the workforce and geographic coverage: reduction of 413 Employees and 41 branches.
- Increases of 3.4% in Customer Resources and 4.5% in the loan portfolio demonstrate the strength of the franchise.
- NPL more than 90 days overdue ratio represented 2.0% of total credit in June 2022 (2.5% in June 2021).
- NPL more than 90 days overdue coverage by provisions stood at 147% (126% in June 2021).
- Cost of risk of 37 bp, compared to 33 bp. in the first half of 2021.
- CET1 ratio of 12.1% and total capital ratio of 15.2%.

Mozambique

- Net income of 46.4 million in the first half of 2022, +14.1% on a comparable basis.
- Customer resources increased by 8.1% and the loan portfolio was reduced by 10.2%.
- NPL more than 90 days overdue ratio of 9.9% in June 2022, with coverage of 99% on the same date.
- Risk cost of 211 b.p. in the first half of 2022 (104 bp in the same period of 2021).
- Capital ratio of 44.2%.

Macao[16]

- Net income reached euros 7.3 million in the first half of 2022, an increase of 10.1% from the same period of last year. This over performance was mainly due to the increase in net interest income (+8.3%), that more than offset the decrease in non-interest income (-42.4%) and the increase in operating costs (+33%), maily in staff costs as a result of the headcount growth.
- Customer funds stood at euros 473 million (-8.2%) and gross loans to customers reached euros 938 million (+27.6%).
- The branch's performance as a support platform for the business of Portuguese companies in Macau and mainland China.
- Trade finance operations to support Portuguese companies with exports to and/or imports from China.
- Attracting Chinese Customers wishing to invest in Portugal, either individually or at a corporate level.
- Promotion of contacts between Millennium bcp's investment banking area and Chinese companies in the search for investment solutions in Portuguese-speaking countries.

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[14] Excludes FX-mortgage legal risk provisions, costs of litigations and settlements with clients and with linear distribution of BFG resolution fund fee (without net impact of IPS contribution); in 2021 also material revaluation of financial investments (VISA).

[15] After taxes and before non-controlling interests (257.8 million before taxes), includes impacts with provisions for legal risks, costs with out-of-court settlements and legal advice.

[16] For the purpose of the computation of the net income generated by business segments, Macao activity is included in the "Other" segment, since it is carried out through a branch.

Million euros

FOREIGN BUSINESS	30 Jun. 22	30 Jun. 21	Chg. 22/21
PROFIT AND LOSS ACCOUNT			
Net interest income	555	357	55.6%
Other net income (*)	(13)	75	-117.3%
	542	432	25.3%
Operating costs	222	201	10.8%
Impairment and provision	362	266	35.6%
Income before tax	(42)	(35)	
Income taxes	72	47	51.4%
Income after tax from continuing operations	(114)	(82)	
Income from discontinued operations	1	6	-76.8%
Income after income tax	(113)	(76)	
SUMMARY OF INDICATORS			
Allocated capital (**)	2,272	2,810	-19.1%
Return on allocated capital	-10.0%	-5.5%	
Risk weighted assets	16,165	17,141	-5.7%
Cost to income ratio	41.1%	46.4%	
Loans to Customers (net of impairment charges)	17,502	17,779	-1.6%
Balance sheet Customer funds	22,655	22,419	1.1%

(*) Includes equity accounted earnings related to the investment in Banco Millennium Atlântico.

(**) Allocated capital figures based on average balance.

Income

Income after tax from Foreign Business, computed in accordance with the geographic perspective, posted losses of Euros 113 million in June 2022, comparing unfavourably with a loss of Euros 55 million achieved by the end of June 2021. This evolution is mostly explained by the impairment and provisions recorded, despite of the positive performance of the net interest income.

Considering the different items of the income statement, the performance of Foreign Business can be analysed as follows:

- Net interest income stood at Euros 555 million in June 2022, which compares to Euros 357 million achieved in June 2021. Excluding the impact arising from the foreign exchange effects, it would have increased 53.0%, reflecting the favourable performance of the Group's main subsidiaries. The net interest income in the Polish subsidiary, which had been heavily penalized by the successive cuts in the reference interest rates imposed by the National Bank of Poland, benefited, in the last months of 2021 and in the first semester of 2022, from the reversal of this trend. The positive performance of the net interest income in the Mozambican operation is mainly justified by the increase in the volume of public debt portfolio and also by higher implied yields.
- Other net income attained Euros 13 million negatives in June 2022, decreasing when compared to the Euros 75 million recorded in the same period of the previous year. Excluding foreign exchange effects, other net income would have dropped slightly further, reflecting mainly the performance of the Polish subsidiary, in particular the impact of higher costs with mandatory contributions, highlighting the contribution to the recently created Polish institutional protection fund, and the impact of the costs arising from the agreements concluded with its clients, in order to convert the credits to local currency or their early repayment, mainly recorded as net trading income. Conversely, the performance of net fees and commissions partly mitigated the abovementioned negative impacts. In this context, the positive performance of the Mozambican subsidiary should be highlighted, with emphasis on the growth presented by banking commissions and higher gains arising from

foreign exchange transactions carried out with customers.

- Operating costs amounted to Euros 222 million as at 30 June 2022, 10.8% up from June 2021. Excluding foreign exchange effects, operating costs would have increased 8.8%, mostly influenced by the evolution of the subsidiary in Poland, where the evolution of staff costs was 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. In terms of other administrative costs, the growth observed mainly reflected the increase in legal advice costs associated with foreign exchange mortgage loan portfolio. Regarding the operation in Mozambique, operating costs were higher than the amount achieved in the previous year, mainly due to the increase in the number of employees.

- Impairment and provision charges at the end of June of 2022 presented a growth of 35.6% compared to the figures reported in the same period of 2021, corresponding essentially to the impact of the total impairment of the current goodwill associated with the acquisition by the BCP Group of the current percentage of control over the Polish operation (Euro 102 million), despite of the lower level of extraordinary provision charges for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary, amounting to Euros 219 million (Euros 231 million in the same period of 2021).

- Results from discontinued operations include the net income generated by the current activity of Banque Privée BCP (Suisse) SA, and Seguradora Internacional de Moçambique, S.A. as at 30 June 2021. In 2022, results from discontinued operations reflect the adjustment to the sale price, in accordance with the sale agreements, following the completion of these sales.

- Loans to customers (net) stood at Euros 17,502 million at the end of June 2022, below the amount attained as at 30 June 2021 (Euros 17,779 million). Excluding foreign exchange effects, the loan portfolio increased 1.6%, benefiting from the growth achieved by the Polish subsidiary, more than offsetting the impact produced by the deconsolidation of the subsidiary in Switzerland. The Foreign business' balance sheet customer funds increased 1.1% from Euros 22,419 million reported as at 30 June 2021 to Euros 22,655 million as at 30 June 2022. Excluding the foreign exchange effects, balance sheet customer funds increased 3,4%, mainly driven by the performance of the subsidiary in Poland, overcoming the impact arising from the deconsolidation of the subsidiary in Switzerland.

BANCASSURANCE BUSINESS

Sale of Insurance through the banking channel

During the 1st half of 2022, continuity was given to the strategic pillars and projects in progress, aiming at an excellent service to the Customer and maintaining the Group's leadership in the sale of insurance through the banking channel (Bancassurance), with emphasis on:

- Continued development of the "Bancassurance Next Level" program, involving teams from the Bank and the Insurance Company, with a focus on innovation and process transformation;

- Investing in various cross-selling/bundling actions, meeting the global needs of Customer protection and with the aim, at the same time, of increasing the ownership of products per Customer;

- Launch of campaigns with price advantages and commercial "hooks" with value for Private and Corporate Customers;

- Launch of new products for Personal Accidents ("Volta" and "Volta 55+"), Life Insurance focused on Serious Illnesses for the Senior Segment ("Forte") and also the relaunch of Pétis, Civil Liability insurance for animals household;

Reinforcement of presence on Digital, with the launch of the sale of the Payment Protection Plan associated with Personal Credit in the app and various communication campaigns on digital channels and social networks: Insurance for Companies ("It doesn't just happen to other Companies"), YOLO! Life Insurance, the new Personal Accident products (Volta e Volta 55+) and Serious Illness Life (Forte), as well as the ON/OFF Travel Insurance.

Strategic Plan 2021-2024

The Strategic Cycle we're about to launch reflects our determination to accelerate Millennium's development so that it's in a strong position for the future, ready to face and overcome the challenges that are shaping both the macro-economic environment and the competitive landscape for banking.

Successfully executing on the priorities and key levers of Millennium's previous Strategic Plan Cycle was crucial for setting the bank on a solid normalization path by significantly reducing its legacy exposures. It also laid important foundations for the future by a substantial acceleration in the Bank's level of digitization.

This trajectory was particularly influenced by developments in Portugal (a 40% reduction of NPEs compared to 2018 and mobile customers up by 48% in 2020) where the bank managed to recover its volume growth trend (~5% p.a. growth in lending and deposits over 2018-20) and increase its share of revenues (+0.6pp in 2018-20) in an environment of margin compression and continued low interest rates.

This progress was impacted by the pandemic which has, inter alia, raised credit risk levels. In Poland, moreover, despite a positive operational performance and the swift integration of EuroBank, the bottom-line result was hindered by negative developments in FX mortgages (despite the bank having stopped writing new FX mortgages in 2008).

Going forward, the bank faces an environment of economic turmoil, with the prospects of recovery on the immediate horizon promising growth opportunities but with associated risks of continued low interest rates and thus an inherent challenge to profitability. Greater customer expectations, more digital and e-commerce activity, the increasing threat of tech platforms and digital attackers and the overriding requirement of sustainability will together present significant challenges but also major opportunities.

The Bank's profitability performance is also constrained by legislative developments in Portugal in relation to contributions to the National Resolution Fund and limitations regarding fair commissions and fees.

In this context, it's necessary to update our strategic plan, and for the moment focus more on Portugal. This update is designed to preserve relevant priorities from the previous cycle, build on what's already been achieved and add new elements that respond to this new environment.

The new plan targets Millennium with achieving robust profitability and balance sheet positions and managing the impact of the pandemic while accelerating its competitive differentiation in efficiency and customer engagement levels, supported by targeted human touch and new mobile/digital solutions and business models, enabled by a highly skilled and effective talent base, while at the same time addressing societal sustainability challenges with a focus on climate change risks and the opportunities that may unfold in mitigating them.

The main strategic priorities for Millennium in Portugal have been set out for this new Cycle, preserving a balance between continuity and bolder moves to reinforce its competitive edge and innovation:

Serving the financial and protection needs of customers with personalized solutions which combine targeted human touch with a leading mobile platform: aiming to expand relevance and develop high engagement relationships that empower our customers in their financial lives.

This priority is about serving customers in meeting all of those profitable retail needs in which Millennium holds a leadership position: investment management, bancassurance and personal lending solutions.

Being a trusted partner for corporate recovery and transformation: supporting customers' pursuit of opportunities driven by EU funding to the economy (PRR, PT 2030), while enabling solutions fit for a more digitized, competitive and export-oriented corporate landscape.

Capital and risk resilience: reinforcing our balance sheet and ensuring readiness for the post-pandemic world, strengthening both our risk and capital management practices.

Best in class efficiency: realizing cost savings enabled by productivity gains already achieved in the previous Cycle by several transformational changes including the full exploitation of mobile and automated capabilities, increased efficiency in the branch network and tech and data-driven process reengineering and automation.

Data and technology edge: focusing efforts on the implementation of our next-generation data platform while scaling advanced analytics models to gain differentiating mass personalization capabilities, intelligent automation and informed and agile business and regulatory management. In parallel, the Bank will expand the deployment of its new technology foundations by advancing its cloud platform, using modular IT building blocks augmented by the digital experience platform and new cybersecurity solutions, designed to deliver agility and speed to market, scale, resilience and cost efficiency.

Capability building and talent renewal: reinforcing Millennium's ability to attract, develop and retain the best talent to embrace modern challenges in critical domains and adapt working practices to reflect the new paradigm while promoting an equal-opportunity environment.

Sustainability-driven: adapting our business model to increase differentiation towards the community's and our customers' rising expectations of sustainability while capturing associated business opportunities as well as addressing regulatory demands.

Finally, Millennium's innovation efforts will enable the bank to explore broader opportunities, going beyond traditional banking, not only in order to go on delivering a superior customer experience but also to support our income growth and cost-containment goals.

The execution of these priorities for Portugal will be combined with ongoing efforts to explore prudently the full growth potential of our international operations, continuously looking for ways to optimize their footprint.

This will enable Millennium to deliver against a set of bold targets for 2024. The Group aspires to improve C/I (to ~40% in 2024) and profitability (aiming at a ROE of ~10%). In parallel, Millennium will focus on risk management, aiming to significantly lower the cost of risk (to ~50 bps) and the NPE ratio (to ~4%), while keeping a prudent CET 1 ratio (>12.5%).

Additionally, there will be continued investment in increasing our mobile penetration (from 48% to more than 65%) and maintaining our leading digital customer satisfaction (#1 in digital NPS).

Targets for 2024

The new Strategic Plan Cycle aims to speed up Millennium's transition to a position of strength and readiness for the future in Portugal, notwithstanding the risks that shape the macro-economic environment and the competitive landscape.

Our aspiration can be synthesised as:

i) Achieving robust profitability and a strong balance sheet position, managing the impact of the pandemic

ii) accelerating our competitive differentiation in efficiency and customer engagement, supported by targeted human touch and mobile/ digital solutions and business models, enabled by our highly skilled and effective talent base

iii) addressing societal sustainability challenges focusing on climate change risks and the associated unfolding opportunities

In our international business we will continue the journey we started in 2018, adjusting for recent developments. In Poland, where we are implementing a resilience plan to address CHF mortgage exposures, we expect to restore the ROE by 2024 while reducing the cost of risk and impairments and provisions. In Mozambique, we will continue to adapt our business model to better serve evolving customer needs while maintaining a strong focus on profitability, efficiency and risk control.

The successful execution of our strategic priorities will reinforce our franchise position and business model sustainability.

By 2024, the Group's bold ambition is to improve C/ I to ~40% and to grow ROE profitably to

~10%. In parallel, Millennium will focus on risk management, significantly reducing the cost of risk (to ~50 bps) and its NPE ratio (to ~4%) while keeping an prudent objective for the CET 1 ratio (>12.5%). Finally, there will be a continued investment around rising levels of mobile penetration (from 48 to >65%) and a focus on delivering leading digital customer satisfaction.

Millennium aims to create lasting value for all of its stakeholders. Starting with our shareholders and employees, we are targeting total value added in the order of €4bn, while nurturing a meritocratic environment that recognises performance and invests in building digital literacy (for 80-90% of employees). For our customers and community, we will provide ~€14bn in funding to help expand their horizons by financing their needs, ~€2bn to promote green investment and ~€1bn on the continued relationships with our suppliers.

Ambitious goals aligned with strategic priorities — Group level

	H1 2022	2024
C/I ratio	40%	~40%
Cost of risk	61 pb	~50 bps
ROE	2.8%	~10%
CET1 ratio	11.3% (11.8% proforma***)	>12.5%
NPE ratio	4.3%	~4%
Share of mobile customers	60%	>65%
Growth of high engagement customers* (vs. 2020)	+7%	+12%
Average ESG rating**	70%	>80%

*Active Customers with card transactions in the previous 90 days or funds > €100 (>MZM 1,000 in Mozambique)
**Average of Top 3 indices (DJSI, CDP and MSCI) | NPE include loans to Customers only.
***Pro forma(subject to ECB authorization) considering the already requested approval (ECB) for the application of article 352 (2) CRR (Capital Requirements Regulation) that excludes from capital requirements the structural FX positions held to hedge the capital ratios.

Risk and Outlook

Internal Control System

The Group has established a governance model that encompasses the organizational structure, the lines of reporting and levels of authority, the set of lines of responsibilities and processes, that result from the applicable laws and regulations, as well as the Bank's bylaws and internal regulations, to ensure a prudent and effective management of the Bank and adequate checks and balances in the Group activities.

The governance model comprises an effective conduct and culture of the Bank as well as an internal governance and control system which includes, but is not limited to, the set of principles, strategies, policies, and systems, to ensure:

- The efficient and ethical use of Bank's assets and resources and its safeguard to enable a sustainable performance of the Group's activities.
- The existence of complete, relevant, reliable, and timely financial and non-financial information to support management and decision-making processes and of reliable and accurate financial, accounting, and non-financial policies and procedures.
- An effective Risk Management Function (RMF) with well-defined processes to identify, evaluate, manage, monitor, and report the risks that the Group is exposed.
- A Compliance Function ensuring the alignment with legal, regulatory, and statutory requirements, and with internal rules, including rules of conduct and relationship with Clients, Investors, Supervisors' Entities, and others, which rules are established in a Code of Conduct, as well as to ensure that policies and procedures relating to conflicts of interest, transactions with related parties and reporting of irregularities are properly applied;
- An Existence of an Internal Audit Function whose main mission is to assess the adequacy and effectiveness of the risk management process, the Internal Control System and governance models.
- The alignment of subsidiaries operating model with the organizational and managerial principles defined by the Bank, as the consolidating Entity.
- The adoption of sound sustainability principles, namely regarding Environmental, Social and Governance (ESG) factors, and its coherence with the Group's activity.

The Board of Directors promotes a strong governance and internal control culture, embedded in all levels of the organization, and based on high standards of ethical behavior, with rules established in the Code of Conduct, available in the Bank's site.

The Board of Directors provides the Bank's governance, guidance and oversight and sets the broad strategies and major policies of the organization, approves the overall organizational structure, and has the ultimate responsibility for ensuring that adequate governance and internal controls system are established and maintained, being supported in this function by the Audit Committee.

The Audit Committee plays a central role in the development of a control culture and an internal control system with a direct relation with the Board of Directors, the Bank's internal control units and the external auditors.

The current management of the Bank is delegated in the Executive Committee. This Committee established different specialized commissions, with the participation of two or more Executive Directors, and that are permanently composed of various first line Managers who directly report to them.

The internal control system substantiates in the set of principles, strategies, policies, systems, processes, rules, and procedures established in the Group aimed at ensuring:

- Efficient and profitable performance of the activity, in the medium and long-term, ensuring the effective use of the assets and resources, the business continuity and survival of the Group, namely through an adequate management and control of the activity risks, through a prudent and correct assessment of assets and liabilities, as well as through the implementation of mechanisms for prevention and protection against errors and fraud.
- The existence of financial and managerial information, which is complete, pertinent, reliable, and timely, to support decision-making and control processes, both at an internal and external level.
- Observance of the applicable legal and regulatory provisions issued by the Supervision Authorities, including those relative to the prevention of money laundering and financing of terrorism, as well as

professional and ethical codes of conduct, standards and practices, internal and statutory rules, guidelines of the Basel Banking Supervisory Committee and European Banking Authority (EBA), so as to preserve the image and reputation of the institution before its Customers, Shareholders, Employees and Supervisors.

To achieve these objectives, the internal control system is based on the compliance function, the risk management function and internal audit function. The Heads of these three divisions are appointed by the Bank's Board of Directors, by proposal of the Committee for Nominations and Remunerations, after an opinion from the Audit Committee and of the Committee for Risk Assessment.

The internal control system is based on:

- A control environment supported by high integrity and honesty standards, promoting a strict compliance with the laws and regulations, by the effective enforcement of a 'check and balance' system, including adequate segregation of duties, with the objective of preventing conflicts of interest, and by process based operational management models and control activities, that allow for clear identification of the implemented controls and the assessment of their effectiveness.
- A solid risk management system, aimed at the identification, evaluation, follow-up, and control of all risks which might influence the Group's activities.
- An efficient information and communication system, designed to guarantee the collection, processing and transmission of relevant, encompassing, and consistent data, within a timeframe and manner that allows for an effective and timely management and control of the institution's activity and risks.
- In a planning process comprising the definition of objectives and the expected positioning for the Group in the long term and in intermediate periods.
- An effective monitoring and correction process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, to immediately identify any flaws (defined as the group of existing, potential, or real defects, or opportunities for the introduction of improvements that will strengthen the internal control system), and ensuring the triggering of corrective action.
- Strict compliance with all the legal and regulatory provisions by the Group's Employees in general, and by the people who hold senior or managerial positions, including members of the management bodies.
- A governance model that defines that the business areas are responsible for risk taking, ensuring the effective monitoring, control and management of the risks assumed, and supporting the independent review of the risk levels incurred as compliant with the Risk Appetite Framework.

The internal control system is consistently applied across all Group entities, supported on group codes issued by BCP defining global policies, principles, and rules, considering, and complying with local, legal or regulatory requirements of the countries where operations are based.

Three lines of defense model

The Bank's internal control system is based on the "Three Lines of Defense Model", aiming to ensure:

- A clear accountability of the business areas for the respective assumption of risks.
- The effective monitoring, control and management of the risks assumed and of the rules of conduct and compliance present in national, European and international legislation;
- An independent evaluation, to be reported to the Board of Directors and to the Executive Committee, of the levels of risk assumed, their compliance with the Risk Appetite Framework and the effectiveness of the established internal control systems.

The business lines, as the first line of defense, take risks and are responsible for their operational management directly and on a permanent basis. For that purpose, business lines have appropriate processes and controls in place that aim to ensure that risks are identified, analysed, measured, monitored, managed, reported and kept within the limits of the institution's risk appetite and that the business activities comply with the external and internal requirements.

The risk management function and the compliance function form the second line of defense.

The risk management function facilitates the implementation of a sound risk management framework throughout the institution and has responsibility for further identifying, monitoring, analyzing, measuring, managing, and reporting on risks and forming a holistic view on all risks on an individual and consolidated basis. It challenges and assists in the implementation of risk management measures by the business lines to ensure that the process and controls in place at the first line of defense are properly designed and are effective.

The compliance function monitors the Bank's compliance with legal, regulatory, and internal policies requirements, including the reputational protection of the Bank, comprising, among others, the prevention of financial crime activities. It provides advice on compliance matters to the management body and establishes policies and processes to manage compliance risks and to ensure an overall compliance culture within the Bank.

Both the risk management function and the compliance function intervene to ensure the improvement and strengthening of internal control and risk management systems interacting with the first line of defense whenever necessary.

The internal audit function, as the third line of defense, conducts risk-based audits and reviews the internal governance arrangements, processes, and mechanisms to ascertain that they are sound and effective, implemented and consistently applied, to assess the suitability and efficiency of the organizational culture, of the risk management process, of the internal control system and of the governance models in place. The internal audit function performs its tasks fully independently of the other lines of defense.

Internal Control subsystems

The internal control system includes the following subsystems: the risk management system, the information and reporting system and the internal control monitoring system.

The Chief Risk Officer of BCP is the executive director responsible for coordinating the risk management system at Group level, through the Risk Officers and Compliance Officers of each Entity that functionally report to him.

The Chief Financial Officer of BCP is the executive director responsible for coordinating the information system for the accounting and financial elements and for the planning process at Group level, supported with the collaboration of the risk management function.

Risk management system

The risk management system corresponds to the set of integrated and permanent processes which enable the identification, assessment, monitoring and control of all risks, to which the Group's institutions are exposed, in order to keep them at levels that are predefined by the management and Supervisory Bodies, and takes into consideration the BCP risk taxonomy which includes the risks identified by the Regulatory and Supervisory Authorities, as well as all other risks which, in view of the specific situation of the Group's institutions, could become materially relevant. The Risk Office is responsible for keeping the BCP risks taxonomy updated as well as for promoting and conducting the regular risk identification process in the Group.

The risk management system takes into consideration the credit risk, market risk, interest rate risk, foreign exchange rate risk, liquidity risk, compliance risk, operational risk, information technology risk, strategy risk and reputation risk, as well as all other risks that, in view of the institution's specific situation, may prove material for its feasibility and sustainability.

This system is suitably planned, reviewed, and documented and is supported by risk identification, assessment, monitoring, and control processes, which include appropriate and clearly defined policies and procedures, aimed at ensuring that the objectives of the Group are achieved and that the necessary measures are taken to respond adequately to previously identified risks.

The risk management system ensures the segregation between the risk management function and the risk-generating business activities, respectively the second and first lines of defense. The internal audit, as third line of defense, ensures independent analysis concerning the risk activity of the first and second lines. The credit analysis and granting process ensure the segregation and independence between the credit analysis and rating structures and the business origination units.

The risk management system ensures timely reaction to changing circumstances and conditions that engenders new risks and change the risk profile of the Bank.

Management information and reporting system

The management information and reporting system ensures the existence of information, which is substantive, up-to-date, understandable, consistent, timely and reliable, to enable an overall and encompassing view of the financial situation, the development of the business, the achievement of the defined strategy and objectives, the risk profile of the Group and the behaviour and prospective evolution of relevant markets and risks.

The output of the system is an information flow enabling the management with a global and comprehensive view on the Group's financial standing, non-financial information and risk data on the compliance with the obligations assumed before third parties, legal and regulatory, and the regular monitoring of the activity, the implementation of the defined strategy and objectives so as to support decision-making processes, and also on the Group's overall risk profile, in aggregate terms and detailed by risk; and the performance, evolution and risk profile of the market(s) in which the Group operates.

For this purpose, each entity of the Group develops, implements, and maintains formal processes for obtaining and processing information that is appropriate to the respective size, nature and complexity of the activity carried out, developing communication processes and reporting lines that ensure an adequate and swift transmission of relevant information to the due intervenient, both internal and external. An adequate organizational structure promotes the necessary data flow between the relevant parties.

The financial information process is supported by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete, and consistent manner, all the operations carried out by the Bank and its subsidiaries, in accordance with the rulings and policies issued by the Board of Directors and the Executive Committee.

Clear duties and responsibilities are set for each organizational unit in the information and communication processes and in the decision-making process.

Planning process

The Group planning process defines a long run sustainable strategy, compatible with the corporate vision and previously established goals, with its market positioning, approved risk profile and with the implemented internal control system.

The planning process is based on properly grounded assumptions, subject to sensitivity analysis and on reliable and understandable information. As a result, clear, precise, and sustainable objectives are defined for the global activity and for each business area, including the products, activities, systems and processes of the Group and the human and material resources, namely the adequate levels of capital and liquidity, necessary to fulfill the defined strategy are identified.

The planning process complies with the Risk Policy of the Group, as per the Risk Appetite Framework, ensuring that the profitability levels are aligned with the risks involved.

The Group's planning process includes the preparation of the annual and three-year budget, the verification of the sufficiency of capital and liquidity (ICAAP e ILAAP), the execution of stress tests within the internal or supervision scope, the preparation of the Funding and Capital Plan and of the Recovery Plan, the activities deriving from the resolution planning and remaining initiatives that, at each moment, are required to be implemented to comply with the requirements issued by the Supervision Authorities.

The Chief Financial Officer and Chief Risk Officer of the BCP, as parental company, are responsible for the different elements of the Group's planning process, together with the Chief Financial Officers of the main subsidiaries.

The Group's strategy is communicated, to all the Bank's Employees, by the means and with the detail considered adequate, being included in the set of systematized information defined in the Annex of Banco de Portugal´s Notice 3/2020, available in the Bank's intranet.

Monitoring process

The monitoring and correcting system includes all the control and assessment actions to ensure the permanent effectiveness and adequacy of the internal control system, namely, through the identification of deficiencies in the system - in terms of its design, implementation and/or use.

This process is continuously executed by independent and periodical evaluations made by the Internal Audit and occasionally by third-party professionals used by the bank for this purpose.

The frequency of the control and assessment actions depend on the nature and magnitude of the risks inherent to the activity carried out and the effectiveness of the associated specific controls.

All internal control of deficiencies and events of non-compliance are duly recorded in a deficiencies data base at Group level, documented, and reported to the appropriate management levels to enable the adoption of correction measures in line with the respective remediation plan. Processes for the follow-up and validation of the measures implemented are established with clear deadlines according to the inherent risk level.

Internal control system governance

The internal control system is supported by a governance model that defines the responsibilities for the assumption of risks by the Business Areas, and ensures an effective follow-up, control and management of the risks assumed, and an independent evaluation of the risk levels assumed as per the Risk Appetite Framework.

The key pillars of the governance model implemented in the Bank are:

- Clear, transparent, and understandable rules are set and communicated to all employees to enable supporting the development of the activity while ensuring an adequate broad and effective internal control system.
- Coherent, clear, and objective definition of the competences and responsibilities of each structure unit and/or function, reporting lines and authority levels, information flows, are communicate across the organization, including an appropriate segregation of potentially conflicting functions or duties, also ensure that any potential conflict of interests is identified in advance, minimized and subject to an independent and careful monitoring.
- Sufficient and appropriate material and human resources are provided at all levels of the organization for the execution of the responsibilities, activities, and tasks inherent to the internal control system.
- Physical and functional segregation of the business activities and the respective operational and control services, avoiding possible conflict of interests through ensure robust control activities, including regular reviews, physical controls, authorization, verification, and reconciliation.

The Risk Office's activity is essentially focused on ensuring the effective application of the Group's risk management system, namely, by developing, proposing, implementing, and controlling the use of a set of assessment methodologies and metrics, that allow for a correct assessment of the risks incurred and arising from the Group's activities, which are documented by internal rules and regulations. It is also responsible for promoting and coordinating the policies and rules applicable to risk management and control at all entities of the Group, with the responsibility of ensuring the global monitoring of risk and the alignment of concepts, practices, and objectives on a consolidated basis. Under this framework, the Risk Office has access to all the sources of information of the Group entities that are necessary for the exercise of the identification, measurement, limitation, monitoring, mitigation and reporting of the various types of risk at consolidated level.

The activity of the Compliance Office is transversal to all the Group's Institutions, in terms of applicable compliance policies, and it is its responsibility to support these Institutions in the development of their activities by seeking to standardise the operating principles, systems and processes, while respecting the specific local regulations. The Compliance Office has full and free access to the internal information of all the Group's Institutions, taking into consideration the legal constraints of each jurisdiction. It may also analyse and request any information that it considers necessary and relevant for the full exercise of the functions of second line of defence.

The Accounting Division and the Research, Planning and ALM Division receive and centralize the financial information of all subsidiaries.

The corporate areas of the Bank, namely the Research, Planning and ALM Division, Accounting and Consolidation Division, the Treasury, Markets and International Division, the Compliance Office, the Risk Office, and the Audit Division ensure the existence of the procedures necessary to obtain all relevant information for the consolidation, accounting and financial information and remaining elements supporting the management, as well as the supervision and control of the risks at Group's level. These procedures include:

- The definition of the contents, the terms, and the format of the information to be reported by the companies included in the consolidation perimeter of the parent-company, in accordance with the accounting policies and guidelines defined by the management body, as well as the dates when the reporting is required.
- The identification and control of the intra-Group operations.
- Assurance that the relevant accounting and financial information is consistent between the different subsidiaries, so that it is possible to measure and monitor the evolution and profitability shown by each business, verify the compliance with the objectives that have been established, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms.
- Timely communication of extraordinary events which are relevant in terms of risk for the subsidiary or for the Group.

- A financial information and reporting system that is supported by adequate contingency arrangements.
- Validating and monitoring the implementation of the corrective measures to resolve internal control deficiencies that have a material potential impact.

The Audit Division is responsible for an on-site control function of the internal system, exercising this function transversally on a permanent and independent basis, assessing, always and pursuant to the established plan, the adequacy and effectiveness of the different components of the internal control system, issuing recommendations based on the outcome of those assessments. The Audit Division is informed of the conclusions of the inspection and internal audit actions carried out in each entity of the Group, especially from those that assess the effectiveness and integrity of the entity's internal control system.

Common principles across the Group

To foster Group coherence, and keeping up with local laws and regulations, internal control system's organizational models similar to that of the parent company are established in the Group's subsidiaries, by anticipating the existence of an Audit Committee and a Risk Assessment Committee, or equivalent bodies. The local Supervisory Bodies have, in what the internal control system of each entity is concerned, the mission to verify its quality, integrity and effectiveness, as well as to evaluate its coherence and adherence with the internal control system of BCP and the Group.

The Bank's governance model and internal control system is extended to all subsidiaries, in a way which is compatible with their nature, complexity and business model, ensuring the maximum possible level of coherence and alignment:

- The CRO of BCP is responsible for coordinating the risk management system at Group's level through the Risk Officers and the Compliance Officers of each subsidiary.
- The CFO of BCP is responsible for coordinating the financial and accounting information system as well as for the planning process at Group's level.
- The Group's Head of Internal Audit is responsible for supervising and coordinating internal audit activities at Group level.
- There is always at least an Executive Board member of BCP representing the parent company in each subsidiary's Board of Directors, being responsible for monitoring the overall performance of the entity.
- Notwithstanding, to ensure the maximum consistency of the criteria, methods, processes, and models used in all subsidiaries, the CRO of BCP is appointed as a non-executive director of the subsidiary's management body, with supervision functions, being also designated for the subsidiaries' Audit Committee and Risk Assessment Committee when these governance bodies exist.

The Bank, as the Group's parent company, ensure that all subsidiaries implement internal control systems that are coherent with each other, proportionate to the risks undertaken and with the local regulations and legislation in force.

Whistleblowing

The Group has in place and maintains a Whistleblowing Policy and procedures, which are available for staff or any person regardless of their relationship with any entity of the Group to report potential or actual breaches of regulatory or internal requirements, through specific, independent, and autonomous channels.

The Whistleblowing Policy covers eventual or potential irregularities, the acts and omissions, both with malicious intent or negligence, related with management, accounting organization, internal supervision or serious evidence of breaches of duties that, in a serious manner, are susceptible namely of infringe the law, articles of association, the regulations and other rules in effect, endanger, directly or indirectly, the assets of the Customers, of the Bank and of the Shareholders or cause reputational damage to Bank.

The Whistleblowing procedures ensure, among others the protection of the identity and personal data of both the person who reports the breach and the natural person who is allegedly responsible for the breach, through which the Entity shall adopt the highest form of anonymity legally available and that the person reporting the breach is appropriately protected from any negative impact (e.g. retaliation, discrimination or other types of unfair treatment). Any information about irregularities provided through the whistleblowing procedures is analyzed by the Audit Committee, supported by the Compliance Office and the Audit Division, ensuring that the potential or actual breaches raised are assessed and escalated, including as appropriate to the relevant competent authorities.

Main Risks and Uncertainties

Risk	Sources of Risk	Level of Risk	Trend	Interactions/Mitigations
Regulatory and legal	▪ General increase in regulatory complexity ▪ Adaptation to the regulatory framework associated to ESG objectives ▪ Potential increase in calendar provisioning requirements and level of conservatism of models, derived from EBA guidelines ▪ Risks of approval of extraordinary fiscal measures or of a similar nature, with impact on costs ▪ Need for greater sophistication in AML models to ensure adequate prevention ▪ Pressure on capital ratios	Medium	↑	▪ Culture of compliance and anticipation of capital requirements ▪ Rigorous and efficient management of capital and its implications on the business model ▪ Activation of the Bank Millennium Recovery Plan (PL)
Sovereign	▪ High public deficit and high weight of debt in GDP ▪ Less capacity to implement budget and fiscal stimulus. ▪ Impact of rising interest rates on the cost of sovereign debt ▪ Possible budgetary impacts of measures to support the economy to address the challenges of the current context ▪ Exposure to Portuguese, Polish and Mozambican sovereign debt ▪ Widening credit spreads in peripheral countries	High	↔	▪ Uncertainty about timing of ECB monetary policy normalization ▪ Volatility in capital markets ▪ Increase in funding costs and implementation of contingency measures at European and national level
Operational	▪ Rising cyber threats seeking to exploit the growing weight of remote work and digital channels ▪ Growing number of digital Customers and increase in internet and mobile transactions, requiring the maintenance of a high level of availability of the ICT systems (Information and Communication Technologies) ▪ Increase in information needs, implying a greater rigour in the management and control of data quality ▪ Implications of the acceleration of automation, integration and digitalization of processes, on the operational resilience of the banking sector	Medium	↔	▪ Continuous monitoring of the alignment of technological development plan with the business strategy ▪ Enhancing of skills awareness and resilience against cyber risks ▪ Promotion of a strong internal control culture ▪ Implementation of a comprehensive technology renewal program ▪ Implementation of a data protection accountability framework

Risk	Sources of Risk	Level of Risk	Trend	Interactions/Mitigations
Credit	▪ Constraint on supply chains, increased raw material prices and labor costs ▪ In the segment of individuals decrease in disposable income, as a result of the impacts of inflation and rising interest rates ▪ Risk of execution of NPA reduction plans (NPA stock still with margin for reduction in the corporate segment ▪ Delay in implementing the Recovery and Resilience Plan (PRR) ▪ Possibility of stagflation in Europe ▪ Limitations on access to available and qualified labor; ▪ Credit risk spreads impacted by strong competitive environment due to over-liquidity in the market ▪ Impact of ESG risk drivers on the valuation of the loan portfolio	High	↔	▪ Positive track record in executing the NPA reduction plan ▪ Additional support to the economy through the Recovery and Resilience Plan (PRR) ▪ Higher level of collateralization of credit exposures to companies (namely with state guarantees) ▪ Enhancement of the loan origination and monitoring structure ▪ Incorporation of ESG risk drivers into credit policies ▪ Relatively low volume of exposures to sectors exposed to high transition risks
Market	▪ Volatility in capital markets ▪ Uncertainty regarding the timing of monetary policy adjustment in the eurozone ▪ Uncertainty on the implications of increasing geo-political tensions	Low	↑	▪ Limited exposure to trading portfolios
Liquidity and Funding	▪ Increased volatility in financial markets and factors intrinsic to BCP cause widening of spreads, reduction of eligible collateral after haircuts, margin calls from derivatives and reduced liquidity in WSF debt market ▪ Need to comply with MREL requirements and difficulty in market access, notably in Poland	Low	↔	▪ On-balance sheet Customer funds decisive in the funding structure ▪ Significant growth in the level of savings from households and companies due to the pandemic and periods of confinement with repercussions on total Customer funds
Litigation associated with the CHF loan portfolio in Poland	▪ Number of open court cases ▪ Growing share of cases with court decisions against the Polish banks ▪ Risks related to verdicts issued by Polish courts in lawsuits against Bank Millennium	High	↔	▪ Decrease of the overall CHF loan portfolio ▪ increase of coverage by provisions of the CHF loan portfolio ▪ Increase of out of court settlements with debtors with mortgage loans in CHF
Pension Fund	▪ Effect of changes in interest rates and wages on liabilities ▪ Effect of asset value on portfolios	Medium	↓	▪ Integrated management of assets and liabilities in order to obtain an adequate balance between risk and return ▪ High liability coverage buffer

Risk	Sources of Risk	Level of Risk	Trend	Interactions/Mitigations
Real estate and other investments	▪ Still relevant portfolio of foreclosed real estate and other assets ▪ Uncertainty regarding the development of real estate activity ▪ Uncertainty related with market and regulatory trends in terms of environmental awareness ▪ Risks related to the Bank's collaterals and properties	Medium	↓	▪ Positive track record in reducing the portfolio of foreclosed assets ▪ Expected low level of new entries of foreclosed assets ▪ Positive outlook regarding the evolution of the Portuguese real estate market ▪ Impact of insurance policies in the mitigation of real estate assets ▪ Reduction of exposure to Restructuring Funds according to divestment plans
Recurring profitability/ Business Model	▪ Implications of the level of interest rates on net interest income ▪ Regulatory limitations on fees and commissions ▪ Impact of economic deterioration on asset value and recurrent cost of risk ▪ Wholesale funding cost, including ECB funding (TLTRO) ▪ Inflationary pressures on operating costs ▪ New global players and competition from Big Techs	Low	↔	▪ Strict management of net interest income ▪ Strict cost structure control ▪ Impact of raising interest rates on NII

Risk management

Framework

Risk appetite

The BCP Group carries out its business activities in a controlled, prudent and sustainable manner, always based on the adequacy and compatibility between the objectives set for the business and the levels of risk tolerance defined in terms of sustainability and profitability, in the long-term.

Thus, the Group establishes and implements controls and limits on the material risks to which its activities are subject, based on its “Risk Appetite Statement” (RAS) which concurs, in a relevant way, for a standing of prudence and sustainability of the business, in view of its profitability, as well as of the satisfaction of the different stakeholders: Shareholders, Customers and Employees.

The Group RAS is composed by a broad set of indicators that are considered of primary importance and representative of risks assessed as "material", within the formal risks’ identification and quantification process, carried out at least once a year. The RAS metrics are grouped in five blocs covering solvency, liquidity, funding, profitability, reputation and franchise and also sustainability risks.

For each of the indicators concerned, two levels of limitation are established: an 'alert level', up to which the level of risk represented is still acceptable but from which corrective measures must be taken immediately (in order to that the level of risk regained to a comfortable level) and a 'level of breach’, which requires immediate measures with significant impact, aimed at correcting a risk situation considered excessive.

Stemming from the RAS indicators, other lower-level indicators (and respective limits) are established, with a higher level of granularity, ensuring a more detailed monitoring, appropriate for a day-to-day approach to the risks’ control of business processes, based on specialized metrics and with a marked technical nature. All risk limits are approved by the competent Governance bodies and are periodically reviewed and updated.

For the main geographies in which the Group operates, specific risk appetite indicators (“individual” RAS) are also established. Thus, the definition of RAS involves indicators for Portugal, Poland and Mozambique, some of which are part of the Corporate RAS, which is a set of obligatory metrics for all geographies (but with appropriate limits for each of the operations and structure in question), disaggregating the Group’s risk appetite into the local geographies risk appetite. Besides the Corporate RAS metrics, local RAS include other metrics aiming to measure idiosyncratic risks in each geography.

Risk strategy

The above definition of RAS - as the primary set of indicators that render and materialize the risk appetite - is one of the guiding vectors of the Group's "Risk Strategy", which is approved by the Board of Directors, by proposal of the Executive Committee, heard the Committee for Risk Assessment. Based on the RAS, several lines of action are established, to be developed by different organizational units of the Group, to address the mitigation or control of the risks classified as material within the risks’ identification and assessment process. These lines of action formally constitute the Group's Risk Strategy. Hence, the RAS and the Risk Strategy are inseparable and central elements of the Group's risk management, both aiming to control and mitigate risks classified within the risks’ identification process.

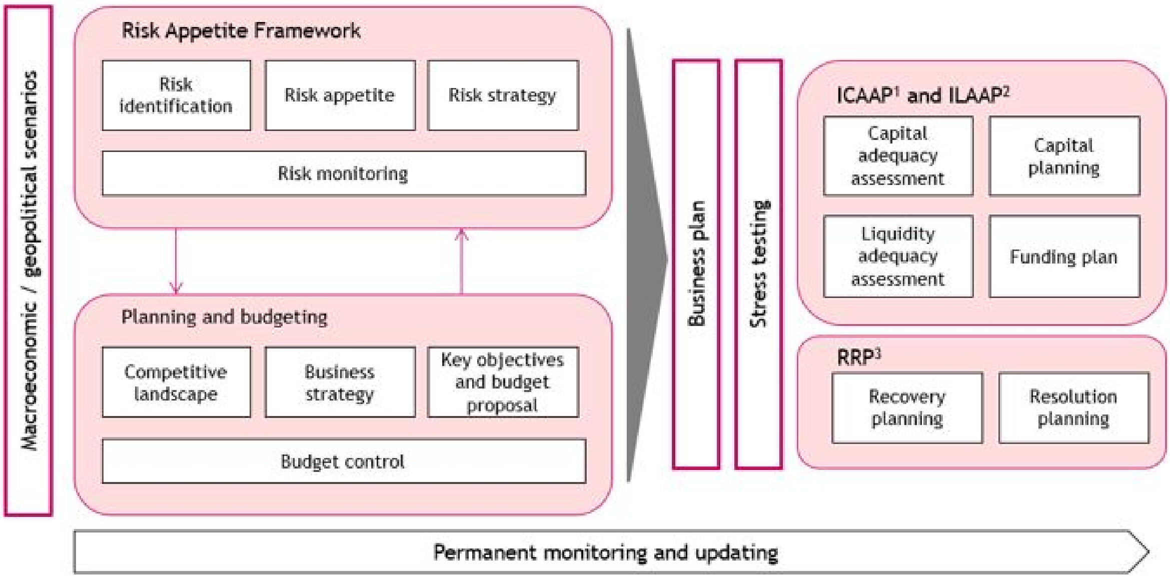
Integration between the business and risk management

The risk appetite structure - which includes the identification of material risks, the RAS and the Risk Strategy and is reviewed at least once a year or whenever the risks´ monitoring so advises (e.g. conclusion that there are new material risks) - provides a reference framework for the permanent monitoring of risks affecting the business and business support activities developed, for the monitoring of the variables, indicators and limits that are derived from RAS. Therefore, the permanent follow-up based on this structure is the result of a strong link between the risk management framework thus defined the methods and indicators applicable to the activities carried out, this link being essential for the performance of the Group's risk management function.

In addition, there is an interaction between the definition of the Group's risk appetite structure and its business objectives, represented in the business planning and budgeting. Thus, the risk appetite structure conditions the definition of the business objectives and the business plan as to respect the risk limits established by the Board of Directors.

In its turn, the business objectives and risk appetite structures are the foundations for all activities and lines of business carried out, also setting out the global controls on the Group's strength, such as the stress tests and the internal processes to assess capital (ICAAP) and liquidity adequacy (ILAAP) as well as the recovery plan and the activities in the scope of the resolution planning.

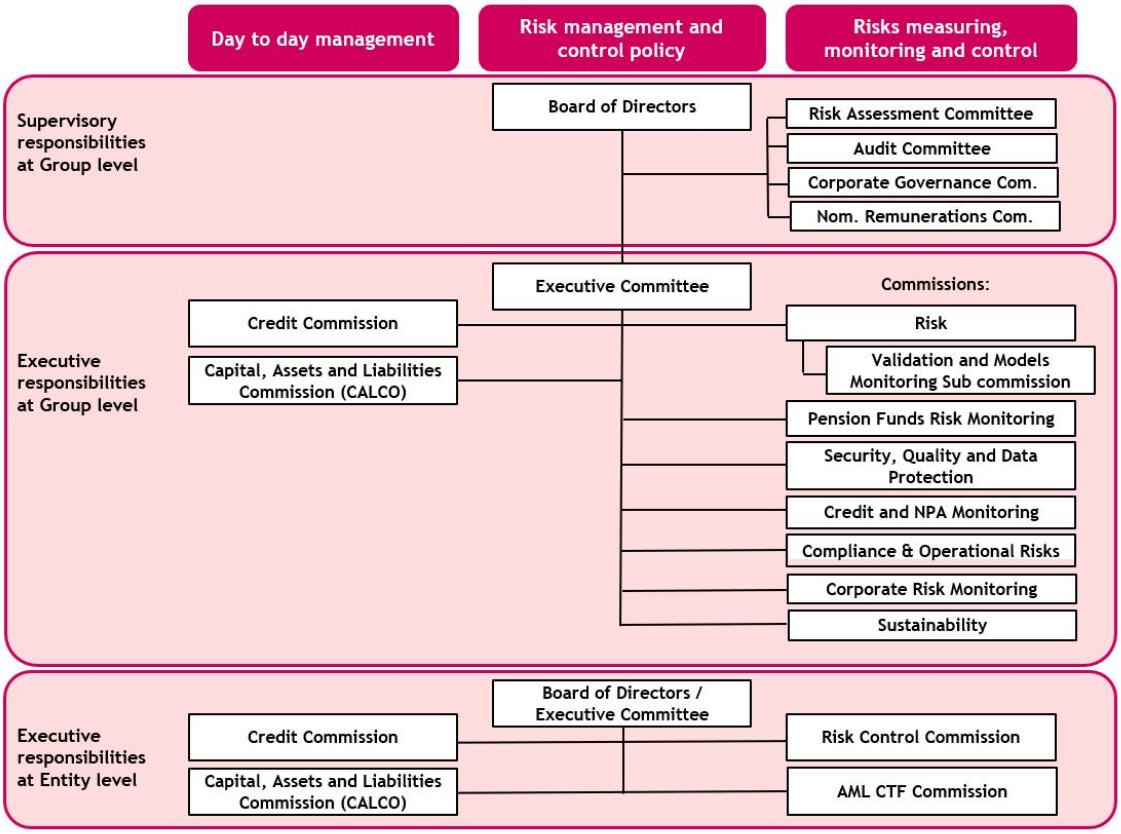
The following figure summarizes the relationships described above, providing a graphic representation of the integration of risk management within the scope of the business developed by the BCP Group.



1 Internal Capital Adequacy Assessment Process
2 Internal Liquidity Adequacy Assessment Process
3 Recovery and Resolution Planning

Risk management Governance

The following figure illustrates the process of risk management's Governance, as at June 30, 2022, exerted through various organizational bodies and units with specific responsibilities in risk management or internal supervision:



The composition, capacities and responsibilities of the management and control bodies that intervene in the risk management governance are the following:

Board of Directors

The ultimate body of the BCP Group's risk management structure is the Board of Directors, which, within the scope of the functions assigned to it by the Law and the Bank's statutes, has the leading role in the risk management and control structure. The Board of Directors is responsible for defining the Group's global strategic guidelines and objectives, the profile and risk appetite, promoting the risk culture and risk strategy, reserving for itself the approval of group codes that establish policies, principles, rules and risk limits across the entire BCP Group. The Board of Directors monitors the evolution of metrics and risk indicators translated into the RAS (including the approval of remediation measures in case of breaches to the limits) approves the conclusions of the ICAAP and ILAAP processes and the performance of the Internal Control System.

Risk Assessment Committee

The Risk Assessment Committee, appointed by the BoD, is composed by three to five non-executive Directors and has, among others, the following capacities:

- Evaluate the integrity and adequacy of the Risk Management function.
- Advising the BoD on risk appetite and risk strategy, accompanying and intervening in the definition and review of the Group's Risk Appetite Framework and providing an opinion on its adequacy to the BoD.

- Monitoring the evolution of the RAS metrics, verifying their alignment with the defined thresholds and levels and monitoring the action plans designed to ensure compliance with the established risk limits.
- Advising the BoD on the policies regarding the risks' identification, management and control within the Group, monitoring the global risk levels in order to ensure that those are compatible with the goals, the available financial resources and the approved strategies for the development of the Group's activities.
- Oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks to the Group, such as market, credit, operational (including legal, IT and compliance), and reputational risks, in order to assess their adequacy according to the approved risk appetite and strategy.
- Monitoring the capital and liquidity planning processes (ICAAP and ILAAP), providing an opinion to the BoD concerning the respective conclusions, as well as analyzing and approving the conclusions of the regular follow-up on these processes.
- Monitoring and intervening in the Recovery Plan review, providing an opinion to the BoD on the respective adequacy.

Within the resolution planning, the Committee for Risk Assessment approves its annual work plan and monitors its execution.

The Risk Officer functionally reports to this Committee and participates in its meetings, presenting the evolution of the key risk metrics and indicators, as well as all incidences, changes and evolutions relative to the RMSS.

Audit Committee

The BoD's Audit Committee is elected by the Shareholders' General Meeting and is composed by three to five non-executive Directors, mainly independent. Within the competences of this Committee, this Committee has global corporate supervising capabilities - e.g. in what concerns financial information, namely risk levels follow-up - as well as those that are attributed within the Internal Control System, namely:

- Overseeing the management activity of the Bank;
- Monitoring the suitability and effectiveness of the Bank's organizational culture, governance models and internal control and risk management systems;
- Monitoring the accounting policies and processes adopted by the Bank, the financial reporting process and submit recommendations aimed at ensuring its integrity;
- Overseeing the performance of the Compliance and Internal Audit functions;
- Supervising and controlling the effectiveness of the risk management system, in conjunction with the Risk Assessment Committee; as well as the internal control system in its different aspects and also the internal audit system itself;
- Issuing an opinion in relation to operations of acquisition of goods and services and credit operations involving related parties, aiming to avoid conflicts of interests;
- Analyzing the information is received through the whistleblowing mechanism as well as the clients claims.
- Monitor the activity of the External Auditor and periodically assess its independence and objectivity in the exercise of its activity.

The Audit Committee holds regular meetings with the Heads of the Audit Division, the Risk Office and the Compliance Office.

The Compliance Officer participates in the meetings of this Committee, presenting the evolution of the monitoring of compliance risks, as well as all developments and interactions with regulation/supervision in terms of regulatory compliance.

The Risk Officer participates in this Committee's regular meetings, reporting on the evolution of the main indicators and metrics concerning risks and credit impairment, as well as on the implementation status of the recommendations that concern the risk management system, issued within the scope of internal control or by the supervisory/regulatory authorities.

The Head of Audit Division reports regularly to the Audit Committee on interactions and the status of the recommendations of the prudential supervision entities, as well as on the audits carried out on the Bank's processes.

Committee for Corporate Governance, Ethics and Sustainability

This Committee, appointed by the Board of Directors, is composed of a minimum of three and a maximum of five non-executive directors.

Amongst others that may be delegated by the Board of Directors, the competences of the Committee for Corporate Governance, Ethics and Sustainability:

- Recommend the adoption by the Board of Directors of policies, that observe the ethical and professional conduct principles and best corporate governance practices.
- Support the Board of Directors and its Committees in the evaluation of the systems that identify and solve conflicts of interest.
- Assess the compliance function, analyzing the procedures in place and the identified non-compliances.
- Issue opinions addressed to the Board of Directors on the Code of Conduct and on other documents defining business ethical principles.
- Every time it deems necessary, submit to the Board of Directors a report on the evaluation and monitoring of the structure, ethical and professional conduct principles and corporate governance practices of the Bank and on the company's compliance with the legal, regulatory and supervisory requirements on these issues.
- Issue an opinion for the Board of Directors on the Annual Corporate Governance Report.
- Issue an opinion on the Annual Sustainability Report, concerning issues for which it is responsible.
- Time it deems necessary, submit to the Board of Directors a proposal on the guidelines for the Company's policies, based on a culture identified with the ethical and professional conduct principles targeted at contributing for the pursuit of social responsibility and sustainability goals. Proposing, particularly, guidelines for the policies of the Company in those issues , including, among other, the values and principles for safeguarding the interests of the shareholders, investors and of those interested in the institution and also principles of social charity and environmental protection.
- Issue an opinion on the Group Codes and respective annexes whenever this competence has been delegated to it by the BoD.

Committee for Nominations and Remunerations

This Committee, appointed by the Board of Directors, is composed of a minimum of three and a maximum of five non-executive directors.

The BoD delegates in the Committee for Nominations and Remunerations the monitoring on issues related with human resources, assessment and composition of the Board of Directors and of its Committees, reviewing the Remuneration Policies of the Directors and Employees, including the Key Function Holders (KFH), and monitoring their respective implementation, in accordance with the powers conferred to it by the law and its own Regulations.

Other functions of this Committee:

- Monitor the existence of specific policies related with selection and recruitment, evaluation of performance, promotion and career management, training, and development of competences.
- Elaborate and report to the BoD recommendations on the candidates to members of the Governance and Supervisory bodies of the Bank, ensuring the Fit & Proper assessment process.
- Issue an opinion to the BoD on the Selection, Assessment and Succession policies for members of the Governance and Supervisory bodies and responsible for control functions.
- Prepare and maintain a succession plan for members of the Board of Directors and KFH.

Executive Committee

The Executive Committee is responsible for the daily management of the Bank aiming to pursue the corporate objectives within the risk limits approved and defined by the Board of Directors. Particularly regarding the risk management function, the Executive Committee is responsible for:

- Implement the Bank's general business strategy and main policies, considering the Bank's long-term financial interests and solvency.
- Implement the global risk strategy approved by the BoD and ensure that management devotes sufficient time to risk issues.
- Ensuring an adequate and effective internal governance model and an internal control framework, including a clear organizational structure and independent internal risk management functions.
- Promote the risk culture across the BCP Group, addressing risk awareness and appropriate risk-taking behavior.
- Promote a corporate culture and values that foster the ethical and responsible behavior of employees.
- Promote the development, implementation and maintenance of formal processes for obtaining, producing and processing substantive information, appropriate to the size, nature, scope and complexity of the activities carried out, as well as to the Bank´s risk appetite, which ensure its reliability, integrity, consistency, integrity, validity, timeliness, accessibility and granularity.

The Executive Committee is supported, to carry out its responsibilities, by several management commissions in a wide range of dimensions: Business Activity; Credit Decisions; Risk and Compliance Management; Planning, Costs and Investments; Capital Structure and Liquidity Management; Human Resources Management; Information Technology Security and Data Integrity and Protection. These management commissions can benefit from the presence of one or more internal control function units (Risk Office, Compliance Office and Internal Audit) which ensures timely detection of any potential internal control deficiencies.

The Executive Committee delegates in the Risk Commission, the Compliance and Operations Risk Commission (CORC) and the Security, Data Quality and Data Protection Commission, the mission of monitoring the risks the Group is exposed to as well as the deficiencies identified regarding the internal control system. These commissions are also responsible for monitoring the adoption of corrective measures and the overall progress of open recommendations. Furthermore, the CORC may also evaluate and propose improvements to be introduced to the internal control system.

Risk Commission

This Commission is appointed by the EC and has the responsibility for defining, at an executive level, the framework and the risk management policies and instruments within the Group, establishing the respective principles, rules, limits and practices for the Group Entities, considering the defined risk thresholds.

The Risk Commission monitors the overall levels of credit, market, liquidity and operational risk, as well as all other risks considered materially relevant for the Group, ensuring that the risk levels are compatible with the goals, available financial resources and strategies that have been approved for the development of the Group's activity. This Commission also validates the compliance of risk management with all the applicable laws and regulations.

The Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO), and , optionally, any other Executive Director.

Other members of the Commission are the Risk Officer, the Compliance Officer and the Heads of the following Divisions: Treasury, Markets and International (DTMI), Credit (DCR), Rating (DRAT), Economic Studies, Sustainability and Cryptoassets (DESC) Models Monitoring and Validation Office (GAVM) and Regulatory and Supervision Monitoring Office (GARS). The Head of the Audit Division (DAU) is a permanently invited member of the Risk Commission, without voting rights.

Validation and Monitoring of Models Sub-commission

The Models Monitoring and Validation Sub-Commission monitors the performance and confirms the validity of the rating systems and models used by the Bank within the scope of its risk management functions (e.g. PD, LGD, CCF, market risk and ICAAP) and informs the Risk Commission on their adequacy. Moreover, it presents the model's risk management results and suggests improvement measures to increase the model's performance and adequacy.

The CRO is the chairmen of the Sub-commission and other member are the Risk Officer, the head of the GAVM, of DCR, DRAT and of Treasury, Markets and International Division (DTMI), as well as the several Model Owners, responsible for developing and monitoring the risk models of the Bank.

Security, Quality and Data Protection Commission

This Commission is appointed by the EC and has the following capacities and responsibilities:

- Definition of guidelines and approval of the management policies for IT systems, data management and quality, physical security, business continuity and data protection.
- Regular review of the emerging threats and most relevant trends in terms of data security and information technologies, with a particular focus upon cyber-security.
- Analysis of the periodical security incident's reports (regarding systems/data and physical), identifying the appropriate remediation and improvement measures.
- Follow-up of initiatives and projects in the area of systems/data security, physical security and data protection and monitoring of the respective performance metrics.
- Approval of the annual plans for the exercises of security assessment, Disaster Recovery Plan (DRP) and business continuity, and their respective quantitative/qualitative evaluation.

The Commission members are the CRO, the COO and the CRetO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The Heads of the following Divisions are also members of this Commission: COFF, ROFF, Information and Technology (DIT), Segments and Network Support (DSAR), and IT Security (DSI), Operations (DO), Logistics and Procurement (DCM) and . The head of the Physical Security and Business Continuity Department (DSFCN), the Data Protection Officer (DPO) and the Chief Data Officer (CDO) are also permanent members of this Commission, along with the Head of DAU (the latter, without voting rights).

Credit and Non-Performing Assets Monitoring Commission

This Commission is appointed by the EC and has the responsibility of monitoring the evolution of credit risk, under various aspects:

- Monitoring of the evolution of the credit exposure and the credit underwriting process.
- Monitoring the evolution of the credit portfolio's quality and of the main performance and risk indicators.
- Monitor the results achieved by the credit monitoring systems.
- Follow-up the counterparty risk and the largest exposures concentration risk.
- Monitoring the impairment evolution and the main cases of individual analysis.
- Assessment of the recovery procedures performance.
- Monitoring the divestment in the foreclosed assets portfolio.
- Follow-up the execution of the operational plans to be developed within the scope of credit at risk and reduction of certain asset classes.

The CEO, the CRO, the CRetO and the COO are members of this Commission, as well as, optionally, the CFO. Any other executive Directors may participate in this body's meetings if they deem convenient to do so. The Heads of the following Divisions are also members of this Commission: Risk Office (ROFF), DCR, DRAT, Specialized Monitoring (DAE), Retail Recovery (DRR), Specialized Recovery (DRE), Legal Advisory and Litigation (DAJC), Management Information (DIG), Specialized and Real-Estate Credit (DCEI), Corporate and Business Marketing (DMEN) and Retail Marketing (DMR) . The Head of DAU is a permanently invited member of the Risk Commission, without voting rights.

Pension Funds Risk Monitoring Commission

This Commission is appointed by the EC and has the following competences:

- Assessing the performance and risk of the Group's Pension Funds in Portugal;
- Establishing, for these, the appropriate investment policies and hedging strategies.
- Approve changes to the fund's actuarial assumptions.

The Commission members are the CEO, the CFO, the CRO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The other Commission's members are the Heads of the following Divisions: ROFF, Research, Planning and ALM (DEPALM), Wealth Management (DWM) and Human Resources (DRH).

Compliance and Operational Risks Commission

This Commission is appointed by the EC and has the following capacities and responsibilities, to ensure that the Bank's activity contributes to an adequate culture of risk and internal control:

- Monitoring of the Bank's activities, as well of those of the other Group entities, regularly coordinating and managing the policies and the duties of the Bank and its branches/subsidiaries, in order to ensure the compliance with the legal and internal rulings, the alignment of Group strategies and the definition of priorities in Compliance matters;
- Monitoring of the exposures to operational risks, as well as the implementation status and the effectiveness of the risks mitigation measures and of those that aim at the reinforcement of the internal control environment;
- Monitoring of the operational risks management framework, which encompasses the management of IT and the Outsourcing risks;
- Follow-up of the management and improvement of the Bank's processes, in order to monitor and reduce the level of exposure to compliance and operational risks.

The Commission members are the CEO, the COO and the CRO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The ActivoBank CEO and the Heads of the following Divisions are also members of the Commission: COFF, ROFF, IT (DIT), Segments and Network Support (DSAR), IT Security (DSI) and Operations (DO). The Head of DAU, the AML[17] Officer and the managers responsible for the COFF areas that deal with the matters under discussion are also permanently invited members of this Commission, without voting rights.

Corporate Risk Monitoring Commission

This Commission is appointed by the EC and has the following duties and responsibilities:

- Monitor the evolution recorded by the main performing corporate Clients credit exposures, due the specific risk factors of each client (sector of activity, financial standing, cost structure, etc.), issuing opinions regarding the credit strategy to adopt.
- Follow-up the counterparty risk and the largest exposures concentration risk.

The members of this committee are: the CEO, CRO, CCorpO and CRetO. Any other members of the EC may participate in the meetings of this Committee, whenever they consider it convenient to do so. Members of this Committee are also primarily responsible for the following directorates: ROFF, DRE, DCR, DRAT and DMEN.

[17] Anti-money laundering.

CALCO

The CALCO - also referred to as the Capital, Assets and Liabilities Management Commission - is responsible for the management of the Group's overall capital, for assets and liabilities management and for the definition of liquidity management strategies at a consolidated level. Specifically, the CALCO is responsible for the structural management of interest rate, structural FX and liquidity risks, including, among others, the following aspects:

- Establishment of management guidelines for assets, liabilities and off-balance sheet items at consolidated level.
- Definition of the capital allocation and risk premium policies.
- Definition of transfer pricing policy, in particular with regard to liquidity premiums.
- Monitoring of the capital and liquidity indicators, of the Recovery Plan indicators and of the execution of the Liquidity Plan.
- Definition of policies and strategies to access wholesale funding markets and definition of the liquidity buffer composition.
- Definition of the investment policy of the Investment Portfolio and monitoring of its performance.
- Definition of the strategy and positioning within the scope of the interest rate risk and structural FX risk management, as well as of the respective policies and limits, taking into account the market conditions at any given moment.

The Group CALCO meets every month and is composed of the following executive Directors: CEO , CFO, CRO and, optionally any other Executive Director. The other members of the Group CALCO are the Risk Officer, the Chief Economist and the Heads of DEPALM, DIG, DTMI, DWM, DMEN and DMR, the responsible for the ALM Department of DEPALM.

At Subsidiary Companies Level, the local Credit Commission, CALCO, Risk Control Commission and AML/CTF Commission replicate the roles of equivalent commissions at Bcp level.

Credit Commission

This Commission is appointed by the EC and its functions are to assess and decide on credit granting to Customers of Banco Comercial Português, in accordance with the competences established by internal regulation (‘Credit Granting, Monitoring and Recovery’). This commission may also issue advisory opinions on credit proposals from the subsidiary companies of the Group entities.

The members of this Commission are the CEO, the CCorpO, and the CRO (the former only with veto rights). Any other Executive Director may, whenever he/she sees fit, participate in the Commission. Other members are the Heads of the following Divisions: DCR, DAJC, DRAT, Companies Network Coordination (North/South), Large Corporates, as well as Level 3 credit managers and, depending on the proposals to be decided upon, the coordination managers of other proposing areas (e.g., Private Banking, Retail, DRR) or members of the subsidiaries’ Credit Commissions. The Company’s Secretary, the Risk Officer and the Compliance Officer are permanently invited members of this Commission, without voting rights. Other Group Employees may also be invited to participate (without voting rights), if they are relevant for the matters under discussion.

Sustainability Commission

This Commission, appointed by the EC, has the following powers and responsibilities:

- Definition and monitoring of initiatives to ensure the implementation of the Sustainability Master Plan in its strategic axes (Environmental, Social and Governance / ESG) in accordance with the guidelines approved by the Executive Committee;
- Assist the EC in the integration of Sustainability principles (ESG) into the Bank's decision-making and management processes;
- Promoting and ensuring the adequacy of risk and credit management processes and the offer of products and services to the evolution of the normative and regulatory context within the scope of Sustainable Finance.

The members of this commission are: the CEO and the CRO. Any other Executive Committee members may participate in the meetings of this Committee, whenever they deem it convenient to do so. The members of this Committee are also those responsible for the following Departments: Economic Studies, Sustainability and Cryptoassets Division (DESC), Human Resources (DRH), COFF, ROFF, Rating (DRAT) and Marketing Divisions (DMR and DMENI).

Risk Office

The Risk Office (ROFF) is the structure unit responsible for the risk control function at Group level, promoting the overall alignment of concepts and procedures concerning risk monitoring and assessment. The ROFF is responsible for informing the Executive Committee, the Committee for Risks Assessment, and the Risk Commission on the general risk level, for proposing measures to improve the control environment and for the implementation of controls which assure compliance with the approved limits. The ROFF has the following functions:

- Supporting the establishment of risk management policies and methodologies for the identification, measurement, limitation, monitoring, mitigation and reporting of the different types of risk.
- Promoting the revision of the Group's Risk Appetite and the risk identification process.
- Issuing opinions related with the compatibility of the risk management decisions considering the approved RAS limits.
- Participate in the definition of the risk strategy and decisions related with risk management.
- Issuing opinions on the assumption of significant risks by the Bank and its subsidiaries, ensuring they are properly identified and adequately assessed.
- Rule on transactions involving related parties;
- Coordinating the NPA (non-performing assets) Reduction Plan and of the ICAAP and ILAAP processes.
- Ensuring the existence of a body of rules and procedures, of an effective IT platform and of a database for the robust and complete management of risk.
- Controlling, on an ongoing basis, the evolution of the different risks and compliance with the applicable policies, regulations, and limits.
- Participating in the Internal Control System.
- Preparing information relative to risk management for internal and market disclosure.
- Supporting the works of the following Commissions: Risk, NPA Monitoring, Pension Funds Risk Monitoring, Compliance and Operational Risk.

The Risk Officer is appointed by the BoD, and reports to the CRO of the Group.

Compliance Office

The Compliance Office (COFF) is part of its organizational structure, construed upon "3 lines of defence model". It ensures the compliance function assigned to the "second line of defence", which includes control and regulatory compliance activities, analysing and advising the corporate bodies and the various Divisions of the Bank prior to the making of decisions that may involve the assumption of specific risks which are monitored by the compliance function.

Furthermore, the COFF has also the mission to:

- Verify if the respective regulatory requirements are complied with, as well as the ethical values of the organization, fulfilling all the attributions that are legally conferred on it, ensuring the existence of a culture of internal control, thus contributing to the mitigation of the risk of attribution to the Group Entities of sanctions or significant assets or reputation damages.
- Promoting the preparation, approval, application, verification of compliance and periodic updating of the Code of Conduct.
- Ensure compliance with the regulatory framework on the prevention and fight against money laundering and terrorism financing (hereinafter "AML/CTF").
- Participate in the definition of policies and procedures related with Conflicts of Interest and transactions with Related Parties, following-up their implementation and effective application.
- Ensure the management and controls adequacy of the whistleblowing process.

- Provide support to the International Entities in the development of their activities, seeking to normalise their action principles, systems and processes, in compliance with local regulatory specifications.

The Compliance Office is one of the Bank's first line Divisions that reports directly to the Executive Committee, with a functional reporting to the Audit Committee to allow the assessment and oversight of the internal control system, there being no restriction or conditioning to direct interactions, on their own initiative or at their request, with non-executive bodies or board members, being its responsibility to define the policies, guidelines and tools that are appropriate for a proactive and preventive risks' assessment.

As a second line of defence structure responsible for compliance risk, for the risks associated with money laundering and the financing of terrorism, with conduct and market abuse, with conflict of interests and for other risks of an operational nature, the COFF issues decisions, with binding force for its recipients, aiming at the legal and regulatory compliance of the various business and business support areas.

The functions attributed to the COFF are exercised in accordance with the law or with other applicable normative source, as well as by the Bank's corporate bodies, and the performance of the Compliance Office should be based on a risk approach, at the level of the business, Customers and transactions, allowing the identification, assessment, monitoring and control of compliance risks that may influence the strategy, reputation and objectives defined for the Bank.

Within the scope of opinions and the associated analyses produced at request of several Group areas and Divisions, the COFF:

- Identifies and evaluates the various types of risks – either concerning in what refers to products and services approval process, corporate processes and conflicts of interest;
- Issues proposals for the correction of processes and risks mitigation;
- Permanently analyses the general supervisory environment and, in general, provides specialised support in matters of control and regulatory compliance.

Within the scope of its specific functions, the COFF also ensures an assessment and intervention in what concerns:

- The control and monitoring of compliance risks;
- The Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT);
- The mitigation of reputation risk at all Group entities, aiming at the alignment of concepts, practices and goals in these matters.

In compliance with the Principle of Coherence of the Group's internal control, the 1st responsible for the Compliance Officer of BCP is also responsible for the follow-up and monitoring of the compliance activities and Policies at Group level, highlighting the follow-up and monitoring of the AML/CFT risk through the International AML/CFT Committees, with the participation of the management and Compliance Bodies of the local units.

The COFF is also responsible for coordinating the process of structuring, drafting and approving the annual self-assessment reports on the effectiveness of the organisational culture and the governance and internal control systems, both individual and consolidated, and on the ML/FT prevention system to be submitted to the Bank of Portugal and the Securities Market Commission, under the terms of the respective Notices and Regulations, and as well for the preparation and submission of reports to the management body, at least once a year, identifying the compliance flaws verified and the recommendations issued for their correction.

The COFF fosters, intervenes and actively participates in the training policy of Employees, namely, through training actions in Compliance, for the entire universe of the Group, maintaining a large knowledge repository for matters of its competence, namely, in what concerns the AML/CFT.

Audit Division

The Audit Department (DAU) provides functions of the third line of defense, under the scope called "Model of the 3 lines of defense" and is responsible for assessing the adequacy and effectiveness of the risk management process, the internal control system and the governance models. DAU performs its function on a permanent and independent basis and in accordance with the internationally accepted principles and best practices of internal auditing, carrying out internal audit inspections to assess the systems and processes of internal control and risk management which can give rise to recommendations aimed at to improve its efficiency and effectiveness.

The main functions of the DAU in the scope of risk management are to ensure that:

- The Risks are properly identified and managed and that the controls implemented are correct, adequate and proportional to the Bank's risks.
- The Bank's internal capital assessment system is adequate in terms of the risk exposure level.
- Transactions are recorded correctly in the systems of the Bank, and the operational and financial information is true, appropriate, material, accurate, reliable and timely.
- The Employees perform their duties in accordance with internal policies, codes of conduct, rules and procedures and with the legislation and other applicable regulations.
- The goods and services necessary for the Bank's activity are purchased economically, are used efficiently and are properly protected.
- The Legal and regulatory provisions with a significant impact on the organization are recognized, properly assimilated, and integrated into the operational processes.
- The Bank's governance model is adequate, effective, and efficient.

The Head of DAU reports hierarchically to the Chairman of the Board of Directors and functionally to AudC, being responsible for the general supervision and coordination of the internal audit activities of the BCP Group subsidiaries and attends the meetings of the Audit Committee of the subsidiaries of the BCP Group.

Main developments and accomplishments in first semester 2022

In 2022, the Risk Management Function maintained focused on the continuous improvement of the Group's risk control environment, and on the permanent monitoring of the risk levels incurred in relation to the RAS tolerance limits, ensuring, at the same time, full compliance with regulatory and supervisory requirements and updating the internal regulations structure that is appropriate for risk management and control.

The most relevant activities developed during the first half of 2022 were, synthetically, as follows:

- Continuous improvement of the internal governance model, management, measurement and risk control at Group level, with special focus on strengthening credit risk monitoring;
- Consolidation of the customer monitoring model, by transforming the structure created as a response to the monitoring of the impacts of the COVID-19 pandemic in a permanent approach to monitor the general corporate clients and based on the attribution of pre-defined credit strategies, with periodic review dependent on the level of risk associated with the strategy;

  This approach underlies a periodic review of the macroeconomic environment in which companies develop their activities, with a view to identifying potentially more vulnerable sectors at each moment;
- Continuous improvement of the quality and scope of reporting information to the management bodies and Specialized Committees;
- Focus on improving the effectiveness of the internal control system;
- Monitoring the level of compliance with binding risk limits, in particular the RAS, at Group level and of the main geographies;
- Completion of the ICAAP and ILAAP reports, their ongoing (quarterly) monitoring ensuring permanently the Group's capital and liquidity adequacy. Participation in other planning processes carried out, namely the Funding and Capital Plan;
- Monitoring compliance with backstop provisioning obligations for non-performing operations;
- Monitoring of the NPA/NPE Reduction Plan for the period 2022-2024;
- Continued implementation of the measures provided for in the Action Plan to address the EBA guidelines on credit origination and monitoring;
- Pursuit the plan for the integration of sustainability themes (ESG) in the Bank's risk management framework and monitoring its implementation within the Bank's RAS;
- Carrying out the ECB's climate stress tests exercise and further development of the framework for governance and control of climate risk drivers;
- Continuous improvement of liquidity and funding risk management and control systems at Group level, including the review of the internal liquidity stress testing process, the improvement of the liquidity risk management framework in Poland and Mozambique and the definition of a liquidity management model in the context of resolution planning;
- Provision of requirements for the integrated reporting to the Single Resolution Board scheduled to start in 2023
- Reinforcement of market risk monitoring and control processes and continuation of the FRTB implementation project - Fundamental Review of the Trading Book;
- Continued ongoing improvement of data quality to support decisions and risk control metrics according to BCBS239 and development of the technology platform upgrade to support risk management;
- Presentation of the conclusions for the 2021 Risk Self-Assessment exercise of operational processes, which confirmed the moderate operational risk levels;
- Final results' assessment of the Scenario Analysis exercise – estimation of losses stemming from potential loss events with very low probability but with high severity – and subsequent update of the add-on to the statistical internal model that is used for the estimation of the maximum annual operational losses;
- Consolidation of the outsourcing risk management and monitoring, in conjunction with the Contract Managers and the 1st LOD organizational units;

- Monitoring of several On-Site Inspections of Supervisory Entities, namely the launch of inspections related to the interest rate risk framework and the applications for material changes to the IRB models of PD and LGD and Asset Quality review.

In 2022, the compliance function maintained its focus on the continuous improvement of the Group's compliance risk control environment, ensuring, full fulfilment with regulatory and supervisory requirements and updating the internal regulations structure that is appropriate for compliance risk management and control.

The most relevant activities and initiatives developed during the first half of 2022 were, as follows:

- In the context of AML/CFT, the compliance action, based on a risk-based approach, included operations filtering, a process that ensured compliance with sanctions and embargoes regimes enacted by the competent national and supranational authorities, their monitoring, aiming to detect and prevent potentially irregular situations, but also the substantive and formal pre-validation process of opening and maintaining entities and accounts and credit operations. This functional perimeter, based on dedicated technological solutions, also envisage the definition and management of risk models based on the evolution of the various variables competing for the establishment of scorings to be applied to operations. Also noteworthy is the development of new, more efficient solutions that facilitates the collection and updating of Customers' personal information, namely the information defined in the regulatory framework.
- Promotion of further optimisation of its organisational structure to undertake an even greater level of functional specialisation in its Financial Crime Prevention Area.
- The main legislative and regulatory highlights focused on the conflict resulting from the invasion of Ukraine by Russia, due to the continued establishment of sanctions and embargoes.
- As a consequence of the establishment of the aforementioned sanctions and embargoes, development of enhanced controls for identifying risky transactions and entities, ensuring compliance with restrictive measures.
- Updating the Anti-Money Laundering and Counter Financing of Terrorism Policy, mainly with the aim of formalising the guidelines arising from EU Regulation 2019/758 on the transfer of information between Group entities., adjusting the concept of virtual assets, among other changes;
- Strengthening controls over the risk presented by virtual assets.
- Issuance of the 2021 Anti-Money Laundering and Terrorism Financing Report to the Supervisory Entities.
- Execution of the Communication Plan dedicated to the 1st lines of defence with the most important aspects to be taken into account both in terms of the risk of financial crime and in other risks of compliance and regulatory compliance.
- Controls strengthening regarding the risk of market abuse.
- With regard to the Group's activities, the strengthening of the risks monitoring of the various operations remains a priority, ensuring the monitoring of the AML/CFT risk through the International AML/CFT Committees, with the participation of management bodies and compliance function of the International Entities, aiming to assess and monitor the specific compliance risk factors of each geography, as well as the existing business segments in each operation.
- Development of joint COFF projects with teams of subsidiaries and branches abroad in order to analyse and improve the effectiveness of existing controls for mitigating the main risks in the area of AML/CFT, which included training initiatives.

Credit risk

The materialization of this risk arises from the losses occurred in the loan portfolio, due to the incapacity of borrowers (or their guarantors, when applicable), issuers of securities or contractual counterparts to comply with their credit obligations.

The control and mitigation of this risk are carried out through a solid and reliable structure of risk analysis and assessment, based on internal rating systems suited to the different business segments, through a model for the early detection of potential default of the portfolio, through processes regarding the management and follow-up of the collateral value and through structural units that are exclusively dedicated to credit recovery, for non-performing situations.

Evolution and breakdown of the loan portfolio

The next table presents the evolution of the Group's portfolio subject to credit risk and counterparty credit risk between December 31, 2021 and June 30, 2022, in terms of EAD (Exposure at Default)*, in the three main geographies where the Group operates (Portugal, Poland and Mozambique), which represented almost the total Group's EAD by June 30, 2022.

(million euros)

Geography	Jun 22	Dec 21	Change	
			Amount	%
Portugal	64,880	65,881	(1,001)	-1,5%
Poland	23,485	23,281	203	0,9%
Mozambique	2,572	2,377	195	8,2%
TOTAL	**90,937**	**91,539**	**(602)**	**-0,7%**

* Without impairment deduction to the exposures treated prudentially under the Standardized Approach (STD) and including all risk classes (i.e. besides credit to Customers, debt positions from Sovereign entities and Institutions are included).

Considering the position on December 31, 2021 as a basis for comparison, the Group's loan portfolio, measured in euros (EUR), recorded a decrease of 0.7% during the first semester of 2022, contrary to what was recorded in 2021 (increase of 9.3%). The evolution is explained by a decrease in Portugal and an increase in the other geographies.

The decrease in Portugal results, on the one hand, from the reduction in the defaulted exposures in the Corporate segments and, on the other hand, from the reduction in exposure to Sovereigns, which fell by approximately 1.4 billion euros, highlighting the positions in Portuguese State public debt and Italian State public debt, which fell by 1.2 billion euros and 1 billion euros, respectively. The Retail segments recorded an increase of 560 million euros, particularly on mortgage loans.

It should be noted that this evolution was achieved in a context of a 243 million euros reduction in the NPE portfolio (on-balance).

In the Polish loan portfolio, there was an increase of 0.9%, measured in euros, largely explained by the increase in exposure to the Polish state's public debt, which amounted to approximately 712 million euros, offset by a decrease in exposure on Corporate and Retail credit, which amounted to 589 million euros.

With respect to Mozambique, there was an 8.2% increase in the loan portfolio, measured in EUR, mainly related to the effect of the exchange rate appreciation of the Mozambican currency.

Regarding the composition of the portfolio by risk classes, on June 30, 2022, it is illustrated by the following graphs:

In what concerns the structure of portfolios by counterparty segment in Portugal the most significant portion continues to be assumed by the Retail segment with 39.4% of the total, with 30% relating to exposures related to mortgages. The Corporate segment has a weighting of about 29.8%, slightly higher than at the end of 2021, highlighting the decrease in the weight of the Banks and Sovereigns segment, which recorded a decrease in its representativity to a level close to 30.8%, from a weight of 32.5% on December 31, 2021.

In Poland we highlight the Retail segment, with a weight of 60.7%, observing a slight decrease in the weight of exposures collateralized by mortgage guarantee to 30.7%, an equally slight reduction in the representativity of the corporate segment and an increase in the Banks and Sovereigns component, ending the first half of 2022 with weightings of 16.3% and 23%, respectively.

As regards Mozambique, the structure is stable, with emphasis on the relevance of the weighting of the Banks and Sovereigns segment, which rose to 82.3% of the portfolio. The Corporate and Retail segments assumed a representativity of 10.8% and 6.9%, respectively.

Given the changes in the global environment since the beginning of 2022, the Bank has changed the sectors considered in Portugal as more vulnerable. In fact, while it is admissible to consider that the effects of the pandemic have faded, new risks have emerged, with special emphasis on those resulting from the Russia/Ukraine geopolitical conflict, which have reinforced threats already emerging in areas such as constraints in logistic and distribution chains, limitations in access to raw materials and certain goods and increased energy costs.

The following table shows the sectors of activity considered most vulnerable, concluding that these represent 9.5% of the total domestic exposure.

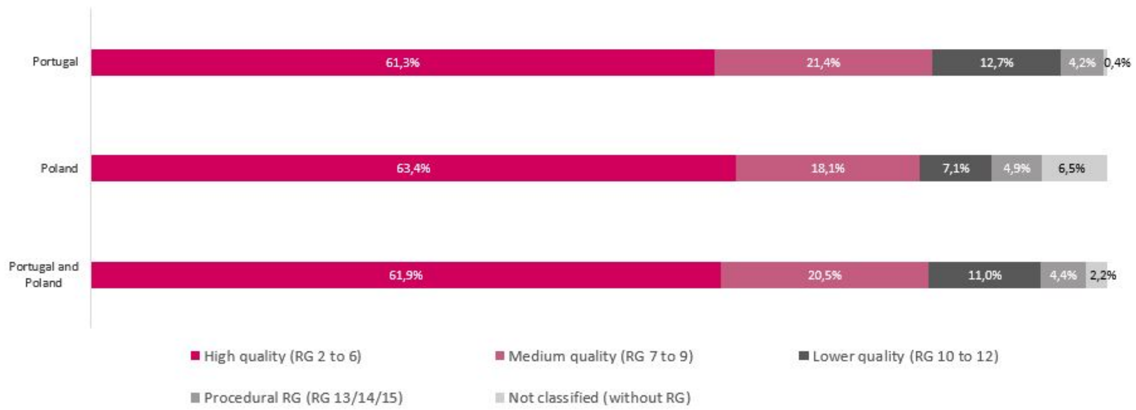
(million euros)

Sector	Exposure
Services - Generic	82
Construction	546
Industry - Generic	631
Industry - Food & Beverage	720
Industry - Textile/ Footwear	24
Services - Transportation	475
Industry - Metalworking	433
Industry - Ceramic/Glass	175
Industry - Automotive	88
Industry - Electronic	101
Generic	452
Total	**3,727**
% of Total	**9.5%**

Probability of Default (PD) and Loss Given Default (LGD)

The main parameters for credit risk assessment, used in the calculation of Risk Weighted Assets (RWA) within the scope of the Internal Ratings Based method (IRB) - the Probability of Default (PD) and the Loss Given Default (LGD) – assigned to the portfolio’s credit operations, have been registering a continuous positive evolution, reflecting a clear trend of improvement in the portfolio’s quality.

The following graph illustrates the distribution of the portfolio amounts, in terms of Exposure at Default (EAD) by the risk grades (internal ratings) attributed to the holders of credit positions in Portugal and Poland, on June 30, 2022. These risk grades (RG) are defined on an internal scale, transversal to the Group (the Rating Master Scale), with 15 grades, corresponding to different levels of debtors' PD. Risk grades 13 to 15 are called “procedural” and correspond to problematic credit; RG 15 corresponds to the Default status.



Banks and Sovereigns and Specialised Lending not included, as well as exposures from eurobank's portfolio.

As shown in the above chart, the weight of the EAD corresponding to medium and higher quality risk grades, for the two geographies, represented 82.4% of total EAD on June 30, 2022, with a slightly different structure in the two geographies, with a higher weight of risk grades between 1 and 6 in the case of Poland, where there was a decrease in this segment of risk grades, while in Portugal there was growth in this same segment of risk grades. This weighting compares with year-on-year weights of 80.9, 80.7%, 76.8% and 73.6% at the end of 2021, 2020, 2019, and 2018, respectively, reflecting a consistent favourable evolution, despite a deceleration of the favourable evolution in 2021, largely because of the pandemic impact on the accounts of companies and consequently on the risk classification of the corporate segment, based on the 2020 financial statements.

Regarding the weight of exposure in the set of the two main geographies corresponding to customers with procedural risk grades (without access to new credit), it reached a value of 4.4% on June 30, 2022, maintaining the downward trajectory that already came from previous years: 4.8% (2021), 5.9% (2020), 7.8% (2019) and 11.3% (2018). In the case of Portugal, the trend towards an accelerated reduction in exposure to clients with procedural risk grades also continued: 4.2% (1st half of 2022), 4.7% (2021), 6.1% (2020), 8.8% (2019) and 12.8% (2018).

Regarding the LGD parameters, representative of the expected losses in the case of Default and which, to a good extent, reflect not only the efficiency of credit recovery for the different types of credit segments/products, but also the collateralization levels of the loan operations, the following table shows their respective average values (weighted by EAD) at the end of the first semester of 2022 and 2021:

	Mortgages	SME Retail	Retail (other)	Real Estate Promotion	SME Corporate	Corporate	GLOBAL AVERAGE
Jun 2022	16,2%	32,6%	34,1%	36,5%	46,4%	31,9%	26,2%
2021	16,2%	32,1%	34,6%	35,5%	46,3%	34,4%	26,6%

Thus, in June 2022, LGD parameters in Portugal show values close to those at the end of 2021, improving slightly overall.

Main credit risk indicators

The following chart presents the quarterly evolution of the main credit risk indicators, between December 31, 2020 and June 30, 2022, for the Group and the portfolios of Portugal, Poland and Mozambique:

	Jun 22	Mar 22	Dec 21	Sep 21	Jun 21	Mar 21	Dec 20
CONSOLIDATED							
NPE/Gross credit	**4,3%**	**4,6%**	4,7%	4,9%	5,2%	5,5%	5,9%
NPL > 90 days / Gross credit	**1,1%**	**1,5%**	1,6%	1,7%	1,9%	2,1%	2,3%
Past due credit / Gross credit	**1,3%**	**1,7%**	1,9%	1,9%	2,2%	2,3%	2,5%
Impairment / Gross credit	**2,8%**	**3,1%**	3,2%	3,3%	3,5%	3,6%	3,7%
PORTUGAL							
NPE/Gross credit	**4,0%**	**4,4%**	4,7%	4,8%	5,3%	5,7%	6,1%
NPL > 90 days / Gross credit	**0,7%**	**1,3%**	1,5%	1,6%	1,9%	2,1%	2,4%
Past due credit / Gross credit	**0,8%**	**1,3%**	1,5%	1,6%	1,9%	2,2%	2,4%
Impairment / Gross credit	**2,6%**	**3,0%**	3,2%	3,3%	3,6%	3,7%	3,9%
POLAND							
NPE/Gross credit	**4,3%**	**4,5%**	4,4%	4,6%	4,7%	4,8%	5,0%
NPL > 90 days / Gross credit	**1,6%**	**1,8%**	1,8%	1,9%	1,9%	2,0%	2,1%
Past due credit / Gross credit	**2,2%**	**2,4%**	2,4%	2,5%	2,6%	2,6%	2,7%
Impairment / Gross credit	**2,9%**	**3,1%**	3,0%	3,1%	3,1%	3,1%	3,3%
MOZAMBIQUE							
NPE/Gross credit	**16,4%**	**16,1%**	15,9%	15,4%	14,1%	16,4%	16,9%
NPL > 90 days / Gross credit	**9,1%**	**8,2%**	8,0%	7,3%	6,4%	6,7%	6,2%
Past due credit / Gross credit	**9,2%**	**8,4%**	8,1%	7,4%	6,7%	6,8%	6,3%
Impairment / Gross credit	**9,8%**	**9,1%**	8,3%	8,4%	7,2%	8,1%	7,4%

Gross credit = Direct credit to clients, including credit operations represented by securities, before impairment and fair value adjustments.

The evolution of credit risk indicators during the first half of 2022 was favourable at a consolidated level, in Portugal and in Poland, and a slight deteriorating in Mozambique. Overall, the evolution is positive as evidenced in the 'NPE/Gross Credit' ratio with a reduction of 0.4 percentage points at the consolidated level and 0.7 percentage points in Portugal. The same favourable evolution can be seen in the ratio of Past due credits and 90 Day past due credits to Gross credit at the domestic and consolidated levels.

The dynamics of these ratios is the result of a positive effect which results not only from the continued effort pursued over the last few years to reduce loans classified as non-performing and past due, but also from the growth in Gross Credit to Clients, as presented above. It should, in any event, be noted that this increase in the portfolio continues to be based on prudent credit concession criteria, with the aim of preserving the quality of the portfolio over the long term.

It should also be noted that between the end of 2021 and the end of the first semester of 2022 the consolidated 'Impairment/Gross credit' ratio was reduced in a similar extent than the 'NPE/Gross Credit' ratio of 0.4 percentage points, as a result of the reduction in the relative weight of the default credit portfolio.

Similarly, to what happened in Portugal and at the consolidated level, in Poland there was a decrease in risk indicators, which was 0.1 percentage points in the 'NPE/Gross Credit' ratio and 0.2 percentage points in the Past due credit/Gross Credit' ratio.

Reflecting the persistence of a less favourable economic and financial environment, the operation in Mozambique registered a degradation of the credit risk indicators during the first half of 2022, through the maintenance of a very strict credit granting policy, which limits portfolio growth.

NPA Reduction Plan

The implementation of the Group's NPA Reduction Plan remained a priority throughout the first semester of 2022, in its two aspects - problematic loans (NPE-non performing exposures) and assets received as repayment of loans (FA-foreclosed assets) - focusing mainly on the NPE loan and FA property portfolios held for sale, in Portugal.

The NPA Reduction Plan is framed by a specific governance model and a robust management framework, based on specialized credit recovery areas and systematized recovery strategies - both resulting from automatic analysis and decision models (for Retail) and based on the relationship of the recovery managers with their Corporate Clients, with tailor-made solutions. In order to respond to the challenges posed by changes in the business environment, particularly the COVID-19 pandemic, the current Russia/Ukraine geopolitical conflict and disruptions in logistics and distribution chains. The Bank has been developing and strengthening the methodologies and installed capacity of the monitoring and recovery areas, in order to ensure adequate follow-up of the most potentially impacted exposures and to minimize expected losses.

The FA management is based on a specialized structure, privileging circuits and procedures oriented towards the speed of the reception-preparation-sale cycle and the enhancement of the properties' values, in order to facilitate the sale of these assets.

The NPA Reduction Plan also benefits from a technological environment supported by specific IT infrastructures for activities related to credit recovery, NPE reduction and FA management, with its monitoring being reinforced by the NPA Reduction Operational Plan, in which initiatives are defined to accelerate, maximize efficiency and ensure greater focus on recovery or disposal processes (both of loans and real estate properties), distributed over the various stages of the recovery and NPA reduction processes: prevention, collection, recovery, enforcement, insolvency and, finally, the receipt, possession and handling of FA and respective sales.

The fulfilment of the reduction targets of each area involved in the reduction of NPA is measured monthly, both in terms of management information for the respective dedicated structures, as well as for the specific focused activities and initiatives defined in the Operational Plan mentioned above, with reporting to senior management, namely to the NPA Monitoring Committee.

The NPA Reduction Plan has consistently registered very positive results over the last few years, and above plan, trend not interrupted despite the adverse environment resulting, namely, from the impacts of the pandemic outbreak, the current Russia/Ukraine geopolitical conflict, and the disruptions in the logistics and distribution chains.

The following table presents the evolution of NPE volumes between December 31, 2020 and June 30, 2022, for the Group and for Portugal:

(Million euros)

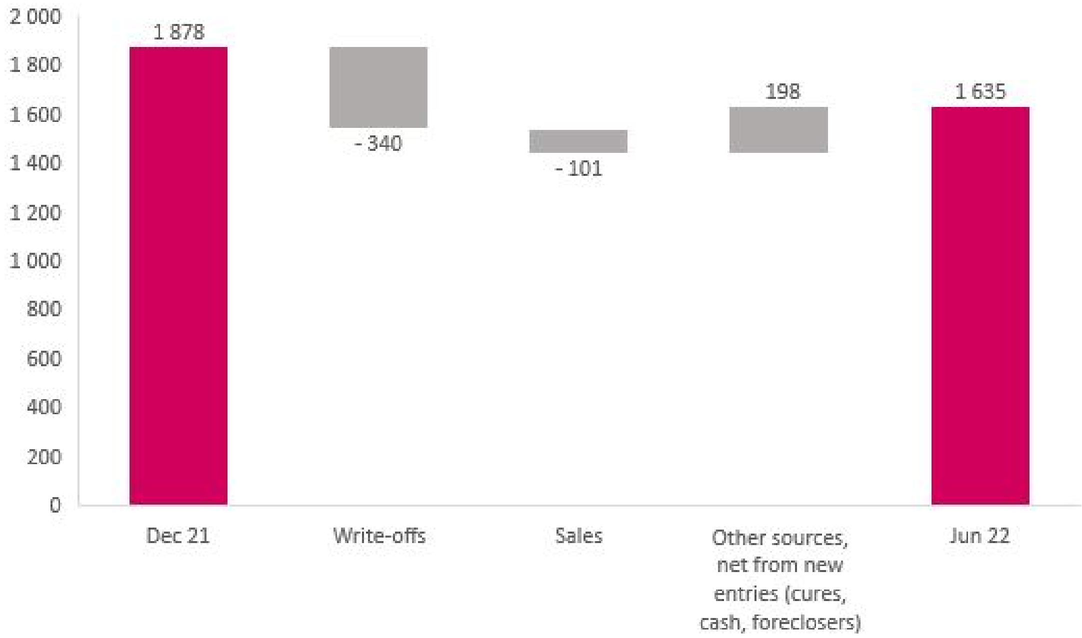
	Jun 22	Mar 22	Dec 21	Sep 21	Jun 21	Mar 21	Dec 20
CONSOLIDATED	**2,502**	**2,679**	2,752	2,832	3,003	3,100	3,295
Change YoY	-250		(543)				-911
PORTUGAL	**1,635**	**1,788**	1,878	1,931	2,095	2,193	2,363
Change YoY	-243		(485)				-883

Note: Does not include the adjustment to the balances of 2020 made in Millennium Bank and related to mortgage loans indexed to Swiss francs (transferred from the liability item "Provisions" to the asset item "Loans and advances to costumers").

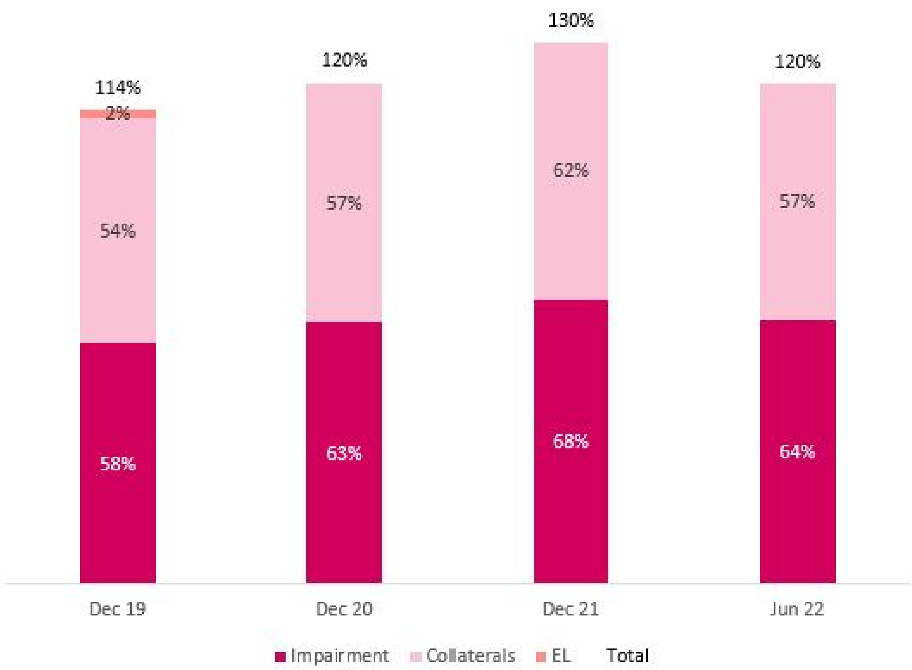
Comparing the size of the exposure of Clients classified as NPE at the end of June 2022, with that at the end of 2021, there is a very positive evolution, with a reduction of 250 million euros at the consolidated level and 243 million euros in the activity in Portugal, corresponding to a contraction of 9.1% and 12.9%, respectively. This result reflects the maintenance of the successful path taken over the last few years in identifying and implementing solutions that enable the reduction of these non-productive assets, even in an adverse context.

It should be noted that the evolution described above was consistent with expressive values in the two first quarters of the year.

With regard to the type of operations that explain the reduction of NPE in Portugal during the first half of 2022, the chart below shows the contribution of write-offs, which amounted to 340 million euros. Gross sales amounted to 101 million euros, with the combined effect of other origins of NPE reduction and new entries having an additional impact of EUR 198 million, marked by a small number of cases of higher exposure which was classified as NPE:



The reduction of NPE by write offs impacted the evolution of the coverage of the NPE portfolio by impairment, collaterals and Expected Loss Gap in Portugal. The following graph, which refers to domestic evolution, shows a decrease of ten percentage points in the degree of coverage, reaching 120% at the end of June 2022, with a reduction of coverage by collateral to 57% and a reduction to 64% of the impairment component.



The trend observed in the first semester of 2022 regarding the balance sheet assets resulting from credits repayment (foreclosed assets) was favourable, as shown in the following table, which presents the evolution of the total stock of Foreclosed Assets and the breakdown by type of assets, as well as the aggregate value of assets of this nature of the subsidiaries abroad (amounts before impairment):

(Million euros)

	Jun 22	Dec 21	Dec 20	Dec 19
Real estate properties	356	565	809	1,020
Real estate Funds and companies	203	205	246	306
Other assets (non-Real estate)	82	81	92	87
SUB-TOTAL - Portugal	**640**	**851**	**1,146**	**1,413**
Other geographies Foreclosed Assets	82	65	40	52
GROUP TOTAL	**722**	**916**	**1,186**	**1,465**

Compared to the position at the end of 2021, there was a 21.2% reduction in the FA portfolio on June 30, 2022. The overall value of the reduction in Portugal corresponded to an amount of 211 million euros, essentially explained by the Real Estate component, which amounted to 209 million euros.

During the first half year of 2022, the Bank continued its efforts to reduce its portfolio of non-current assets, held for sale, particularly properties received as payment in kind.

Reference should be made to the 211 million euro decrease in the gross amount of the stock of these assets in this half year, based on the reinforcement of the commercial sale dynamics and relatively low volumes of new entries, which are explained by the reduction of the size of the NPE credit portfolio, the sale of credit portfolios to companies with real state collateral in previous periods and the adequate functioning of the judicial sale instruments to third parties. The assets received in the first half of 2022, amounting to 14 million euros, are essentially composed of granular and liquid residential and commercial properties.

This semester should be highlighted the decrease in the stock of these assets in the gross amount of 211 million euros, based on the strengthening of the commercial dynamics of sale and volumes of relatively low new entries, which are explained by the reduction of the size of the NPE credit portfolio, and the proper functioning of judicial sales instruments to third parties. The assets received in the first half of 2022, in the amount of 14 million euros, consist mainly of granular residential and commercial properties with good liquidity.

It is also worth noting the reduction in the volume of properties being prepared for sale, to €125 million at the end of June 2022 (compared to €145 million at December 2021).

Credit concentration risk

The following chart presents the weights, in total exposure, of the Group's 20 largest performing exposures (non-NPE), as at June 30, 2022, in terms of EAD and using the concept of "Groups of Clients/ Corporate Groups", excluding the risk classes of "Banks and Sovereigns":

	Jun 22	Dec 21
Client Groups	**Exposure weight in total (EAD)**	**Exposure weight in total (EAD)**
Client group 1	0,8%	0,7%
Client group 2	0,7%	0,5%
Client group 3	0,5%	0,4%
Client group 4	0,4%	0,4%
Client group 5	0,4%	0,4%
Client group 6	0,4%	0,4%
Client group 7	0,3%	0,3%
Client group 8	0,3%	0,3%
Client group 9	0,3%	0,3%
Client group 10	0,3%	0,3%
Client group 11	0,2%	0,3%
Client group 12	0,2%	0,3%
Client group 13	0,2%	0,2%
Client group 14	0,2%	0,2%
Client group 15	0,2%	0,2%
Client group 16	0,2%	0,2%
Client group 17	0,2%	0,2%
Client group 18	0,1%	0,2%
Client group 19	0,1%	0,2%
Client group 20	0,1%	0,1%
Total	**6,1%**	**6,1%**

Overall, 20 largest productive exposures represented 6.1% of total EAD on June 30, 2022, in line with what was observed on December 31, 2021. Hence, there is a maintenance of the concentration of credit in the 20 largest productive exposures, measured in terms of EAD.

It should be noted that, in addition to the compliance with the regulatory limits relative to Large Exposures, the Group has specific goals defined for the control of credit concentration, materialized into RAS metrics. Besides, metrics for specific concentration types are monitored regularly: single-name, by sectors of activity, by country, for Institutions and for Sovereign risks.

In the case of the single-name concentration, the limits are defined for performing Clients, since the NPE are covered by the NPA Reduction Plan. For Clients with exposure above the established limit excess, specific reduction plans are drawn-up.

Operational risk

Operational risk materializes in the occurrence of losses resulting from failures or inadequacies of internal processes, systems or people, or resulting from external events.

In the management of this type of risk, the Group adopts duly documented principles and practices, promoting the continued improvement of the control environment. This framework has a variety of features, such as: functions segregation, definitions for lines of responsibility and respective authorisation levels, tolerance limits for exposure to risks, appropriate internal regulations' framework (including ethical codes and codes of conduct), risks self-assessment (RSA) exercises, key risk indicators (KRI), access controls (physical and logical), reconciliation activities, exception reports, loss events data capture, a structured process for new products and services approval, contingency plans, contracting of insurance (for the total or partial transfer of risk), follow-up of the Bank's outsourcing contracts and internal training on processes, products and systems.

The operational risk management framework encompasses the three relevant Group geographies – Portugal, Poland and Mozambique – and the operational risk management system adopts the 3 lines of defence model, based on an end-to-end processes' structure. Each geography defines its own processes' structure, which is regularly reviewed/updated. This approach, transversal to the functional units of the organisational structure, is appropriate for the perception of risks and to implement the corrective measures for their mitigation. Furthermore, this processes' structures also support other initiatives, such as the actions to improve operating efficiency and the management of business continuity.

The responsibility for the day-to-day management of operational risk lies with the 1st line of defence, with special relevance of the operations' areas and the process owners (seconded by process managers), whose mission - beyond the management of their processes' effectiveness and efficiency - is to characterise the operational losses captured under their processes, to monitor the respective KRI, to perform the RSA exercises, as well as to identify and implement appropriate actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment.

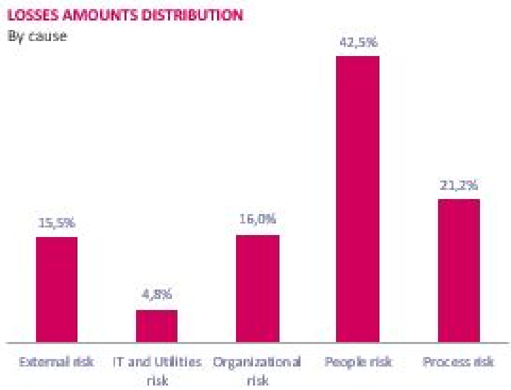
Operational losses capture

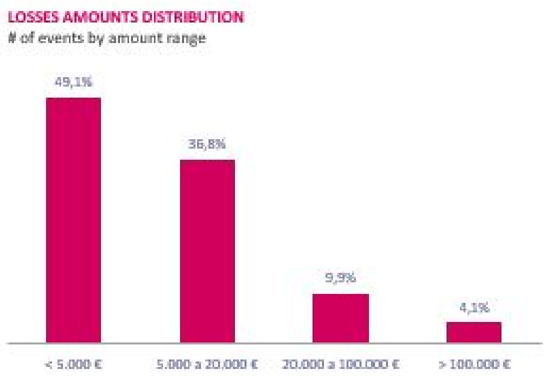
The operational losses data capture (i.e. the identification, registration and typification) of operational losses and of the originating events aims at the strengthening of the awareness to this risk and to provide relevant information for process owners to incorporate within their process management. As such, it is an important instrument to assess risk exposures as well as for a generic validation of the RSA- risks self-assessment results.

The detection and reporting of operational losses is a responsibility of all Employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible.

The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of processes to which the losses are related, including the description of the respective cause-effect and, when applicable, the valuation of the loss and the description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause). For losses of amounts exceeding certain thresholds, "Lessons Learned" reports are presented to and discussed by the specialised governing body for operational risk (the EC's Compliance and Operational Risks Commission).

The following graphs present the profile of the losses captured in the respective database in first half of 2022:





As shown in the distribution of loss events by cause (in loss amounts), the “People risk” category assumed a predominance in the set of losses registered in the first half 2022, representing around 42,5% of the global losses amount. This resulted from a loss event related to an internal fraud. The weight of the external risks is due, essentially, to external frauds.

In what concerns the distribution of losses by class of amount (in number of losses), there was no change in the typical profile of the distribution of operating losses. Regarding the distribution of losses by banking business line, there was an expected concentration in the “Retail Banking”.

The loss profile illustrated by the graphs above does not reflect the operational losses resulting from unfavorable court decisions for Bank Millennium (Poland), in litigation situations relating to mortgage loan contracts denominated in foreign currency. These are extraordinary losses resulting from commercial practices discontinued for more than a decade and Subject to specific monitoring.

Key risk indicators (KRI)

KRI provide alerts concerning changes in the profile of the operational risks or in the effectiveness of controls, thus enabling to identify the need to introduce corrective actions within the processes, in order to prevent potential risks from materialising into losses. These indicators currently encompass all processes in the main Group operations (Portugal, Poland and Mozambique).

Processes management also uses Key Performance Indicators (KPI) and Key Control Indicators (KCI), the monitoring of which, even if oriented towards the assessment of operative efficiency, also contributes for the detection of risks.

Business continuity management

In the first half of 2022 the Bank (in Portugal) adopted a hybrid work model (remote + face-to-face work, with intra-team turnover), which brought some changes in terms of the Business Continuity planning. Thus, a new Business Continuity strategy was implemented in the central services during the semester, aiming to ensure that, at all times, there are employees distributed between two different locations - at home and at the Bank’s premises - in order to ensure the continuity of critical processes. Hence, the requirements and maintenance costs relating to alternative workplaces (in case of contingency involving the facilities) were mitigated. Thus, a new Business Continuity strategy was implemented during the semester in the central services, aiming to ensure that, at all times, there are employees distributed between two different locations - the Bank's house and facilities - in order to ensure the continuity of critical processes. In this way, maintenance requirements and costs related to alternative workplaces were mitigated (in case of contingency involving the facilities).

Also in Portugal, all Business Recovery Plans (operating manuals) were updated; the update of the Business Impact Analysis (BIA) was initiated and the integration of The Bank Asset into the Business Continuity Management System was completed. It was also collected from the Contract Managers the evaluation of the responses of suppliers / service providers to the PCN questionnaire and support in the survey of workarounds / alternatives for those who the evaluation given was "insufficient".

In Poland, a highlight should be made on the establishment, at the beginning of March, of a Crisis Committee to monitor and analyze the potential implications for the continuity of Bank Millennium's operations, given the ongoing war in Ukraine, identifying as the main threat a potential energy blackout or brownout (drop in voltage in power supply system). In relation to these risks, detailed scenarios and analyses were established and simulation exercises were carried out, in which key staff from all areas participated, the conclusions of which will lead to the definition of detailed procedures.

Moreover, in this geography, an analysis was also carried out on the legal and technical restrictions related to the Project of "Back Up locations virtualization" (launched in the second half of 2021), and changes were defined to be implemented, regarding the location and capacity of alternative/back-up facilities, providing that, in case of contingency, most employees would work remotely.

In Mozambique, in the first 6 months of 2022 the following activities stand out: Review of the Business Impact Analysis (BIA) documentation for critical processes,with validation of their Objective Recovery Times (RTO) with Process Owners; review of several manuals and operating guides (MGC-Manual of Crisis Management, MRE-Manual of Emergency Response and PRN-Business Recovery Plan, with validation of recovery requirements).

Also in this geography, 8 business recovery exercises were carried out with critical areas of the Bank, in which employees were displaced to operate in alternative facilities (equipped with updated equipment/ aligned with the platform currently in use in Millennium bim).

Insurance contracting

The contracting of insurance for risks related to assets, persons or third-party liability is another important instrument in the management of operational risk, where the objective is the transfer - total or partial - of risks.

The proposals for the contracting of new insurance are submitted by the process owners under their respective duties for the management of the operational risk inherent to their processes, or are presented by the head of area or organic unit, and then analysed by the Compliance and Operational Risks Commission and approved by the EC.

Legal, Compliance, Conduct and Financial Crime risks

In carrying out its Banking activity, Banco Comercial Português is governed by operating principles and rules that ensure a good conduct, following the best international practices and adopting the appropriate measures in terms of preventing compliance and conduct risks. Pursuing the objective of permanently adapt its internal practices to the best market practices, to the evolution of Banking activity, and to society as a whole, the Bank regularly reviews its internal regulations and procedures to safeguard that the conduct of its Employees is always guided by highest ethical principles, of satisfaction and protection of the interests of the client and the Bank, in the pursuit of sustainable profitability. The Compliance Office strengthened the monitoring of the Bank's activity and internal conduct, by implementing a system for monitoring potential situations of conflicts of interest, covering various aspects of this issue such as operations with related parties, credit operations, development of extra-professional activities and the receipt of gifts by Employees.

To comply with the relevant legal and regulatory norms related with Anti Money Laundering and Counter Terrorism Financing (AML/CFT), as well as to safeguard the compliance with best international practices on this matter, the Bank has a set of policies, procedures and systems that ensure an effective control of the financial crime risk prevention, also ensuring an operational model that allows the Bank to identify, assess and mitigate the potential risks inherent to the activity of its Clients, non-Clients and business relationships established with one or the other.

The impact and relevance of this risk in the Banking activity developed, compels the Bank to address this risk in multiple dimensions and on a continuous basis, whether in the establishment of new business relationships or in the continuous evaluation of an already established business relationship. Through a risk-based approach (RBA) for the assessment and monitoring of its business relationships or occasional transactions execution, the Bank complies with all the required duties enshrined in Law no. 83/2017, of 18 of August, like for example, due diligence, abstention, refusal or reporting.

For an effective and efficient AML/CFT activity, the Bank defines a set of policies and procedures that are supported by a wide range of information systems, of which it is worth highlighting:

- Business Relations monitoring and alerts system;
- Financial transactions monitoring system;
- Entity filtering system;
- New Business relationships validation system;
- External information platforms.

Pursuing the continuous improvement of the internal control processes, these risks' management system was enhanced along 2022, to enable the Bank to respond adequately to the demands of the future Banking business with origin in market dynamics changes and regulation evolution. From the set of initiatives, it is worth mentioning the following:

- Launch of a set of actions with the aim of ensuring compliance with Bank of Portugal Notice 3/2020, regarding the adequacy and effectiveness of the corporate culture and governance and internal control systems.
- Reinforcement continuation of resources and expertise of the operational AML/CFT model.
- In relation to the onboarding AML/CFT risk, it is important to highlight the strengthening of control over segments and jurisdictions involved in business relations.
- Launch, on the Millenniumbcp and ActivoBank Apps, of a process that facilitates the collection and updating of Customers' personal information, namely the information defined in the regulatory framework.
- Strengthening of the AML/CFT risk monitoring models for the Group's subsidiaries and branches, with the enrichment of risk indicators information arising from them.
- Strengthening of the internal communication strategy, with regular actions to the Bank's 1st Line of Defense, with innovative solutions, which include the regular participation of its Employees and on a wide spectrum of compliance and conduct risks.
- Provision, within the scope of Notice 3/2020 of the Bank of Portugal, in an integrated and updated manner, of information relating to the matters provided for in its Annex, in a format accessible to all employees, including information about the Bank such as its shareholder, organisational and

governance structure, its internal control system, its key function holders, the characterisation of its business, its Code of Conduct, among others.

- Update of the whistleblowing communication process as a result of the implementation of a new channel that ensures the source's anonymity.
- Strengthening the monitoring process of compliance with regulatory requirements in relation to advertising campaigns other Bank's behavioural matters.
- Foster a culture of rigor, ethics and good conduct, either through updating the Code of Conduct, in which new matters and requirements were introduced, or through training and specific internal communication.
- Update of regulations such as those on governance and the internal control system, the policy for the prevention and management of conflicts of interest, the fit and proper assessment and succession planning for members of the management bodies and other key function holders and the policy for communicating irregularities.

Market risks

Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.
For purposes of profitability analysis and market risks quantification and control, the following management areas are defined for each entity of the Group:

- Trading - Management of positions whose objective is the achievement of short-term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;
- Funding - Management of institutional funding (wholesale funding) and money market positions;
- Investment - Management of all the positions in securities to be held to maturity (or for a longer period) or positions which are not tradable on liquid markets;
- Commercial - Management of positions arising from commercial activity with Customers;
- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM - Assets and Liabilities Management.

The definition of these areas allows for an effective management separation of the trading and banking books, as well as for the correct allocation of each operation to the most suitable management area, according to its respective context and strategy.

In order to ensure that the risk levels incurred in the different portfolios of the Group comply with the predefined levels of tolerance to risk, various market risks limits are established, at least yearly, being applicable to all portfolios of the risk management areas over which the risks are incident. These limits are monitored daily (or intra-daily, in the case of financial markets) by the Risk Office.

Stop Loss limits are also defined for the financial markets' areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. When these limits are reached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

Trading Book market risks[18]

The Group uses an integrated market risk measurement that allows for the monitoring of all risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each

[18] Positions assigned to the Trading Management Area (not specifically included in the accounting trading book).

subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured through standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The table below presents the amounts at risk for the Trading Book, on June 30, 2021, December 31, 2021 and June 30, 2022, as measured by the methodologies referred to above:

(Thousand euros)

	Jun 22	Dec 21	Jun 21
GENERIC RISK (VaR)	3,945	1,533	2,166
Interest rate risk	2,949	1,432	801
FX risk	2,557	469	1,905
Equity risk	402	274	611
Diversification effects	*1,963*	*(642)*	*1,151*
SPECIFIC RISK	28	35	41
NON-LINEAR RISK	0	0	0
COMMODITIES RISK	—	—	—
GLOBAL RISK	**3,973**	**1,568**	**2,207**

In this set-up of higher uncertainty in the world’s economy, in the second quarter of 2022 the performance of international financial markets was characterized by rising concerns on the impact of the inflation pressures and interest rate hikes and increase in volatility.

VaR model monitoring and validation

In order to check the appropriateness of the internal VaR model for the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

Trading Book Stress Tests

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios, analysing the respective results with a view to identifying risk concentrations that have not been captured by the VaR model.

The results of these tests on the Group's Trading Book, as of June 30, 2022, in terms of impacts over this portfolio’s results, were the following:

(Thousand euros)

	Negative impact scenario	Impact
STANDARD SCENARIOS		
Parallel shift of the yield curve by +/- 100 b.p.	+ 100 b.p.	-5,482
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 b.p.	- 25 b.p.	-59
4 combinations of the previous 2 scenarios	+ 100 b.p. & + 25 b.p.	-5,423
	+ 100 b.p. & - 25 b.p.	-5,541
Variation in the main stock market indices by +/- 30%	-30%	-843
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-11,895
Variation in swap spreads by +/- 20 b.p.	+ 20 b.p.	-7
NON-STANDARD SCENARIOS		
Widening/narrowing of the bid-ask spread	Narrowing	-15,998
Significant vertices [1]	VaR w/o diversification	-553
	VaR w/ diversification	-429
Historical scenarios [2]	November 29, 2011	-2,295
	March 19, 2020	-1,945

[1] Scenarios in which the more adverse variations of the last seven years, relative to the portfolio's five most significant risk factors for VaR, are applied to the current portfolio.
[2] Scenarios in which past extreme markets variations are applied to the current portfolio; in this case, the significant dates refer to the Eurozone Sovereign Debt crisis (from 2010 onward), and/or resulting from the Covid-19 pandemic.

These results show that the exposure of the Group's trading book to the different risk factors considered remains relatively limited and that the main adverse scenario to be taken into account refers to a general increase in interest rates, especially when accompanied by an increase in the slope of the yield curve (the case of a higher increase in longer terms than in shorter terms). In what concerns the non-standard scenarios, the main losses refer to the narrowing of bid-ask spreads and the variations occurred on November 29, 2011 when applied over the current portfolio.

Interest rate risk in the Banking Book

The interest rate risk arising from the Banking Book operations is assessed by the Bank in two complementary ways: the portfolio's economic value method (EVE) and the financial margin sensitivity method (NII), through a risk sensitivity analysis carried out every month, for the universe of operations included in the consolidated balance sheet of the Group, broken down by the currency of exposure.

Variations of market interest rates influence the Group's net interest income and the economic value of the Group, both in the short term – affecting the Bank's NII – and in the medium/long term, affecting the balance sheet economic value (EVE method).

The main risk factors arise from the repricing mismatch of the portfolio positions (gap risk) which may cause direct or indirect financial losses in the Banking Book, due to changes in interest rates that have different impacts over assets and liabilities' classes, making the Bank vulnerable to variations of the yield curve. In turn, the changes in interest rates may alter the behaviour profile of Clients, inducing pre-payments/withdrawals in assets and liabilities, including the exercise of options' rights incorporated in the products' design (behavioural and optional risk). Additionally, although with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's Banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including cost components for liquidity, capital, operations and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves. The impacts stemming from the Clients' behaviour are also considered, in particular, for the products for which this is especially relevant – namely, for products without defined term (checking accounts, revolving credit) – as well as the impacts resulting from changes in contractual cash flows (credits prepayments) and impacts of any potential prepayments on credits with defined maturity.

The result of this analysis for a +100 b.p. change in the level of the Euro interest rates (for all maturities, i.e. assuming a parallel shift of the yield curve), in the Banking Book portfolio as at June 30, 2022 consists of a positive impact on the balance sheet's economic value of around 79.8 million euros. On the other hand, the impact of a generalized drop in Euro rates of -100 b.p. and considering a floor of -1% for the cash flows discount rate overnight (rising linearly up to 0% within 20 years) would be around -86.3 million euros.

Complementing the previous approach, the Bank calculates monthly the impact on net interest margin projected for the following 12 months, due to changes in market interest rates (NII method). For this purpose, all assets, liabilities and off-balance products that generate interest are considered and the calculation of interest cash flows is performed based on the repricing and amortization characteristics of the products and on yield curves for 12 months. This exercise assumes a static balance for 12 months in which, for each amortization, an exposure with the same features of average maturity and price is generated. To capture the net interest margin sensitivity, several simulations are processed, corresponding to different scenarios of the market's interest rates evolution.

Considering a variation in market interest rates combined with the scenario for the coefficients that transmit the market variations over the deposit´s rates ('betas'), the evolution of the sensitivity of the net interest margin is assessed. Hence, for a variation in interest rates of +100 b.p. on June 30, 2022, on a consolidated basis, the net interest income would increase by around +164 million euros, with the sensitivity to a decrease of 100 b.p. of about -168 million euros.

FX and equity risks of the Banking Book

The exchange rate risk of the Banking book is transferred internally to the Trading area, in accordance with the risk specialisation model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures subject to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations, taking into consideration the defined policy and the conditions and availability of instruments.

As of June 30, 2022, the Group's holdings in convertible foreign currency were not hedged. When existent, on a consolidated basis, these hedges are identified, in accounting terms, as 'net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also usually carried out, through a 'fair value hedge' methodology.

Excluding the financial holdings from the participations in the foreign subsidiaries, the exposure to FX risk is quite limited, corresponding to 2.6 million euros in terms of VaR, as of June 30, 2022,resulting primarily from the dividends' distribution made by BIM in Mozambican metical, which conversion into Euros is still ongoing.

Regarding equity risk, the Group maintains a set of small size and low risk equity positions, essentially in the investment portfolio, which are not held for trading purposes. The management of these positions is carried out by a specific area of the Group, with the respective risk being controlled on a daily basis, through the indicators and limits defined for market risks' control.

Liquidity risk

Liquidity risk consists of the Group's potential inability to meet its financing repayment obligations without incurring significant losses, either due to onerous financing conditions (funding risk) or by selling assets at lower than market values (risk of market liquidity).

The Consolidated Liquidity Plan, which forms an integral part of the annual budgeting process and is formulated at the level of the Group and for the main subsidiaries, includes the projection of the wholesale funding structure, including the use of market financing, and also the forecast of the internal and regulatory liquidity indicators, ensuring its compliance with the regulatory and internally defined requirements. The preparation of this plan is coordinated by the Group Treasurer, and its execution is continuously monitored throughout the year, with the respective revision being carried out whenever necessary.

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, in the first half of 2022 there was an increase in the balance of customer deposits at BCP, Bank Millennium and BIM. In the case of BCP, this reinforcement amounted to 2.8 billion euros, being almost entirely attributable to the retail segment, thus providing added stability to the Bank's main source of funding. This growth was reflected, in a strict liquidity perspective, in a favourable evolution of the commercial gap in the amount of 1.7 billion euros, given the lower growth of the loan portfolio.

With regard to medium-long-term market funding, at the end of May 2022 BCP reimbursed an issue of covered bonds amounting to 1.0 billion euros, having the related unencumbered assets not been used in any new issue to reinforce the monetary policy pool of the ECB, given the current slack in 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.

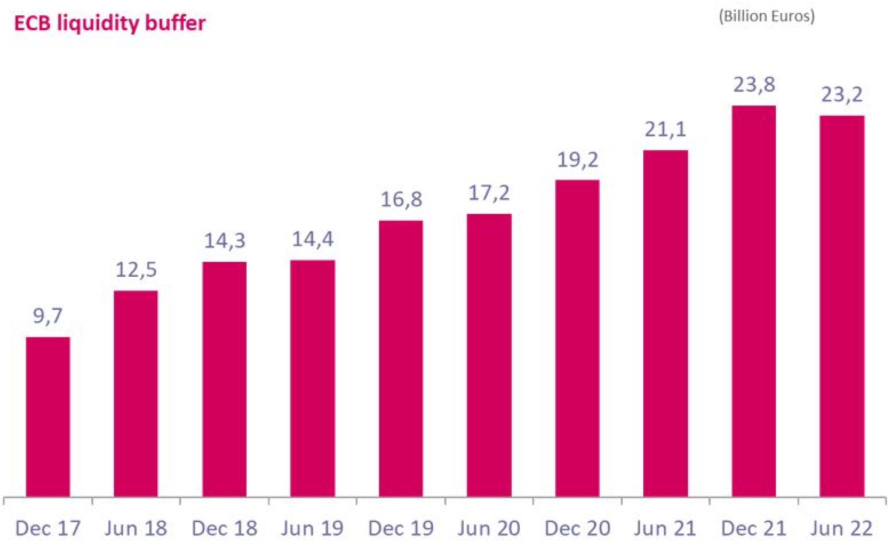
Also in Portugal, in the first half of 2022, the liquidity generated by the evolution of the commercial gap and the reductions in the balance on demand deposits at the Bank of Portugal was applied to the reimbursement of the referred issuance of covered bonds and the reinforcement of the derivatives margin accounts, whose provisioning needs grew significantly after the beginning of the crisis in Ukraine, as a result of the increase in interest rates on swaps and the respective volatility.

The following table illustrates the WSF structure (net) as of December 31, 2021 and June 30, 2022, in terms of the relative weight of each of the instruments used:

	Jun 22	Dec 21	Change in weight
Money Market	1,6%	3.5%	-2.0%
ECB	38,7%	28.0%	10,8%
Private Placements	0,0%	0.0%	0,0%
REPOS	0,0%	0.0%	0,0%
Loan Agreements	8,0%	7.4%	0,6%
EMTN	18,6%	16.2%	2,5%
Covered Bonds	0,0%	16.2%	-16,2%
Subordinated Debt	33,1%	28.8%	4,3%
Total	**100,0%**	**100.0%**	

The evolutions described above resulted in increases in the weight of ECB (Net), from 28.0% to 38.7%, and subordinated debt, from 28.8% to 33.1%, offset by a reduction in covered bonds, from 16.2% to 0,0%, among other minor variations.

The liquidity buffer available for discounting at the ECB stood at 23.2 billion euros on June 30, 2022, lower than at the end of 2021 (23.8 billion euros), due to the devaluation of the portfolio of assets eligible for discount at the ECB, another consequence of the Ukraine crisis, and the aforementioned strengthening of derivatives margin accounts. It should be noted, however, that the figure as of 30 June is materially higher than that recorded in the same period of the previous year (21.1 billion euros), reflecting the solidity of BCP's short-term position.



The ECB's response to the COVID-19 crisis involved, in addition to providing additional liquidity to the banking system through the creation of the aforementioned LTRO III, a transversal reduction of haircuts applicable to all types of assets eligible for discount, in the case of portfolios of credit rights on a permanent basis. The ECB's response to the COVID-19 crisis involved, in addition to providing additional liquidity to the banking system through the creation of the aforementioned LTRO III, a transversal reduction of haircuts applicable to all types of assets eligible for discount, in the case of portfolios of credit rights on a permanent basis. As in July 2022 (first reversal phase), the second reversal phase scheduled for March 2023 is not expected to have material consequences on the size of the buffer held by the BCP with the ECB, given its current magnitude.

During the first half of 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 even considering the effects of the invasion of Ukraine, which resulted in the devaluation of the portfolio of assets eligible for discount at the central bank and the strengthening of derivatives margin accounts.

The Group's counterbalancing capacity is defined by the ability to generate additional liquidity in the short term to deal with possible situations of financial stress. The measures for its reinforcement are described in the Recovery Plan which, as at 30 June 2022, had a total estimated value for Portugal of 3.8 billion euros, with the following sources: sale of corporate bonds, securitization of a portfolio consumer credit and own issuance of mortgage bonds to be mobilized for the ECB's monetary policy pool.

In consolidated terms, the refinancing risk of medium to long-term instruments will remain at very low levels in the coming years. Excluding the refinancing of LTRO III, which will release collateral for the corresponding amount, the annual amount to be refinanced in the next three years will always be less than 1.0 billion euros.

The conclusions of the ILAAP process reiterate the adequacy of the liquidity and risk management process in force in the Group to meet its commitments, as well as the compliance of its practices with the requirements defined by the supervision.

Liquidity risk control

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 on 30 June 2022 of 78% (current version) and on 31 December 2021 this ratio was set at 81% (according to the current version of the Instruction as at 31 December 2021).

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 261% at the end of June 2022 (June 2021: 269%), equivalent to a surplus of Euros 14bn (December 2021: Euros 15bn) 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% (150% as at 31 December 2021).

Pension Fund risk

This risk arises from the potential devaluation of the assets of the Fund associated with the Defined Benefit Plan or from the reduction of its expected returns as well as from actuarial differences that may occur from the evolution of demographical factors, in relation to the actuarial assumptions considered. Confronted with such scenarios, the Group may have to make unplanned contributions in order to maintain the benefits defined by the Fund. The responsibility for the regular monitoring of this risk and the follow-up of its management lie with the Pension Funds Risk Monitoring Commission.

In the first half of 2022 the BCP Group Pension Fund had a net performance in commissions of -5.91%.

This performance is explained by the negative contribution recorded in all asset classes with the exception of alternative investments and real estate investments that contributed positively in this period.

The Share Stock portfolio contributed negatively to profitability and recorded sharp devaluations in both the European component and the International actions component. It is also worth mentioning that the devaluation of EDP, the main position in national stocks, contributed negatively to global profitability.

In terms of allocation to Equities, throughout the first half of the year, the Fund maintained a close allocation of neutrality against its benchmark.

In a context of widespread interest rate rise (around 150 bps in the 10 years in Germany since the beginning of the year), the Bond component has contributed negatively to the fund's performance.

Regarding tactical positioning, the Fund maintained a conservative allocation with a shorter duration than the benchmark. At the end of the semester and with 10-year rates in Germany recording values above 1%, the Fund was reducing the gap in duration compared to the benchmark.

The evolution of market interest rates in 2022 led to the need to update the discount rate to clear the Fund's liabilities. Thus, the 1.35% discount rate in force on December 31, 2021, was changed to 3.30% on June 30, 2022. At the same time, as a result of the current inflation scenario, the growth rate of pensions for the year 2023, rose to 2.0%, remaining at 0.5% for the following years, while the base wage growth rate for the year 2023, increased to 2.25% and remained at 0.75% for the following years. On June 30, the pension fund's liability coverage was over €684 million.

Models validation and monitoring

This function is ensured by the Models Monitoring and Validation Office (GAVM), reporting to the Chief Risk Officer.

GAVM acts as the second line of defence, within the scope of model risk management framework, functionally independent from the areas that are responsible for the models (model owners and developers) and from the Internal Audit Division. Hence, an adequate functions' segregation is assured. Its mission consists in monitor and validate risk quantification methodologies and internal models used in BCP and other Group entities in Portugal, as well as to independently ensure the assessment of the quality and adequacy of the risk management framework in what concerns internal models, metrics and completeness of the associated data, according to the Model Risk Management (MRM) framework.

GAVM's scope of action encompasses, inter alia, the validation of the methodologies and internal models for credit risk (including Probability of Default (PD), Loss Given Default (LGD), Credit Conversion Factors (CCF) and Expected Credit Loss (ECL) models under the IFRS9 scope), market risk (in the trading book), interest rate risk in the banking book (IRRBB) and for the risks included in the ICAAP, as well as the regular monitoring of their performance and evolution. The results of the monitoring and validation exercises are reported to the Models Monitoring and Validation Sub-Commission and to the Risk

Commission. Additionally, GAVM participates in the Risk Assessment Committee (CAvR) to report the unit's activity.

Besides the activities directly related with the monitoring and validation of models, in terms of their performance and quality, GAVM is responsible for the coordination of the model risk management (MRM) activities, including the maintenance of a complete repository of the internal risk models used by the Bank and its permanent monitoring and updating through the use of a model management and risk assessment tool implemented at the Bank to support the MRM framework.

In the first semester of 2022, several actions were carried out to monitor and validate the internal models in use by the Bank, including the regulatory report of the templates on the validation results of the credit risk internal models, according to the ECB instructions "Instructions for reporting the validation results of internal models". These actions aim, inter alia, to reinforce the confidence in the models, to monitor their performance and evolution, verifying their business adequacy and their compliance with applicable regulatory requirements and best practices, as well as to reinforce the identification and adaptability to changes in their predictive quality.

Within the scope of models' validation, it is noteworthy, the subsequent validation to the Slotting Criteria model applicable to Project Finance, the validation to the implementation of the European Banking Authority (EBA) guidelines into the credit pricing model, the validations to the methodologies and models applicable to the interest rate risk in the banking book and the validation activities within the scope of the ICAAP risk's quantification.

GAVM has the responsibility to maintain a robust and documented validation process for internal risk methodologies and models, in line with current regulations. For this, it develops and applies validation procedures and methodologies capable of ensuring proper model assessments and the alignment with the applicable regulatory requirements, by reinforcing (i) the scope of validation exercises, (ii) the depth of analysis and (iii) the transparency and auditability of the work performed.

As part of the model's monitoring activities, GAVM also ensured, among others, the quarterly report to the Risk Commission regarding the performance and quality of the internal models used under the IRB and IMA approaches for, respectively, credit and market risk, as well as the reporting of the 2022 regulatory Credit Risk Benchmarking exercise promoted by EBA.

Recovery Plan

Complying with the applicable law - Directive 2014/59/EU and its transposition to the *Regime Geral das Instituições de Crédito e Sociedades Financeiras* (RGICSF) through Decree-Law 23-A/2015, from the 26th of March – the Group annually revises the Recovery Plan for its business and activities, in which a set of key indicators are defined; these are permanently monitored, allowing for immediate management action whenever there are deviations that exceed pre-defined thresholds (also defined in the Plan), the report of which, to the Group's management and Supervision Bodies, is mandatory.

From the strategic analysis and the establishment of possible scenarios for the business evolution and the external environment and from the modelling of all appropriate variables, metrics and scenarios considered, the business evolution is permanently monitored within the scope of the Recovery Plan and its respective indicators.

The priorities, responsibilities and specific measures to be taken in a capital and/or liquidity contingency situation are defined by the Recovery Plan, which complements the Early Warning Signals (EWS) system, for the anticipation of the occurrence of possible crises, namely, of liquidity. Simultaneously, the Recovery Plan contains a 'playbook', intended to provide key information for rapid decision-making in a crisis.

The Recovery Plan includes components of Bank Millennium's Recovery Plan (Poland) and information from Millennium bim's Recovery Plan (Mozambique). It is aligned with the definition of the business continuity framework and its respective plans (see the Operation Risk section), the Communication Plan – towards the market and stakeholders (in contingency situations) and the results from the capital and/or liquidity adequacy assessment processes already mentioned (ICAAP e ILAAP).

Ratings assigned to BCP

The first half of 2022 was marked by political/ military tensions associated with the Russian invasion of Ukraine, the increase in inflation worldwide, related to disruptions in supply chains, in particular commodities, and monetary policy decisions by the main central banks, which increased reference rates (the ECB is also preparing to start a cycle of raising the reference rate), as well as fears of a sharp deceleration of GDP in Europe and the USA, with some analysts forecasting at the end of the 1st half a potential recession in the US and Europe.

It is worth noting, in a context of rising public debt yields, the stability of public debt sustainability, recognized by the Stable Outlook (Moody's, which upgraded the rating on 17 September to Baa2, and S&P) or Positive (Fitch and DBRS) of the Portuguese Republic.

Portuguese banks continued to develop their activity in a challenging context during the 1st half of 2022. However, the progress achieved in recent years in improving the quality of the assets of Portuguese banks - through the reduction of NPE -, as well as the strengthening capital and liquidity levels, allowing favourable prospects for the performance of the Portuguese banking sector even in a challenging context.

BCP's performance was conditioned by provisions for the legal risk associated to loans denominated in CHF in Poland and by the Polish Government's announcement of measures aimed at protecting debtors in Poland, in a scenario of high inflation and significant increase in interest rates, which will have significant implications for the profitability of Polish banks.

In the 1st half of 2022, some rating agencies took rating actions on BCP:

On June 14, 2022, 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), including the Combined Buffer Requirement (CBR), from January 2024. Simultaneously, the rating agency affirmed the bank's Baseline Credit Assessment (BCA) and Adjusted BCA at ba2; the Banks' deposit ratings at Baa2/Prime-2; the junior senior debt rating at (P)Ba2; the dated subordinated debt at (P)Ba3; and its preference shares rating at B2(hyb).

On May 30, 2022, following a more positive vision on the banks in the south of Europe, DBRS Rating Agency revised the BCP's trend to Stable from Negative.

Moody's	
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	Ba2
Counterparty Risk Assessment LT/ ST	Baa2(cr)/ P-2(cr)
Counterparty Risk LT / ST	Baa2 / P-2
Deposits LT / ST	Baa2 / P-2
Senior Debt	Baa3 / P-2
Senior Non Preferred	Ba2
Outlook deposits / senior	Stable
Subordinated Debt - MTN	(P)Ba3
Subordinated Debt	Ba3
Additional Tier 1	B2(hyb)
Other Short Term Debt	P(NP)
Covered Bonds	Aa2

Rating Actions

On June 14, 2022, 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

Standard & Poor's	
Stand-alone credit profile(SACP)	bb
Resolution Counterparty Credit Rating LT/ ST	BBB-/A-3
Issuer Credit Rating LT/ ST	BB/B
Senior Debt	BB
Senior Non Preferred	B+
Outlook	Stable
Subordinated Debt	B
Additional Tier 1	CCC+

Rating Actions

Fitch Ratings	
Viability Rating	bb
Support	5
Support Floor	No Floor
Deposits LT/ ST	BB+/B
Senior Debt LT/ST	BB/B
Senior Non Preferred	BB-
Outlook	Stable
Subordinated Debt Lower Tier 2	B+
Additional Tier 1	B-
Covered Bonds	BBB+

Rating Actions

DBRS	
Intrinsic Assessment(IA)	BBB(low)
Critical obligations	BBB (high) / R-1 (low)
Deposits LT/ST	BBB/R-2 (high)
Senior Debt LT/ ST	BBB (low)/ R-2 (middle)
Senior Non Preferred	BB (high)
Trend	Stable
Dated Subordinated Notes	BB
Additional Tier 1	B
Covered Bonds	A

Rating Actions

On May 30, 2022, DBRS Rating Agency revised the trend to Stable from Negative.

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 -18 and -31 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 approximately 50 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.

SOLVABILITY RATIOS

(Euro million)

	30 Jun. 22	31 Dec. 21	30 Jun. 21	30 Jun. 22	31 Dec. 21	30 Jun. 21
	PHASED-IN			FULLY IMPLEMENTED		
OWN FUNDS						
Common Equity Tier 1 (CET1)	5,320	5,373	5,530	5,221	5,375	5,488
Tier 1	5,828	5,882	6,066	5,728	5,884	6,024
TOTAL CAPITAL	7,146	7,213	7,088	7,060	7,247	7,047
RISK WEIGHTED ASSETS	46,285	45,933	47,379	46,208	45,863	47,295
CAPITAL RATIOS (*)						
CET1	11.5%	11.7%	11.7%	11.3%	11.7%	11.6%
Tier 1	12.6%	12.8%	12.8%	12.4%	12.8%	12.7%
Total	15.4%	15.7%	15.0%	15.3%	15.8%	14.9%

(*) Includes the cumulative net income recorded in each period.

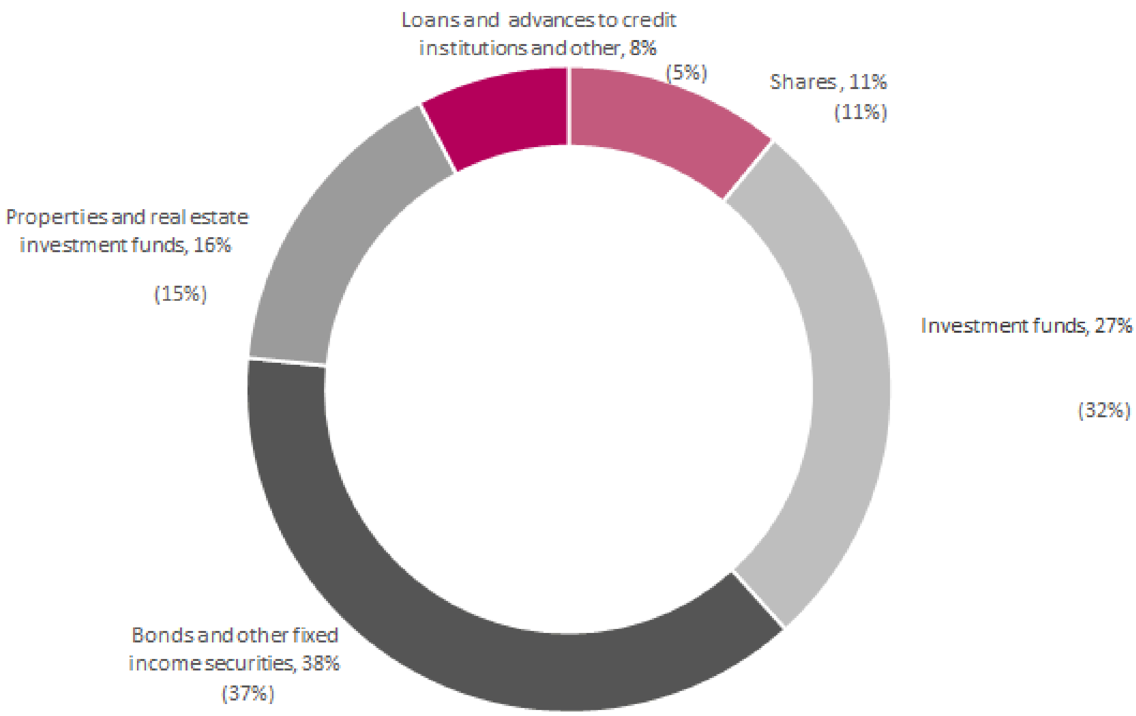
Pension Fund

The liabilities assumed by the Group Banco Comercial Português with pensions on retirement and other benefits are related with the payment to Employees of pensions on retirement, permanent disability pensions and widow and orphan benefits.

As at 30 June 2022, the Group's liabilities stood at 2,737 million Euros, comparing to 3,498 million Euros at the end of previous year. The Pension Fund's assets which are financing the abovementioned liabilities amounted to 3,421 million Euros by the end of first half of 2022 (3,700 million Euros as at 31 December 2021).

As at 30 June 2022 and 31 December 2021, the main asset categories in the Pension Fund's portfolio presented the following distribution:

STRUCTURE OF THE PENSION FUND'S ASSETS AS AT 30 JUNE 2022



(xx%) Proportion as at 31 December 2021

As at 30 June of 2022, the structure of the Pension Fund's asset portfolio shows, when compared to the end of previous year, a reduction in the investment funds, that was compensated by the reinforcement of the investment in all other assets items, with the exception of the investment in shares that remains unchanged.

The actuarial assumptions considered by the Group for calculating the liabilities with pension obligations were based on market indicators, particularly long-term debt yield of Euro Zone issuers considered to be of good risk, as well as the demographic characteristics of its employees. The main actuarial assumptions used to determine the Pension Fund's liabilities at the end of first half of 2022 and for the year ended in 2021 are shown below:

ASSUMPTIONS	30 Jun. 21	31 Dec. 21
Discount rate	3.30%	1.35%
Increase in future compensation levels (a)	2,25% in 2023; 0,75% following years	0.75%
Rate of pensions increase (a)	2% in 2023; 0,5% following years	0.50%
Projected rate of return on fund's assets	3.30%	1.35%
Mortality tables		
Men	TV 88/90	TV 88/90
Women (b)	TV 88/90 less 3 years	TV 88/90 less 3 years
Disability rate	Not applicable	Not applicable
Turnover rate	Not applicable	Not applicable
Normal retirement age (c)	66 years and 7 months	66 years and 6 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1.00%	1.00%

(a) This rate refers to the growth for the years following the reporting year.
(b) The mortality table considered for women corresponds to TV 88/90 adjusted by minus 3 years (which implies an increase in life expectancy compared to that which would be considered in relation to their effective age).
(c) Retirement age is variable. The normal retirement age increases one month for each civil year and cannot be higher than the normal retirement age in force in the General Social Security Regime (RGSS). The normal retirement age in the RGSS is variable and depends on the evolution of the average life expectancy at 65 years of age. For 2021, the retirement age is 66 years and 6 months, for 2022 it is 66 years and 7 months. For 2023, due to the evolution of the average life expectancy at 65 years in Portugal and, consequently, the reduction of the normal retirement age in RGSS, the estimate of the normal retirement age was reduced to 66 years and 4 months. For the projection of life expectancy's increment it was considered an increase of one year in every 10 years, with the maximum retirement age being set at 67 years and 2 months.

The actuarial differences recorded in the first half of 2022 were positive by 478 million Euros, before taxes (positive in 135 million Euros, before taxes, as at 31 December 2021) and include 825 million Euros of actuarial gains as a consequence of the increase in the discount rate from 1.35% as at 31 December 2021 to 3.30% as at 30 June 2022 and 63 million euros of actuarial losses as a consequence of the rate of pension increase for the year 2023 (2% growth as at the end of the first half 2022 compared to 0.5% assumed as at 31 December 2021). The actuarial deviations recognised in the first six months of the year also incorporate 238 million Euros of negative financial deviations related to the pension fund's return, in particular referring to the gap between the expected income and the effective income of the Pension Fund, whose negative return rate of -5,91% was below the expected annual rate of 1.35%, considered in the actuarial assumptions. Finally, negative deviations of 46 million Euros were also recorded as a result of differences between expected and actual liabilities.

The main indicators of the Pension Fund as at the end of first half of 2022 and at the end of 2021 are as follows:

Million euros

MAIN INDICATORS	30 Jun. 21	31 Dec. 21
Liabilities with pensions	2,737	3,498
Minimum level of liabilities to cover*	2,703	3,445
Value of the Pension Fund	3,421	3,700
Coverage rate	125.0%	105,8%
Coverage rate of the minimum level of liabilities*	126.6%	107,4%
Return on Pension Fund	(5.9%)	1,9%
Actuarial (gains) and losses	(478)	(135)

* According to the Bank of Portugal requirements (assuming the application of the minimum requirement to all Group companies)

As of 30 June 2022, the Group’s responsibilities showed a 125,0% coverage level, being funded at a higher level than the minimum set by Banco de Portugal.

In 2022, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of the respective clauses, negotiations which are still ongoing.

At the same time, negotiations took place with all the unions subscribed to the Group's Collective Labour Agreements for the revision of the Salary Tables and other clauses of pecuniary expression relative to the years of 2021 and 2022, having been agreed on 20 June and 1 July with all the unions subscribed to the Group's Collective Labour Agreements, the update of the Salary Tables and the Bank's Contributions to SAMS in 2021 by 0.50%, and the increase of 0.50% of other clauses of pecuniary expression, such as lunch subsidy, diuturnities, among others. The agreed updates take effect on 1 January 2021, with the exception of compensation for subsistence and travel allowances, which will be updated after the agreed updates are operational.

Regarding the revision of the Salary Tables and other clauses of pecuniary expression for 2022, it was agreed on 20 June with the unions Mais Sindicato do Sector Financeiro, SBC – Sindicato Bancários do Centro and SBN - Sindicato dos Trabalhadores do Sector Financeiro de Portugal, the update of Salary Tables by 1.10% up to and including level 13, and 0.70% for level 14 and beyond. An increase of 1.10% was agreed for the Bank's contributions to SAMS and other pecuniary expression clauses, and an increase of 7.14% was agreed for the lunch subsidy, whose daily value was increased to Euros 10.50. The agreed updates take effect on 1 January 2022, with exception of compensation for subsistence and travel allowances, which will be updated after the agreed updates are operational.

Regarding SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários, SIB – Sindicato Independente da Banca, an agreement has not yet been reached on the proposal presented by the Group on 22 June, the content of which corresponds to what was agreed with the other unions, hence the negotiations are still ongoing.

Information on trends

Framework

The Portuguese economy is expected to grow robustly in 2022, benefiting from the strong growth observed in the first quarter, as well as from the dynamism of tourism and the resilience of investment. In this context, the unemployment rate is projected to remain relatively stable throughout the year and the public finances figures are expected to evolve favourably.

However, these expectations are subjected to important risks that, if materialized, may lead to slower GDP growth, namely in 2023. The main factors of uncertainty arise from the evolution of the conflict between Russia and Ukraine and the consequent impact on commodities prices and on the confidence of the economic agents.

The Polish economy faces relevant challenges stemming from the war in Ukraine, that could translate into a significant slowdown of economic activity in the coming quarters, namely due to a lower dynamism of exports and the adverse effects to domestic demand and investment, caused by tighter financial conditions, soared inflation, and heightened uncertainty.

Impact on the Group's activity

Given the recent upward trend in interest rates, the Group's net interest income is projected to grow significantly in 2022. In Portugal, net interest income growth will continue to see a progressive reduction in the positive impact of TLTRO III, which should be offset by the expected rise in interest rates by the ECB and by the growth in volumes, with special emphasis on the new production of mortgage credit.

In the international activity, with a special focus on the Polish operation, the rise in the interest rates, which took place at the end of 2021, continued in 2022, together with the growth of new mortgage credit production, which should be the main guideline for the growth of the net interest income of the Bank Millennium, in 2022.

Commissioning levels, particularly in Portugal, have benefited from the increase in transactions in the economy following the COVID-19, with a particular impact on bank commissions, which should also benefit from the increase in the volumes of credit granted in Portugal. As regards fees and commissions related to markets, the Bank has also focused on the development and improvement of digital solutions complement the offer of services related to the financial markets. An increase in commissions in the Group is expected for 2022, both in the activity in Portugal and in the international activity.

The optimization of efficiency levels and the consolidation of the Bank's position as one of the most efficient in the Euro Zone are priorities that will continue to shape the Bank's activity. In the same context, the digitalization process that has been implemented, both in terms of the Group's operations and the services provided to Customers, will also to continue to be a priority in the Group's strategy.

The cost of risk should remain under control in Portugal and Poland, in the latter case benefiting from the credit moratoriums recently approved by the Polish parliament. In Portugal, the ECB raised rates in July by 50 bp. and this trend should continue, however projected levels do not represent a concern, given that rates remain at historically low levels, the high GDP growth expected for 2022 and the low level of unemployment in Portugal. High levels of inflation contribute. however, to reduce household disposable income.

Significantly reducing exposure to problem loans has been one of the Group's main priorities. However, there should be a gradual moderation in the pace of implementation of this reduction, given that a slowdown in GDP is expected in the coming years, both in Portugal and in Poland.

The Group's commercial activity volumes are expected to continue to post a stable grow in 2022, although lower than nominal GDP growth.

MREL

BCP has been notified by Banco de 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, as mentioned in further detail in Main Events in 2022 Chapter.

Events that may impact foreign currency-indexed mortgage loans legal risk and related provision

On 30 June 2022, Bank Millennium had 13,902 loan agreements and additionally 1,103 loan agreements from former Euro Bank (87% loans agreements before the Court of first instance and 13% loans agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by the bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 2,146.9 million (Euros 457.04 million) and CHF 164.4 million (Euros 164.28 million).

The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of allegedly undue performance, due to the abusive nature of indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

The outstanding gross balance of the loan agreements under individual court cases and class action against Bank Millennium on 30 June 2022 was PLN 5,180 million (Euros 1,102.74 million).

In the second quarter of 2022, Bank Millennium created PLN 467.4 million provisions (Euros 100.79 million) and PLN 48.0 million (Euros 10.35 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of June 2022 was at the level of PLN 4,154.5 million (Euros 884.43 million), and PLN 341.8 million (Euros 72.76 million) for former Euro Bank originated portfolio.

Bank Millennium has been negotiating case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations the number of active FX mortgage loans decreased by 8,449 in 2021 and 4,456 in the 1st half of 2022 compared to over 47,500 active loans at the end of 2021. Cost incurred in conjunctions with these negotiations totalled PLN 364.3 million (Euros 77.55 million) in 2021 and PLN 233.3 million (Euros 49.67 million) in the 1st half of 2022 is presented mainly in 'Result on exchange differences' in the profit and loss statement.

Additionally Bank Millennium, as at 30 June 2022, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 2.82 p.p. (2.79 p.p. at the Group level), part of which is allocated to operational/legal risk.

According to the last available calculations, implementation of a solution whereby loans would be voluntarily converted to Polish zloty as if from the very beginning they had been a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the existing portfolio would be converted) with a pre-tax impact between PLN 4,527 million (Euros 963.72 million) to PLN 5,021 million (Euros 1,068.89 million) (not audited data). The impacts can significantly change in case of variation of the exchange rate and several assumptions. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk weighted assets and the decrease or elimination of Pillar 2 buffer.

Due to the complexity and uncertainty regarding the outcome of court cases, as well as from potential implementation of KNF Chairman solution or from potential Supreme Court decisions or European Court of Justice decisions, it is difficult to reliably estimate potential impacts of such different outcomes and their interaction as at the date of publication of the financial statements.

Credit holidays in Poland

The Act of July 7, introduced, among others, a handful of measures aimed at support of PLN mortgage borrowers, including:

- Ability to suspend up to 8 monthly instalments (2 instalments in 3Q22 and 4Q22 each and one in each quarter of 2023, only one loan per household, only loans for housing purposes, only loans granted before July 1, 2022),
- Enforcement of additional PLN1.4bn sector's contribution to Borrowers Support Fund (FWK),
- Replacement of WIBOR as the main benchmark for loans.

Expected impact on Bank Millennium's results in 3Q22:

- Maximum cost of credit holidays at PLN1.8bn at the Group level if 100% of eligible borrowers would use such option,
- Upfront cost of credit holidays to be booked in 3Q22 based on an expected participation rate between 75% to 90%, above market average (66%) announced so far.

Capital ratios expected to be temporarily below minimum requirements due to the impact of upfront booking of credit holidays, but the recovery is expected in a relatively short term

- Upfront recognition of costs of credit holidays is expected to result in a negative net result for 3Q22.

- As a result, capital ratios will drop by c300bps, and Group's T1 ratio may fall 118-174 bps below the current minimum requirements set by the Polish Financial Supervision Authority ('PFSA'). T1 ratio is where the highest deficit is expected.
- Risk of a breach of respective capital ratios triggered the decision to launch the recovery plan.
- The Management Board of the Bank intends to increase capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations).
- While in the recovery procedure, the Bank will be, in principle, exempt of the payment of the banking tax (more than PLN80mn per quarter).

Non-financial information

The BCP Group pursues dynamic strategies adapted to the new challenges imposed by the several interested parties with which it establishes relations. The main objective of the adopted sustainability policies, which foster a culture of Social Responsibility, has been to positively influence the organization's long-term value proposition, in balance with the well-being of people, the company and the communities in which it operates. and with the preservation of natural resources, the climate and the environment.

Within this context, it is possible to divide the Bank's intervention into three major areas of intervention:

- Environment – implementation of measures that foster a fair and inclusive transition into a zero-carbon economic development model, including the incorporation of the environmental component in the Bank's risk models and in the offer of products and services;
- Social – involvement with both the external and the internal communities;
- Corporate Governance - integration of the principles of sustainability in the Bank's decision-making processes.

Therefore, as an integral part of its business model, Millennium bcp takes on the commitment to create social value by developing actions to - and with - the various stakeholder groups with the goal of directly and indirectly contribute to the economic and social development of the countries in which it operates.

Throughout the Bank's Sustainability journey, several external commitments have been made, of which the following stand out:

- Commitment to the 10 Principles of the United Nations Global Compact (2005);
- Adherence to the UNEP FI's "Principles for Responsible Banking" (PRB), one of the most significant commitments of the financial sector worldwide to strategic alignment with the Sustainable Development Goals (SDGs) and the United Nations 2030 Agenda, but also with the goals defined in the Paris Agreement (2022);
- "Letter of Commitment for Sustainable Financing in Portugal", an aspirational document produced within the scope of the "Reflection Group for Sustainable Financing in Portugal" promoted by the Ministries of the Environment, Finance and Economy, which seek to highlight the importance of integrating risks environmental, social and governance in decision-making and risk management processes in the financial sector (2019);
- "Commitment to Lisbon European Green Capital", promoted by CML, which brings together more than 200 entities with a presence in the city, including companies, schools and institutions, in a commitment to climate action and towards sustainability that fosters a collective dynamic that allows compliance the goals defined by the Paris Agreement and accelerating the path towards carbon neutrality (2020);
- "CEO's Guide to Human Rights", an initiative of the World Business Council for Sustainable Development (WBCSD) and the Business Council for Sustainable Development (BCSD Portugal). The Guide incorporates reference policies and practices and aims to contribute to the implementation and promotion of human rights in organizations and their value chains (2019);
- "Statement from Business Leaders for Renewed Global Cooperation" of the United Nations Global Compact, an international declaration that aims to demonstrate the commitment to ethical leadership, based on good governance practices, materialized through values, strategy, policies, operations and relationships proximity and involvement with all Stakeholders (2020);
- "Womens' Empowerment Principles" of the United Nations Global Compact, an important international platform for the promotion of gender equality that demonstrates our long-term vision and the will to integrate – and promote – a collective dynamic based on cooperation and trust (2021).

The orientation of the BCP Group's activities in these matters is reflected in Corporate Policies and Principles applicable to the various areas of activity and business (available at https://ind.millenniumbcp.pt/pt/ Institucional/sustentabilidade/Pages/cod_internos. aspx) and is implemented in the Sustainability Master Plan (SMP), through which we intend to respond to the expectations, ambitions and needs of the Bank's Stakeholders and contribute to sustainable development.

The SMP 2022, a multi-annual plan structured around selected dimensions to respond to the themes contained in the Bank's materiality matrix and under which BCP have successfully implemented a large number of initiatives and concrete actions, contemplated the following lines of action:

Dimension	Action line
G.1. Government Model Sustainability and Corporate Policies	G.1.1. Redefine the governance model of the Sustainability Areas that allows for multidisciplinary and transversal action across the organization, including, whenever justified, international operations
	G.1.2. Review and update the Group's corporate policies
	G.1.4. Sustainability Master Plan 2023/2024
G.2. brand management and reputation	G.2.1. Strengthen Millennium bcp's positioning in the sustainability indexes
	G.2.2. Adhere to sustainability principles and commitments
	G.2.3. Strengthen the communication and dissemination of Microcredit
G.3. Service quality and customer satisfaction	G.3.1. Optimize satisfaction levels
G.4. Responsible supplier management	G.4.1. Formalize compliance with social and environmental requirements in the relationship with Suppliers
G.5. Compliance with reporting requirements and best practices	G.5.1 Improve sustainability reporting, ensuring alignment with relevant requirements and benchmarks
G.6. Sustainable financing policies and regulation	G.6.1. Monitor the development of the European Commission's Sustainable Finance Action Plan
	G.6.2. Follow business strategy aligned with climate and environmental risks
G.7. Awareness and information to customers about products and services	G.7.1. Integrate sustainability aspects of proposed investments into communication with clients
G.8. Risk management	G.8.1. Ensure competences for ESG risk management
	G.8.2. Ensure integration of environmental and social risks in the risk analysis process
G.9. Offering inclusive and sustainable products	G.9.1. Develop an offer of “ESG” products that promote the transition of the economy to a sustainable model
S.1. Talent attraction and retention	S.1.1. Supporting the adoption of healthy lifestyles
	S.1.2. Reinforce the mechanisms of proximity between Employees and top management
	S.1.3. Promoting work-family balance
S.2. Volunteering	S.2.1. volunteer program
S.3. Human rights	S.3.1. Analyze and communicate position on human rights risk management
S.4. financial literacy	S.4.1. Financial Literacy Program
S.5. Community investment	S.5.1. Develop campaigns in partnership with NGOs / IPSSs in the context of sustainable development
	S.5.2. Reinforce the Foundation's role as a vehicle for Social Action
E.1. Climate change, energy efficiency and alternative energies	E.1.1. Contribute to limiting global warming to a maximum of 2ºC (Paris Agreement)
E.2. Environmental Performance	E.2.1. Minimize environmental impact of operations

In order to promote transparency in communication with our Stakeholders, assess the evolution of our performance and communicate this assessment carried out by recognized entities, we respond to several specialized indices:

Scope	Index	2021 Performance		2020 performance
BCP Group	MSCI	A	=	A
BCP Group	DJSI	64%	↓	69%
BCP Group	Carbon Disclosure Project	B	↓	THE-
BCP Group	Bloomberg Gender-Equality Index	81%	↑	78%
BCP Group	Vigeo Eiris	49% (88% disclosure)	↑	47% (86%)
BCP Group	Gaia Rating	78%	↑	76%

In 2022, Millennium bcp was distinguished by Global Finance magazine as the best Bank for Sustainable Finance in Portugal, in recognition of its leadership in financing projects that fight climate change and improve people's quality of life, having also integrated , for the 2nd year running, the "Europe's Climate Leaders" ranking by the Financial Times and Statista, as one of the 400 European companies that have made the most progress in reducing greenhouse gas (GHG) emissions.

Good corporate tax responsibility practices have been gaining prominence as an integral part of organizations' corporate responsibility, and involve promoting principles such as tax transparency, the exchange of tax information, clear disclosure of the amount of taxes paid and the tax and regulatory contributions supported, the definition of the tax strategies adopted, among other good tax governance practices, which include a good relationship between the company and the tax authorities, partners and shareholders, investors and society in general.

Aware of the importance of this issue, BCP as an organization inserted in a society, with levels of social and fiscal responsibility, has high social and fiscal awareness, complying with all the tax and regulatory burden to which it is subject, having adopted a policy of strong fiscal transparency based on the good practice of disclosing the total amount of its taxes and contributions paid to society in exchange for the benefits it receives from it, as per note 30 of the disclosure in the annex to the accounts.

In the new Strategic Plan Cycle - Overcoming 2024 -, Millennium bcp will continue to seek to explore business opportunities related to sustainability, as well as manage the physical and transition risks of its portfolio to establish itself as a reference in the market. Millennium will innovate in its own products with a green and social rating aimed at all business segments.

Correspondence table between the Management Report and Decree-Law 89/2017

DL no. 89/207 of July 28	Chapter/Section	Pages
Article 3 (Referred to No. 2 of Article 508-G of the CSC) The non-financial statement must contain enough information for an understanding of the evolution, performance, position and impact of its activities, referring, at a minimum, to environmental, social and worker-related issues, equality between women and men, the non-discrimination, respect for human rights, combating corruption and attempted bribery, including:		
a) Brief description of the company's business model	RS 21 | Value creation	13
	RS 21 | Introduction > Governance Model	18
	R&C 21 | Business model	37-41
b) Description of the policies followed by the company in relation to these matters, including the due diligence processes applied **c) Results of these policies**	**ENVIRONMENTAL:**	
	RS 21 | Introduction > Appointments	21-23
	RS 21 | Introduction > Social and Environmental Risk management	24-25
	RS 21 | Environmental responsibility	120-141
	RS 21 |Task Force on Climate-related Financial Disclosures (TCFD)	142-146
	SOCIAL AND RELATED TO WORKERS:	
	RS 21 | Introduction > Social and Environmental Risk management	24-25
	RS 21 | Economic Responsibility > Employees	45-58
	RS 21 | Social Responsibility > Benefits to Employees	109-114
	EQUALITY BETWEEN WOMEN AND MEN AND NON-DISCRIMINATION:	
	RS 21 | Introduction > Appointments	21-23
	RS 21 | Economic Responsibility	37-41
	RS 21 | Economic Responsibility > Employees	45-58
	HUMAN RIGHTS:	
	RS 21 | Introduction > Appointments	21-23
	RS 21 | Social Responsibility > Human Rights	116-117
	FIGHTING CORRUPTION AND BRIBERY ATTEMPTS:	
	RS 21 | Economic Responsibility > Ethics and Professional Conduct	58-65
d) Main risks associated with these issues, linked to the company's activities, including, where relevant and proportionate, its business relationships, its products or services likely to have negative impacts in these areas and the way in which those risks are managed by the company	**ENVIRONMENTAL:**	
	RS 21 | Introduction > Social and Environmental Risk management	24-25
	RS 21 | TCFD	142-146
	SOCIAL AND RELATED TO WORKERS:	
	RS 21 | Introduction > Social and Environmental Risk management	24-25
	RS 21 | Economic Responsibility > Employees	45-58
	EQUALITY BETWEEN WOMEN AND MEN AND NON-DISCRIMINATION:	
	RS 21 | Economic Responsibility > Employees	45-58
	HUMAN RIGHTS:	
	RS 21 | Social Responsibility > Human Rights	116-117
	UNGP Table - UN Guiding Principles Reporting Framework	166-168
	FIGHTING CORRUPTION AND BRIBERY ATTEMPTS:	
	RS 21 | Introduction > Social and Environmental Risk management	24-25
	RS 21 | Economic Responsibility > Ethics and Professional Conduct	58-65

e) Key performance indicators relevant to your specific activity	**ENVIRONMENTAL:**	
	RS 21 | Environmental Responsibility	120-141
	RS 21 | TCFD	142-146
	SOCIAL AND RELATED TO WORKERS:	
	RS 21 | Economic Responsibility > Employees	45-58
	RS 21 | Social Responsibility > Benefits to Employees	109-114
	EQUALITY BETWEEN WOMEN AND MEN AND NON-DISCRIMINATION:	
	RS 21 | Economic Responsibility > Employees	45-58
	HUMAN RIGHTS:	
	RS 21 | Social Responsibility > Human Rights	116-117
	FIGHTING CORRUPTION AND BRIBERY ATTEMPTS:	
	RS 21 | Economic Responsibility > Ethics and Professional Conduct	58-65
Article 4 (Referred to Article 245- No. 1 r) and No. 2 of the CVM) Description of the diversity policy applied by the company in relation to its management and supervisory bodies, namely, in terms of age, sex, qualifications and professional background, the objectives of this diversity policy, the way in which it was applied and the results in the period of reference.	RS 21 | Economic Responsibility > Employees	45-47
	Corporate Governance Report 2021 | Diversity Policy of Governing Bodies Corporate Governance Report 2021 | Appointments and Remuneration Committee	755 761

Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED 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 financial assets and liabilities at amortised cost	5,238	(2,993)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	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 of financial assets at amortised cost	(183,203)	(158,772)
Impairment of financial assets at fair value through other comprehensive income	1,366	(4,192)
Impairment of 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)

The balances for the first half of 2021 were restated under the classification of Seguradora Internacional de Moçambique, S.A. as discontinuing operations by the end of 2021, as detailed in note 56.

BANCO COMERCIAL PORTUGUÊS

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

(Thousands of euros)

	30 June 2022	31 December 2021
ASSETS		
Cash and deposits at Central Banks	7,930,297	7,796,299
Loans and advances to credit institutions repayable on demand	329,648	361,786
Financial assets at amortised cost		
Loans and advances to credit institutions	875,317	453,213
Loans and advances to customers	55,187,231	54,972,401
Debt securities	12,102,018	8,205,196
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,758,419	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	932,227	990,938
Financial assets at fair value through other comprehensive income	8,644,875	12,890,988
Hedging derivatives	531,459	109,059
Investments in associated companies	443,532	462,338
Non-current assets held for sale	630,736	780,514
Investment properties	2,869	2,870
Other tangible assets	586,244	600,721
Goodwill and intangible assets	151,835	256,213
Current tax assets	13,822	17,283
Deferred tax assets	2,845,515	2,688,216
Other assets	3,107,464	1,385,292
TOTAL ASSETS	96,073,508	92,904,812
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	8,996,119	8,896,074
Resources from customers	73,190,262	69,560,227
Non subordinated debt securities issued	1,114,595	2,188,363
Subordinated debt	1,350,165	1,394,780
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	192,880	231,241
Financial liabilities at fair value through profit or loss	1,343,985	1,581,778
Hedging derivatives	1,677,170	377,206
Provisions	503,232	458,744
Current tax liabilities	8,746	20,427
Deferred tax liabilities	9,232	16,932
Other liabilities	1,396,035	1,116,983
TOTAL LIABILITIES	89,782,421	85,842,755
EQUITY		
Share capital	4,725,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	268,534	259,528
Reserves and retained earnings	8,383	580,304
Net income for the period attributable to Bank's Shareholders	74,509	138,082
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,492,897	6,119,385
Non-controlling interests	798,190	942,672
TOTAL EQUITY	6,291,087	7,062,057
TOTAL LIABILITIES AND EQUITY	96,073,508	92,904,812

Alternative performance measures

The BCP Group prepares financial information in accordance with International Financial Reporting Standards (IFRS) endorsed by European Union. As a complement to that information, the BCP Group uses a set of alternative performance measures that allow monitoring the evolution of its activity over the time. Following the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on October 2015 (ESMA/2015/1415), the BCP Group presents some indicators related to the assessment of profitability and efficiency and the quality of the credit portfolio, among others, which are intended to facilitate comprehension of the evolution of the economic and financial position of the Group. The information presented in this context does not, under any circumstance, replace the financial information prepared in accordance with IFRS. It should also be noted that the definitions and concepts used by the BCP Group for the calculation of these indicators may differ from those used by other entities in the determination of other similar measures and may therefore not be directly comparable. In accordance with the aforementioned guidelines, in addition to the alternative performance measures, detailed below, additional information is presented throughout this document, in the respective chapters, that reconciles the accounting figures presented in the consolidated financial statements prepared in accordance with IFRS and financial information reflecting the management criteria adopted by the BCP Group. These indicators and their components are also described in more detail in the glossary.

1) Loans to customers (net) / Balance sheet customer funds

Relevance of the indicator: the loans-to-deposits ratio is an indicator of liquidity that allows the evaluation of the Group's retail funding structure.

Euro million

	30 Jun. 22	30 Jun. 21
Loans to customers (net) (1)	57,039	55,885
Balance sheet customer funds (2)	74,546	69,621
(1) / (2)	**76.5%**	**80.3%**

2) Return on average assets (ROA)

Relevance of the indicator: allows measurement of the capacity of the Group to generate results with the volume of available assets.

Euro million

	6M22	6M21
Net income (1)	75	12
Non-controlling interests (2)	(13)	(43)
Average total assets (3)	94,976	88,883
[(1) + (2), annualised] / (3)	**0.1%**	**(0.1%)**

3) Return on average equity (ROE)

Relevance of the indicator: allows assessment of the capacity of the Group to remunerate its shareholders, assessing the level of profitability generated by the funds invested by the shareholders in the Group.

Euro million

		6M22	6M21
Net income (1)		75	12
Average equity (2)		5,351	5,805
	[(1), annualised] / (2)	**2.8%**	**0.4%**

4) Cost to income

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

Euro million

		6M22	6M21 restated
Operating costs (1)		516	590
of which: specific items (2)		6	87
Net operating revenues (3)		1,283	1,117
	[(1) - (2)] / (3)	**39.8%**	**45.0%**

5) Cost of risk, net of recoveries (expressed in basis points, annualised)

Relevance of the indicator: allows assessment of the quality of the loan portfolio by evaluating the ratio between impairment charges recognised in the period (net of reversals and recoveries of credit and interest) and the stock of loans to customers at the end of that period.

Euro million

		6M22	6M21
Loans to customers at amortised cost, before impairment (1)		58,602	57,488
Loan impairment charges (net of recoveries) (2)		179	157
	[(2), annualised] / (1)	**61**	**55**

6) Non-performing exposures (NPE) / Loans to customers (gross)

Relevance of the indicator: allows the assessment of the level of credit risk to which the Group is exposed based on the proportion of the NPE loan portfolio in the loans-to-customers portfolio (gross).

Euro million

		30 Jun. 22	30 Jun. 21
Non-Performing Exposures (1)		2,502	3,003
Loans to customers (gross) (2)		58,653	57,885
	(1) / (2)	**4.3%**	**5.2%**

7) Coverage of non-performing exposures (NPE) by balance sheet impairment

Relevance of the indicator: it allows the assessment of the level of coverage of the NPE portfolio by balance sheet impairment.

Euro million

		30 Jun. 22	30 Jun. 21
Non-Performing Exposures (1)		2,502	3,003
Loans impairments (balance sheet) (2)		1,615	2,000
	(2) / (1)	**64.5%**	**66.6%**

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income, from financial assets held for trading and, until 2017, from financial assets available for sale.

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

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

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

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

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

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

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

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

Net commissions - net fees and commissions income.

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

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

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive and results from financial assets available for sale (until 2017).

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

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

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

Operating costs - staff costs, other administrative costs and depreciation.

Other impairment and provisions – impairment (net of reversals) for loans and advances of credit institutions classified at amortised cost, impairment for financial assets (classified at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in the latter case until 2017), impairment for other assets, namely assets received as payment in kind, investments in associated companies and goodwill of subsidiaries and other provisions.

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

Other net operating income – net gains from insurance activity (only until 2019), 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).

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

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

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

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

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

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income, assets with repurchase agreement, financial assets available for sale and financial assets held to maturity (in the latter two cases until 2017).

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

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

Accounts and Notes to the Interim Condensed Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2022 AND 2021

(Thousands of euros)

	Notes	30 June 2022	30 June 2021 (restated)
Interest and similar income	2	1,141,684	825,026
Interest expense and similar charges	2	(156,526)	(59,249)
NET INTEREST INCOME		985,158	765,777
Dividends from equity instruments	3	12,873	709
Net fees and commissions income	4	387,583	352,935
Net gains/(losses) from financial operations at fair value through profit or loss	5	6,810	(9,289)
Net gains/(losses) from foreign exchange	5	14,811	27,504
Net gains/(losses) from hedge accounting operations	5	(3,673)	1,424
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	5	5,238	(2,993)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	5	19,038	63,658
Other operating income / (losses)	6	(189,326)	(113,352)
TOTAL OPERATING INCOME		1,238,512	1,086,373
Staff costs	7	284,152	372,787
Other administrative costs	8	162,569	148,977
Amortisations and depreciations	9	69,475	68,330
TOTAL OPERATING EXPENSES		516,196	590,094
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		722,316	496,279
Impairment of financial assets at amortised cost	10	(183,203)	(158,772)
Impairment of financial assets at fair value through other comprehensive income	11	1,366	(4,192)
Impairment of other assets	12	(125,129)	(26,674)
Other provisions	13	(244,410)	(272,107)
NET OPERATING INCOME		170,940	34,534
Share of profit of associates under the equity method	14	32,789	29,286
Gains/(losses) arising from sales of subsidiaries and other assets	15	12,100	988
NET INCOME BEFORE INCOME TAXES		215,829	64,808
Income taxes			
Current	30	(44,930)	(49,302)
Deferred	30	(110,836)	(52,592)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		60,063	(37,086)
Income arising from discontinued or discontinuing operations	16	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	43	(12,967)	(42,971)
NET INCOME FOR THE PERIOD		61,542	(30,705)
Earnings per share (in Euros)			
Basic	17	0.007	(0.001)
Diluted	17	0.007	(0.001)

The balances for the first half of 2021 were restated under the classification of Seguradora Internacional de Moçambique, S.A. as discontinuing operations by the end of 2021, as detailed in note 56.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS PERIODS BETWEEN 1 APRIL AND 30 JUNE 2022 AND 2021

(Thousands of euros)

	2nd Quarter 2022	2nd Quarter 2021 (restated)
Interest and similar income	627,763	421,717
Interest expense and similar charges	(107,706)	(30,722)
NET INTEREST INCOME	520,057	390,995
Dividends from equity instruments	11,984	679
Net fees and commissions income	194,739	181,812
Net gains/(losses) from financial operations at fair value through profit or loss	(1,881)	(9,470)
Net gains/(losses) from foreign exchange	12,952	7,696
Net gains/(losses) from hedge accounting operations	(1,511)	391
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	(1,139)	417
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	(9,581)	39,496
Other operating income/(losses)	(164,028)	(89,289)
TOTAL OPERATING INCOME	561,592	522,727
Staff costs	146,429	231,317
Other administrative costs	79,902	72,310
Amortisations and depreciations	34,864	34,325
TOTAL OPERATING EXPENSES	261,195	337,952
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	300,397	184,775
Impairment of financial assets at amortised cost	(92,271)	(47,864)
Impairment of financial assets at fair value through other comprehensive income	968	(2,761)
Impairment of other assets	(113,734)	(18,617)
Other provisions	(92,371)	(149,787)
NET OPERATING INCOME	2,989	(34,254)
Share of profit of associates under the equity method	16,581	13,934
Gains/(losses) arising from sales of subsidiaries and other assets	4,483	2,044
NET INCOME BEFORE INCOME TAXES	24,053	(18,276)
Income taxes		
Current	(26,952)	(27,309)
Deferred	(43,343)	(17,670)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	(46,242)	(63,255)
Income arising from discontinued or discontinuing operations	91	3,488
NET INCOME AFTER INCOME TAXES	(46,151)	(59,767)
Net income for the period attributable to:		
Bank's Shareholders	(38,357)	(45,549)
Non-controlling interests	(7,794)	(14,218)
NET INCOME FOR THE PERIOD	(46,151)	(59,767)

The balances for the first half of 2021 were restated under the classification of Seguradora Internacional de Moçambique, S.A. as discontinuing operations by the end of 2021, as detailed in note 56.

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2022 AND 2021

(Thousands of euros)

	30 June 2022				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	60,063	1,479	61,542	74,509	(12,967)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 42)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(370,023)	–	(370,023)	(306,139)	(63,884)
Reclassification of (gains) / losses to profit or loss (note 5)	(19,038)	–	(19,038)	(19,056)	18
Cash flows hedging					
Gains / (losses) for the period	(1,098,796)	–	(1,098,796)	(1,080,139)	(18,657)
Other comprehensive income from investments in associates and others	(42,368)	–	(42,368)	(42,371)	3
Exchange differences arising on consolidation	35,836	–	35,836	40,408	(4,572)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	1,413	–	1,413	1,413	–
Fiscal impact	445,371	–	445,371	429,688	15,683
	(1,047,605)	–	(1,047,605)	(976,196)	(71,409)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period (note 42)	(8,362)	–	(8,362)	(8,287)	(75)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 42)	141	–	141	141	–
Actuarial gains / (losses) for the period					
BCP Group Pension Fund (note 48)	477,917	–	477,917	477,917	–
Pension Funds of foreign subsidiaries and associated companies	4,463	–	4,463	4,463	–
Fiscal impact	(166,046)	–	(166,046)	(147,137)	14
	308,113	–	308,113	327,097	(61)
Other comprehensive income / (loss) for the period	(739,492)	–	(739,492)	(649,099)	(71,470)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(679,429)	1,479	(677,950)	(574,590)	(84,437)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	30 June 2021 (restated)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	(37,086)	6,381	(30,705)	12,266	(42,971)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 42)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(71,027)	—	(71,027)	(49,065)	(21,962)
Reclassification of (gains) / losses to profit or loss (note 5)	(63,658)	—	(63,658)	(62,480)	(1,178)
Cash flows hedging					
Gains / (losses) for the period	(162,382)	—	(162,382)	(158,042)	(4,340)
Other comprehensive income from investments in associates and others	(3,403)	—	(3,403)	(3,405)	2
Exchange differences arising on consolidation	99,005	(294)	98,711	61,064	37,647
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(76)	—	(76)	(76)	—
Fiscal impact	85,853	—	85,853	80,723	5,130
	(115,688)	(294)	(115,982)	(131,281)	15,299
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period (note 42)	497	(26)	471	453	18
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 42)	(196)	—	(196)	(196)	—
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund (note 48)	194,960	—	194,960	194,960	—
Pension Funds of foreign subsidiaries and associated companies	(1,826)	—	(1,826)	(1,826)	—
Fiscal impact	(7,887)	—	(7,887)	(7,881)	(6)
	185,548	(26)	185,522	185,510	12
Other comprehensive income / (loss) for the period	69,860	(320)	69,540	54,229	15,311
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	32,774	6,061	38,835	66,495	(27,660)

The balances for the first half of 2021 were restated under the classification of Seguradora Internacional de Moçambique, S.A. as discontinuing operations by the end of 2021, as detailed in note 56.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIODS BETWEEN 1 APRIL AND 30 JUNE 2022 AND 2021

(Thousands of euros)

	2nd Quarter 2022				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	(46,242)	91	(46,151)	(38,357)	(7,794)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	(178,799)	—	(178,799)	(156,599)	(22,200)
Reclassification of (gains)/losses to profit or loss	9,581	—	9,581	9,563	18
Cash flows hedging					
Gains/(losses) for the period	(495,444)	—	(495,444)	(483,999)	(11,445)
Other comprehensive income from investments in associates and others	(31,737)	—	(31,737)	(31,738)	1
Exchange differences arising on consolidation	16,141	—	16,141	15,793	348
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	2,991	—	2,991	2,991	—
Fiscal impact	199,838	—	199,838	193,425	6,413
	(477,429)	—	(477,429)	(450,564)	(26,865)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period	(8,212)	—	(8,212)	(8,171)	(41)
Changes in own credit risk of financial liabilities at fair value through profit or loss	200	—	200	200	—
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund	477,917	—	477,917	477,917	—
Pension Funds of foreign subsidiaries and associated companies	1,872	—	1,872	1,872	—
Fiscal impact	(166,438)	—	(166,438)	(147,523)	8
	305,339	—	305,339	324,295	(33)
Other comprehensive income/(loss) for the period	(172,090)	—	(172,090)	(126,269)	(26,898)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(218,332)	91	(218,241)	(164,626)	(34,692)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	2nd Quarter 2021 (restated)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	(63,255)	3,488	(59,767)	(45,549)	(14,218)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	(39,914)	—	(39,914)	(28,106)	(11,808)
Reclassification of (gains)/losses to profit or loss	(39,496)	—	(39,496)	(38,491)	(1,005)
Cash flows hedging					
Gains/(losses) for the period	(42,724)	—	(42,724)	(41,298)	(1,426)
Other comprehensive income from investments in associates and others	2,855	—	2,855	2,851	4
Exchange differences arising on consolidation	62,879	(97)	62,782	27,993	34,789
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	104	—	104	104	—
Fiscal impact	34,781	—	34,781	32,059	2,722
	(21,515)	(97)	(21,612)	(44,888)	23,276
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period	181	(25)	156	86	70
Changes in own credit risk of financial liabilities at fair value through profit or loss	(76)	—	(76)	(76)	—
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund	194,960	—	194,960	194,960	—
Pension Funds of foreign subsidiaries and associated companies	(1,960)	—	(1,960)	(1,960)	—
Fiscal impact	(7,850)	—	(7,850)	(7,834)	(16)
	185,255	(25)	185,230	185,176	54
Other comprehensive income/(loss) for the period	163,740	(122)	163,618	140,288	23,330
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	100,485	3,366	103,851	94,739	9,112

The balances for the first half of 2021 were restated under the classification of Seguradora Internacional de Moçambique, S.A. as discontinuing operations by the end of 2021, as detailed in note 56.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

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

(Thousands of euros)

	Notes	30 June 2022	31 December 2021
ASSETS			
Cash and deposits at Central Banks	18	7,930,297	7,796,299
Loans and advances to credit institutions repayable on demand	19	329,648	361,786
Financial assets at amortised cost			
Loans and advances to credit institutions	20	875,317	453,213
Loans and advances to customers	21	55,187,231	54,972,401
Debt securities	22	12,102,018	8,205,196
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	1,758,419	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	23	932,227	990,938
Financial assets at fair value through other comprehensive income	23	8,644,875	12,890,988
Hedging derivatives	24	531,459	109,059
Investments in associated companies	25	443,532	462,338
Non-current assets held for sale	26	630,736	780,514
Investment properties	27	2,869	2,870
Other tangible assets	28	586,244	600,721
Goodwill and intangible assets	29	151,835	256,213
Current tax assets		13,822	17,283
Deferred tax assets	30	2,845,515	2,688,216
Other assets	31	3,107,464	1,385,292
TOTAL ASSETS		96,073,508	92,904,812
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	8,996,119	8,896,074
Resources from customers	33	73,190,262	69,560,227
Non subordinated debt securities issued	34	1,114,595	2,188,363
Subordinated debt	35	1,350,165	1,394,780
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	192,880	231,241
Financial liabilities at fair value through profit or loss	37	1,343,985	1,581,778
Hedging derivatives	24	1,677,170	377,206
Provisions	38	503,232	458,744
Current tax liabilities		8,746	20,427
Deferred tax liabilities	30	9,232	16,932
Other liabilities	39	1,396,035	1,116,983
TOTAL LIABILITIES		89,782,421	85,842,755
EQUITY			
Share capital	40	4,725,000	4,725,000
Share premium	40	16,471	16,471
Other equity instruments	40	400,000	400,000
Legal and statutory reserves	41	268,534	259,528
Reserves and retained earnings	42	8,383	580,304
Net income for the period attributable to Bank's Shareholders		74,509	138,082
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		5,492,897	6,119,385
Non-controlling interests	43	798,190	942,672
TOTAL EQUITY		6,291,087	7,062,057
TOTAL LIABILITIES AND EQUITY		96,073,508	92,904,812

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2022 AND 2021

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	994,514	780,770
Commissions received	489,566	418,126
Fees received from services rendered	54,615	35,294
Interests paid	(176,906)	(89,817)
Commissions paid	(81,609)	(66,204)
Recoveries on loans previously written off	9,678	11,447
Net earned insurance premiums	—	10,229
Claims incurred of insurance activity	—	(2,995)
Payments (cash) to suppliers and employees (*)	(686,738)	(606,613)
Income taxes (paid) / received	(21,948)	(37,443)
	581,172	452,794
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(284,855)	200,059
Deposits held with purpose of monetary control	(137,119)	143,711
Loans and advances to customers receivable / (granted)	(660,008)	(2,394,125)
Short term trading securities	(791,433)	(703,054)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(21,492)	(40,838)
Deposits from credit institutions with agreed maturity date	160,938	237,944
Loans and advances to customers repayable on demand	561,424	4,192,929
Deposits from customers with agreed maturity date	3,068,159	664,590
	2,476,786	2,754,010
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Assignment of investments in subsidiaries and associates which results in loss of control (**)	—	14,525
Dividends received	57,873	16,421
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	130,326	86,592
Sale of financial assets at fair value through other comprehensive income and at amortised cost	6,476,803	4,659,698
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(28,847,296)	(29,874,480)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	21,629,524	21,528,279
Acquisition of tangible and intangible assets	(40,843)	(24,881)
Sale of tangible and intangible assets	7,409	5,655
Decrease / (increase) in other sundry assets	(889,755)	(413,769)
	(1,475,959)	(4,001,960)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	—	282
Reimbursement of subordinated debt	—	(213,100)
Issuance of debt securities	230	500,051
Reimbursement of debt securities	(1,133,108)	(149,625)
Issuance of commercial paper and other securities	33,091	57,578
Reimbursement of commercial paper and other securities	(6,766)	(12,886)
Dividends paid to non-controlling interests	(59,572)	(17,516)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(18,500)	(18,500)
Increase / (decrease) in other sundry liabilities and non-controlling interests (***)	249,822	381,554
	(934,803)	527,838
Exchange differences effect on cash and equivalents	35,836	98,711
Net changes in cash and equivalents	101,860	(621,401)
Cash (note 18)	601,772	579,997
Deposits at Central Banks (note 18)	7,194,527	4,723,867
Loans and advances to credit institutions repayable on demand (note 19)	361,786	262,395
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8,158,085	5,566,259
Cash (note 18)	584,546	516,192
Deposits at Central Banks (note 18)	7,345,751	4,172,242
Loans and advances to credit institutions repayable on demand (note 19)	329,648	256,424
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	8,259,945	4,944,858

(*) As at 30 June 2022, this balance includes the amount of Euros 213,000 (30 June 2021: Euros 343,000) related to short-term lease contracts and the amount of Euros 1,213,000 (30 June 2021: Euros 1,329,000) related to lease contracts of low value assets.
(**) As in 2021, Banco Privée BCP (Suisse) S.A. and Seguradora Internacional de Moçambique, S.A. were considered discontinued operations, the respective amounts, net of intra-group operations, were incorporated into cash flows arising from investing operations.
(***) As at 30 June 2022, this balance includes the amount of Euros 27,297,000 (30 June 2021: Euros 21,387,000) corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2022 AND 2021

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non-controlling interests (note 43)	Total equity
BALANCE AS AT 31 DECEMBER 2020	4,725,000	16,471	400,000	254,464	(40)	642,397	183,012	6,221,304	1,164,966	7,386,270
Net income for the period	–	–	–	–	–	–	12,266	12,266	(42,971)	(30,705)
Other comprehensive income	–	–	–	–	–	54,229	–	54,229	15,311	69,540
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	54,229	12,266	66,495	(27,660)	38,835
Results application										
Legal reserve	–	–	–	5,064	–	(5,064)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	183,012	(183,012)	–	–	–
Interests of perpetual subordinated bonds (AT1)	–	–	–	–	–	(18,500)	–	(18,500)	–	(18,500)
Sale and loss of control of subsidiaries					–	–		–	(1,883)	(1,883)
Dividends (a)	–	–	–	–	–	–	–	–	(17,516)	(17,516)
Treasury shares	–	–	–	–	40	–	–	40	–	40
Other reserves	–	–	–	–	–	(604)	–	(604)	(378)	(982)
BALANCE AS AT 30 JUNE 2021	4,725,000	16,471	400,000	259,528	–	855,470	12,266	6,268,735	1,117,529	7,386,264
Net income for the period	–	–	–	–	–	–	125,816	125,816	(70,119)	55,697
Other comprehensive income	–	–	–	–	–	(256,301)	–	(256,301)	(99,955)	(356,256)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(256,301)	125,816	(130,485)	(170,074)	(300,559)
Interests of perpetual subordinated bonds (AT1)	–	–		–	–	(18,500)	–	(18,500)	–	(18,500)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	(23)	(23)
Sale and loss of control of subsidiaries	–	–	–	–	–	–	–	–	(4,556)	(4,556)
Other reserves (note 42)	–	–	–	–	–	(365)	–	(365)	(204)	(569)
BALANCE AS AT 31 DECEMBER 2021	4,725,000	16,471	400,000	259,528	–	580,304	138,082	6,119,385	942,672	7,062,057
Net income for the period	–	–	–	–	–	–	74,509	74,509	(12,967)	61,542
Other comprehensive income	–	–	–	–	–	(668,022)	–	(668,022)	(71,470)	(739,492)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(668,022)	74,509	(593,513)	(84,437)	(677,950)
Results application										
Legal reserve (note 41)	–	–	–	9,006	–	(9,006)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	138,082	(138,082)	–	–	–
Dividends paid (note 46)						(13,603)		(13,603)	–	(13,603)
Interests of perpetual subordinated bonds (AT1)	–	–	–	–	–	(18,500)	–	(18,500)	–	(18,500)
Dividends (b)	–	–	–	–	–	–	–	–	(59,572)	(59,572)
Other reserves (note 42)	–	–	–	–	–	(872)	–	(872)	(473)	(1,345)
BALANCE AS AT 30 JUNE 2022	4,725,000	16,471	400,000	268,534	–	8,383	74,509	5,492,897	798,190	6,291,087

a) Dividends of BIM - Banco Internacional de Moçambique, S.A. and Seguradora Internacional de Moçambique, S.A.
b) Dividends of BIM - Banco Internacional de Moçambique, S.A.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these interim condensed consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the six-month periods ended on 30 June 2022 and 2021.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The interim condensed consolidated financial statements and the accompanying notes were approved on 5 August 2022 by the Bank's Board of Directors and are presented in thousands of euros, rounded to the nearest thousand.

All the references in this document related to any normative always report to the respective current version.

The interim condensed consolidated financial statements for the six-month period ended on 30 June 2022 were prepared for the purpose of recognition and measurement, in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and, therefore, they do not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that they should be read with the consolidated financial statements with reference to 31 December 2021.

These interim condensed consolidated financial statements are a translation of the financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese version prevails.

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2022. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

However, by the end of 2021, the Group, within the scope of the sale of 70% of the interest held in Seguradora Internacional de Moçambique, through its subsidiary BIM - Banco Internacional de Moçambique, S.A., started to consider this operations as discontinuing, in accordance with IFRS 5. Consequently, the impact on results for the six-month period ended on 30 June 2021 is presented in a single line called "Income arising from discontinued or discontinuing operations". The income statements incorporated in this item are presented in note 56.

The Group's financial statements were prepared under the going concern assumption, the accrual-based accounting regime and under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Financial assets and liabilities that are covered under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the past liabilities with pensions net of the value of the fund's assets.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, under advice of the Executive Committee, to make judgments, estimations and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimations and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimations. The issues involving a higher degree of judgment or complexity or for which assumptions and estimations are significant are presented in note 1.Y.

B. Basis of consolidation

As from 1 January 2010, the Group began to apply IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

The interim condensed consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (the Group), and the results attributable to the Group financial investments in associates.

B1. Investments in subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed, or has rights, to variable returns from its involvement with the entity and is able to take possession of these results through the power it holds over the relevant activities of that entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise negative non-controlling interests.

On a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired is recorded against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

B2. Investments in associates

Investments in associated companies are registered by the equity method from the date that the Group acquires significant influence until the date it ceases to exist. Associates are those entities in which the Group has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, more than 20% or of the voting rights of the investee. If the Group holds, directly or indirectly, less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

-representation on the Board of Directors or equivalent governing body of the investee;
-participation in policy-making processes, including participation in decisions about dividends or other distributions;
-material transactions between the Group and the investee;
-interchange of the management team;
-provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of associated companies accounted on an equity basis. When the Group's share of losses exceeds its interest in the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued, with exception of the part in which the Group incurs in a legal obligation to assume these losses on behalf of an associate.

B3. Goodwill

Business combinations are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed. Costs directly attributable to the acquisition of a subsidiary are recorded directly in the income statement.

Positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation, however, it is subject to impairment tests. Goodwill arising from the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising from an acquisition is recognised directly in the income statement of the period in which the business combination occurs.

Goodwill is not adjusted due to changes in the initial estimation of the contingent purchase price, being the difference recorded in the income statement or in equity, when applicable.

According to IFRS 3 – Business combinations, if the initial accounting of a business combination is not concluded until the end of the first financial reporting period in which the combination occurs, it is recorded at the respective provisional values. These provisional values can be adjusted over the measurement period, which can't exceed a year since the acquisition date. Over this period, the Group should retrospectively adjust the amounts recognised previously on the acquisition date, to reflect newly obtained information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have impacted the measurement of the amounts recognised at that date.

During this period, the Group should also recognise additional assets and liabilities in the case of obtaining new information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have resulted in the recognition of that assets and liabilities at that time.

The recoverable amount of the goodwill registered in the Group's asset is assessed annually in the preparation of the accounts with reference to the end of the year or whenever there are indications of eventual loss of value. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the higher of the asset value in use and the market value after deducting selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

B4. Purchases and dilution of non-controlling interests

The acquisition of non-controlling interests that do not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, no additional goodwill resulting from this transaction is recognised. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of controlling interests that do not impact the control position of a subsidiary are always recognised against reserves.

B5. Loss of control

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

B6. Investments in foreign subsidiaries and associates

The financial statements of foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euros at the official exchange rate on the balance sheet date.

Regarding the investments in foreign operations that are consolidated under the full consolidation or equity methods, exchange differences, between the conversion to euros of the equity at the beginning of the year and its value in euros at the exchange rate on the balance sheet date in which the consolidated accounts are reported, are recognised against “Reserves - exchange differences”. The changes in fair value resulting from instruments that are designated and qualified as hedging instruments related to foreign operations are recorded in equity under "Reserves and retained earnings". Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss of the year.

The income and expenses of these subsidiaries are converted to euros at an approximate rate of the rates on the dates of the transactions, using a monthly average considering the initial and final exchange rates of each month. Exchange differences from the conversion to euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in "Reserves and retained earnings - exchange differences resulting from the consolidation of Group's companies". The exchange rates used by the Group are detailed in note 52.

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves are transferred to profit and loss, as part of the gains or loss arising from the disposal.

The Group applies IAS 29 – Financial reporting in hyperinflationary economies in financial statements of entities that present accounts in functional currency of an economy that has hyperinflation.

In applying this policy, non-monetary assets and liabilities are adjusted based on the price index from the date of acquisition or the date of the last revaluation until 31 December 2021. The restated values of assets are reduced by the amount that exceeds their recoverable amount, in accordance with the applicable IFRS.

Equity components are also updated considering the price index from the beginning of the period or date of the contribution, if it is earlier.

When the classification as a hyperinflationary economy is applied to associated companies, its effects are included in the Group's financial statements by applying the equity method of accounting on the financial statements restated in accordance with the requirements of IAS 29. The effects of the application of IAS 29 with impact on capital items are recognised against the item "Reserves and retained earnings".

In accordance with the requirements provided in IAS 29, Angola was considered as a hyperinflationary economy until 31 December 2018. This classification is no longer applicable as of 1 January 2019.

B7. Transactions eliminated on consolidation

The balances and transactions between Group's companies, as well as any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's investment in these entities.

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

At the initial recognition, financial assets are classified into one of the following categories:

- “Financial assets at amortised cost”;
- “Financial assets at fair value through other comprehensive income”; or,
- “Financial assets at fair value through profit or loss”.

The classification is made taking into consideration the following aspects:

- the Group's business model for the management of the financial asset; and,
- the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

With reference to 1 January 2018, the Group carried out an evaluation of the business model in which the financial instruments are held at portfolio level, since this approach reflects how assets are managed and how that information is made available to management bodies. The information considered in this evaluation included:

- the policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or on the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management bodies;
- the evaluation of the risks that affect the performance of the business model (and of the financial assets held under this business model) and the way these risks are managed;
- the remuneration of business managers, i.e., in what way the compensation depends on the fair value of the assets under management or on contractual cash flows received; and,
- the frequency, volume and sales periodicity in previous periods, the reasons for these sales and the expectations about future sales. However, sales information should not be considered individually, but as part of an overall assessment of how the Group establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value by option are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows (HTC), nor for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond to Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the counterparty for the time value of money, for the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g., liquidity risk and administrative costs), as well as for a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Group considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the Group considered:

- contingent events that may change the periodicity and the amount of the cash flows;
- characteristics that result in leverage;
- terms of prepayment and extension of maturity;
- terms that may limit the right of the Group to claim cash flows in relation to specific assets (e.g., contracts with terms that prevent access to assets in case of default – non-recourse asset); and,
- characteristics that may change the time value of money.

In addition, an advance payment is consistent with the SPPI criterion if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest, but not paid (may include reasonable compensation for prepayment); and,
- the prepaid fair value is insignificant at initial recognition.

C1.1.1. Financial assets at amortised cost

Classification

A financial asset is classified under the category "Financial assets at amortised cost" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect their contractual cash flows; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortised cost" category includes loans and advances to credit institutions, loans and advances to customers and debt instruments managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, bonds issued by companies and commercial paper).

Initial recognition and subsequent measurement

Loans and advances to credit institutions and loans and advances to customers are recognised at the date the funds are made available to the counterparty (settlement date). Debt instruments are recognised on the trade date, that is, on the date the Group accepts to acquire them.

Financial assets at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. In addition, they are subject, at their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5), which are recognised in "'Impairment of financial assets measured at amortised cost".

Interest of financial assets at amortised cost is recognised under "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

Gains or losses generated at the time of derecognition are registered in "Gains/(losses) with derecognition of financial assets and liabilities at amortised cost".

C1.1.2. Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified under the category of "Financial assets at fair value through other comprehensive income" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is both to collect its contractual cash flows and to sell this financial asset; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, at the initial recognition of an equity instrument that is not held for trading, nor a contingent retribution recognised by an acquirer in a business combination to which IFRS 3 applies, the Group may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case basis and is only available for financial instruments that comply with the definition of equity instruments provided in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. Changes in the fair value of these financial assets are recognised against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific income statement item designated "Gains or losses on derecognition of financial assets at fair value through other comprehensive income".

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5). Impairment losses are recognised in the income statement under "Impairment of financial assets at fair value through other comprehensive income", against “Other comprehensive income”, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts on financial assets at fair value through other comprehensive income are recognised in "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. The changes in the fair value of these financial assets are recognised against “Other comprehensive income”. Dividends are recognised in the income statement when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses recognised in “Fair value changes” are transferred to “Retained earnings” at the time of their derecognition.

C1.1.3. Financial assets at fair value through profit or loss

Classification

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the Group for its management or the characteristics of its contractual cash flows do not meet the conditions described above to be measured at amortised cost or at fair value through other comprehensive income (FVOCI).

In addition, the Group may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces an inconsistency in measurement or recognition (accounting mismatch), that will otherwise arise from measuring assets or liabilities or recognising their gains and losses in different bases.

The Group classified "Financial assets at fair value through profit and loss" in the following items:

a) “Financial assets held for trading”

These financial assets are acquired with the purpose of short-term selling; at the initial recognition, they are part of a portfolio of identified financial instruments and for which there is evidence of profit-taking in the short-term; or they can be defined as derivatives (except for hedging derivatives).

b) “Financial assets not held for trading mandatorily at fair value through profit or loss”

This item classifies debt instruments whose contractual cash flows do not correspond only to repayments of principal and interest on the principal amount outstanding (SPPI).

c) “Financial assets designated at fair value through profit or loss”

This item includes the financial assets that the Group has chosen to designate at fair value through profit or loss to eliminate accounting mismatch.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are in market conditions, financial assets at fair value through profit or loss are initially recognised at their fair value, with the costs or income associated with the transactions recognised in profit and loss at the initial moment. Subsequent changes in the fair value of these assets are recognised in profit and loss.

The accrual of interest and of the premium/discount (when applicable) is recognised in "Net interest income", based on the effective interest rate of each transaction, except the accrual of interest from trading derivatives that are recognised in “Net gains/(losses) from financial operations at fair value through profit or loss”. Dividends are recognised in profit and loss when the right to receive them is attributed.

Trading derivatives with a positive fair value are included in the item "Financial assets held for trading", while trading derivatives with negative fair value are included in "Financial liabilities held for trading".

C1.2. Reclassification between categories of financial assets

Financial assets should be reclassified into other categories only if the business model used in their management has changed. In this case, all financial assets affected must be reclassified.

The reclassification must be applied prospectively from the date of reclassification and any gains, losses (including the ones related to impairment) or interest previously recognised should not be restated.

The reclassification of investments in equity instruments measured at fair value through other comprehensive income is not allowed, nor of financial instruments designated at fair value through profit or loss.

C1.3. Modification and derecognition of financial assets

General principles

i) The Group shall derecognise a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire; or,
- it transfers the financial asset as set out in notes ii) and iii) below and the transfer qualifies for derecognition in accordance with note iv).

ii) The Group transfers a financial asset if, and only if, it either:

- transfers the contractual rights to receive the cash flows of the financial asset; or,
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions presented in note iii).

iii) When the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay these cash flows to one or more entities (the 'eventual recipients'), the Group shall treat the transaction as a transfer of a financial asset if all the following three conditions are met:

- the Group does not have any obligation to pay amounts to the eventual recipients, unless it collects equivalent amounts from the original asset. Short-term advances with the right of full recovery of the amount lent, plus accrued interest at market rates, do not violate this condition;
- the Group is contractually prohibited from selling or pledging the original asset other than as a security to the eventual recipients due its obligation to pay them cash flows; and,
- the Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, it is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 – Statement of Cash Flows) during the short settlement period from the collection date until the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

iv) When the Group transfers a financial asset (see note ii) above), it shall evaluate the extent to which it retains the risks and benefits arising from owning the financial asset. In this case:

- if the Group transfers substantially all the risks and benefits arising from owning the financial asset, it shall derecognise the financial asset and recognise separately any rights and obligations created or retained in the transfer, as assets or liabilities;
- if the Group retains substantially all the risks and benefits arising from owning the financial asset, it shall continue to recognise the financial asset;
- if the Group neither transfers nor retains substantially all the risks and benefits arising from owning the financial asset, it shall determine whether it retained control of the financial asset. In this case:

a) if the Group did not retain control, it shall derecognise the financial asset and recognise separately, as assets or liabilities, any rights and obligations created or retained in the transfer;

b) if the Group retained control, it shall continue to recognise the financial asset to the extent of its continued involvement in the financial asset.

v) The transfer of risks and benefits (see prior note) is evaluated by comparing the Group's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.

vi) The question of whether the Group retained or not control (see note iv) above) over the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally without needing to impose additional restrictions on the transfer, the entity did not retain control. In all other cases, the entity retained control.

Derecognition criteria

In the context of the general principles listed in the previous section, and considering that contract modification processes may lead, in some circumstances, to the derecognition of the original financial assets and recognition of new ones (subject to POCI identification), the purpose of this section is to set the criteria and circumstances that may lead to the derecognition of a financial asset.

The Group considers that a modification in the terms and conditions of a credit exposure will result in derecognition of the transaction and in recognition of a new transaction when the modification translates into at least one of the following conditions:

- creation of a new exposure that results from a debt consolidation, without any of the derecognised instruments having a nominal amount higher than 90% of the nominal amount of the new instrument;
- double extension of residual maturity, provided that the extension is not shorter than 3 years compared to the residual maturity in the moment of modification;
- increase of on-balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);
- change in qualitative features, namely:

a) change of currency, unless the exchange rate between the old and the new currency is pegged or managed within limits restricted by law or the relevant monetary authorities;

b) exclusion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be exercised over its term;

c) transfer of the instrument's credit risk to another borrower, or a significant change in the structure of borrowers within the instrument.

Loans written-off

The Group writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. Loans written-off are recognised in off-balance sheet accounts.

C1.4. Purchased or originated credit-impaired assets

Purchased or originated credit-impaired (POCI) assets are assets that present objective evidence of credit impairment in the moment of their initial recognition. An asset is credit-impaired if one or more events have occurred with a negative impact on the estimated future cash flows of the asset.

The two events that lead to the origin of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition (note C1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, where the existence of a significant discount reflects credit losses incurred at the time of their initial recognition.

At initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime expected credit losses (ECL) are incorporated into the calculation of the effective interest rate (EIR). Consequently, at initial recognition, the gross book value of POCI (initial balance) is accounted for at fair value and it's equal to the net book value before being recognised as POCI (difference between the initial balance and the total discounted cash flows).

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

The Group recognises impairment losses for expected credit losses on financial instruments recognised in the following accounting items:

C1.5.1.1. Financial assets at amortised cost

Impairment losses on financial assets at amortised cost reduce the balance sheet value of these financial assets against the item "Impairment of financial assets at amortised cost" (in the income statement).

C1.5.1.2. Debt instruments at fair value through other comprehensive income

Impairment losses for debt instruments at fair value through other comprehensive income are recognised in the income statement under "Impairment of financial assets at fair value through other comprehensive income", against other comprehensive income (they do not reduce the balance sheet amount of these financial assets).

C1.5.1.3. Credit commitments, documentary credits and financial guarantees

Impairment losses associated with credit commitments, documentary credits and financial guarantees are recognised in liabilities, under the balance "Provisions for guarantees and other commitments", against "Other provisions" (in the income statement).

C1.5.2. Classification of financial instruments by stages

	Changes in credit risk since the initial recognition		
	Stage 1	Stage 2	Stage 3
Classification criterion	Initial recognition	Significant increase in credit risk since initial recognition	Impaired
Impairment losses	12-month expected credit losses	Lifetime expected credit losses	

The Group determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified into one of the following three stages:

- Stage 1: the operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified in this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses);
- Stage 2: the operations in which there is a significant increase in credit risk since its initial recognition (note C1.5.3) but are not impaired (note C1.5.4) are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses);
- Stage 3: impaired operations are classified in this stage. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

C1.5.3. Significant increase in credit risk (SICR)

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative, but also qualitative criteria. These criteria are mainly based on the risk grades of customers, according to the Bank's Rating Master Scale, and on its evolution, in order to detect significant increases in Probability of Default (PD), complemented by other information regarding the customers’ behavior towards the financial system.

C1.5.4. Definition of financial assets in default and impaired

All customers who meet at least one of the following conditions are marked as default and, consequently, in NPE:

a) Delay over 90 days of material payment:

- Amounts of principal, interest or fees not paid on the due date that, cumulatively, represent:
i) more than Euros 100 (retail) or more than Euros 500 (non-retail); and,
ii) more than 1% of the total debt (direct liabilities).

After these two conditions are met, the counting of days of delay begins: if more than 90 consecutive days in which the customer is in this situation have been counted, it is classified as default (or GR15).

The existence of a material payment delay gives rise to the default setting (GR15) of all holders of the operation (or operations).

b) Signs of low probability of payment:

i. Credit restructuring due to financial difficulties with loss of value;
ii. Delay after restructuring due to financial difficulties;
iii. Recurrence of restructuring due to financial difficulties;
iv. Credit with signs of impairment (or stage 3 of IFRS 9);
v. Insolvency or equivalent proceedings;
vi. Litigation;
vii. Guarantees of operations in default;
viii. Credit sales with losses;
ix. Credit fraud;
x. Unpaid credit status;
xi. Breach of covenants in a credit agreement;
xii. Spread of default in an economic group;
xiii. Cross default in BCP Group.

C1.5.5. Estimates of expected credit losses - Individual analysis

1. Customers who are in one of the following conditions are subject to individual analysis:

Customers in default	Customers in litigation or insolvency, if the total exposure of the group members in these situations exceeds Euros 1 million
	Customers integrated into groups with an exposure over Euros 5 million, if they have a risk grade 15
Groups or customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or customers with an exposure over Euros 5 million, if a group member has a risk grade 14
	Groups or customers with an exposure over Euros 5 million, if a member of the group has a restructured loan and a risk grade 13
	Groups or customers with an exposure over Euros 10 million, if at least one member of the group is in stage 2
	Groups or customers not included in the preceding paragraphs, whose exposure exceeds Euros 25 million

2. Regardless of the criteria described in the previous point, the individual analysis is only performed for customers with a credit exposure over Euros 500,000, while customers with exposure below this limit are not considered for the purpose of determining the exposure referred to in the previous point.

3. Other customers that do not meet the criteria defined in 1 will also be subject to individual analysis, if under the following conditions:

- they have impairment as a result of the latest individual analysis;
- according to recent information, they show a significant deterioration in risk levels; or,
- are a Special Purpose Vehicle (SPV).

4. The individual analysis includes the following procedures:

- for customers that are not in default, the analysis of financial difficulties indicators to determine whether the customer has objective signs of impairment, or whether it should be classified in stage 2 given the occurrence of a significant increase in credit risk, considering for this purpose a set of predetermined signs;
- for customers in default or for which the previous analysis has allowed to conclude that the customer has objective signs of impairment, determination of the loss.

5. The individual analysis is the responsibility of the departments in charge of customer management and of the Credit Department, the latter in respect to the customers managed by the Commercial Networks.

The assessment of existence of impairment losses in individual terms is determined through an analysis of the total credit exposure on a case-by-case basis. For each loan considered individually significant, the Group assessed, at each balance sheet date, the existence of objective evidence of impairment. In the assessment of impairment losses in individual terms, the following factors were considered:

- total exposure of each customer towards the Group and the existence of overdue loans;
- viability of the customer's business and its capacity to generate enough cash flows to service debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to each loan;
- significant deterioration of the customer's rating;
- the customer's available assets in liquidation or insolvency situations;
- the existence of preferential creditors;
- the amount and expected recovery term.

6. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.

7. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the customer's liabilities.

8. The recovery estimation referred to in the previous point should be influenced by future prospects (forward-looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty regarding the expected recovery estimation are identified.

9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

- for Going Concern strategies (i.e., the estimation is based on the cash flows of the business), the possibility of applying the 2 additional macroeconomic scenarios (optimistic and pessimistic) should be analysed in a global way, to ascertain if there is the risk of a skewed view of the expected losses from the consideration of only one scenario;
- for Gone Concern strategies (i.e., the recovery estimation is based on the realization of the collateral), the impact of the macroeconomic scenario on collaterals should be analysed, for example, to what extent the projected real estate index indicates significant changes ahead for the current valuation values.

10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt.

11. For the purposes of the preceding paragraphs, the Studies, Planning and ALM Department shall disclose the macroeconomic data that allow the estimations to be made.

12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.

13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

- recovery of collateral in geographies in which the Bank has no relevant recovery experience;
- recovery of debt related to geographies in which there is strong political instability;
- recovery of non-real estate collateral for which there is no evidence of market liquidity;
- recovery of related collateral or government guarantees in a currency other than the country's own;
- recovery of debt related to debtors for whom there is a strong negative public exposure.

14. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, as well as for the final decision on the customer's impairment.

15. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12 months equivalent to the risk grade of the customer.

16. The individual impairment analysis must be carried out at least annually. In case significant signs of deterioration or improvement in the customer’s economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review of the expected impairment of this customer.

C1.5.6. Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped considering their risk characteristics and subject to a collective impairment analysis. The Group's credit portfolio is divided by internal risk grades and according to the following segments:

a) Segments with a reduced history of defaults, designated ‘low default’: Large corporate exposures, Project finance, Institutions (banks/financial institutions) and Sovereigns;
b) Segments not ‘low default’: - Retail: Mortgages; Overdrafts; Credit cards; Small and medium enterprises - Retail (‘SME Retail’); and Others - Corporate: Small and medium enterprises - Corporate (‘Large SME’); and Real Estate.

The Group performs statistical tests in order to prove the homogeneity of the segments mentioned above, with a minimum period of one year.

Expected credit losses are estimates of credit losses that are determined as follows:

- financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;
- financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the Group expects to receive;
- financial guarantees: the current value of the expected repayments less the amounts that the Group expects to recover.

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default – PD;
- Loss Given Default – LGD; and,
- Exposure at Default – EAD.

These parameters are obtained through internal statistical models and other relevant historical data, considering the already existing regulatory models adapted to the requirements of IFRS 9.

PDs are estimated based on a certain historical period and will be calculated based on statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also vary. The PDs will be calculated considering the contractual maturities of exposures.

The risk grades are a highly relevant input for determining the PD associated with each exposure.

The Group collects performance and default indicators about their credit risk exposures with analysis by types of customers and products.

LGD is the magnitude of the loss that is expected to occur if an exposure goes into default. The Group estimates the LGD parameters based on the historical recovery rates after entry into counterparty defaults. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

The EAD represents the expected exposure if the exposure and/or customer defaults. The Group obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortisations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Group will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Group has the right to require payment or end the commitment or guarantee.

The Group adopted as a residual term criterion for renewable operations, when in stage 2, a term of 5 years. This term was determined based on the behavioural models of this type of product applied by the Bank in the liquidity risk and interest rate (ALM) analysis. According to these models, the maximum period of repayment of these operations is the 5 years considered conservatively in the scope of the calculation of credit impairment.

The Group uses models to forecast the evolution of the most relevant parameters for the expected credit losses, namely probability of default, which incorporate forward-looking information. This incorporation of forward-looking information is carried out in the relevant elements considered for the calculation of expected credit losses (ECL).

In particular, the PD point-in-time (PDpit) considered for the determination of the probability of performing exposures at the reference date becoming defaulted exposures considers the expected values for a set of macroeconomic variables, based on three scenarios (Central, Upside and Downside Scenario) prepared by the Bank's Economic Studies area. These scenarios, which are used across the Bank for various purposes besides calculating impairment, take into account existing projections by reference entities.

In June 2022 the Bank carried out an update of the macroeconomic scenarios and of the corresponded adjustment of the parameters considered in the collective impairment model, without significant impacts on the value of impairment resulting from the aforementioned model.

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- “Financial liabilities at amortised cost”;
- “Financial liabilities at fair value through profit or loss”.

C2.1.1. Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under "Financial liabilities at fair value through profit or loss" include:

a) “Financial liabilities held for trading”

In this balance the issued liabilities are classified with the purpose of repurchasing in the near term, those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative (except for a derivative classified as hedging instrument).

b) “Financial liabilities designated at fair value through profit or loss”

The Group may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- the financial liability is managed, evaluated and reported internally at its fair value; or,
- the designation eliminates or significantly reduces the accounting mismatch of transactions.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognised as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium/discount (when applicable) is recognised in "Interest expense and similar charges" based on the effective interest rate of each transaction.

C2.1.2. Financial guarantees

If they are not designated at fair value through profit or loss at the time of initial recognition, the financial guarantee contracts are subsequently measured at the highest of the following amounts:

- the provision for losses determined according to the criteria described in note C1.5;
- the amount initially recognised deducted, when appropriate, from the accumulated amount of income recognised according to IFRS 15 - Revenue from contracts with customers.

Financial guarantee contracts that are not designated at fair value through profit or loss are presented under "Provisions".

C2.1.3. Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial assets at amortised cost" includes resources from credit institutions and from customers, as well as subordinated and non-subordinated debt securities.

Initial recognition and subsequent measurement

Financial liabilities at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. Interest on financial liabilities at amortised cost are recognised in "Interest expense and similar charges", based on the effective interest rate method.

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

The Group derecognises financial liabilities when these are cancelled or extinct.

C3. Interest recognition

Income and expense related to interest from financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (net interest income) through the effective interest rate method. Interest related to financial assets at fair value through other comprehensive income is also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g., early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

Interest income recognised in income associated with contracts classified in stage 1 or 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortised cost, before deducting the respective impairment. For financial assets included in stage 3, interest is recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e., for financial assets entering stage 3, interest is recognised at the amortised cost (net of impairment) in subsequent periods.

For purchased or originated credit-impaired assets (POCI), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

C4. Hedge accounting

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39.

The Group designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed in a continuous basis and highly effective throughout the reporting period; and,
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

C4.1. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of hedged risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual term of the hedged item.

C4.2. Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- deferred over the residual period of the hedged instrument; or,
- recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

C4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness must be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable, and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

C4.4. Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity and transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

C5. Embedded Derivatives

An embedded derivative is a component of a hybrid agreement, which also includes a non-derived host instrument.

If the main instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described in note C1.1.3.

Derivatives embedded in contracts that are not considered financial assets are treated separately whenever the economic risks and benefits of the derivative are not related to those of the main instrument, since the hybrid instrument is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent fair value changes recorded in profit or loss for the period and presented in the trading derivatives portfolio.

D. Securitization operations

D1. Traditional securitizations

The Group has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4), portfolios which were derecognised from the Bank's individual balance sheet, as the residual portions of the referred operations were sold to institutional investors and, consequently, their risks and benefits were substantially transferred.

By purchasing a part of the most subordinated residual portion, the Group maintained control of the assets and liabilities of Magellan Mortgages no.3, with this Special Purpose Entity (SPE) being consolidated in the Group's financial statements, in accordance with the accounting policy referred to in note 1 B.

The three operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Titularization Fund, which has financed this purchase through the sale of titularization units to a SPE with office in Ireland. At the same time, this SPE issued and sold in capital markets a group of different portions of bonds.

As at 30 June 2022, the Group has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4).

D2. Synthetic securitizations

Currently, the Group has two synthetic securitization operations.

Caravela SME no.3, which started on 28 June 2013, has a medium and long-term loan portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium-sized companies.

Caravela SME no.4 is a similar operation, initiated on 5 June 2014, whose portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium-sized companies).

In both operations, the Bank contracted a Credit Default Swap (CDS) from a Special Purpose Vehicle (SPV), buying, this way, protection for the total portfolio. In both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors of Credit Linked Notes (CLNs). The Group retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which totally collateralizes the responsibilities in the presence of the Group, in accordance with the CDS.

E. Equity instruments

A financial instrument is an equity instrument only if: i) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; and, ii) the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instrument issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the Group and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognised when the obligation to pay is established and are deducted to equity.

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

F2. Repurchase agreements

The Group performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised in the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions. The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

G. Non-current assets held for sale and Discontinued or discontinuing operations

Non-current assets, groups of non-current assets held for sale (groups of assets together with related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when the intention is to sell the referred assets and liabilities and when the referred assets or group of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and its sale is highly probable, in accordance with IFRS 5. For the sale to be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group) and must have initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected that the sale qualifies for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5, and that the Group remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable. Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short-term are consolidated until the moment of their sale.

G1. Non-operating real estate (INAE)

The Group also classifies as non-current assets held for sale the non-operating real estate (INAE), which include properties acquired by the Group as a result of the resolution of customer credit processes, as well as own properties that are no longer used by the Group's services.

Properties held by real estate companies and real estate investment funds, which are part of the Group's consolidation perimeter, whose capital or units acquired by the Group as a result of the recovery loans are treated as INAE.

At the time of acquisition, real estate classified as INAE is recognised at the lower of the value of the loans existing on the date on which the recovery occurs, or the judicial decision is formalised, and the fair value of the property, net of estimated costs for sale. Subsequent measurement of INAE is made at the lower of their book value and the corresponding fair value, net of the estimated costs for their sale and are not subject to amortisation. Impairment losses are recorded in the results of the period in which they arise.

The fair value is determined based on the market value, which is determined based on the expected sales price obtained through periodic evaluations made by expert external evaluators accredited to the Comissão do Mercado de Valores Mobiliários (CMVM).

The principles used to determine the net fair value of selling costs of a property apply, whenever possible, to real estate similar to INAE held by Real Estate Companies and Real Estate Investment Funds for the purpose of consolidating Group accounts.

Whenever the net fair value of the selling costs calculated for an INAE is less than the amount by which the same is recognised in the Group's balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against income for the year.

If the net fair value of the selling costs of an INAE, after recognition of impairment, indicates a gain, the Group may reflect that gain up to the maximum of the impairment that has been recorded on that property.

H. Lease transactions (IFRS 16)

This standard establishes the requirements regarding the scope, classification/recognition and measurement of leases:

- from the lessor's perspective, leases will continue to be classified as finance leases or operating leases;
- from the lessee’s perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low-value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16 and shall recognise the lease payments associated with these leases as an expense.

The Group chose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset’s value is below Euros 5,000. Additionally, this standard was not applied to leases of intangible assets.

Lease definition

The lease definition focuses on the control of the identified asset, establishing that a contract constitutes or contains a lease if it carries the right to control the use of an identified asset, i.e., the right to obtain substantially all the economic benefits of using it, and the right to choose how to use the identified asset over a period in exchange of a payment.

Impacts from the lessee's perspective

The Group recognises for all leases, except for those with a term under 12 months or for leases of low-value assets:

- a right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be supported by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently, it will be measured according to the cost model (subject to depreciations/amortisations and impairment tests);
- a lease liability initially recorded at the present value of the remaining lease payments (NPV), which includes:
  - fixed payments deducted from any lease incentives receivable;
  - variable lease payments that depend on a rate or an index, initially measured considering the rate or index as at the commencement date;
  - amounts expected to be paid by the lessee under residual values guarantees;
  - the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease.

Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Group's spread of risk, applied over the weighted average term of each lease contract. For term contracts, that date is considered as the end of lease date, while for contracts without term, or with renewable terms, it is assessed using the date in which the contract is enforceable, as well as eventual economic penalties associated with the lease contract. In the evaluation of enforceability, the particular clauses of the contracts are considered, as well as the current law on Urban Leases.

Subsequently, lease payments are measured as follows:

- by increasing their carrying amount to reflect interest;
- by reducing their carrying amount to reflect lease payments;
- carrying amount shall be remeasured to reflect any leases' revaluations or changes, as well as to reflect the review of in -substance fixed payments and the review of the lease term.

The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used;
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

The Group did not make any adjustment during the periods presented.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The implementation of this standard implies changes in the Group’s financial statements, namely:

- in the consolidated income statement:

  (i) recording in “Interest Income” the interest expenses related to lease liabilities;

  (ii) recording in “Other administrative costs” the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,

  (iii) recording in “Amortisations and depreciations” the depreciation expenses related to right-to-use assets.

- in the consolidated balance sheet:

  (i) recording in “Financial assets at amortised cost – Loans and advances to customers” the recognition of financial assets related to sublease operations measured accordingly to IFRS 9;

  (ii) recording in “Other tangible assets” the recognition of right-to-use assets; and,

  (iii) recording in “Other liabilities” the amount of recognised lease liabilities.

- in the consolidated statement of cash flows, the balance “Cash flows arising from operating activities – Payments (cash) to suppliers and employees” includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance “Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests” includes amounts related to payments of lease liabilities’ capital portions, as detailed in the interim condensed consolidated statement of cash flows.

Impact from the lessor’s perspective

In accordance with IFRS 16, paragraph 62, lessors shall classify leases as finance or operational leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards inherent to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards inherent to ownership of an underlying asset.

Subleases

A sublease implies that the lessee establishes a lease contract with a third party, which acts as an intermediary, and the lease contract with the original lessor is kept in force.

IFRS 16 – Leases requires that the lessor evaluates subleases regarding right-to-use and not regarding the underlying asset.

The sublease’s lessor, simultaneously lessee regarding the original lease, shall recognise an asset in the financial statement – a right-to-use related to the initial lease (if the lease is classified as operating) or a financial asset, measured according to IFRS 9, related to the sublease (if the lease is classified as financing).

In case the primary lease is short-term, then the sublease should be classified as an operating lease.

Impact of the pandemic caused by COVID-19 virus

On 12 October 2020, the European Union published an amendment to IFRS 16, associated with income concessions related to COVID-19. This amendment allows tenants, as a practical expedient, to have the possibility to choose not to consider a rent concession that occurs as a direct consequence of the COVID-19 pandemic as a modification of the lease. A lessee who uses this option must account for any concession that occurs at the rent level in the same way that he would do it under IFRS 16 – Leases, if this change did not constitute a modification of the lease. This amendment does not affect lessors.

Within the scope of the sublease, the Bank carried out the analysis of the respective contracts.

I. Recognition of income from services and commissions

In accordance with IFRS 15, the Bank recognizes revenue associated with services and commissions when (or as) a performance obligation is satisfied when transferring a service, based on the transaction price associated with this performance obligation. In this context, the Bank takes the following steps to recognize revenue associated with services and commissions:

- Recognition (satisfaction of the performance obligation): (i) identification of the contract associated with the service provided and whether it should be covered by IFRS 15; (ii) identification of performance obligations associated with each contract; (iii) definition of the criteria for the fulfillment of performance obligations, also taking into account the contractual terms established with the counterparty. According to this definition, a service is transferred when the customer obtains the benefits and control associated with the service provided. In this context, the Bank also identifies whether performance obligations are met over time (“over time”) or at an exact moment (“point in time”), with revenue being recognized accordingly.

- Measurement (price to be recognized associated with each performance obligation): (i) determine the transaction price associated with the service provided, considering the contractual terms established with the counterparty and its usual commercial practices. The transaction price is the amount of consideration to which the Bank expects to be entitled in exchange for transferring promised services to the customer, excluding amounts collected on behalf of third parties. The Bank includes in the transaction price part or all of the estimated amount of the variable consideration associated with a performance obligation, only to the extent that it is highly probable that a significant reversal in the amount of the accrued revenue recognized will not occur when the uncertainty associated with that variable consideration is subsequently resolved; and (ii) allocate the transaction price to each of the performance obligations identified under the contract established with the customer.

It should be noted that when services or commissions are an integral part of the effective interest rate of a financial instrument, income resulting from services and commissions is recorded in net interest income (Note C 3).

J. Net gains/(losses) from financial operations at fair value through profit or loss, Net gains/(losses) from foreign exchange, Net gains/(losses) from hedge accounting, Net gains/(losses) from derecognition of assets and liabilities at amortised cost and Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income

These balances include gains and losses arising from financial assets and liabilities at fair value through profit and loss, i.e., fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This balance also includes the gains and losses arising from the sale of financial assets at fair value through other comprehensive income and financial assets and financial liabilities at amortised cost. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this balance, as well as the net gains or losses from foreign exchange.

K. Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Group’s consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

L. Other tangible assets

Other tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred, under the principle of accrual-based accounting.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other tangible assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life. The impairment losses of the fixed tangible assets are recognised in the income statement of the period.

M. Investment properties

Real estate properties owned by the Group are recognised as ‘Investment properties’ considering that the main objective of these buildings is their capital appreciation on a long-term basis and not their sale in a short-term period, nor their maintenance for own use.

These investments are initially recognised at their acquisition cost, including transaction costs, and subsequently revaluated at their fair value. The fair value of the investment properties should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in the income statement, as "Other operating income/(losses)" (note 6).

The experts responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

N. Intangible assets

N1. Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

N2. Software

The Group recognises as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight-line basis by an estimated lifetime of 6 years. The Group does not capitalise internal costs arising from software development.

O. Cash and cash equivalents

For the purposes of the cash flow statement, the item “Cash and cash equivalents” comprises balances with less than three months maturity from the balance sheet date, where the items "Cash and deposits at Central Banks" and "Loans and advances to credit institutions" are included.

P. Offsetting

Financial assets and liabilities are offset and recognised at their net book value when: i) the Group has a legal right to offset the amounts recognised and transactions can be settled at their net value; and, ii) the Group intends to settle on a net basis or realize the asset and settle the liability simultaneously. Considering the current operations of the Group, no compensation of material amount is made. In case of reclassification of comparative amounts, the provisions of IAS 1.41 are disclosed: i) the nature of the reclassification; ii) the amount of each item (or class of items) reclassified; and, iii) the reason for the reclassification.

Q. Foreign currency transactions

Transactions in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the reporting date. Foreign exchange differences arising from conversion are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are converted into the respective functional currency of the operation at the foreign exchange rate on the date that the fair value was determined against profit and loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognised against equity.

R. Employee benefits

R1. Defined benefit plans

The Group has the responsibility to pay its employees' retirement pensions, invalidity pensions and survivor’s pensions, in accordance with the terms of the two collective labour agreements approved. These benefits are provided for in the pension plans ‘Plano ACT’ and ‘Plano ACTQ’ of the Banco Comercial Português Group Pension Fund.

Following the publication of Decree-Law no. 54/2009, of 2 March, banking entities are obligatorily enrolling new employees in the General Social Security System (RGSS). These employees have the RGSS as their basic retirement scheme, and do not have any benefits under the ACT (base plan). In the scope of its management and human resources, the Group had already adopted as a rule the inclusion of new employees in the RGSS since July 2005. However, until the transposition into the ACT of the alterations resulting from the referred Decree-Law no. 54/2009, all employees were covered by the provisions of the social security chapter of the ACT, and for employees who were already registered with the RGSS, the ACT benefit worked as a complement to the RGSS. As of 1 July 2009, in accordance with the ACT, all new employees only have the RGSS as their basic social security scheme.

Until 2011, in addition to the benefits provided for in the two plans above-mentioned, the Group had assumed the responsibility, if certain conditions were verified in each year, of assigning retirement supplements to the Group's employees hired up to 21 September 2006 (Complementary Plan). The Group, at the end of 2012, determined the extinction (cut) of the old-age benefit of the Complementary Plan. On 14 December 2012, Instituto de Seguros de Portugal (ISP) formally approved this change to the Group’s benefit plan, effective from 1 January 2012. The plan was cut, and employees were given individual acquired rights. On that date, the Group also proceeded to the settlement of the respective liability.

From 1 January 2011, Bank employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the banks remain liable for benefits that concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employee, replacing the Banking Social Healthcare System which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The banks support the remaining difference for the total pension assured in the Collective Labour Agreement (ACT).

This integration has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in accordance with the Projected Unit Credit during the average lifetime of the pension until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognised under the heading "Current service costs".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, an agreement was established between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the IRCT - Instrument of Collective Regulation of Work of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements, namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the ACT was reached between the BCP Group and two federations of the unions that represent the Group's employees, which introduced changes in the Social Security clause and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT was published by the Ministry of Labour in the Bulletin of Labour and Employment on 15 February 2017 and the effects were recorded in the financial statements of 31 December 2016, for employees associated with these two unions.

The negotiation with Sindicato dos Bancários do Norte (SBN), which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labour and Employment, with the effects of this new ACT recorded in the financial statements as at 31 December 2017, for employees associates of SBN.

The most relevant changes in the ACT were the change in the retirement age (presumed disability) from 65 years to 66 years and two months in 2016 and the subsequent update of an additional month in each year, which cannot, in any case, be higher than the one in force at any moment in the General Regime of Social Security, the change in the formula for determining the employer's contribution to SAMS and, lastly, the introduction of a new benefit called the End of Career Premium, which replaces the Seniority Premium.

These changes were framed by the Group as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs".

In 2017, after the authorization of the Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF - Portuguese Insurance and Pension Funds Supervision Authority), the BCP Group's pension fund agreement was amended. The main purpose of the process was to incorporate into the pension fund the changes introduced in the Group's ACT in terms of retirement benefits, as well as to transfer to the pension fund the responsibilities that were directly chargeable to the company (extra-fund liabilities). The pension fund has a part exclusively for the financing of these liabilities which, in the scope of the fund, is called Additional Complement. The End of Career Premium also became the responsibility of the pension fund under the basic pension plan.

The Group’s net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimation. The responsibilities with past service are calculated using the Projected Unit Credit method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the ASF.

The Group's net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high- quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

The income/cost of interest with the pension plan is calculated by the Group, multiplying the net asset/liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities. On this basis, the income/cost net of interest includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experienced gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under "Other comprehensive income".

The Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income/cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and, (v) the effects of any settlement or curtailment occurred during the period. The net income/cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of retirement.

Employee benefits, other than pension plans, namely post-retirement health care benefits and benefits for the spouse and descendants for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each company of the Group, according to a specific contribution plan that ensures the solvency of the fund. In the end of each year, according to Bank of Portugal Notice no. 12/2001, the minimum level required for the responsibilities funding must be 100% regarding pension payments and 95% regarding past services of active employees.

R2. Revision of the salary tables for employees in service and pensions in payment

In 2022, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of the respective clauses, negotiations which are still ongoing.

At the same time, negotiations took place with all the unions subscribed to the Group's Collective Labour Agreements for the revision of the Salary Tables and other clauses of pecuniary expression relative to the years of 2021 and 2022, having been agreed on 20 June and 1 July with all the unions subscribed to the Group's Collective Labour Agreements, the update of the Salary Tables and the Bank's Contributions to SAMS in 2021 by 0.50%, and the increase of 0.50% of other clauses of pecuniary expression, such as lunch subsidy, diuturnities, among others. The agreed updates take effect on 1 January 2021, with the exception of compensation for subsistence and travel allowances, which will be updated after the agreed updates are operational.

Regarding the revision of the Salary Tables and other clauses of pecuniary expression for 2022, it was agreed on 20 June with the unions Mais Sindicato do Sector Financeiro, SBC – Sindicato Bancários do Centro and SBN - Sindicato dos Trabalhadores do Sector Financeiro de Portugal, the update of Salary Tables by 1.10% up to and including level 13, and 0.70% for level 14 and beyond. An increase of 1.10% was agreed for the Bank's contributions to SAMS and other pecuniary expression clauses, and an increase of 7.14% was agreed for the lunch subsidy, whose daily value was increased to Euros 10.50. The agreed updates take effect on 1 January 2022, with exception of compensation for subsistence and travel allowances, which will be updated after the agreed updates are operational.

Regarding SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários, SIB – Sindicato Independente da Banca, an agreement has not yet been reached on the proposal presented by the Group on 22 June, the content of which corresponds to what was agreed with the other unions, hence the negotiations are still ongoing.

R3. Defined contribution plan

For the defined contribution plans, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

As at 30 June 2022, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion.

R4. Variable remuneration paid to employees

The remuneration policy for employees includes an annual variable remuneration system for employees not covered by commercial incentive systems, based on the performance assessment of each employee, in accordance with quantitative and qualitative criteria, that is carried out annually. As a result of this assessment and of the annual fixed remuneration of reference for the role performed, and provided that the Bank's minimum level of performance, as measured by a set of quantitative indicators, is met, the amount of the variable remuneration to be attributed to each employee is determined.

The Executive Committee is responsible, under the terms defined in the remuneration policy, for setting the respective allocation criteria for each employee, whenever it is attributed. The variable remuneration attributed to employees is recorded against the income statement in the period to which it relates.

R5. Share-based compensation plan

As at 30 June 2022, a variable compensation plan with BCP shares is in force for the members of the Executive Committee and for the employees considered Key Function Holders (includes Key Management Members), resulting from the Remuneration Policies for the members of the management and supervisory bodies and for the Employees, both approved for the financial year of 2022 and following years, with the changes that may be approved in each financial year, namely by the General Shareholders' Meeting regarding the Remuneration Policy for the members of the management and supervisory bodies, and by the Board of Directors regarding the Remuneration Policy for Employees.

Key Function Holders include Key Management Members, which are the first line directors who report directly to the Board of Directors and the remaining employees whose professional activities have a significant impact on the Bank's risk profile.

As defined in the Remuneration Policy for the members of the management and supervisory bodies, an annual variable remuneration system is foreseen, for which an assessment of the performance of each member of the Executive Committee is carried out on an annual basis based on quantitative and qualitative criteria. According to this assessment and the annual fixed remuneration, and provided that the Bank's minimum level of performance as measured by a set of quantitative indicators is met, the amount of the variable remuneration to be attributed to each member of the Executive Committee is determined. The payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 40% of its value, being 60% of its value paid in the year following the financial year in question. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

The Remuneration Policy for Employees foresees an annual variable remuneration system for Employees not covered by Commercial Incentives Systems, based on the performance assessment of each employee, in accordance with quantitative and qualitative criteria, that is carried out annually. As a result of this assessment and the fixed reference remuneration for the function performed, and provided that the Bank's minimum level of performance in a set of quantitative indicators is met, the value of the variable remuneration to be attributed to each Employee is determined. For Employees considered as Key Function Holders, the payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 40% of its value, with 60% of its value paid in the year following the financial year in question. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed and to be attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

Employees considered as Key Function Holders are not covered by Commercial Incentives Systems.

For the remaining Employees not covered by Commercial Incentive Systems, the payment of the variable remuneration amount awarded is fully paid in cash in the following year to which it relates.

As foreseen in the approved Remuneration Policy and in the applicable legislation, the amounts of variable remuneration attributed to the members of the Executive Committee and to the Employees considered as Key Function Holders are subject to reduction and reversal mechanisms, to be applied in case of verification of extremely significant events, duly identified, in which the people covered have had a direct participation.

For the members of the Executive Committee, a long-term variable remuneration system is also foreseen, through which these members may receive variable remuneration fully paid in BCP shares after the end of the assessment period, from 1 January 2022 until 31 December 2025, provided that a certain level of performance is achieved in a set of long-term objectives. The amount of the long-term variable remuneration attributed is subject to a deferral period of 3 years for 40% of its value, being 60% of its value paid in the year following the assessment period to which it relates. The number of BCP shares attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

All the shares attributed to the members of the Executive Committee and to the Key Function Holders, within the scope of the payment of variable remuneration, including long-term, are subject to a retention period of 1 year after their payment.

The total variable remuneration to be attributed, each year, to each member of the Executive Committee and to each Employee considered as Key Function Holders, regarding the proportion between its amount and the annual fixed remuneration, is limited to the limits provided in the respective Remuneration Policy.

S. Income taxes

The Group is subject to income tax in several jurisdictions. The Bank is subject, in individual terms, to the regime established by the Corporate Income Tax Code (CIRC), the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014 of 26 August, to which it adhered, and individual legislation. Additionally, deferred taxes relating to tax losses and to temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that these taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets at fair value through other comprehensive income and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted by authorities at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for non-deductible goodwill for tax purposes, differences arising from initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

The item “Deferred tax assets” includes amounts associated with credit impairments not accepted for tax purposes whose credits have been written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

Deferred tax assets are recognised when it is probable that there will be future taxable profits that absorb the deductible temporary differences for tax purposes (including reportable tax losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to offset current tax assets and current tax liabilities; and, (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes released by the same Tax Authority on either the same taxable entity.

The Group complies with the guidelines of IFRIC 23 – Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, not having occurred any material impact on the Bank’s financial statements resulting from its application.

In 2016, the Bank adhered to the Special Tax Regime for Groups of Companies (RETGS) for the purposes of IRC taxation, with BCP being the dominant entity. In the first half of 2022 and during the financial year of 2021, RETGS application was maintained. In 2021, Millennium bcp Participações Sociais – Sociedade Unipessoal, Lda. and BCP África, SGPS, Lda., were included in the group of companies covered by this regime, being now covered by the general IRC regime.

T. Segmental reporting

The Group adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating and geographic segments. A business segment is a Group's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance; and, (iii) for which separate financial information is available.

The Group controls its activity through the following major operating segments:

Portugal activity:

- Retail Banking, also including ActivoBank;
- Companies, Corporate and Investment Banking;
- Private Banking;
- Other.

The Other segment (Portugal activity) includes activities that are not allocated to remaining segments, namely centralized management of financial investments, corporate activities and insurance activity.

Foreign activity:

- Poland;
- Mozambique;
- Other.

The "Other" segment (foreign activity) includes the activity developed by subsidiaries in Switzerland and Cayman Islands and also the contribution of the participation in an associate in Angola. It should be noted that, following the sale of the operation in Switzerland on 2 November 2021, the subsidiary's net income in June 2021, as well as eventual adjustments in 2022 in the capital gain generated with the sale of the entire shareholding in Banque Privée BCP, is reflected as income from discontinued and discontinuing operations, as provided for in IFRS 5.

U. Provisions, Contingent liabilities and Contingent assets

U1. Provisions

Provisions are recognised when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities); (ii) it is probable that a payment will be required to settle; and, (iii) a reliable estimation can be made of the amount of the obligation.

Additionally, when fundamental reorganizations occur that have a material effect on the nature and focus of the company's operations, and the criteria for recognition of provisions referred to above are met, provisions are recognized for restructuring costs.

The measurement of provisions considers the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent to the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted at a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

Provisions are derecognised through their use in the obligations for which they were initially created, or in the case that these obligations cease to exist.

U2. Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

U3. Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits is not remote. The Group registers a contingent liability when:

i) it is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events that are not wholly within the control of the Group; or,

ii) it is a present obligation that arises from past events but is not recognised because:
    a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or,
    b) the amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

V. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share. If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

W. Insurance contracts

W1. Classification

The Group issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is accounted for as a financial instrument.

W2. Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long-term contracts are recognised as income when due from the policyholders. The benefits and other costs are recognised concurrently with the recognition of income over the life of the contracts. This specialization is achieved through the establishment of provisions/liabilities of insurance contracts and investment contracts with discretionary participating features.

The responsibilities correspond to the present value of future benefits payable, net of administrative expenses directly associated with the contracts, less the theoretical premiums that would be required to comply with the established benefits and related expenses. The liabilities are determined based on assumptions of mortality, costs of management or investment at the valuation date.

For contracts where the payment period is significantly shorter than the period of benefit, premiums are deferred and recognised as income in proportion to the duration period of risk coverage. Regarding short-term contracts, including contracts of non-life insurance, premiums are recorded at the time of issue. The award is recognised as income acquired on a *pro-rata* basis during the term of the contract. The provision for unearned premiums represents the amount of issued premiums on risks not occurred.

W3. Premiums

Issued gross premiums are recognised for as income in the period to which they respect independently from the moment of payment or receivable, in accordance with the accrual accounting principle. Reinsurance premiums ceded are accounted for as expense in the period to which they respect in the same way as gross premiums written.

W4. Provision for unearned premiums from direct insurance and reinsurance premiums ceded

The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the *pro-rata temporis* method applied to each contract in force.

W5. Liability adequacy test

At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

X. Insurance or reinsurance intermediation services

Banco Comercial Português and Banco ActivoBank are entities authorized by Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF) for the practice of insurance intermediation in the category of Linked Insurance Broker, in accordance with Article 8, paragraph a), subparagraph i) of Decree-Law no. 144/2006, of 31 July, carrying out insurance intermediation activities in life and non-life segments.

Within the scope of insurance intermediation services, these banks perform the sale of insurance contracts. As compensation for insurance intermediation services, they receive commissions for arranging insurance contracts and investment contracts, which are defined in agreements/protocols established with the Insurance Companies.

Commissions received for insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions whose receipt occurs at a different time from the period to which they refer are recognised as an amount receivable under the item "Other assets". Commissions received for insurance mediation services are recognized in accordance with the policy described in note I above.

Y. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require the Board of Directors, under advice of the Executive Committee, to apply judgments and to make estimations when deciding which treatment is the most appropriate. These estimates were made considering the best information available at the date of preparation of the consolidated financial statements, considering the context of uncertainty that results from the impact of COVID-19 in the current economic scope. The most significant of these accounting estimates and judgments used when applying accounting principles are discussed in this section in order to improve understanding of how they affect the Group's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, under advice of the Executive Committee, the Group's reported results would differ if a different treatment was chosen. The Executive Committee believes that the choices made are appropriate and that the financial statements present the Group's financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimations would be more appropriate.

Y1. Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assesses whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and if it is able to take possession of these results through the power it holds *(de facto control)*. The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimations and assumptions to determine at what extent the Group is exposed to the variable returns and its ability to use its power to affect these returns. Different estimations and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in consolidated income.

Y2. Goodwill impairment

The recoverable amount of the goodwill recorded in the Group's assets is assessed annually in the preparation of accounts with reference to the end of the year or whenever there are indications of eventual loss of value. For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

Y3. Income taxes

Interpretations and estimations were required to determine the total amount of income taxes in each of the jurisdictions where the Group operates. There are many transactions and calculations for which the tax determination is uncertain during the ordinary course of business. Different interpretations and estimations could result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Group considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to taxable income, evolution of tax legislation and its interpretation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Executive Committee strategy, namely the ability to generate the estimated taxable income, the evolution of tax law and its interpretation.

Regarding activity in Portugal, the regulatory decrees no. 5/2016, of 18 November, no. 11/2017, of 28 December, and no. 13/2018, of 28 December, established the maximum limits for impairment losses and other value adjustments for specific credit risk deductible for the purposes of calculating taxable income under IRC in 2016, 2017 and 2018, respectively. These regulatory decrees establish that Bank of Portugal Notice no. 3/95 (Notice that was relevant for determining credit provisions in the financial statements presented in NCA) must be considered for the purposes of determining the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively.

Law no. 98/2019, of 4 September, establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

Regardless of the option mentioned above, the application of the new regime will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- in the financial year of 2022, if, as of 1 January 2022, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 10% compared to the amount recognised on 31 December 2018;

- in the financial year of 2023, if, as of 1 January 2023, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 20% compared to the amount recognised on 31 December 2018.

In the calculation of 2021’s taxable income and in the estimation of the period's taxable income, it was considered the maintenance of the tax rules in force until 2018, since the option of applying the new regime was not exercised.

Following changes provided for in Law no. 27-A/2020, of 24 July, within the scope of the Supplementary Budget for 2020, the period for reporting tax losses in Portugal is now 14 years for losses occurred in 2014, 2015 and 2016 and 7 years for tax losses occurred in 2017, 2018 and 2019; tax losses occurred in the years of 2020 and 2021 have a reporting period of 12 years, which can be deducted up to 2032 and 2033, respectively. The limit for deducting tax losses increases from 70% to 80% when the difference results from the deduction of tax losses recorded in the tax periods of 2020 and 2021.

The reporting period for tax losses that are determined since the financial year of 2022 is 5 years.

In the projections of future taxable income, namely for the analysis of the recoverability of deferred tax assets carried out with reference to 30 June 2022, it was considered the approximation between accounting and tax rules as foreseen by Law no. 98/2019, of 4 September, resulting from not exercising earlier its application over the adaptation period of 5 years provided by the referred law, as well as the changes regarding the use of tax losses foreseen in the referred Law no. 27-A/2020, of 24 July.

The taxable income or tax loss determined by the Bank or its subsidiaries that reside in Portugal can be corrected by the Portuguese Tax Authority in the period of four years, except if any deduction was made or if tax credit was used, in which the limitation period corresponds to the same of exercising of that right. The Bank recorded provisions or deferred tax liabilities in the amount that finds appropriate to face the tax amendments or the tax losses of which was object, as well as the contingencies regarding exercises not yet revised by the Tax Authority.

Y4. Non-current assets held for sale (real estate) valuation

The valuation of these assets, and consequently the impairment losses, is supported by evaluations carried out by external experts, which incorporate several assumptions, namely the selling price per square meter, discount rate, better use of the real estate and expectations regarding the development of real estate projects, as applicable, and also considers the Bank's historical experience in the commercialization of real estate, its perspectives on the evolution of the real estate market and the intentions of the management body regarding the commercialization of these assets. The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

The haircut estimates applied in determining the fair value of these properties were adjusted in the case of commercial properties and lands. In part, this change stems from the impact on sales prices of the current pandemic situation of COVID-19.

Y5. Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimations, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rates, mortality tables, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund is based on an analysis performed over the market yields regarding a bond issues universe – that the Group considers to have high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in euros - related to a diverse and representative range of issuers.

Y6. Financial instruments – IFRS 9

Y6.1. Classification and measurement

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the testing of the business model.

The Group determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, must be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and the way these risks are managed; and how asset managers are rewarded.

The Group monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for these assets. This monitoring is part of a process of continuous evaluation by the Group of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and, consequently, a prospective classification change of these financial assets.

Y6.2. Impairment losses on financial assets at amortised cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses on financial instruments involves judgments and estimations regarding, among others, the following:

Significant increase in credit risk:

Impairment losses correspond to the expected losses on a 12-month for the assets in Stage 1 and the expected losses considering the probability of a default event occurring at some point up to the maturity date of the instrument financial assets for assets in Stages 2 and 3. An asset is classified in Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers qualitative and quantitative information, reasonable and sustainable.

In order to comply with the Supervisors' guidelines, namely with regard to the identification and measurement of credit risk in the context of the COVID-19 pandemic, the Bank proceeded to record additional impairments in relation to the current models of collective impairment calculation (overlays).

The exercise carried out was based on an analysis of migrations from customers identified as having the highest risk for Stage 2 and Stage 3, with the greatest impact on the corporate segment.

Definition of groups of assets with common credit risk characteristics:

When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Group monitors the adequacy of credit risk characteristics on a regular basis to assess whether it maintains its similarity. This procedure is necessary to ensure that, in the event of a change in the credit risk characteristics, the asset segmentation is reviewed. This review may result in the creation of new portfolios or in transferring assets to existing portfolios that better reflect their credit risk characteristics.

Definition of the number and relative weight of prospective information for each type of product/market and determination of relevant prospective information:

In estimating expected credit losses, the Group uses reasonable and sustainable forecasting information that is based on assumptions about the future evolution of different economic drivers and how each of the drivers impacts the remaining drivers.

Probability of default:

The probability of default represents a determining factor in the measurement of expected credit losses and corresponds to an estimation of the probability of default in a given period, which is calculated based on historical data, assumptions and expectations about future conditions.

Loss given default:

It corresponds to a loss estimation in a default scenario. It is based on the difference between the contractual cash flows and those that the Bank expects to receive, through the cash flows generated by the customers' business or credit collaterals. The estimation of loss given default is based on, among other aspects, the different recovery scenarios, historical information, the costs involved in the recovery process and the estimation of the valuation of collaterals associated with credit operations.

Y6.3. Fair value of derivative financial instruments

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which considers the market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values. Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different results from the ones reported.

Due to market stress conditions, the Bank needed to reallocate the risk limits, especially in the sensitivity limit of the trading portfolio and to review the stress-test scenarios and their methodologies.

In the context of the COVID-19 pandemic, the calculation of fair value adjustments was revised considering liquidity discounts, the costs of closing positions (widening the buy and sell spread), credit risk, spreads of financing and increased volatility.

Y7. Provisions for risk associated with mortgage loans indexed to the Swiss franc

The Group creates provisions for legal contingencies related to mortgage loans indexed to the Swiss franc granted by Bank Millennium, S.A.

The assumptions used by the Bank are essentially based on historical observations and will have to be updated in subsequent periods, which may have a relevant impact on the provision's estimation. The methodology developed by the Bank is based on the following parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified time horizon; (ii) the amount of the Bank's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained; (iv) in the case of a loan agreement invalidity scenario, the Bank Millennium's loss is calculated taking into account the assignment of a minimum probability of receiving the settlement of a remuneration for the cost of use of capital; and (v) amicable settlement with clients in or out of court.

The evolution of responsibilities with legal contingencies related to mortgage loans indexed to the swiss franc and the amount of the Bank's actual losses depend, namely, on the number of ongoing and potential lawsuits, as well as on the final court decisions about each case and amicable settlement with clients.

Z. Subsequent events

The Group analyses events occurred after the balance sheet date, i.e., favourable and/or unfavourable events that occur between the balance sheet date and the date the financial statements were authorized for issue. In this context, two types of events can be identified:

i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and,
ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurred after the date of the financial statements that are not considered as adjustable events, if significant, are disclosed in the notes to the consolidated financial statements.

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Interest and similar income		
Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand	4,071	(3,409)
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	21,765	16,977
Loans and advances to customers	915,099	682,548
Debt securities	95,894	55,550
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	2,446	1,948
Financial assets not held for trading mandatorily at fair value through profit or loss	3,584	7,801
Interest on financial assets at fair value through other comprehensive income	62,939	36,142
Interest on hedging derivatives	35,018	25,221
Interest on other assets	868	2,248
	1,141,684	825,026
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	31,475	36,522
Resources from customers and other loans	(118,333)	(42,885)
Non subordinated debt securities issued	(12,457)	(8,733)
Subordinated debt	(30,424)	(30,517)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives associated to financial instruments at fair value through profit or loss	(11,164)	80
Financial liabilities at fair value through profit or loss		
Resources from customers	–	(1,542)
Non subordinated debt securities issued	(3,227)	(320)
Interest on hedging derivatives	(8,256)	(7,793)
Interest on leasing	(2,668)	(2,813)
Interest on other liabilities	(1,472)	(1,248)
	(156,526)	(59,249)
	985,158	765,777

The balance Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand has accounted for, in the first half of 2022, negative interests of Euros 7,609,000 (30 June 2021: Euros 3,457,000) associated with demand deposits with the Bank of Portugal.

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 14,769,000 (30 June 2021: Euros 7,683,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3. This balance also includes the amount of Euros 30,783,000 (30 June 2021: Euros 28,463,000) related to interest income arising from customers classified in stage 3.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 1,260,000 and Euros 483,000, respectively (30 June 2021: Euros 1,313,000 and Euros 3,265,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

The balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions has recorded, in the first half of 2022, a negative cost of Euros 40,071,000 (30 June 2021: Euros 39,610,000) associated with the TLTRO III operation described in note 32.

The balance Interest on leasing refers to the interest cost related to the leasing liabilities recognised under IFRS 16, as referred in accounting policy described 1 H.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Dividends from financial assets at fair value through other comprehensive income	12,873	709
	12,873	709

The balance Dividends from financial assets at fair value through other comprehensive income includes dividends and income from investment fund units received during the period.

4. Net fees and commissions income

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Fees and commissions received		
Banking services provided	239,051	208,151
Management and maintenance of accounts	83,713	74,262
Bancassurance	61,031	60,995
Securities operations	35,443	32,396
Guarantees granted	22,540	21,905
Commitments to third parties	2,612	2,657
Fiduciary and trust activities	31	17
Other commissions	24,536	21,931
	468,957	422,314
Fees and commissions paid		
Banking services provided by third parties	(61,201)	(52,239)
Securities operations	(4,347)	(4,438)
Guarantees received	(3,409)	(404)
Other commissions	(12,417)	(12,298)
	(81,374)	(69,379)
	387,583	352,935

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	(165,308)	111,477
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	2,693	(15,512)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	169,425	(105,254)
	6,810	(9,289)
Net gains / (losses) from foreign exchange	14,811	27,504
Net gains / (losses) from hedge accounting	(3,673)	1,424
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5,238	(2,993)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	19,038	63,658
	42,224	80,304

The balances Net gains / (losses) from financial operations at fair value through profit or loss is comprised of:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Net gains / (losses) from financial assets held for trading		
Gains		
Debt securities portfolio	3,597	4,629
Equity instruments	97	3
Derivative financial instruments	211,823	162,758
Other operations	1,039	598
	216,556	167,988
Losses		
Debt securities portfolio	(11,577)	(4,788)
Equity instruments	(7,322)	(73)
Derivative financial instruments	(362,526)	(51,272)
Other operations	(439)	(378)
	(381,864)	(56,511)
	(165,308)	111,477
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	5,877	16,326
Debt securities portfolio	17,751	3,275
Equity instruments	(1,019)	2,498
	22,609	22,099
Losses		
Loans and advances to customers	(4,676)	(17,645)
Debt securities portfolio	(15,240)	(19,966)
	(19,916)	(37,611)
	2,693	(15,512)

(continues)

(continuation)

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Net gains/(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	–	176
Debt securities issued		
Certificates and structured securities issued	153,121	–
Other debt securities issued	18,188	1,425
	171,309	1,601
Losses		
Debt securities issued		
Certificates and structured securities issued	–	(105,918)
Other debt securities issued	(1,884)	(937)
	(1,884)	(106,855)
	169,425	(105,254)

In the balances Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss - Gains/(Losses) - Certificates and structured securities issued are recorded the valuations and devaluations of certificates issued by the Bank. These liabilities are covered by futures, which valuation and devaluation are recorded in Net gains / (losses) from financial assets held for trading - Profits/(Losses) - Derivative financial instruments.

The balances Net gains / (losses) from foreign exchange, Net gains / (losses) from hedge accounting and Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost, are presented as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Net gains / (losses) from foreign exchange		
Gains	1,448,360	1,013,829
Losses	(1,433,549)	(986,325)
	14,811	27,504
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	935,182	83,111
Hedged items	103,239	15,770
	1,038,421	98,881
Losses		
Hedging derivatives	(234,017)	(20,393)
Hedged items	(808,077)	(77,064)
	(1,042,094)	(97,457)
	(3,673)	1,424
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	6,405	706
Debt securities issued	585	333
Others	168	127
	7,158	1,166
Losses		
Credit sales	(1,042)	(3,433)
Debt securities issued	(284)	(256)
Others	(594)	(470)
	(1,920)	(4,159)
	5,238	(2,993)

The balance Net gains / (losses) from hedge accounting includes a net loss of Euros 41,167,000 (30 June 2021: Euros 4,748,000) as a result of the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, which are offset in the balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income.

The balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income is comprised of:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	32,514	65,684
Losses		
Debt securities portfolio	(13,476)	(2,026)
	19,038	63,658

The balance Net gains / (losses) arising from financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 478,000 (30 June 2021: Euros 33,353,000) related to gains resulting from the sale of Portuguese Treasury bonds.

6. Other operating income / (losses)

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Operating income		
Gains on leasing operations	1,489	2,189
Income from services provided	14,109	13,788
Rents	1,806	1,675
Sales of cheques and others	4,896	4,577
Other operating income	27,760	23,270
	50,060	45,499
Operating costs		
Donations and contributions	(2,378)	(2,217)
Contribution over the banking sector	(97,766)	(39,286)
Contributions for Resolution Funds	(36,660)	(27,667)
Contribution for the Single Resolution Fund	(25,847)	(20,886)
Contributions for Deposit Guarantee Fund	(8,637)	(7,749)
Special tax for the Polish banking sector	(36,405)	(33,474)
Taxes	(7,472)	(7,281)
Losses on financial leasing operations	(5)	(45)
Other operating costs	(24,216)	(20,246)
	(239,386)	(158,851)
	(189,326)	(113,352)

The balance Contribution over the banking sector in Portugal is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contribution over the banking sector includes in the first half of 2022, a new contribution of Bank Millennium (Poland) for the recently created polish Institutional Protection Scheme, in the amount of Euros 54,276,000.

The Management Board of the Bank Millennium S.A. received information that the Management Boards and Supervisory Boards of Alior Bank S.A., Bank Millennium S.A. Bank Polska Kasa Opieki S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Santander Bank Polska S.A. (Member Banks) had passed resolutions on consenting to submitting an application to the Polish Financial Supervision Authority for approval and recognition of the protection scheme, the members of which are banks operating in the form of a joint-stock company together with the draft agreement on the protection scheme, i.e. Member Bank's participation in the creation of the protection scheme referred to in Article 4(1)(9a) of the Banking Law Act of 29 August 1997.

The objective of the protection scheme is to:

1. ensure liquidity and solvency of the Member Banks on the terms and conditions and to the extent set out in the agreement on the protection scheme; and

2. support: a) the resolution procedure pursued by the Bank Guarantee Fund (BGF) for the bank being a joint-stock company; and b) acquisition of the bank being a joint-stock company under Article 146b.1 of the Banking Law.

The balance Contributions for Resolution Funds includes the periodic contributions that must be paid to the Portuguese Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile based on the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contributions for Resolution Funds also includes the mandatory contributions made by Bank Millennium, S.A to the Bank Guarantee Fund in Poland. The current principles of financing the deposit guarantee system and resolution in Poland, as defined in the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee system and forced restructuring, and are effective from 2017.

The method of calculating contributions regarding the resolution fund of banks in Poland was defined in the Delegated Regulation of the European Commission No. 2015/63 (amended by regulation EU 2016/1434), which applies directly to all European Union countries. The contribution for a given year from each entity is calculated by BFG in accordance with this regulation and the entity is notified by 1 May, each year.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF consider the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) No 2015/63 and European Parliament and of the Council Regulation (EU) No 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

The Group delivered, in the first half of 2022, the amount of Euros 25,847,000 to the Single Resolution Fund (30 June 2021: Euros 20,886,000). The total value of the contribution attributable to the Group amounted to Euros 30,400,000 (30 June 2021: Euros 24,563,000) and the Group opted to constitute an irrevocable commitment, through the constitution of a bailment for this purpose, in the amount of Euros 4,553,000 (30 June 2021: Euros 3,677,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014. As at 30 June 2022, the total amount of irrevocable commitments constituted is Euros 25,506,000 (30 June 2021: Euros 20,953,000), registered in Other assets - Deposit account applications (note 31).

7. Staff costs

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Remunerations	230,195	229,576
Mandatory social security charges		
Post-employment benefits (note 48)		
Service cost	(6,218)	(7,279)
Net interest cost / (income) in the liability coverage balance	1,905	3,014
Cost with early retirement programs	973	4,807
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(4)	—
	(3,344)	542
Other mandatory social security charges	50,303	53,882
	46,959	54,424
Voluntary social security charges	5,412	5,071
Other costs	1,586	83,716
	284,152	372,787

The balance Remunerations includes in the first half of 2022 the amount of Euros 5,630,000 related to the distribution of profits to Bank's employees. In 2021, there was no distribution of profits to Bank's employees.

In the first half of 2021, the Group accounted for in Other costs, the amount of Euros 81,373,000, corresponding to restructuring costs, within the scope of the staff reduction process carried out in 2021 (note 38). This balance also included severance payments in the amount of 3,857,000, of which the highest amounted to Euros 318,000.

Relatively to the first half of 2022, the Group recorded against the use of the provision for restructuring costs (note 38), the amount of Euros 959,000 regarding to severance payments of which the highest amounts to Euros 200.000.

Remunerations

In compliance with the provisions of Article 47 of Banco de Portugal Notice no. 3/2020, quantitative information is disclosed regarding the remuneration paid to different categories of members of governing bodies and categories of employees provided for in Article 115 C no. 2 of the RGICS, as well as the information provided for in Article 450 g) to i) of Regulation (EU) 2019/876 of the European Parliament and of the Council.

A. BCP Board of Directors

The remunerations paid and social charges paid to members of the Board of Directors of Banco Comercial Português, S.A. are analysed as follows:

(Thousands of euros)

	Board of Directors			
	Executive Committee		Non-executive directors	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Fixed remuneration	1,528	1,528	958	958
Variable remuneration				
Pecuniary	370	335	—	—
Shares	1,322	222	—	—
Deferred	1,024	—	—	—
Supplementary retirement pension	305	305	69	69
Post-employment benefits	(21)	(1)	—	—
Other mandatory social security charges	367	367	228	228
	4,895	2,756	1,255	1,255
Number of beneficiaries	6	6	11	11

Considering that the remuneration of members of the Executive Committee and Directors, with an exclusivity contract, intends to compensate the functions that are performed in the Bank and in all other functions performed in subsidiaries or governing bodies for which they have been designated by indication or in representation of the Bank, in the latter case, the net amount of the remuneration annually received by each member of the Executive Committee will be deducted from the fixed annual remuneration attributed by the Bank, ensuring that the effective payable amount corresponds to the one approved by the Remuneration and Welfare Board.

In the first half of 2022, the amount of remuneration paid to the Executive Committee includes the amount of Euros 46,000 (30 June 2021: Euros 45,000) that were supported by subsidiaries or companies whose governing bodies represent the Group's interests. Regarding the Non-executive directors, this amount was Euros 11,000 (30 June 2021: Euros 17,000).

In 2022, it was assigned variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employees, approved for 2021, as described in accounting policies 1 R4 and 1 R5.

In the first half of 2022, the variable remuneration attributed was Euros 616,000 in cash, of which Euros 246,000 are deferred for 5 years, and 12,416,223 shares corresponding to Euros 2,567,000, of which 1,568,846 shares are deferred for 5 years, and 3,397,643 shares are deferred for 3 years.

In the first half of 2022 the deferred variable remuneration attributed to the Executive Committee is related to 2020, 2019 and 2018 years, and amounts to Euros 590,000 in cash and 2.443.549 BCP shares in the amount of Euros 434,000.

In the first semester of 2021, the variable remuneration comprises the amount of Euros 246,000 and shares in the amount of Euros 172,000, as well as deferred variable remuneration for 2019 in the amount of Euros 89,000 and shares in the amount of Euros 49,000.

During the first half of 2022 and 2021, no severance payments were paid to members of the Board of Directors.

B. Key Function Holders (KFH)

In the first half of 2022, the remunerations and social security charges supported with the Group's Key Function Holders, detailed by segment, are analysed as follows:

(Thousands of euros)

	30 June 2022					
	Retail	Corporate	Private Banking	Control functions	Others	Total
Fixed remuneration	585	1,307	225	1,048	2,237	5,402
Variable remuneration						
Pecuniary	113	166	43	155	431	908
Shares	68	95	19	101	254	537
Deferred	42	42	9	20	127	240
Post-employment benefits	(57)	(53)	(3)	(77)	(175)	(365)
Other mandatory social security charges	148	275	55	265	556	1,299
	899	1,832	348	1,512	3,430	8,021
Number of beneficiaries	8	15	2	22	35	82

Arising from the application of the Remuneration Policies for Employees, approved for the financial year 2021, as described in accounting policies 1 R4 and 1 R5, during the first half of 2022, the 82 Key Function Holders were awarded with variable remuneration, in the amount of Euros 301,000 in cash and 1,967,738 shares deferred for 5 years, as well as 174 participation units from AF Fund deferred for 3 years.

In the first half of 2022, deferred variable remunerations were paid to KFH deferred from 2021, 2020 and 2019 years, corresponding in cash to Euros 57,000 and shares in the amount of Euros 182,000.

In the first half of 2022, severance payments were paid to 1 KFH in the amount of Euros 200,000.

In the first half of 2021, the remunerations and social security charges supported with the Group's Key Function Holders are, detailed by segment, as follows:

(Thousands of euros)

	30 June 2021					
	Retail	Corporate	Private Banking	Control functions	Others	Total
Fixed remuneration	581	1,431	225	1,025	2,207	5,469
Variable remuneration						
Pecuniary	28	46	6	57	119	256
Shares	20	27	4	29	73	153
Deferred	31	34	6	15	93	179
Post-employment benefits	(38)	(10)	6	(39)	(107)	(188)
Other mandatory social security charges	143	305	55	260	549	1,312
	765	1,833	302	1,347	2,934	7,181
Number of beneficiaries	8	16	2	22	37	85

As described in accounting policies 1 R4 and 1 R5, during the first half of 2021, the 85 Key Function Holders were awarded with variable remuneration, arising from the application of the Remuneration Policies for Employees, approved for the financial year 2020, deferred for 5 years in the amount of Euros 83,000 and 407,000 shares.

During the first half of 2021, variable remunerations were paid to KFH in shares deferred from 2020 and 2019 years, in the amount of Euros 137,000, as well as Euros 42,000 in cash.

During the first semester 2021 no indemnity was paid for cessation of employment to key management elements.

In the first half of 2022 and 2021, the remunerations and social security charges supported with the Group's Key Function Holders, discriminated by Key management members and by members whose professional activities have significant impact in the risk profile of the Bank (Other KFH), are as follows:

(Thousands of euros)

	Key Function Holders					
	Key management members		Other KFH		Total	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Fixed remuneration	3,715	3,621	1,687	1,848	5,402	5,469
Variable remuneration						
Pecuniary	699	170	209	86	908	256
Shares	418	111	119	42	537	153
Deferred	231	169	9	10	240	179
Post-employment benefits	(226)	(102)	(139)	(86)	(365)	(188)
Other mandatory social security charges	924	899	375	413	1,299	1,312
	5,761	4,868	2,260	2,313	8,021	7,181
Number of beneficiaries	51	51	31	34	82	85

In the first half of 2022, the Key management members were awarded with deferred variable remuneration in the amount of Euros 240,000 and 1.562,494 shares deferred for 5 years, as well as 174 participation units from AF Fund deferred for 3 years. To the Other KFH the deferred variable remuneration amounts to Euros 60,000 and 405,244 shares deferred for 5 years.

During the first half of 2022, deferred variable remunerations from 2021 and 2020 years were paid in cash to Key management members, in the amount of Euros 55,000, as well as BCP shares and participation units from AF Fund from the years 2021, 2020 and 2019 corresponding to Euros 175,000. Relatedly to the other KFH, were paid Euros 3,000 in cash deferred from 2020 and shares and participation units from AF Fund, from the years 2020 and 2019, corresponding to Euros 7,000.

In the first half of 2021, with reference to the financial year of 2020, Key management members were awarded variable remuneration deferred over 5 years in the amount of Euros 82,000 in cash and 406,919 shares.

In the first half of 2022 and 2021, the Group does not have key function holders with remunerations exceeding Euros 1 million.

8. Other administrative costs

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Water, electricity and fuel	8,474	6,026
Credit cards and mortgage	(170)	148
Communications	11,905	10,491
Maintenance and related services	8,059	7,199
Legal expenses	2,597	1,772
Travel, hotel and representation costs	2,149	1,037
Advisory services	11,619	10,577
Training costs	417	329
Information technology services	22,220	20,678
Consumables	3,555	3,297
Outsourcing and independent labour	37,895	37,733
Advertising	13,354	10,909
Rents and leases	9,657	10,154
Insurance	2,431	2,488
Transportation	4,910	4,014
Other specialised services	13,958	12,937
Other supplies and services	9,539	9,188
	162,569	148,977

The balance Rents and leases includes the amount of Euros 213,000 (30 June 2021: Euros 343,000) related to short-term lease contracts and the amount of Euros 1,213,000 (30 June 2021: Euros 1,329,000) related to lease contracts of low-value assets, as described in the accounting policy 1 H.

The balance Other specialised services includes fees for services rendered by the Statutory Auditor of the Group, currently in functions, and by companies in its network as part of its statutory audit functions, as well as other services.

9. Amortisations and depreciations

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Amortisations of intangible assets (note 29):		
Software	18,053	16,540
Other intangible assets	2,132	1,848
	20,185	18,388
Depreciations of other tangible assets (note 28):		
Real estate	7,486	7,366
Equipment		
Computers	8,180	8,509
Security equipment	426	441
Installations	1,478	1,344
Machinery	696	644
Furniture	1,332	1,408
Motor vehicles	2,252	2,325
Other equipment	742	746
Right-of-use		
Real estate	26,695	27,100
Vehicles and equipment	3	59
	49,290	49,942
	69,475	68,330

10. Impairment of financial assets at amortised cost

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Loans and advances to credit institutions (note 20)		
Charge for the period	125	–
Reversals for the period	(101)	(25)
	24	(25)
Loans and advances to customers (note 21)		
Charge for the period	428,086	411,937
Reversals for the period	(239,007)	(244,340)
Recoveries of loans and interest charged-off	(9,678)	(11,447)
	179,401	156,150
Debt securities (note 22)		
Associated to credit operations		
Charge for the period	210	786
Reversals for the period	(175)	–
	35	786
Not associated to credit operations		
Charge for the period	4,149	2,439
Reversals for the period	(406)	(578)
	3,743	1,861
	3,778	2,647
	183,203	158,772

11. Impairment of financial assets at fair value through other comprehensive income

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Impairment of financial assets at fair value through other comprehensive income (note 23)		
Charge for the period	1,047	4,341
Reversals for the period	(2,413)	(149)
	(1,366)	4,192

12. Impairment of other assets

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Impairment of non-current assets held for sale (note 26)		
Charge for the period	19,683	23,043
Reversals for the period	(476)	(626)
	19,207	22,417
Impairment of goodwill of subsidiaries (note 29)		
Charge for the period	102,770	—
Impairment of other assets (note 31)		
Charge for the period	7,571	10,220
Reversals for the period	(4,419)	(5,963)
	3,152	4,257
	125,129	26,674

13. Other provisions

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Provision for guarantees and other commitments (note 38)		
Charge for the period	16,105	19,092
Reversals for the period	(14,908)	(20,664)
	1,197	(1,572)
Other provisions for liabilities and charges (note 38)		
Charge for the period	245,731	288,999
Reversals for the period	(2,518)	(15,320)
	243,213	273,679
	244,410	272,107

The balance Other provisions for liabilities and charges - Charge for the period refers essentially to provisions for legal risk accounted for by Bank Millennium, related to foreign currency-indexed mortgage loans, as described in note 55.

14. Share of profit / (loss) of associates under the equity method

The main contributions of the investments accounted for under the equity method are analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation of net income relating to the current period	972	110
Appropriation of net income relating to the previous period	(2,924)	(1,620)
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (*)	(224)	(216)
	(2,176)	(1,726)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	18,036	17,895
Unicre - Instituição Financeira de Crédito, S.A.	5,589	2,356
SIBS, S.G.P.S, S.A.	8,207	8,596
Banque BCP, S.A.S.	2,319	2,391
Seguradora Internacional de Moçambique, S.A.	878	—
Other companies	(64)	(226)
	34,965	31,012
	32,789	29,286

(*) Based on the requirements of IAS 29, Angola was considered as a high inflation economy until 31 December 2018, for the purposes of presentation of consolidated financial statements, as described in accounting policy 1 B6. This classification is no longer applied since 1 January 2019.

15. Gains/(losses) arising from sales of subsidiaries and other assets

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Gains/(Losses) arising on sale of investments	—	219
Gains /(Losses) arising on sale of other assets	12,100	769
	12,100	988

The balance Gains /(Losses) arising on sale of other assets includes gains arising from the sale of assets held by the Group and classified as non-current assets held for sale in the amount of Euros 13,214,000 (30 June 2021: Euros 1,613,000).

16. Income arising from discontinued or discontinuing operations

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Banque Privée BCP (Suisse) S.A.		
Net income before taxes	—	3,811
Taxes on net income	—	(551)
Gains arising on disposal of the investment held (price adjustment)	1,789	—
	1,789	3,260
Seguradora Internacional de Moçambique, S.A.		
Net income before taxes	—	4,193
Taxes on net income	—	(1,072)
Correction of the gains arising on disposal of the investment held	(310)	—
	(310)	3,121
	1,479	6,381

Under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinued in June 2021, and the impact on results presented in a separate line of the income statement named "Income arising from discontinued or discontinuing operations".

The purchase price received may be adjusted positively or negatively in the future, according to typical adjustments in these 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.

By the end of 2021, the Group, through its subsidiary BIM - Banco Internacional de Moçambique, S.A., sold 70% of the investment held in Seguradora Internacional de Moçambique, S.A., becoming to hold a minority stake of 22%. In accordance with the provisions of IFRS 5, this operation was considered as discontinued and the impact on results presented in a separate line of the income statement named "Income arising from discontinued or discontinuing operations".

Possible contingencies are reflected in the sales price received, therefore, this may be adjusted positively or negatively in the future, according to typical adjustments in these kind of transactions, including the variation of the value and/or flows of assets under management, in pre-determined dates and for specified assets.

The financial statements of Banque Privée BCP (Suisse) S.A. and of Seguradora Internacional de Moçambique, S.A. that have been incorporated in this balance, with reference to 30 June 2021, are detailed in note 56.

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Continuing operations		
Net income from continuing operations	60,063	(37,086)
Non-controlling interests	12,967	43,221
Appropriated net income from continuing operations	73,030	6,135
Interests of the perpetual subordinated bonds (Additional Tier 1)	(18,500)	(18,500)
Adjusted net income from continuing operations	54,530	(12,365)
Discontinued or discontinuing operations (note 16)		
Net income from discontinued or discontinuing operations	1,479	6,381
Non-controlling interests	–	(250)
Appropriated net income from discontinued or discontinuing operations	1,479	6,131
Adjusted net income	56,009	(6,234)
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.007	(0.002)
from discontinued or discontinuing operations	0.000	0.001
	0.007	(0.001)
Diluted earnings per share (Euros):		
from continuing operations	0.007	(0.002)
from discontinued or discontinuing operations	0.000	0.001
	0.007	(0.001)

As at 30 June 2022 and 2021, the Bank's share capital amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

There were not identified another dilution effects of the earnings per share, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Cash	584,546	601,772
Central Banks		
Bank of Portugal	6,103,405	6,418,682
Central Banks abroad	1,242,346	775,845
	7,930,297	7,796,299

The balance Central Banks includes deposits at Central Banks of the countries where the Group operates to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

In addition, from the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which the balance with the Central Bank in excess of the minimum cash reserves, up to an estimated maximum of 6 times of the reserves, is remunerated at the central bank's lending rate instead of the deposit rate.

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Credit institutions in Portugal	5,256	24,301
Credit institutions abroad	230,079	278,860
Amounts due for collection	94,313	58,625
	329,648	361,786

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions. These balances were settled in the first days of the following month.

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Loans and advances to Central Banks abroad	238,739	101,620
Loans and advances to credit institutions in Portugal		
Term deposits	49,991	—
Loans	10,245	18,240
Other	15	15
	60,251	18,255
Loans and advances to credit institutions abroad		
Very short-term deposits	199,673	—
Term deposits	186,734	176,642
Term deposits to collateralise CIRS and IRS operations (*)	173,727	137,385
Other	17,403	20,498
	577,537	334,525
	876,527	454,400
Impairment	(1,210)	(1,187)
	875,317	453,213

(*) Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"), these deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Group.

The changes occurred in impairment of Loans and advances to credit institutions are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Balance on 1 January	1,187	304
Transfers	—	(1)
Impairment charge for the period (note 10)	125	911
Reversals for the period (note 10)	(101)	(27)
Exchange rate differences	(1)	—
Balance at the end of the period	1,210	1,187

21. Loans and advances to customers

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Mortgage loans	28,784,623	28,544,360
Loans	17,906,359	18,298,171
Finance leases	4,144,272	4,155,758
Factoring operations	2,911,112	2,725,080
Current account credits	874,531	817,440
Overdrafts	1,263,004	1,073,654
Discounted bills	159,572	143,109
	56,043,473	55,757,572
Overdue loans - less than 90 days	132,911	127,928
Overdue loans - Over 90 days	607,247	936,185
	56,783,631	56,821,685
Loans impairment	(1,596,400)	(1,849,284)
	55,187,231	54,972,401

The balance Loans and advances to customers, as at 30 June 2022, is analysed as follows:

(Thousands of euros)

	30 June 2022				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	623,810	—	623,810	(1,514)	622,296
Asset-backed loans	32,424,580	194,577	32,619,157	(588,676)	32,030,481
Other guaranteed loans	6,032,574	121,321	6,153,895	(235,763)	5,918,132
Unsecured loans	7,513,856	313,775	7,827,631	(517,323)	7,310,308
Foreign loans	2,393,269	7,148	2,400,417	(35,311)	2,365,106
Factoring operations	2,911,112	15,331	2,926,443	(51,259)	2,875,184
Finance leases	4,144,272	88,006	4,232,278	(166,554)	4,065,724
	56,043,473	740,158	56,783,631	(1,596,400)	55,187,231

The balances Asset-backed loans and Other guaranteed loans follow the subsequent types of guarantees considered:

- Asset-backed loans: Financial collaterals, physical collaterals (movable or immovable) and amounts receivable (income consignment);
- Credit with other guarantees: First-demand guarantees issued by banks or other entities and personal guarantees.

The balance Loans and advances to customers, as at 31 December 2021, is analysed as follows:

(Thousands of euros)

	31 December 2021				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	635,424	—	635,424	(1,681)	633,743
Asset-backed loans	32,425,246	528,636	32,953,882	(839,830)	32,114,052
Other guaranteed loans	6,182,245	99,957	6,282,202	(226,767)	6,055,435
Unsecured loans	7,423,516	347,056	7,770,572	(541,446)	7,229,126
Foreign loans	2,210,303	8,497	2,218,800	(30,443)	2,188,357
Factoring operations	2,725,080	11,304	2,736,384	(41,967)	2,694,417
Finance leases	4,155,758	68,663	4,224,421	(167,150)	4,057,271
	55,757,572	1,064,113	56,821,685	(1,849,284)	54,972,401

As at 30 June 2022, the balance Loans and advances to customers includes the amount of Euros 11,233,626,000 (31 December 2021: Euros 11,896,688,000) regarding mortgage loans assigned to the cover pool backing the Group's covered bond programme issuances.

As part of the liquidity risk management, the Group holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As referred in note 49, the Group provided loans to qualifying shareholders holding individually or together with their affiliates, 5% or more of the share capital identified in note 40.

As at 30 June 2022, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 107,314,000 (31 December 2021: Euros 152,056,000), as referred in note 49 a). The amount of impairment recognised for these contracts amounts to Euros 753,000 (31 December 2021: Euros 3,140,000).

The conclusion of business between the Company and holders of qualifying holdings or individuals or legal entities related to them in accordance with the provisions of article 33.°, n.° 3 of Notice 3/2020 of Bank of Portugal, regardless of the amount, is always subject of consideration and deliberation by the Board of Directors, after obtaining a prior opinion from the Audit Committee, and by proposal of the Executive Committee, which in turn deliberates under proposal from the Credit Committee, after obtaining an analysis and opinion from the Compliance Office, which pronounces regarding the compliance of the proposed operations with internal regulations, legal and regulatory provisions and other conditions that may apply to them, and the Risk Office, which evaluates and issues an opinion on the risks inherent to the operation.

As at 31 December 2021 the balance Finance leases included the amount of Euros 6,938,000 relative to sublease operations, as referred in accounting policy 1 H.

The analysis of loans and advances to customers, as at 30 June 2022, by sector of activity, is as follows:

(Thousands of euros)

	30 June 2022					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	480,067	7,472	487,539	(11,048)	476,491	0.86%
Fisheries	33,262	3,677	36,939	(2,839)	34,100	0.07%
Mining	75,420	2,030	77,450	(2,508)	74,942	0.14%
Food, beverage and tobacco	814,351	12,652	827,003	(23,487)	803,516	1.46%
Textiles	533,169	9,859	543,028	(18,567)	524,461	0.96%
Wood and cork	277,924	6,888	284,812	(10,116)	274,696	0.50%
Paper, printing and publishing	193,976	602	194,578	(3,775)	190,803	0.34%
Chemicals	857,156	30,899	888,055	(60,436)	827,619	1.56%
Machinery, equipment and basic metallurgical	1,600,033	38,256	1,638,289	(63,848)	1,574,441	2.89%
Electricity and gas	218,848	2,569	221,417	(2,421)	218,996	0.39%
Water	216,045	432	216,477	(8,670)	207,807	0.38%
Construction	1,580,908	30,991	1,611,899	(131,580)	1,480,319	2.84%
Retail business	1,740,602	26,885	1,767,487	(49,008)	1,718,479	3.11%
Wholesale business	2,366,582	34,377	2,400,959	(78,476)	2,322,483	4.23%
Restaurants and hotels	1,618,481	20,503	1,638,984	(122,001)	1,516,983	2.89%
Transports	1,385,538	10,803	1,396,341	(36,395)	1,359,946	2.46%
Post offices	19,609	268	19,877	(455)	19,422	0.04%
Telecommunications	408,293	1,850	410,143	(9,898)	400,245	0.72%
Services						
Financial intermediation	1,945,290	5,161	1,950,451	(62,297)	1,888,154	3.44%
Real estate activities	1,927,229	12,342	1,939,571	(41,576)	1,897,995	3.42%
Consulting, scientific and technical activities	956,727	5,587	962,314	(62,997)	899,317	1.70%
Administrative and support services activities	578,880	6,320	585,200	(60,878)	524,322	1.03%
Public sector	912,714	—	912,714	(2,987)	909,727	1.61%
Education	144,460	980	145,440	(14,789)	130,651	0.26%
Health and collective service activities	381,571	1,282	382,853	(12,900)	369,953	0.67%
Artistic, sports and recreational activities	284,935	43,392	328,327	(83,459)	244,868	0.58%
Other services	238,396	3,208	241,604	(56,774)	184,830	0.43%
Consumer loans	5,599,707	277,689	5,877,396	(367,104)	5,510,292	10.35%
Mortgage credit	28,150,007	133,807	28,283,814	(174,586)	28,109,228	49.81%
Other domestic activities	1,393	610	2,003	(41)	1,962	0.00%
Other international activities	501,900	8,767	510,667	(20,484)	490,183	0.90%
	56,043,473	740,158	56,783,631	(1,596,400)	55,187,231	100%

The analysis of loans and advances to customers, as at 31 December 2021, by sector of activity, is as follows:

(Thousands of euros)

	31 December 2021					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	444,936	6,142	451,078	(10,764)	440,314	0.79%
Fisheries	38,039	1,148	39,187	(2,752)	36,435	0.07%
Mining	87,811	1,943	89,754	(2,038)	87,716	0.16%
Food, beverage and tobacco	806,228	8,326	814,554	(22,048)	792,506	1.43%
Textiles	528,010	9,436	537,446	(17,959)	519,487	0.95%
Wood and cork	274,385	5,520	279,905	(11,116)	268,789	0.49%
Paper, printing and publishing	189,495	605	190,100	(3,799)	186,301	0.34%
Chemicals	841,454	25,028	866,482	(44,219)	822,263	1.53%
Machinery, equipment and basic metallurgical	1,568,322	30,550	1,598,872	(56,605)	1,542,267	2.81%
Electricity and gas	237,037	837	237,874	(2,515)	235,359	0.42%
Water	223,210	352	223,562	(19,330)	204,232	0.39%
Construction	1,715,141	36,691	1,751,832	(120,633)	1,631,199	3.08%
Retail business	1,772,527	27,490	1,800,017	(52,210)	1,747,807	3.17%
Wholesale business	2,319,324	34,827	2,354,151	(85,691)	2,268,460	4.14%
Restaurants and hotels	1,669,080	16,810	1,685,890	(128,012)	1,557,878	2.97%
Transports	1,349,930	13,804	1,363,734	(37,792)	1,325,942	2.40%
Post offices	18,695	208	18,903	(461)	18,442	0.03%
Telecommunications	437,097	1,773	438,870	(12,275)	426,595	0.77%
Services						
Financial intermediation	1,886,333	65,780	1,952,113	(118,938)	1,833,175	3.44%
Real estate activities	1,868,624	11,680	1,880,304	(50,639)	1,829,665	3.31%
Consulting, scientific and technical activities	879,296	5,301	884,597	(60,492)	824,105	1.56%
Administrative and support services activities	588,528	6,725	595,253	(64,140)	531,113	1.05%
Public sector	903,437	–	903,437	(2,848)	900,589	1.59%
Education	151,152	1,002	152,154	(13,240)	138,914	0.27%
Health and collective service activities	401,740	1,306	403,046	(15,802)	387,244	0.71%
Artistic, sports and recreational activities	347,660	42,689	390,349	(108,601)	281,748	0.69%
Other services	229,001	242,691	471,692	(206,320)	265,372	0.83%
Consumer loans	5,599,131	305,938	5,905,069	(391,664)	5,513,405	10.39%
Mortgage credit	27,920,953	151,456	28,072,409	(173,316)	27,899,093	49.40%
Other domestic activities	1,080	707	1,787	(108)	1,679	0.00%
Other international activities	459,916	7,348	467,264	(12,957)	454,307	0.82%
	55,757,572	1,064,113	56,821,685	(1,849,284)	54,972,401	100%

The item total credit portfolio, which includes further than loans and advances to customers, the guarantees granted, split by stage according with IFRS 9, is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Total credit	61,363,855	61,242,738
Stage 1		
Gross amount	50,751,531	49,420,935
Impairment	(206,263)	(209,484)
	50,545,268	49,211,451
Stage 2		
Gross amount	7,775,528	8,733,104
Impairment	(218,407)	(285,290)
	7,557,121	8,447,814
Stage 3		
Gross amount	2,836,796	3,088,699
Impairment	(1,262,288)	(1,439,493)
	1,574,508	1,649,206
	59,676,897	59,308,471

The exposure and impairment of the above table also includes the operations classified as POCI as detailed in note 52.

The total credit portfolio includes loans and advances to customers in the amount of Euros 56,783,631,000 (31 December 2021: Euros 56,821,685,000) and guarantees granted and commitments to third parties (note 44) in the amount of Euros 4,580,224,000 (31 December 2021: Euros 4,421,053,000).

The items of Impairment were determined in accordance with the accounting policy described in note 1 C1.5, including the provision for Guarantees and other commitments to third parties, associated with guarantees granted (note 38), in the amount of Euros 90,558,000 (31 December 2021: Euros 84,993,000).

The analysis of the exposure covered by collaterals associated with loans and advances to customers' portfolio, by stage according with IFRS 9, considering the collaterals' fair value, is as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Stage 1		
Securities and other financial assets	1,226,774	1,253,189
Residential real estate	24,233,125	23,489,794
Other real estate	3,125,116	3,182,387
Other guarantees	8,025,676	6,961,806
	36,610,691	34,887,176
Stage 2		
Securities and other financial assets	235,936	268,388
Residential real estate	2,484,067	2,645,791
Other real estate	1,252,196	1,551,993
Other guarantees	1,586,019	1,715,619
	5,558,218	6,181,791
Stage 3		
Securities and other financial assets	31,186	71,291
Residential real estate	510,645	540,907
Other real estate	641,307	578,807
Other guarantees	293,203	404,485
	1,476,341	1,595,490
	43,645,250	42,664,457

The balance Other guarantees includes first-demand guarantees issued by the Bank and other entities, with an internal risk rating of 7 or better; personal guarantees, when the guarantors are classified with internal risk grade 7 or better. This balance also includes pledges, assets subject to financial leasing operations and personal guarantees, among others.

Considering the policy of risk management of the Group (note 52), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. To reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Group continued to negotiate additional physical and financial collaterals with its customers.

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous and which arise to the marking of operations as being restructured due to financial difficulties of customers. The restructuring may include in a reinforce of guarantees, liquidation of part of the credit as well as changes in the payment plan and/or in interest rate. The analysis of the restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	30 June 2022			31 December 2021		
	Restructured loans	Impairment (*)	Net amount	Restructured loans	Impairment (*)	Net amount
Agriculture and forestry	14,847	(2,824)	12,023	12,408	(2,838)	9,570
Fisheries	5,101	(2,175)	2,926	3,705	(1,568)	2,137
Mining	1,463	(266)	1,197	10,360	(275)	10,085
Food, beverage and tobacco	26,638	(8,191)	18,447	26,556	(7,468)	19,088
Textiles	18,431	(5,431)	13,000	14,877	(4,336)	10,541
Wood and cork	6,583	(895)	5,688	7,030	(1,034)	5,996
Paper, printing and publishing	6,807	(1,941)	4,866	6,911	(1,825)	5,086
Chemicals	31,091	(9,311)	21,780	27,056	(8,744)	18,312
Machinery, equipment and basic metallurgical	79,406	(19,910)	59,496	79,015	(16,826)	62,189
Electricity and gas	505	(243)	262	603	(113)	490
Water	2,154	(1,063)	1,091	14,812	(9,673)	5,139
Construction	174,771	(84,066)	90,705	183,645	(74,672)	108,973
Retail business	43,873	(15,119)	28,754	42,916	(13,218)	29,698
Wholesale business	81,947	(15,977)	65,970	86,149	(14,276)	71,873
Restaurants and hotels	132,299	(19,389)	112,910	130,031	(17,508)	112,523
Transports	14,848	(2,020)	12,828	9,945	(2,001)	7,944
Post offices	155	(33)	122	149	(56)	93
Telecommunications	28,019	(4,614)	23,405	28,566	(5,225)	23,341
Services						
Financial intermediation	74,097	(39,819)	34,278	144,402	(76,108)	68,294
Real estate activities	55,561	(9,661)	45,900	96,019	(15,212)	80,807
Consulting, scientific and technical activities	197,946	(42,585)	155,361	205,449	(33,369)	172,080
Administrative and support services activities	71,834	(46,118)	25,716	72,439	(45,569)	26,870
Public sector	64,059	(399)	63,660	58,940	(307)	58,633
Education	19,897	(11,738)	8,159	20,357	(10,415)	9,942
Health and collective service activities	27,135	(7,622)	19,513	29,690	(7,853)	21,837
Artistic, sports and recreational activities	135,339	(69,040)	66,299	166,973	(91,547)	75,426
Other services	12,016	(1,327)	10,689	249,210	(176,099)	73,111
Consumer loans	254,337	(87,577)	166,760	273,902	(93,134)	180,768
Mortgage credit	521,127	(60,937)	460,190	555,922	(55,970)	499,952
Other domestic activities	–	–	–	48	(26)	22
Other international activities	6,278	(5,884)	394	5,910	(5,169)	741
	2,108,564	(576,175)	1,532,389	2,563,995	(792,434)	1,771,561

(*) The impairment presented in the table does not include the amounts of impairment calculated using the overlays methodology described in point i. of the section "Additional measures with impact on the Impairment level" of note 52.

The breakdown of the restructured loans as at 30 June 2022, by restructuring measure, is as follows:

(Thousands of euros)

	30 June 2022					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment (*)	Net amount
Extension of the repayment term	39,842	561,227	71,990	633,217	(160,864)	472,353
Introduction of the grace period for capital and / or interest	6,370	441,726	61,217	502,943	(136,081)	366,862
Interest rate reduction	4,612	234,598	13,838	248,436	(142,889)	105,547
Payment plan change	9,894	287,100	7,848	294,948	(28,724)	266,224
Debt relief	279	1,385	5,653	7,038	(4,958)	2,080
Debt-asset swaps	6	392	1,314	1,706	(1,298)	408
Other restructured loans	7,859	356,176	64,100	420,276	(101,361)	318,915
	68,862	1,882,604	225,960	2,108,564	(576,175)	1,532,389

The breakdown of the restructured loans as at 31 December 2021, by restructuring measure, is as follows:

(Thousands of euros)

	31 December 2021					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment (*)	Net amount
Extension of the repayment term	39,767	614,627	76,723	691,350	(149,925)	541,425
Introduction of the grace period for capital and / or interest	6,303	459,222	352,001	811,223	(352,912)	458,311
Interest rate reduction	4,949	248,877	11,085	259,962	(130,692)	129,270
Payment plan change	9,826	287,763	7,813	295,576	(28,135)	267,441
Debt relief	289	1,630	5,692	7,322	(5,055)	2,267
Debt-asset swaps	7	441	1,270	1,711	(1,318)	393
Other restructured loans	10,263	425,088	71,763	496,851	(124,397)	372,454
	71,404	2,037,648	526,347	2,563,995	(792,434)	1,771,561

(*) The impairment presented in the tables does not include the amounts of impairment calculated using the overlays methodology described in point i. of the section "Additional measures with impact on the Impairment level" of note 52

The restructured loans are also subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms and considering new collaterals.

The Group has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Group's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructuring due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations);

- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, being a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined.

The demarcation of an operation marked as restructured due to financial difficulties, can only take place at least 2 periods after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client. In the case of credits marked as Non-Performing Exposure (NPE), this 2-year period will only start on the date of classification of the credit as performing.

The definition of Non-Performing Loans for more than 90 days (NPL > 90) incorporates total credit (past due plus outstanding) associated with past due operations for more than 90 days. As at 30 June 2022, the amount calculated is Euros 904,464,000 (31 December 2021: Euros 1,236,979,000).

All customers who check at least one of the following conditions are marked in default and therefore in Non-Performing Exposure (NPE):

- Material payment delay of more than 90 days in the amounts of principal, interest or unpaid commissions on the due date that, cumulatively, represent: more than 100 euros (retail) or more than 500 euros (non-retail); and more than 1% of the total debt (direct liabilities).

- Indications of low probability of payment:

a) Credit restructuring due to financial difficulties with loss of value; b) Delay after restructuring due to financial difficulties; c) Recurrence of restructuring due to financial difficulties; d) Credit with signs of impairment (or Stage 3 of IFRS 9); e) Insolvency or equivalent process; f) Litigation; g) Guarantees of operations in default; h) Loss of credit sales; i) Credit fraud; j) Unpaid credit status; k) Breach of covenants in a credit agreement; l) Contagion of default in an economic group; m) Cross default in the BCP Group.

As at 30 June 2022, the NPE amounts to Euros 2,502,216,000 (31 December 2021: Euros 2,752,439,000).

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Balance on 1 January	1,849,284	2,036,522
Charge for the period in net interest income (note 2)	14,806	25,935
Transfers resulting from changes in the Group's structure	—	(375)
Transfers	(839)	4,778
Impairment charge for the period (note 10)	428,086	861,212
Reversals for the period (note 10)	(239,007)	(487,084)
Loans charged-off		
Write-offs	(378,053)	(372,710)
Credit assignments	(73,339)	(227,470)
Exchange rate differences	(4,538)	8,476
Balance at the end of the period	1,596,400	1,849,284

According to note 38, regarding the proceedings related to Bank Millennium's foreign currency-indexed mortgage loans, the amount of Euros 833,068,000 was deducted from the gross carrying amount (31 December 2021: Euros 636,309,000), of which Euros 212,133,000 during the first half of 2022.

The analysis of Write-offs, by sector of activity, is as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Agriculture and forestry	73	1,729
Fisheries	—	9
Mining	27	12
Food, beverage and tobacco	899	2,009
Textiles	1,314	1,207
Wood and cork	775	294
Paper, printing and publishing	76	1,701
Chemicals	1,333	1,403
Machinery, equipment and basic metallurgical	1,900	7,404
Electricity and gas	45	59
Water	11	166
Construction	5,078	9,697
Retail business	5,249	5,118
Wholesale business	7,770	15,373
Restaurants and hotels	928	27,445
Transports	3,229	9,168
Post offices	39	131
Telecommunications	41	321
Services		
Financial intermediation	59,715	36,474
Real estate activities	79	41,988
Consulting, scientific and technical activities	603	5,782
Administrative and support services activities	772	18,147
Public sector	—	1
Education	28	213
Health and collective service activities	29	194
Artistic, sports and recreational activities	62	429
Other services	240,291	606
Consumer loans	46,128	54,376
Mortgage credit	829	3,583
Other domestic activities	622	23,658
Other international activities	108	104,013
	378,053	372,710

According with the accounting policy described in note 1 C1.3, the Group writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. Loans written-off are recognised in off-balance sheet accounts.

The analysis of Write-offs, by type of credit, is as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Asset-backed loans	597	15,793
Other guaranteed loans	—	3,946
Unsecured loans	374,205	225,410
Foreign loans	—	103,452
Factoring operations	—	3,300
Finance leases	3,251	20,809
	378,053	372,710

The analysis of recovered loans and interest occurred in the first half of 2022 and 2021, by sector of activity, is as follows:

(Thousands of euros)

	30 June 2022	30 June 2021
Agriculture and forestry	6	151
Food, beverage and tobacco	21	48
Textiles	34	110
Wood and cork	25	4
Paper, printing and publishing	—	1
Chemicals	49	26
Machinery, equipment and basic metallurgical	147	259
Water	—	9
Construction	282	897
Retail business	533	772
Wholesale business	72	180
Restaurants and hotels	54	82
Transports	31	34
Telecommunications	1	3
Services		
Financial intermediation	15	22
Real estate activities	482	59
Consulting, scientific and technical activities	5	22
Administrative and support services activities	16	13
Education	5	—
Health and collective service activities	—	1
Artistic, sports and recreational activities	1	1
Other services	2	10
Consumer loans	7,234	7,122
Mortgage credit	108	415
Other domestic activities	17	1,183
Other international activities	538	23
	9,678	11,447

The analysis of recovered loans and interest occurred in the first half of 2022 and 2021, by type of credit, is as follows:

(Thousands of euros)

	30 June 2022	30 June 2021
Asset-backed loans	108	400
Other guaranteed loans	2,495	548
Unsecured loans	6,987	9,212
Foreign loans	53	1,180
Factoring operations	—	22
Finance leases	35	85
	9,678	11,447

The balance Loans and advances to customers includes the effect of traditional securitization transactions made through Special Purpose Entities (SPEs) consolidated following the application of IFRS 10, in accordance with accounting policy 1 B and synthetic securitization. The characterization of these operations is described in note 1 D.

Traditional securitizations

Securitization transactions engaged by the Group and still ongoing, refer to mortgage loans portfolios and are set through securitization funds and special purpose entities (SPEs). As referred in accounting policy 1 B, when the substance of the relationships with the referred SPEs indicates that the Group holds control of its activities, those are consolidated by the full method.

Magellan Mortgages No. 3

On 24 June 2005, the Bank transferred, through securitization funds, an owned mortgage loans portfolio to the SPE "Magellan Mortgages No. 3 PLC". Considering that, by having acquired part of the subordinated tranche of the bonds issued by that SPE, the Bank holds the control of the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1.B. As at 30 June 2022, the SPE's credit portfolio associated with this operation amounts to Euros 202.421,000 (31 December 2021: Euros 215,259,000) and bonds issued with different subordination levels amount to Euros 152,188,000 (this amount excludes bonds hold by the Group in the amount of Euros 68,494,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

Synthetic securitizations

The Group has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by Bank, mainly to small and medium companies. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 328,707,000 as at 30 June 2022 (31 December 2021: Euros 395,657,000). The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 184,716,000 and the registered cost in the first half of 2022 amounts to Euros 2,290,000.

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The legal maturity date is 21 September of 2043 and, as at 30 June 2022, the operation amounts to Euros 559,440,000 (31 December 2021: Euros 627,053,000). The fair value of the relative CDS is recorded as a positive amount of Euros 62,981,000 and their registered cost in the first half of 2022 amounts to Euros 924,000.

In both operations, the Bank hired a CDS with a Special Purpose Vehicle (SPV), buying by this way the protection for part of the credit risk inherent to the referenced portfolio. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The total of mezzanine and part of the equity (20%) were placed in the market through an SPE, and the subscription by investors, the Credit Linked Notes (CLN). The Bank retained the senior risk and part of the equity remaining (80%). In both structures, the correspondent product of the CLN issue was invested by the referred SPE the constitution of a deposit that collateralizes, in full, their responsibilities towards its creditors under the operation, including the Bank under the CDS context.

These operations involve the Bank's to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, but it did not transfer to third parties most of the rights and obligations arising from the credits included in them, thus not meeting the derecognition criteria in the accounting policy presented in note 1 C1.3.

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	187,083	197,723
Commercial paper	1,588,054	1,074,715
Foreign issuers		
Commercial paper	43,195	42,920
	1,818,332	1,315,358
Overdue securities - over 90 days	40	40
	1,818,372	1,315,398
Impairment	(7,097)	(7,059)
	1,811,275	1,308,339
Debt securities held not associated with credit operations		
Bonds issued by public entities (*)		
Portuguese issuers	3,518,588	3,781,480
Foreign issuers	5,948,132	2,438,017
Bonds issued by other entities		
Portuguese issuers	166,701	59,816
Foreign issuers	30,011	33,706
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	640,131	592,581
	10,303,563	6,905,600
Impairment	(12,820)	(8,743)
	10,290,743	6,896,857
	12,102,018	8,205,196

(*) Includes the negative amount of Euros 327,601,000 (31 December 2021: negative amount of Euros 17,349,000) related to adjustments resulting from the application of fair value hedge accounting.

Under the terms of IFRS 9, the balance Debt securities held not associated with credit operations - Bonds issued by public issuers, includes essentially a portfolio of securities to support Bank's ALM (Asset and Liability Management), whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value as at 30 June 2022 amounts to Euros 8,395,300,000 (31 December 2021: Euros 5,409,085,000).

As at 30 June 2022 the balance Debt securities held not associated with credit operations - Bonds issued by other entities - Portuguese Issuers includes the amount of Euros 39,567,000 (31 December 2021: Euros 39,519,000) related to public sector companies.

The analysis of debt securities portfolio, net of impairment, by sector of activity, is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Debt securities held associated with credit operations		
Agriculture and forestry	—	4,733
Mining	34,669	13,736
Food, beverage and tobacco	81,888	63,815
Textiles	62,696	57,140
Wood and cork	16,073	12,103
Paper, printing and publishing	6,385	7,184
Chemicals	169,002	77,930
Machinery, equipment and basic metallurgical	58,168	48,453
Electricity and gas	167,221	172,325
Water	8,893	8,891
Construction	20,128	13,876
Retail business	18,317	13,601
Wholesale business	43,126	62,450
Restaurants and hotels	8,668	4,119
Transports	56,139	37,731
Telecommunications	5,567	6,559
Services		
Financial intermediation	74,757	54,300
Real estate activities	55,857	40,150
Consulting, scientific and technical activities	854,220	541,187
Administrative and support services activities	12,022	10,706
Artistic, sports and recreational activities	10,218	9,868
Other services	4,066	4,562
Other international activities	43,195	42,920
	1,811,275	1,308,339
Debt securities held not associated with credit operations		
Electricity and Gas	56,323	6,573
Water	39,525	39,478
Services		
Financial intermediation	670,144	626,287
Consulting, scientific and technical activities	70,157	13,511
	836,149	685,849
Government and Public securities	9,454,594	6,211,008
	10,290,743	6,896,857
	12,102,018	8,205,196

The changes occurred in impairment of debt securities are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Debt securities held associated with credit operations		
Balance on 1 January	7,059	11,021
Charge for the period in net income interest (note 2)	—	47
Charge for the period (note 10)	210	244
Reversals for the period (note 10)	(175)	(2,533)
Loans charged-off	—	(1,721)
Exchange rate differences	3	1
Balance at the end of the period	7,097	7,059
Debt securities held not associated with credit operations		
Balance on 1 January	8,743	5,332
Transfers resulting from changes in the Group's structure (Seguradora Internacional de Moçambique, S.A.)	—	(15)
Other transfers	—	(13)
Charge for the period (note 10)	4,149	4,874
Reversals for the period (note 10)	(406)	(1,826)
Exchange rate differences	334	391
Balance at the end of the period	12,820	8,743

23. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The balances Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,250,792	452,105
Equity instruments	55,092	48,879
Trading derivatives	452,535	430,501
	1,758,419	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	40,408	79,189
Debt instruments	866,253	881,556
Equity instruments	25,566	30,193
	932,227	990,938
Financial assets at fair value through other comprehensive income		
Debt instruments	8,617,690	12,856,165
Equity instruments	27,185	34,823
	8,644,875	12,890,988
	11,335,521	14,813,411

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 30 June 2022, is analysed as follows:

(Thousands of euros)

	30 June 2022			
	At fair value through profit or loss			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	17,675	–	3,010,187	3,027,862
Foreign issuers	10,880	–	3,937,338	3,948,218
Bonds issued by other entities				
Portuguese issuers	408	51	642,457	642,916
Foreign issuers	457	–	991,598	992,055
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	1,221,372	–	998	1,222,370
Foreign issuers	–	–	35,112	35,112
Shares of foreign companies (a)	–	34,688	–	34,688
Investment fund units (b)	–	831,514	–	831,514
	1,250,792	866,253	8,617,690	10,734,735
Equity instruments				
Shares				
Portuguese companies	–	–	17,176	17,176
Foreign companies	22	25,566	10,009	35,597
Other securities	55,070	–	–	55,070
	55,092	25,566	27,185	107,843
Trading derivatives	452,535	–	–	452,535
	1,758,419	891,819	8,644,875	11,295,113
Level 1	1,305,163	–	8,185,942	9,491,105
Level 2	188,589	–	337,912	526,501
Level 3	264,667	891,819	121,021	1,277,507

(a) Under IFRS 9 the shares accounted for At fair value through profit or loss - Not held for trading mandatorily at fair value through profit or loss were considered as debt instruments because they do not fall within the definition of SPPI.

(b) Under IFRS 9 these participation units were considered as debt instruments because they do not fall within the definition of equity instruments.

The portfolios are recorded at fair value in accordance with the accounting policy described in note 1 C. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 47.

The balances Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 4, referred in note 1 D, in the amount of Euros 80,000 (31 December 2021: Euros 87,000).

The balance Financial assets at fair value through other comprehensive income - Bonds issued by other entities - Portuguese issuers includes the amount of Euros 120,753,000 (31 December 2021: Euros 165,967,000) related to public sector companies.

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2021, is analysed as follows:

(Thousands of euros)

	31 December 2021			
	At fair value through profit or loss			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	10,317	–	3,798,776	3,809,093
Foreign issuers	18,857	–	6,736,241	6,755,098
Bonds issued by other entities				
Portuguese issuers	1,716	16,734	742,554	761,004
Foreign issuers	1,073	–	1,011,740	1,012,813
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	420,142	–	6,027	426,169
Foreign issuers	–	–	560,827	560,827
Shares of foreign companies (a)	–	35,185	–	35,185
Investment fund units (b)	–	829,637	–	829,637
	452,105	881,556	12,856,165	14,189,826
Equity instruments				
Shares				
Portuguese companies	–	–	17,275	17,275
Foreign companies	32	30,193	17,548	47,773
Other securities	48,847	–	–	48,847
	48,879	30,193	34,823	113,895
Trading derivatives	430,501	–	–	430,501
	931,485	911,749	12,890,988	14,734,222
Level 1	499,147	–	12,463,415	12,962,562
Level 2	169,181	–	303,629	472,810
Level 3	263,157	911,749	123,944	1,298,850

(a) Under IFRS 9 the shares accounted for At fair value through profit or loss - Not held for trading mandatorily at fair value through profit or loss were considered as debt instruments because they do not fall within the definition of SPPI.

(b) Under IFRS 9, these participation units were considered as debt instruments because they do not fall within the definition of equity instruments.

On balance sheet, the changes occurred in the first half of 2022 and in the financial year of 2021, for impairment of financial assets at fair value through other comprehensive, are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Balance on 1 January	1,092	1,097
Transfers to fair value changes (note 42)	1,365	(4,626)
Impairment through profit and loss (note 11)	1,047	4,784
Reversals through profit and loss (note 11)	(2,413)	(158)
Exchange rate differences	(28)	(5)
Balance at the end of the period	1,063	1,092

As at 30 June 2022, the accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 9,841,000 and is recognised against Fair value reserves (31 December 2021: Euros 18,496,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 30 June 2022, is analysed as follows:

(Thousands of euros)

	30 June 2022			
	Amortised cost (a)	Fair value hedge adjustments (note 42)	Fair value adjustments (note 42)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,234,504	(124,148)	(100,169)	3,010,187
Foreign issuers	4,088,343	–	(151,005)	3,937,338
Bonds issued by other entities				
Portuguese issuers	659,392	(11,117)	(5,818)	642,457
Foreign issuers	1,110,181	(58,873)	(59,710)	991,598
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	1,000	–	(2)	998
Foreign issuers	34,907	–	205	35,112
	9,128,327	(194,138)	(316,499)	8,617,690
Equity instruments				
Shares				
Portuguese companies	36,830	–	(19,654)	17,176
Foreign companies	28,886	–	(18,877)	10,009
	65,716	–	(38,531)	27,185
	9,194,043	(194,138)	(355,030)	8,644,875

(a) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2021, is analysed as follows:

(Thousands of euros)

	31 December 2021			
	Amortised cost (a)	Fair value hedge adjustments (note 42)	Fair value adjustments (note 42)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,780,832	(23,435)	41,379	3,798,776
Foreign issuers	6,811,530	(21,427)	(53,862)	6,736,241
Bonds issued by other entities				
Portuguese issuers	727,477	4,799	10,278	742,554
Foreign issuers	1,001,729	(1,051)	11,062	1,011,740
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	6,026	–	1	6,027
Foreign issuers	560,989	–	(162)	560,827
	12,888,583	(41,114)	8,696	12,856,165
Equity instruments				
Shares				
Portuguese companies	37,069	–	(19,794)	17,275
Foreign companies	27,996	–	(10,448)	17,548
	65,065	–	(30,242)	34,823
	12,953,648	(41,114)	(21,546)	12,890,988

(a) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2

The balance Financial assets not held for trading mandatorily at fair value through profit or loss - Loans to customers at fair value is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Unsecured loans	36,900	74,248
Overdue loans - less than 90 days	914	1,626
Overdue loans - Over 90 days	2,594	3,315
	40,408	79,189

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 30 June 2022, is as follows:

(Thousands of euros)

	30 June 2022			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Fisheries	304	–	–	304
Paper, printing and publishing	45,798	2	–	45,800
Chemicals	–	3	–	3
Machinery, equipment and basic metallurgical	–	6	–	6
Electricity and gas	2,378	–	–	2,378
Water	39,383	–	–	39,383
Construction	9,726	4	20,261	29,991
Retail business	18,671	2	–	18,673
Wholesale business	36,916	474	–	37,390
Restaurants and hotels	32,352	1,426	–	33,778
Transports	31,369	–	–	31,369
Telecommunications	41,235	4,284	–	45,519
Services				
Financial intermediation (*)	975,342	67,049	852,041	1,894,432
Real estate activities	–	–	9,824	9,824
Consulting, scientific and technical activities	407,382	103	–	407,485
Administrative and support services activities	25,468	8,121	–	33,589
Public sector	–	–	233	233
Other services	3,757	5,970	4,225	13,952
Other international activities	–	17	–	17
	1,670,081	87,461	886,584	2,644,126
Government and Public securities	8,198,452	–	–	8,198,452
	9,868,533	87,461	886,584	10,842,578

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 793,100,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 45.

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2021, is as follows:

(Thousands of euros)

	31 December 2021			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Fisheries	1,513	—	—	1,513
Mining	—	6	—	6
Paper, printing and publishing	47,865	1	—	47,866
Chemicals	—	2	—	2
Machinery, equipment and basic metallurgical	—	7	—	7
Electricity and gas	43,805	—	—	43,805
Water	10,241	—	—	10,241
Construction	21,155	2	20,423	41,580
Retail business	42,322	3	—	42,325
Wholesale business	39,161	8,087	—	47,248
Restaurants and hotels	—	1,330	—	1,330
Transports	77,463	—	—	77,463
Telecommunications	42,854	4,285	—	47,139
Services				
Financial intermediation (*)	1,016,537	72,308	839,714	1,928,559
Real estate activities	—	—	13,588	13,588
Consulting, scientific and technical activities	455,409	103	—	455,512
Administrative and support services activities	12,220	7,981	—	20,201
Public sector	—	—	136	136
Artistic, sports and recreational activities	16,683	—	—	16,683
Other services	4,893	6,118	4,623	15,634
	1,832,121	100,233	878,484	2,810,838
Government and Public securities	11,492,883	—	—	11,492,883
	13,325,004	100,233	878,484	14,303,721

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 786,801,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 45.

The analysis of trading derivatives, by maturity, as at 30 June 2022, is as follows:

(Thousands of euros)

	30 June 2022					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate derivatives:						
OTC Market:						
Forward rate agreement	–	53,221	–	53,221	–	–
Interest rate swaps	–	192,613	4,517,199	4,709,812	146,863	121,935
Interest rate options (purchase)	–	77,297	143,071	220,368	5,049	–
Interest rate options (sale)	–	77,297	143,071	220,368	29	4,834
	–	400,428	4,803,341	5,203,769	151,941	126,769
Stock Exchange transactions:						
Interest rate futures	–	–	13,300	13,300	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	238,087	233,502	14,751	486,340	7,940	4,598
Currency swaps	2,218,785	331,211	23,073	2,573,069	29,553	27,920
	2,456,872	564,713	37,824	3,059,409	37,493	32,518
Currency and interest rate swaps:						
OTC Market:						
Currency and interest rate swaps	–	99,642	–	99,642	–	348
Shares/indexes derivatives:						
OTC Market:						
Shares/indexes swaps	2,220	90,924	433,018	526,162	–	15,177
Shares/indexes options (sale)	271,738	–	21,337	293,075	–	–
	273,958	90,924	454,355	819,237	–	15,177
Stock exchange transactions:						
Shares futures	–	–	785,333	785,333	–	–
Shares/indexes options (purchase)	–	10,648	267,472	278,120	15,680	–
Shares/indexes options (sale)	–	534	5,843	6,377	–	241
	–	11,182	1,058,648	1,069,830	15,680	241
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	–	–	1	1	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	2,000	263,891	265,891	247,421	–
Other credit derivatives (sale)	23,833	–	–	23,833	–	–
	23,833	2,000	263,891	289,724	247,421	–
Total derivatives traded in:						
OTC Market	2,754,663	1,157,707	5,559,411	9,471,781	436,855	174,812
Stock Exchange	–	11,182	1,071,949	1,083,131	15,680	241
Embedded derivatives					–	15,655
	2,754,663	1,168,889	6,631,360	10,554,912	452,535	190,708

The analysis of trading derivatives, by maturity, as at 31 December 2021, is as follows:

(Thousands of euros)

	31 December 2021					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate derivatives:						
OTC Market:						
Forward rate agreement	—	87,262	—	87,262	—	—
Interest rate swaps	139,913	144,247	4,304,339	4,588,499	153,276	195,144
Interest rate options (purchase)	—	115,915	207,387	323,302	1,334	—
Interest rate options (sale)	—	32,498	207,387	239,885	—	1,345
	139,913	379,922	4,719,113	5,238,948	154,610	196,489
Stock Exchange transactions:						
Interest rate futures	—	—	51,800	51,800	—	—
Currency derivatives:						
OTC Market:						
Forward exchange contract	247,215	207,726	24,403	479,344	4,707	2,186
Currency swaps	2,264,298	176,260	30,391	2,470,949	10,197	20,159
	2,511,513	383,986	54,794	2,950,293	14,904	22,345
Shares/indexes derivatives:						
OTC Market:						
Shares/indexes swaps	16,670	19,560	606,000	642,230	2,191	2,284
Shares/indexes options (sale)	168,901	—	19,902	188,803	—	—
	185,571	19,560	625,902	831,033	2,191	2,284
Stock exchange transactions:						
Shares futures	—	—	890,922	890,922		
Shares/indexes options (purchase)	15,831	32,697	124,239	172,767	6,328	—
Shares/indexes options (sale)	619	1,192	2,037	3,848	—	133
	16,450	33,889	1,017,198	1,067,537	6,328	133
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	—	—	1	1	—	—
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	—	—	268,745	268,745	252,468	—
Other credit derivatives (sale)	—	—	85,164	85,164	—	—
	—	—	353,909	353,909	252,468	—
Total derivatives traded in:						
OTC Market	2,836,997	783,468	5,753,718	9,374,183	424,173	221,118
Stock Exchange	16,450	33,889	1,068,999	1,119,338	6,328	133
Embedded derivatives					—	6,365
	2,853,447	817,357	6,822,717	10,493,521	430,501	227,616

24. Hedging derivatives

This balance is analysed, by hedging instruments, as follows:

(Thousands of euros)

	30 June 2022		31 December 2021	
	Assets	Liabilities	Assets	Liabilities
Swaps	531,459	1,677,170	109,059	377,206

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these derivatives are classified in level 2. The Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39, using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

In the first half of 2022, the relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 7,404,000 (31 December 2021: negative amount of Euros 12,521,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a negative amount of Euros 731,000 (31 December 2021: negative amount of Euros 806,000).

In the first half of 2022, there were made reclassifications from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 30,533,000 (31 December 2021: positive amount of Euros 68,038,000). The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is detailed in note 52.

The analysis of hedging derivatives portfolio, by maturity, as at 30 June 2022, is as follows:

(Thousands of euros)

	30 June 2022					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	290,586	672,636	11,976,289	12,939,511	374,424	152,968
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	191,314	200,880	–	392,194	22,309	–
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	–	409,908	17,790,891	18,200,799	134,726	1,454,685
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	–	212,464	1,040,843	1,253,307	–	69,517
Total derivatives traded by						
OTC Market	481,900	1,495,888	30,808,023	32,785,811	531,459	1,677,170

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2021, is as follows:

(Thousands of euros)

	31 December 2021					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	342,503	1,076,631	14,045,852	15,464,986	74,261	28,509
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	171,466	175,863	—	347,329	12,043	121
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	—	174,524	15,607,245	15,781,769	19,617	283,335
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	210,017	160,365	1,321,143	1,691,525	3,138	65,008
Hedging derivatives related to net investment in foreign entities						
OTC Market						
Currency and interest rate swap	153,427	—	—	153,427	—	233
Total derivatives traded by						
OTC Market	877,413	1,587,383	30,974,240	33,439,036	109,059	377,206

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Portuguese credit institutions	42,975	40,581
Foreign credit institutions	191,231	165,393
Other Portuguese companies	253,951	308,937
Other foreign companies	25,595	25,695
	513,752	540,606
Impairment	(70,220)	(78,268)
	443,532	462,338

The balance Investments in associated companies, as at 30 June 2022, is analysed as follows:

(Thousands of euros)

	30 June 2022			
	Ownership on equity	Goodwill	Impairment of investments in associated companies	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	201,644	—	—	201,644
Banco Millennium Atlântico, S.A.	89,509	53,624	(52,209)	90,924
Banque BCP, S.A.S.	48,098	—	—	48,098
SIBS, S.G.P.S, S.A.	52,029	—	—	52,029
Seguradora Internacional de Moçambique, S.A.	7,584	—	—	7,584
Unicre - Instituição Financeira de Crédito, S.A.	35,540	7,435	—	42,975
Webspectator Corporation	—	18,011	(18,011)	—
Exporsado-Comércio e Indústria de Produtos do Mar, S.A.	278	—	—	278
	434,682	79,070	(70,220)	443,532

These investments correspond to entities whose shares are not listed on the stock exchange. According to the accounting policy described in note 1 B, these investments are measured at the equity method.

The balance Investments in associated companies, as at 31 December 2021, is analysed as follows:

(Thousands of euros)

	31 December 2021			
	Ownership on equity	Goodwill	Impairment of investments in associated companies	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	261,446	—	—	261,446
Banco Millennium Atlântico, S.A.	65,716	54,744	(60,257)	60,203
Banque BCP, S.A.S.	44,933	—	—	44,933
SIBS, S.G.P.S, S.A.	47,142	—	—	47,142
Seguradora Internacional de Moçambique, S.A.	7,684	—	—	7,684
Unicre - Instituição Financeira de Crédito, S.A.	33,146	7,435	—	40,581
Webspectator Corporation	—	18,011	(18,011)	—
Exporsado-Comércio e Indústria de Produtos do Mar, S.A.	349	—	—	349
	460,416	80,190	(78,268)	462,338

The Group's companies included in the consolidation perimeter are presented in note 57, as well as the main indicators of the most relevant ones.

The movements occurred in Impairment of investments in associated companies are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Balance on 1 January	78,268	52,559
Transfers from Other provisions (Banco Millennium Atlântico, S.A.) (note 38)	—	22,300
Sale of Cold River's Homestead, S.A.	—	(4,557)
Reclassification of the goodwill write-off recorded in BMA accounts	(16,786)	—
Exchange rate differences	8,738	7,966
Balance at the end of the period	70,220	78,268

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Banco Millennium Atlântico, S.A., is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Ownership held by BCP on equity of the associated company as at 1 January	60,203	66,521
Application of IAS 29 for the period:		
Net non-monetary assets of the BMA		
Effect of exchange rate variations (note 42)	3,084	3,332
Amortization of the effect of IAS 29 application calculated as at 31 December 2018 (note 14)	(224)	(2,388)
Goodwill of the merger operation of the BMA		
Effect of exchange rate variations (note 42)	7,067	3,593
Transfers from Other provisions (note 38)	–	(22,300)
Appropriation of the net income of the associated companies (note 14)	972	2,629
Appropriation of the net income of previous periods (note 14)	(2,924)	(1,621)
Other comprehensive income attributable to BCP	(44)	68
Exchange differences		
Effect on BMA's equity	22,928	13,962
Goodwill associated with investment in BMA	8,600	4,373
Impairment of investments in associated companies (note 42)	(8,738)	(7,966)
Investment held at the end of the period	90,924	60,203

The following table presents the financial statements of Banco Millennium Atlântico, S.A, prepared in accordance with IFRS, modified by the consolidation adjustments:

(Thousands of euros)

	30 June 2022	31 December 2021 (**)
Net profit for the period	4,277	11,563
Comprehensive income	(194)	299
Total comprehensive income attributable to Shareholders of the associated company	4,083	11,862
Application of IAS 29 (*)	(986)	(10,504)
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	3,097	1,358
Attributable to the BCP Group	704	309
Balance sheet		
Financial assets	2,963,254	2,398,934
Non-financial assets	390,945	313,203
Financial liabilities	(2,952,806)	(2,449,107)
Non-financial liabilities	(53,460)	33,362
Attributable to Shareholders of the associated companies	347,933	296,392
Application of IAS 29 (*)	45,778	66,504
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	393,711	362,896
Attributable to the BCP Group	89,509	82,503
Goodwill of the merge	53,624	37,957
Impairment of investments in associated companies	(52,209)	(60,257)
Attributable to the BCP Group adjusted of consolidation items	90,924	60,203

(*) The impact of the IAS 29 adoption was calculated from the date of the merger (April 2016).
(**) The financial statements of Banco Millennium Atlântico, S.A. as at 31 December 2021, correspond to those available at the date of the preparation of the consolidated financial statements.

The amounts presented do not include adjustments arising from the application of IAS 29. Based on the requirements of IAS 29, Angola was considered a hyperinflationary economy until 31 December 2018, for the purpose of presenting the consolidated financial statements, as described in accounting policy 1 B6. This classification ceased to be applied on 1 January 2019.

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Ownership held by BCP on equity of the associated company as at 1 January	261,446	228,956
Appropriation of the net income of the associated company (note 14) (*)	18,036	38,218
Other comprehensive income attributable to BCP	(43,587)	(5,728)
Dividends received	(34,251)	—
Investment held at the end of the period	201,644	261,446

(*) Includes adjustments according to BCP GAAP.

The following table presents the financial statements of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., prepared in accordance with IFRS, modified by the consolidation adjustments:

(Thousands of euros)

	30 June 2022	31 December 2021
Net profit for the period	33,396	69,900
Comprehensive income	(88,953)	(11,690)
Total comprehensive income attributable to Shareholders of the associated company	(55,557)	58,210
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*)	3,413	8,096
Attributable to Shareholders of the associated company adjusted to BCP GAAP	(52,144)	66,306
Attributable to the BCP Group	(25,551)	32,490
Balance sheet		
Financial assets	9,232,249	10,263,904
Non-financial assets	436,559	429,543
Financial liabilities	(8,912,451)	(9,810,182)
Non-financial liabilities	(60,534)	(62,344)
Total equity	695,823	820,921
Attributable to non-controlling interests	12,076	11,718
Attributable to Shareholders of the associated companies	683,747	809,203
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*))	358,674	355,263
Attributable to Shareholders of the associated company adjusted to BCP GAAP	1,042,421	1,164,466
Attributable to the BCP Group	510,786	570,588
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)
Attributable to the BCP Group adjusted of consolidation items	201,644	261,446

(*) VOBA corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition. The value of the acquired business (VOBA) is recognised in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortised over the period of recognition of the income associated with the policies acquired.

The Group owns 49% of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., being accounted as investment in an associate under the equity method.

According to IFRS 4, there is the possibility to differ the application of IFRS 9 to insurance entities, i.e. although IFRS 9 entered into force on 1 January 2018, the insurance companies could choose for the temporary exemption until 31 December 2022.

The Millenniumbcp Ageas has chosen for the temporary exemption until 31 December 2022, following the approach of Ageas Group, and as far it fulfils the requirements to be accomplish with the temporary exemption until 31 December 2022 which are:

- The entity didn't adopt previously the IFRS 9;
- The liabilities measured according IFRS 4 are significant;
- The weight of IFRS 4 liabilities in total liabilities of entity is more than 90%;
- Non-related activities with insurance activity isn't significant.

This exception and based on paragraph 20P b) and 20Oa) of IFRS 4, allows the Group to apply IFRS 9 in its consolidated accounts and to have Millenniumbcp Ageas not applying IFRS 9 in its individual accounts (which are integrated into the consolidated accounts using the equity method).

Regarding to the evaluation of the impacts arising from the adoption of IFRS 9, the Ageas Group Portugal has a project in progress to determine the impacts of adopting IFRS 9. Based on the evaluation made on this date, the total impact of IFRS 9, as at 30 June 2022, net of Participation of Benefits (PB) and net of Tax (29%) in consolidation in BCP Group is almost zero (31 December 2021: positive amount of Euros 646,000).

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022			31 December 2021		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	437,828	(81,455)	356,373	630,082	(127,218)	502,864
Assets belong to investments funds and real estate companies	274,450	(47,068)	227,382	279,071	(50,481)	228,590
Assets for own use (closed branches)	24,292	(5,838)	18,454	22,800	(5,939)	16,861
Equipment and other	21,056	(5,527)	15,529	24,421	(7,076)	17,345
Other assets	12,998	—	12,998	14,854	—	14,854
	770,624	(139,888)	630,736	971,228	(190,714)	780,514

The assets included in this balance are accounted for in accordance with the accounting policy described in note 1 G.

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from process of recovered loans or judicial auction being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 52.

The Group has a strategy for sale these assets, consistent with the characteristic of each asset as well as with the breakdown of underlying valuations. However, considering the formal constraints, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Group having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Group has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market. The Group requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

This balance includes properties for which the Group has already entered into sales contracts in the amount of Euros 14,137,000 (31 December 2021: Euros 62,181,000). The impairment associated with all promissory contracts of purchase and sale is Euros 3,316,000 (31 December 2021: Euros 14,651,000) and was calculated considering the value of the respective promissory contracts.

The changes occurred in Impairment of non-current assets held for sale are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Balance on 1 January	190,714	215,649
Transfers	—	(2,135)
Charge for the period (note 12)	19,683	56,863
Reversals for the period (note 12)	(476)	(3,684)
Amounts charged-off	(70,988)	(77,610)
Exchange rate differences	955	1,631
Balance at the end of the period	139,888	190,714

27. Investment properties

As at 30 June 2022, the balance Investment properties corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N, based on independent assessments and compliance with legal requirements.

The rents received related to these assets amount to Euros 101,000 (31 December 2021: Euros 277,000). As at 31 December 2021 the maintenance expenses related to rented or not rented real estate, amounted to Euros 73,000.

The changes occurred in this balance are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Balance on 1 January	2,870	7,909
Revaluations	(1)	(1,108)
Disposals	—	(3,931)
Balance at the end of the period	2,869	2,870

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Real estate	688,549	708,803
Equipment		
Computer equipment	348,633	337,457
Security equipment	68,024	67,542
Interior installations	150,107	148,532
Machinery	50,486	49,455
Furniture	84,844	84,923
Motor vehicles	31,616	29,703
Other equipment	29,823	30,711
Right of use		
Real estate	365,408	352,346
Vehicles and equipment	494	505
Work in progress	13,352	20,656
Other tangible assets	36	38
	1,831,372	1,830,671
Accumulated depreciation		
Relative to the current year (note 9)	(49,290)	(98,972)
Relative to the previous years	(1,195,838)	(1,130,978)
	(1,245,128)	(1,229,950)
	586,244	600,721

The balance Real Estate includes the amount of Euros 109,019,000 (31 December 2021: Euros 113,850,000) related to real estate held by the Group's real estate investment funds.

The balance Right of use essentially corresponds to leased real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the lease term of each contract, as described in the accounting policy 1 H.

The changes occurred in Other tangible assets in the first half of 2022 are analysed as follows:

(Thousands of euros)

	2022					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 30 June
Real estate	708,803	1,535	(23,632)	(2,216)	4,059	688,549
Equipment						
Computer equipment	337,457	5,889	(4,365)	7,586	2,066	348,633
Security equipment	67,542	554	(777)	299	406	68,024
Interior installations	148,532	657	(1,105)	951	1,072	150,107
Machinery	49,455	67	(240)	1,589	(385)	50,486
Furniture	84,923	277	(1,146)	324	466	84,844
Motor vehicles	29,703	3,277	(1,937)	120	453	31,616
Other equipment	30,711	65	(392)	72	(633)	29,823
Right of use						
Real estate	352,346	22,513	(8,680)	(7)	(764)	365,408
Vehicles and equipment	505				(11)	494
Work in progress	20,656	6,352	(853)	(13,115)	312	13,352
Other tangible assets	38	—	—	—	(2)	36
	1,830,671	41,186	(43,127)	(4,397)	7,039	1,831,372
Accumulated depreciation						
Real estate	(428,656)	(7,486)	16,965	1,711	(421)	(417,887)
Equipment:						
Computer equipment	(300,560)	(8,180)	4,347	(17)	(1,812)	(306,222)
Security equipment	(63,723)	(426)	756	22	(326)	(63,697)
Interior installations	(131,897)	(1,478)	1,002	107	(689)	(132,955)
Machinery	(41,681)	(696)	192	(263)	299	(42,149)
Furniture	(78,344)	(1,332)	1,127	203	(336)	(78,682)
Motor vehicles	(17,743)	(2,252)	1,646	(18)	(287)	(18,654)
Other equipment	(23,811)	(742)	382	(21)	483	(23,709)
Right of use						
Real estate	(142,996)	(26,695)	8,680	1	368	(160,642)
Vehicles and equipment	(501)	(3)	—	—	11	(493)
Other tangible assets	(38)	—	—	—	—	(38)
	(1,229,950)	(49,290)	35,097	1,725	(2,710)	(1,245,128)
	600,721	(8,104)	(8,030)	(2,672)	4,329	586,244

The changes occurred in Other tangible assets during 2021 are analysed as follows:

(Thousands of euros)

	2021					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	725,639	990	(29,510)	(2,200)	13,884	708,803
Equipment						
Computer equipment	330,853	7,011	(12,828)	5,915	6,506	337,457
Security equipment	69,812	403	(3,413)	(136)	876	67,542
Interior installations	144,693	1,275	(1,243)	1,446	2,361	148,532
Machinery	49,452	369	(1,670)	984	320	49,455
Furniture	84,962	448	(2,097)	534	1,076	84,923
Motor vehicles	29,448	4,375	(6,087)	432	1,535	29,703
Other equipment	30,886	18	(1,168)	1,045	(70)	30,711
Right of use						
Real estate	334,608	35,024	(19,979)	–	2,693	352,346
Vehicles and equipment	929	14	(436)	–	(2)	505
Work in progress	18,021	15,792	(128)	(13,860)	831	20,656
Other tangible assets	248	2	(252)	–	40	38
	1,819,551	65,721	(78,811)	(5,840)	30,050	1,830,671
Accumulated depreciation						
Real estate	(431,312)	(14,945)	18,823	2,589	(3,811)	(428,656)
Equipment:						
Computer equipment	(291,414)	(16,606)	12,505	(34)	(5,011)	(300,560)
Security equipment	(65,662)	(864)	3,413	136	(746)	(63,723)
Interior installations	(128,864)	(2,726)	1,041	155	(1,503)	(131,897)
Machinery	(41,333)	(1,294)	1,425	(253)	(226)	(41,681)
Furniture	(77,162)	(2,781)	1,958	376	(735)	(78,344)
Motor vehicles	(17,215)	(4,353)	4,850	(20)	(1,005)	(17,743)
Other equipment	(23,586)	(1,497)	1,073	179	20	(23,811)
Right of use						
Real estate	(101,475)	(53,799)	13,302	–	(1,024)	(142,996)
Vehicles and equipment	(668)	(107)	272	–	2	(501)
Other tangible assets	(35)	–	1	–	(4)	(38)
	(1,178,726)	(98,972)	58,663	3,128	(14,043)	(1,229,950)
	640,825	(33,251)	(20,148)	(2,712)	16,007	600,721

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	102,309	104,843
Euro Bank, S.A. (Poland)	40,900	41,913
Others	12,701	12,675
	155,910	159,431
Impairment		
Bank Millennium, S.A. (Poland)	(102,309)	—
Others	(12,393)	(11,931)
	(114,702)	(11,931)
	41,208	147,500
Intangible assets		
Software	254,312	234,192
Other intangible assets	70,955	70,823
	325,267	305,015
Accumulated amortisation		
Charge for the year (note 9)	(20,185)	(38,184)
Charge for the previous years	(194,455)	(158,118)
	(214,640)	(196,302)
	110,627	108,713
	151,835	256,213

According to the accounting policy described in note 1 B, the recoverable amount of the Goodwill is annually assessed in the second half of each year or whenever there are indications of eventual loss of value. In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2022, valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated by each cash generating unit;

(ii) an expectation of potential changes in the amounts and timing of cash flows;

(iii) the time value of money;

(iv) a risk premium associated with the uncertainty by holding the asset; and

(v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods. The assumptions made for these valuations might vary with the change in economic conditions and in the market.

In the first half of 2022, there were no factors pointing to the deterioration of the value of those financial participations that could lead to impairment charges in respect of goodwill, nor to the improvement of the value of those financial participations that could lead to a reversion of previously booked impairments to the goodwill, except in the case of Bank Millennium S.A. (Poland), in which case factors were identified in the first half of 2022 that show a deterioration in the value of this financial participation, which led to an impairment charge of the amount of goodwill of 102.3 million euros.

Bank Millennium, S.A. (Poland)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved at the end of 2021 by the Executive Committee up to 2026. After that date, a perpetuity was considered based on the average long-term expected adjusted rate of return for this activity in the Polish market. Additionally, the market performance of Bank Millennium, S.A. in the Polish capital market was taken into consideration (closing price of 8.195 PLN per share as at the end of 2021 and 3.886 PLN per share as at the end of the first half of 2022) and the direct percentage of shareholding.

The above-mentioned business plan of Bank Millennium, S.A. comprises a five-year period, from 2022 to 2026, considering, along this period, an estimated compound annual growth rate of 7.0% (6.2% in 2020) for Total Assets and of 19.6% (8.4% in 2020) for Total Equity, while considering a ROE evolution from -8.0% by the end of 2022 to 17.6% by the end of 2026 and 12.5% in perpetuity vs. an estimated evolution of 2.9% by the end of 2021 to 9.2% by the end of 2025 and 11.0% in perpetuity considered in 2020. It is worth mentioning that the economic activity in Poland has recovered to pre-pandemic levels during 2021, which was already visible in Bank Millennium, S.A., whose credit production in 2021 surpassed 2019 levels.

In the valuation exercise performed at year-end 2021,the exchange rate EUR/PLN considered was 4.5839 as at December 2021. The Cost of Equity considered was 11.000% for the period 2022 to 2026 and in perpetuity, whereas 2020 exercise considered a Cost of Equity of 8.875% for the period 2021 to 2025 and in perpetuity, and, in both years, a discretionary factor was considered to accommodate the uncertainty regarding the legal risk associated with the mortgage loan portfolio in foreign currency to the PLN. The annual growth rate in perpetuity (g) was 2.88%.

Together with the business plans, other main assumptions considered for the impairment test were:

	2021	2020	2019
Discount rate	11 %	8.875 %	8.565 %
Growth rate (g)	2.88 %	2.37 %	2.8 %
RoE steady state – Discount rate	1.5 %	2.125 %	1.935 %

During the first half of 2022, there was an increase of the Cost of Equity to 16.05% (11% at the end of 2021), essentially as a result of the increase of the risk-free interest rates and of the reference interest rates for the Polish economy, together with the increase of the discretionary adjustment to the Cost of Equity that had been considered at the end of 2021(to also accommodate the regulatory and legislative risk associated with potential new measures to support mortgage borrowers in local currency, on top of those already communicated to the market, and the possible creation of funds to support borrowers in difficulties associated with increasing inflation and interest rates). Additionally, there was a devaluation of the EUR/PLN exchange rate (4.6974 PLN at the end of June 2022 vs. 4.5839 as at 31 December 2021).

Given the degree of uncertainty in these assumptions, and in order to validate whether the recoverable amount of goodwill resulting from the consolidation of Bank Millennium, S.A., corresponding to the higher of its value in use or its fair value less costs to sell, equals to or exceeds the registered goodwill, the Group performs a sensitivity analysis using reasonable changes in the key assumptions whose volatility are perceived to possibly have a greater impact in determining the present value of the estimated cash flows. Below, in a simplified way, is shown the increase/decrease amount of the estimated value for 100% of Bank Millennium, S.A., that results from a reasonable variation (+/- 50 basis points) of each of the key assumptions considered as at 30 June 2022.

Sensitivity analysis for main assumptions

(million euros)

	Impact increase of 50 bps	Impact decrease of 50 bps
Discount rate	(99)	107
Growth rate (g)	17	(16)
RoE steady state	61	(61)

Despite the increase of the Cost of Equity and the negative deviation in shareholders' equity in the first half of 2022, Bank Millennium S.A. (Poland) continues to deliver its Business Plan and projections with regard to operational performance, which makes it possible to estimate an equity value that would not imply an impairment of goodwill.

Notwithstanding the good operating performance of Bank Millennium S.A. (Poland), 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. (Poland) continues to assess that the goodwill associated with the consumer credit business acquired from EuroBank (40.9 million euros as at June 2022) is recoverable, given i) the sensitivity of the estimated value of the Business Plan capitalized from end of 2021 to June 2022 to the main assumptions considered, ii) the variation of the Shareholder's Equity in the first semester of 2022 when compared to the budgeted one, iii) the uncertainty associated with the material impacts on the Business Plan and projections arising from potential regulatory and legislative measures, including those referred in note 58 – Subsequent Events, and those already communicated to the market, and iv) that the subsequent value estimate results in an impairment amount proximate to the goodwill associated with the acquisition by the BCP Group of the current percentage of control over Bank Millennium S.A. (Poland) in the amount of 102.3 million euros as at 30 June 2022, the Executive Committee deemed it prudent 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. (Poland) in the amount of 102.3 million euros as at 30 June 2022.

The changes occurred in Goodwill and intangible assets, in the first half of 2022, are analysed as follows:

(Thousands of euros)

	2022					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 30 June
Goodwill - Differences arising on consolidation	159,431	–	–	–	(3,521)	155,910
Goodwill impairment	(11,931)	(102,771)	–	–	–	(114,702)
	147,500	(102,771)	–	–	(3,521)	41,208
Intangible assets						
Software	234,192	22,170	(88)	(1,630)	(332)	254,312
Other intangible assets	70,823	–	–	1,855	(1,723)	70,955
	305,015	22,170	(88)	225	(2,055)	325,267
Accumulated depreciation						
Software	(136,360)	(18,053)	1	128	378	(153,906)
Other intangible assets	(59,942)	(2,132)	–	(128)	1,468	(60,734)
	(196,302)	(20,185)	1	–	1,846	(214,640)
	108,713	1,985	(87)	225	(209)	110,627
	256,213	(100,786)	(87)	225	(3,730)	151,835

The changes occurred in Goodwill and intangible assets during 2021 are analysed as follows:

(Thousands of euros)

	2021					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	161,775	347	(3,558)	–	867	159,431
Goodwill impairment	(13,573)	(347)	1,989	–	–	(11,931)
	148,202	–	(1,569)	–	867	147,500
Intangible assets						
Software	201,918	49,781	(17,616)	(3,826)	3,935	234,192
Other intangible assets	67,777	–	(341)	3,746	(359)	70,823
	269,695	49,781	(17,957)	(80)	3,576	305,015
Accumulated depreciation						
Software	(115,427)	(34,173)	15,543	57	(2,360)	(136,360)
Other intangible assets	(56,516)	(4,011)	341	(57)	301	(59,942)
	(171,943)	(38,184)	15,884	–	(2,059)	(196,302)
	97,752	11,597	(2,073)	(80)	1,517	108,713
	245,954	11,597	(3,642)	(80)	2,384	256,213

30. Income tax

The deferred income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	30 June 2022			31 December 2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	983,177	–	983,177	983,177	–	983,177
Employee benefits	835,619	–	835,619	835,619	–	835,619
	1,818,796	–	1,818,796	1,818,796	–	1,818,796
Deferred taxes depending on the future profits						
Impairment losses (b)	513,898	(50,303)	463,595	601,925	(50,303)	551,622
Tax losses carried forward	188,670	–	188,670	187,475	–	187,475
Employee benefits	50,860	(167,765)	(116,905)	55,274	(6,918)	48,356
Financial assets at fair value through other comprehensive income	619,378	(158,244)	461,134	125,907	(104,865)	21,042
Derivatives	–	(5,440)	(5,440)	–	(4,923)	(4,923)
Intangible assets	1,346	–	1,346	1,639	–	1,639
Other tangible assets	8,829	(3,222)	5,607	8,835	(4,037)	4,798
Others	124,954	(105,474)	19,480	123,468	(80,989)	42,479
	1,507,935	(490,448)	1,017,487	1,104,523	(252,035)	852,488
Total deferred taxes	3,326,731	(490,448)	2,836,283	2,923,319	(252,035)	2,671,284
Offset between deferred tax assets and deferred tax liabilities	(481,216)	481,216	–	(235,103)	235,103	–
Net deferred taxes	2,845,515	(9,232)	2,836,283	2,688,216	(16,932)	2,671,284

(a) Special Regime applicable to deferred tax assets

(b) The amounts as at 30 June 2022 and 31 December 2021 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

As at 30 June 2022, the balance deferred tax assets amounts to Euros 2,845,515,000, of which Euros 2,671,527,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 852,762,000 that depends of the existence of future profitable profits (deferred tax assets not eligible under the special regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August), including:

- Euros 339,126,000 (net value) related to impairment losses; and

- Euros 162,400,000 resulting from tax losses carried forward from 2016 and 2020, which, considering the changes established in Law no. 27-A/2020, of 24 July, within the scope of the Supplementary Budget for 2020, may be used until 2030 and 2032, respectively.

Special regime applicable to deferred tax assets

The Extraordinary General Meeting of the Bank that took place on 15 October 2014 approved the Bank's accession to the Special Regime approved by Law No. 61/2014, of 26 August, applicable to deferred tax assets that resulted from not deduction of expenses and negative equity variations with impairment losses on credits and post-employment or long-term employee benefits.

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to part of expenses and negative equity variations associated with them. Pursuant to Law No. 23/2016, of 19 August, this special regime is not applicable to expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits recorded in the period's taxation commencing on or after 1 January 2016, nor to deferred tax assets to these associates.

The special regime applicable to deferred tax assets provides for an optional framework and with the possibility of subsequent waiver, under which:

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, up to the limit of the taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted as a result of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP Group, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,589,718,000 (31 December 2021: Euros 1,569,265,000).

- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In situations of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity capital, and a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights attributable to the State of equivalent value, rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or an entity based in Portugal within the same prudential consolidation perimeter or included in the same group of entities for which are applied the Special Tax Regime for Groups of Companies) or reimbursed by the State.

Pursuant to the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law No. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by Ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the Ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. Law No. 98/2019, of 4 September, establishes a deadline for the acquisition of the referred rights of the State by the shareholders, after which the Management Board of the issuing bank is obliged to promote the record of the capital increase by the amount resulting from the exercise of the conversion rights. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 3 years after the confirmation date of the conversion of the deferred tax asset into tax credit by the Portuguese Tax and Customs Authority. The issuing entity shall deposit in favour of the State the amount of the price corresponding to all the rights issued, within 3 months beginning from the confirmation date of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantially approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset with each other and the deferred tax assets and liabilities related to income taxes levied by the same fiscal authority over the same taxable entity.

The current tax rate of Banco Comercial Português, S.A. is analysed as follows:

	30 June 2022	31 December 2021
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000	9%	9%

The deferred tax rate related to the Bank's tax losses is 21%, in 2022 and 2021.

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 31.3%. The income tax rate in the other main countries where the Group operates is 19% in Poland, 32% in Mozambique and 0% (exemption) in the Cayman Islands.

In accordance with the amendments provided for in Law No. 27-A/2020, of 24 July, under the Supplementary Budget for 2020, the reporting period for tax losses in Portugal, is now 14 years for the losses of 2014, 2015 and 2016 and 7 years for the tax losses of 2017, 2018 and 2019. The tax losses calculated in 2020 and 2021 have a reporting period of 12 years, which may be deducted until 2032 and 2033 respectively. The limit for the deduction of tax losses is increased from 70% to 80%, when the difference results from the deduction of tax losses determined in the tax periods of 2020 and 2021.

The reporting period for tax losses carried forward, that are determined since the financial year of 2022 in Portugal, is 5 years

The reporting period for tax losses carried forward in Poland and in Mozambique it is 5 years.

Banco Comercial Português, S.A. applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under IRC, in which it's the dominant company. The remaining companies covered by the RETGS are Banco ActivoBank, S.A., Interfundos – Gestão de Fundos de Investimento Imobiliários, S.A., BCP África, S.G.P.S. Lda., Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal Lda. and Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.

The balance of Deferred tax assets not depending on the future profits (covered by the regime approved by Law no. 61/2014, of 26 August) includes the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to impairment losses in loans accounted until 31 December 2014.

The deferred income tax assets associated to tax losses, by expiry date, are presented as follows:

(Thousands of euros)

Expiry date	30 June 2022	31 December 2021
2022-2027	26,266	25,052
2030	104,000	104,000
2033	58,404	58,423
	188,670	187,475

Following the publication of the Notice of Bank of Portugal No. 5/2015, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA), since 1 January 2016 began to apply the International Financial Reporting Standards as adopted in the European Union, including, among others, the Bank's individual financial statements.

As a result of this change, in the Bank's individual financial statements, the loans portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses calculated in accordance with the requirements of International Accounting Standards (IAS 39 until 31 December 2017 and IFRS 9 since 1 January 2018), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal's Notice No. 3/95.

The Regulatory Decrees No. 5/2016, of 18 November, No. 11/2017, of 28 December, and No. 13/2018, of 28 December, established the maximum limits of impairment losses and other corrections of value for specific credit risk that are deductible for the purpose of calculating the taxable profit under IRC in 2016, 2017 and 2018, respectively. These Decrees declare that Bank of Portugal Notice No. 3/95 (Notice that was relevant for determining provisions for credit in the financial statements presented on an NCA basis) should be considered for the purpose of calculating the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively.

Law No. 98/2019, of 4 September, establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

Regardless the previously referred option, the new regime's application will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- In the financial year of 2022, if, since 1 January 2022, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 10% comparatively to the amount recorded on 31 December 2018;

- In the financial year of 2023, if, since 1 January 2023, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 20% comparatively to the amount recorded on 31 December 2018.

The Bank considered the maintenance of the tax rules in force until 2018, since the option for the application of the new regime was not exercised.

The Group complies with the guidelines of IFRIC 23 - Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, not having occurred material impact on the financial statements resulting from its application.

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Y.3 and with the requirements of IAS 12, the deferred tax assets were recognised based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried based on the respective estimated financial statements, prepared under the budgetary process for 2022 and new strategic plan 2021-2024 approved by the governing bodies, which support the expected future taxable income, considering the macroeconomic and competitive environment then analysed.

To estimate taxable net income for the periods of 2022 to 2033, the following main assumptions were considered:

- It was considered the approximation between accounting and tax rules predicted by Law No. 98/2019, of 4 September, assuming the Group will not exercise its application earlier over the adaptation period of 5 years that the referred Law predicts. In the application of these rules, the following assumptions were considered, in general terms:

a) non-deductible expenses related to increase of credit impairments for the years between 2022 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2021, compared to the amounts of net impairment increases recorded in these years;

b) the expenses with credit impairment's increases beginning in 2024 were considered deductible for tax purposes according to the new fiscal regime;

c) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2022-2024 submitted to the supervisory authority in March 2022, and also on the average reversal percentage observed in the last years of 2016 to 2021;

d) the referred average percentages were calculated separately, according to the presence or not of a mortgage security, the eligibility for the special regime applicable to deferred tax assets and according to the clients' rating as Non-Performing Exposures (NPE).

-The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- Reversals of impairment of non-financial assets not accepted for tax purposes were projected considering the expected periods of disinvestment in certain real estate. For the remaining assets without a forecasted term for disinvestment, the reversals were estimated based on the average percentage of reversal observed in the years from 2016 to 2021. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated on the basis of the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2021, compared to the amounts of reinforcements net of impairment recorded in those years.

- The deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

- The realization of changes in the fair value of real estate investment funds was projected based on the information available in the management agreements of the funds in question for the period expected for the respective liquidation.

The projections prepared within the framework of the budget process for 2022 incorporate the priorities arising from the Strategic Plan 2021-2024. This new strategic plan essentially maintained the priorities established in the previous plan, adapting them to the macroeconomic, competitive and legal/regulatory framework resulting from the pandemic and incorporating responses to the new challenges faced by the Group. With the conflict in Ukraine, disruptions in supply chains and the rise in energy prices, inflationary tensions emerged exuberantly in most countries, precipitating the reversal of monetary policy. At the end of the first half of 2022, euro zone markets incorporated the expectation of imminent abandonment of the negative interest rate framework that had prevailed for many years and that had a negative impact on banks' net margin. The favorable effect of the normalization of interest rates shall more than offset the impacts that may arise from a slower economic growth scenario. This way, projections assume a convergence towards the medium/long-term metrics and trends consistent with the commercial positioning and capture of efficiency gains, as established in the revision of the strategic plan approved by the corporate bodies in 2021, emphasizing the following:

- improvement in the net margin, which shall strongly benefit from the normalization effect of rates, such as results from the market interest rate curve subject to the projections;

- increase in commission income based on efficient and judicious management of commissioning and pricing, and, regarding the Individuals segment, the growth of off-balance sheet products;

- normalization of the cost of risk to levels aligned with the current activity of the Bank and reduction of negative impacts produced by the devaluation or sale of non-current assets, with the progressive reduction of the historical NPE, foreclosed assets and corporate restructuring funds, although, in the short term, the surrounding context may condition a faster progression;

- capturing efficiency gains enhanced by digitalization, reflected in the control of operating costs, after the staff reduction carried out in 2021.

The conclusion of the analysis of the recoverability of the deferred tax assets recognized as at 31 December 2021 is that the total recognized deferred tax assets are recoverable at that date. The simplified analysis of the recoverability of the deferred tax assets recognized as at 30 June 2022 has underlying, namely, the favourable effect of the normalization of interest rates and confirms the referred conclusion, justifying the recoverability of recognized deferred tax assets at the end of the first half of 2022.

In accordance with these assessments, the amount of unrecognised deferred tax related to tax losses, by expiry year, is as follows:

(Thousands of euros)

Tax losses carried forward	30 June 2022	31 December 2021
2022-2025	107,822	107,429
2026	42,727	42,666
2027-2029	167,108	162,683
2030 and following	494,527	486,170
	812,184	798,948

The impact of income taxes in Net income and in other balances of Group's equity, as at 30 June 2022, is analysed as follows:

(Thousands of euros)

	30 June 2022		
	Net income	Reserves	Exchange differences
Deferred taxes depending on the future profits			
Impairment losses	(85,021)	—	(3,006)
Tax losses carried forward (a)	7,034	(6,696)	857
Employee benefits	(3,229)	(161,930)	(102)
Financial assets at fair value through other comprehensive income	—	448,017	(7,925)
Derivatives	—	—	(517)
Intangible assets	(258)	—	(35)
Other tangible assets	799	—	10
Others	(30,161)	(47)	7,209
	(110,836)	279,344	(3,509)
Current taxes			
Current period	(45,713)	(19)	—
Correction of previous periods	783	—	—
	(44,930)	(19)	—
	(155,766)	279,325	(3,509)

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity variations recorded in reserves that contribute to the calculation of taxable income.

The impact of income taxes in Net income and in other balances of Group's equity, as at 30 June 2021, is analysed as follows:

(Thousands of euros)

	30 June 2021 (restated)			
	Net income	Reserves	Exchange differences	Discontinuing operations (b)
Deferred taxes not depending on the future profits				
Employee benefits	(1,288)	(5)	–	–
	(1,288)	(5)	–	–
Deferred taxes depending on the future profits				
Impairment losses	(69,767)	–	935	–
Tax losses carried forward (a)	12,873	109	3,489	–
Employee benefits	20,501	(9,577)	288	6
Financial assets at fair value through other comprehensive income	–	85,642	760	–
Derivatives	–	–	(202)	–
Other tangible assets	(421)	–	49	–
Others	(14,490)	1,794	(844)	–
	(51,304)	77,968	4,475	6
	(52,592)	77,963	4,475	6
Current taxes				
Current period	(49,334)	3	–	(1,623)
Correction from previous periods	32	–	–	–
	(49,302)	3	–	(1,623)
	(101,894)	77,966	4,475	(1,617)

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity variations recorded in reserves that contribute to the calculation of taxable income.

(b) Relates to Banque Privée, S.A. and to Seguradora Internacional de Moçambique, S.A.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Net income/(loss) before income taxes	215,829	64,808
Current tax rate (%)	31.5%	31.5%
Expected tax	(67,986)	(20,415)
Non-deductible impairment and provisions (a)	(78,886)	(53,391)
Contributions to the banking sector (b)	(25,591)	(22,222)
Results of companies accounted by the equity method	10,333	9,225
Tax benefits	10,072	7,327
Interests on other equity instruments (c)	5,828	5,828
Effect of the tax rate difference	(1,539)	(14,648)
Effect of recognition/derecognition net of deferred taxes	(6,846)	(6,437)
Non-deductible costs and other corrections	(1,305)	(1,178)
Correction from previous periods	521	(5,712)
Autonomous tax	(367)	(271)
Total	(155,766)	(101,894)
Effective rate (%)	72.2%	157.2%

(a) In 2022 includes the negative amount of Euros 47,302,000 (30 June 2021: negative Euros 38,179,000) related to the impact of the non-deductibility for tax purposes of the provisions related to legal risks associated with the mortgage loans portfolio granted in foreign currency by the Polish subsidiary, such as the negative amount of Euros 32,227,000 regarding the goodwill impairment associated to Bank Millennium.

(b) Refers to mandatory contributions to the banking sector in Portugal and in Poland.

(c) Relates to the impact of the deduction for taxable income purposes of interest paid in respect of perpetual bonds representing subordinated debt issued in 2019.

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Deposit account applications	1,522,163	396,638
Capital supplies	247,735	244,991
Obligations with post-employment benefits (note 48)	683,627	202,366
Debtors for futures and options transactions	156,192	138,688
Debtors		
Residents		
Receivables from real estate, transfers of assets and other securities	117,296	109,509
Prosecution cases / agreements with the Bank	12,439	13,037
SIBS	3,478	3,490
Others	22,837	23,569
Non-residents	46,732	51,909
Amounts due for collection	67,043	81,082
Interest and other amounts receivable	74,382	69,354
Amounts receivable on trading activity	102,748	32,303
Amounts due from customers	38,583	29,020
Artistic patrimony	28,796	28,818
Prepaid expenses	22,690	23,157
Subsidies receivables	8,084	15,656
Other recoverable tax	9,247	11,696
Gold and other precious metals	3,655	3,851
Capital supplementary contributions	165	165
Associated companies	326	162
Sundry assets	201,584	166,030
	3,369,802	1,645,491
Impairment of other assets	(262,338)	(260,199)
	3,107,464	1,385,292

As referred in note 45, as at 30 June 2022, the item Capital supplies includes the amount of Euros 240,412,000 (31 December 2021: Euros 237,671,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

The balance Deposit account applications includes the amount of Euros 1,469,606,000 (31 December 2021: Euros 348,559,000) on the Clearing houses / Clearing derivatives.

The balance Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Group's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is registered in the income statement.

The changes occurred in Impairment of other assets are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Balance on 1 January	260,199	265,342
Transfers resulting from changes in the Group's structure (SIM - Seguradora Internacional de Moçambique)	—	(375)
Other transfers	394	536
Charge for the period (note 12)	7,571	16,618
Reversals for the period (note 12)	(4,419)	(9,263)
Amounts charged-off	(1,240)	(12,717)
Exchange rate differences	(166)	58
Balance at the end of the period	262,339	260,199

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Resources and other financing from Central Banks		
Bank of Portugal	7,988,676	8,028,747
Central Banks abroad	95,957	82,155
	8,084,633	8,110,902
Resources from credit institutions in Portugal		
Very short-term deposits	71,746	—
Sight deposits	72,805	96,654
Term Deposits	65,142	64,217
CIRS and IRS operations collateralised by deposits (*)	2,120	1,620
Other resources	7	1
	211,820	162,492
Resources from credit institutions abroad		
Sight deposits	103,948	108,247
Term Deposits	96,998	89,053
Loans obtained	369,366	399,678
CIRS and IRS operations collateralised by deposits (*)	50,820	19,998
Other resources	78,534	5,704
	699,666	622,680
	8,996,119	8,896,074

(*) Under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

Considering the financing characteristics and the nature of the respective lender, the Bank accounts for the TLTRO III operation under IFRS9. The Bank considers that the operation constitutes a variable rate financing, indexed to the Deposit Facility Rate of the European Central Bank (ECB), having fulfilled the necessary criteria for it. Specifically for the period between 24 June 2020 and 23 June 2022, the Bank complied with the conditions required for the application, to each of the two tranches of the financing, of an interest rate corresponding to the average of the DFR, in force since the beginning of the operations until 23 March 2022, deducted of 0.50%, with a maximum of -1%. Consequently, it recognizes in the financial statements, for the referred interest counting period, the rate of -1%. For the period between 24 June and 30 June 2022, the applicable rate corresponds to the average of the DFR verified from the beginning of each of the two tranches until 30 June 2022, that is, at -0.50%, a rate that is recognized in the financial statements for the referred interest counting period.

As at 30 June 2022, the balance Resources and other financing from Central Banks – Bank of Portugal includes a total financing associated with TLTRO III program in the amount of Euros 8,150,070,000 (31 December 2021: Euros 8,150,070,000).

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Deposits from customers		
Repayable on demand	49,509,548	48,947,802
Term deposits	16,633,786	14,241,514
Saving accounts	6,335,903	5,912,193
Treasury bills and other assets sold under repurchase agreement	11,049	28,718
Cheques and orders to pay	639,784	369,802
Other	60,192	60,198
	73,190,262	69,560,227

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the Portuguese fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Bonds	2,000	10,606
Covered bonds	—	999,333
Medium term notes (MTN)	967,177	1,017,285
Securitisations	141,226	149,637
	1,110,403	2,176,861
Accruals	4,192	11,502
	1,114,595	2,188,363

In the first half of 2022, the Group reimbursed an issue of covered bonds in the amount of Euros 1,000,000,000.

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Non-Perpetual bonds	1,331,454	1,376,582
Accruals	18,711	18,198
	1,350,165	1,394,780

As at 30 June 2022, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non-Perpetual Bonds						
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	300,000	299,779	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	427,515	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	278,404	300,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	9.21%	149,019	149,019	66,236
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	5.7%	176,693	176,693	78,537
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,331,454	1,194,773
Accruals					18,711	—
					1,350,165	1,194,773

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

(ii) Annual interest rate of 3.871% during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5-year mid-swap rate, for the remaining 5 years will be applied over the mid-swap rate in force at the beginning of that period).

(iii) Interest rate of 4%, per annum, during the first 5 years and 6 months (corresponding to a spread of 4.065% over the average of the mid-swap rates of 5 and 6 years). At the end of the first 5 years and 6 months the interest rate will be reset to maturity based on the 5 year mid swaps rate prevailing at that time plus the Spread.

As at 31 December 2021, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non-Perpetual Bonds						
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	300,000	299,527	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	445,098	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	298,136	300,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	4.81%	152,708	152,708	60,310
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	2.55%	181,069	181,069	71,510
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,376,582	1,181,820
Accruals					18,198	—
					1,394,780	1,181,820

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

(ii) Annual interest rate of 3.871% during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5-year mid-swap rate, for the remaining 5 years will be applied over the mid-swap rate in force at the beginning of that period).

(iii) Interest rate of 4%, per annum, during the first 5 years and 6 months (corresponding to a spread of 4.065% over the average of the mid-swap rates of 5 and 6 years). At the end of the first 5 years and 6 months the interest rate will be reset to maturity based on the 5 year mid swaps rate prevailing at that time plus the Spread.

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Short selling securities	2,172	3,625
Trading derivatives (note 23)		
Swaps	165,380	217,587
Options	5,075	1,478
Embedded derivatives	15,655	6,365
Forwards	4,598	2,186
	190,708	227,616
	192,880	231,241
Level 2	174,836	221,040
Level 3	18,044	10,201

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 47.

As at 30 June 2022, the balance Financial liabilities held for trading includes the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1C.5. in the amount of Euros 15,655,000 (31 December 2021: Euros 6,365,000). This note should be analysed together with note 23.

37. Financial liabilities designated at fair value through profit or loss

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Certificates	843,687	961,730
Debt securities at fair value through profit and loss		
Medium term notes (MTN)	500,298	620,048
	1,343,985	1,581,778

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Provision for guarantees and other commitments	111,057	110,649
Other provisions for liabilities and charges	392,175	348,095
	503,232	458,744

Changes in Provisions for guarantees and other commitments are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Balance on 1 January	110,649	103,830
Other transfers	(702)	(1,651)
Charge for the period (note 13)	16,105	44,414
Reversals for the period (note 13)	(14,908)	(36,278)
Exchange rate differences	(87)	334
Balance at the end of the period	111,057	110,649

The balance Provisions for guarantees and other commitments includes provisions associated with guarantees granted in the amount of Euros 90,558,000 (31 December 2021: Euros 84,993,000), as referred in note 21.

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Balance on 1 January	348,095	207,691
Transfers resulting from changes in the Group's structure	—	(30)
Transfers to Impairment of investments in associates (Banco Millennium Atlântico, S.A.) (note 25)	—	(22,300)
Other transfers	297	4,596
Charge of the period for restructuring costs (note 7)	—	84,152
Charge for the period (note 13)	245,731	651,156
Reversals for the period (note 13)	(2,518)	(16,566)
Amounts charged-off	(28,800)	(135,506)
Allocation to loan's portfolio (note 21)	(212,133)	(443,296)
Exchange rate differences	41,503	18,198
Balance at the end of the period	392,175	348,095

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date in order to reflect the best estimate of the amount and respective probability of payment.

This balance includes provisions for lawsuits, frauds and tax contingencies. As at 30 June 2022, the provisions constituted to cover tax contingencies totalled Euros 35,398,000 (31 December 2021: Euros 37,524,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

Additionally, there are provisions for liabilities and charges recorded for ongoing sale processes of corporate restructuring funds.

In 2021, the Bank's Board of Directors approved in April the employee reduction plan. The decision was taken based on a thorough analysis of needs and existing capacity, considering the specifics of the Bank, the changes in behaviour and needs of customers, the impact of new technologies on business models and processes, as well as the developments that are expected for the Bank.

The implementation of this plan started in mid-June 2021, having been contacted throughout the 3rd quarter of 2021 all employees covered by the program, which included early retirements and terminations. For diverse reasons, the effective departure of some Employees was agreed for dates during the first half of 2022.

In view of the initiatives that had already been developed on 30 June 2021, the Bank considered that the requirements defined in IAS 37 - Provisions, Contingent Liabilities and Contingent Assets for the recognition of restructuring costs in its accounts for the first half of 2021 were met. Thus, in the first half of 2021, was recorded in personnel costs, a provision for restructuring costs in the amount of Euros 81,373,000, which was reinforced in December in the amount of Euros 2,779,000, which makes a total of Euros 84,152,000 in 2021 (note 7). As at 31 December 2021, the balance of the provision for restructuring costs amounted to Euros 4,692,000, of which Euros 2,297,000 are referred to agreements already concluded with some employees whose effective departures have been occur during the first half of 2022 and Euros 2,395,000 are referred to future costs with the health protection of former Employees, who left the Bank as part of the employees reduction process developed in 2021.

As at 30 June 2022, the balance of this provision for restructuring costs amounts to Euros 1,991,000. In the first half of 2022, the Group has written-off the amount of Euros 2,701,000, of which Euros 1,931,000 corresponds to costs with the employee's departures and Euros 770,000 refers to costs with health protection of former Employees.

Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

As at 30 June 2022, the Loans and advances to customers portfolio in CHF has a gross amount of Euros 2,641,258,000 (31 December 2021: Euros 2,817,504,000).

As at 30 June 2022, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amount to Euros 957,201,000 (PLN 4,496,356,000), of which Euros 833,068,000 (PLN 3,913,252,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 21) and Euros 124,133,000 (PLN 583,104,000) are presented under Provisions.

With reference to 31 December 2021, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amounted to Euros 727,026,000 (PLN 3,332,614,000), of which Euros 636,309,000 (PLN 2,916,778,000) were presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 21) and Euros 90,716,000 (PLN 415,835,000) were presented under Provisions.

The variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Interests and other amounts payable	199,083	148,522
Operations to be settled - foreign, transfers and deposits	211,115	134,996
Credit insurance received and to accrued	65,621	72,075
Holidays, subsidies and other remuneration payable	54,929	51,841
Transactions on securities to be settled	67,495	39,979
Public sector	38,654	35,460
Creditors		
Rents to pay	200,658	211,345
Deposit account and other applications	69,128	58,390
Suppliers	31,932	39,350
From factoring operations	29,955	32,113
For futures and options transactions	20,092	14,356
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	5,889	6,389
Associated companies	—	106
Other creditors		
Residents	31,813	27,107
Non-residents	77,775	60,394
Deferred income	11,962	9,543
Other administrative costs payable	6,611	4,133
Sundry liabilities	273,323	170,884
	1,396,035	1,116,983

The balance Liabilities not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 3,916,000 (31 December 2021: Euros 4,143,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees.

The balance Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

The Group has several operating leases for properties, being registered in the item Rents to pay the amount of lease liabilities recognised under IFRS 16, as described in the accounting policy 1 H. The analysis of this balance, by maturity, is as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Until 1 year	22,455	22,250
1 to 5 years	80,290	82,181
Over 5 years	105,141	114,296
	207,886	218,727
Accrued costs recognised in Net interest income	(7,228)	(7,382)
	200,658	211,345

40. Share capital, Preference shares and Other equity instruments

As at 30 June 2022, the Bank's share capital amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

As at 30 June 2022, the Share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 30 June 2022, the Other equity instruments amounts to Euros 400,000,000 and corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1E. This operation without fixed term has the option of early repayment by the Bank as from the end of the 5th year, and an annual interest rate of 9.25% during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

As at 30 June 2022, the shareholders who individually or jointly hold 5% or more of the capital of the Bank, are the following:

Shareholder	number of shares	% share capital	% voting rights
Fosun Group - Chiado (Luxembourg) S.a.r.l. held by Fosun International Holdings Ltd	4,525,940,191	29.95%	29.95%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
Total Qualifying Shareholdings	7,472,294,105	49.44 %	49.44 %

Under the scope of the Portuguese Securities Code update, which came into force at the beginning of 2022, the reference threshold of 2% for qualifying holdings was changed to 5%.

41. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. Such reserve is not normally distributable. In accordance with the proposal for the appropriation of net income for the 2021 financial year approved at the General Shareholders' Meeting held on 4 May 2022, the Bank increased its legal reserves in the amount of Euros 9,006,000. Thus, as at 30 June 2022 the Legal Reserves amount to Euros 268,534,000 (31 December 2021: Euros 259,528,000).

In accordance with the current Portuguese legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20% of their net annual profits depending on the nature of their economic activity and are recognised in Other reserves and retained earnings in the Bank's consolidated financial statements (note 42).

42. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	(316,499)	8,696
Equity instruments	(38,531)	(30,242)
Of associated companies and other changes	(2,403)	39,968
Cash-flow hedge	(1,180,533)	(100,394)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	386	245
	(1,537,580)	(81,727)
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	81,482	(12,426)
Equity instruments	8,684	6,055
Cash-flow hedge	362,110	26,330
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(121)	(77)
	452,155	19,882
	(1,085,425)	(61,845)
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(94,969)	(76,542)
BIM - Banco International de Moçambique, S.A.	(132,722)	(162,561)
Banco Millennium Atlântico, S.A.	(126,077)	(155,310)
Others	2,074	2,311
	(351,694)	(392,102)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	37,984	36,571
Others	(3,965)	(3,965)
	34,019	32,606
Other reserves and retained earnings	1,411,483	1,001,645
	8,383	580,304

(*) Includes the effects arising from the application of hedge accounting.

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1 C.

In the first half of 2022, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	2022					
	Balance as at 1 January	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance on 30 June
Financial assets at fair value through other comprehensive income (nota 23)						
Debt instruments						
Debt securities - Portuguese public issuers	41,380	(247,647)	100,713	(703)	6,086	(100,171)
Others	(32,684)	(210,150)	52,311	(663)	(25,142)	(216,328)
	8,696	(457,797)	153,024	(1,366)	(19,056)	(316,499)
Equity instruments	(30,242)	(8,287)	—	—	(2)	(38,531)
Associated companies and others						
Millenniumbcp Ageas	30,328	(43,586)	—	—	—	(13,258)
Others	9,640	1,215	—	—	—	10,855
	39,968	(42,371)	—	—	—	(2,403)
	18,422	(508,455)	153,024	(1,366)	(19,058)	(357,433)

The changes occurred, during 2021, in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	2021					
	Balance as at 1 January	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December
Financial assets at fair value through other comprehensive income (nota 23)						
Debt instruments						
Debt securities - Portuguese public issuers	90,611	(49,191)	37,417	920	(38,377)	41,380
Others	114,981	(176,982)	54,546	3,706	(28,935)	(32,684)
	205,592	(226,173)	91,963	4,626	(67,312)	8,696
Equity instruments	(38,366)	1,231	—	—	6,893	(30,242)
Associated companies and others						
Millenniumbcp Ageas	36,560	(6,232)	—	—	—	30,328
Others	6,125	3,515	—	—	—	9,640
	42,685	(2,717)	—	—	—	39,968
	209,911	(227,659)	91,963	4,626	(60,419)	18,422

The item Disposals refers to the derecognition of debt securities and equity instruments at fair value through other comprehensive income.

43. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Fair value changes		
Debt instruments	(141,491)	(77,625)
Equity instruments	2,918	2,993
Cash-flow hedge	(59,905)	(41,248)
Other	7	4
	(198,471)	(115,876)
Deferred taxes		
Debt instruments	26,842	14,704
Equity instruments	(554)	(568)
Cash-flow hedge	11,382	7,837
	37,670	21,973
	(160,801)	(93,903)
Exchange differences arising on consolidation	(186,310)	(181,738)
Actuarial losses (net of taxes)	435	435
Other reserves and retained earnings	1,144,866	1,217,878
	798,190	942,672

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	30 June 2022	31 December 2021	30 June 2022	30 June 2021 (restated)
Continuing operations				
Bank Millennium Group	613,853	729,040	(28,257)	(56,237)
BIM - Banco International de Moçambique Group	157,472	186,578	15,480	12,616
Other subsidiaries	26,865	27,054	(190)	401
	798,190	942,672	(12,967)	(43,220)
Discontinued or discontinuing operations				
BIM - Banco International de Moçambique Group (*)	–	–	–	249
	798,190	942,672	(12,967)	(42,971)

(*) Corresponds to the non-controlling interests of SIM - Seguradora International de Moçambique, S.A.R.L., entity considered a discontinued operation in December 2021.

The following table presents a summary of financial information for the main subsidiaries included in this balance, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

(Thousands of euros)

	Bank Millennium Group		BIM - Banco International de Moçambique Group	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021 (restated)
Net income	(56,627)	(112,700)	46,465	37,868
Net income attributable to the shareholders	(28,370)	(56,463)	30,985	25,252
Net income attributable to non-controlling interests	(28,257)	(56,237)	15,480	12,616
Other comprehensive income attributable to the shareholders	(86,769)	(12,566)	29,932	54,384
Other comprehensive income attributable to non-controlling interests	(86,422)	(12,515)	14,951	27,166
Total comprehensive income	(229,818)	(137,781)	91,348	119,418
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Balance sheet				
Financial assets	22,595,915	22,101,264	2,569,044	2,339,401
Non-financial assets	578,225	568,059	217,051	187,306
Financial liabilities	(21,140,106)	(20,581,439)	(2,240,637)	(1,900,844)
Non-financial liabilities	(803,834)	(626,847)	(74,020)	(66,959)
Equity	1,230,200	1,461,037	471,438	558,904
Equity attributed to the shareholders	616,347	731,997	314,381	372,708
Equity attributed to the non-controlling interests	613,853	729,040	157,057	186,196
Cash flows arising from:				
operating activities	1,090,448	608,072	187,654	90,046
investing activities	397,267	(121,421)	(5,243)	57,945
financing activities	(21,140)	(97,068)	(194,059)	(85,563)
Net increase / (decrease) in cash and equivalents	1,466,575	389,583	(11,648)	62,428
Dividends paid:				
attributed to the shareholders	—	—	119,244	31,744
attributed to the non-controlling interests	—	—	59,572	15,859
	—	—	178,816	47,603

44. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Guarantees granted		
Guarantees	4,064,138	3,957,973
Stand-by letter of credit	63,425	58,536
Open documentary credits	316,850	268,399
Bails and indemnities	135,811	136,145
	4,580,224	4,421,053
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	14,986	8,760
Irrevocable credit lines	4,291,762	4,741,586
Securities subscription	68,303	70,017
Other irrevocable commitments	150,618	146,065
Revocable commitments		
Revocable credit lines	5,321,414	5,437,681
Bank overdraft facilities	1,064,960	1,063,309
Other revocable commitments	136,866	133,354
	11,048,909	11,600,772
Guarantees received	29,742,657	29,361,511
Commitments from third parties	13,552,420	13,567,068
Securities and other items held for safekeeping	76,985,352	80,154,791
Securities and other items held under custody by the Securities Depository Authority	88,415,277	92,350,151
Other off-balance sheet accounts	127,137,306	129,608,603

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 38).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore, the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short-term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk are limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1.C. The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

45. Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the Fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value that was based on the valuation of the senior security and the value of the transferred receivables. These junior securities, being subscribed by the Group, will entitle the Group to a contingent positive value if the value of the assets transferred exceeds the amount of the senior tranches plus the remuneration on them. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available Net assets value (NAV), as disclosed by the Management companies and audited at year end, still being analysed by the Bank;

- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IFRS 9 3.2 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards. Considering that it does not hold control and does not exercise significant influence on the funds or companies' management, the Group performed, under the scope of IAS IFRS 9 3.2, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets. In the first half of 2022 and in the financial year of 2021, no credits were sold to corporate restructuring funds. The amounts accumulated as at 30 June 2022, related to these operations, are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

The activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

As at 30 June 2022, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	30 June 2022			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions	Total
Fundo Recuperação Turismo FCR				
Gross value	278,869	33,828	–	312,697
Impairment and other fair value adjustments	(91,661)	(33,828)	–	(125,489)
	187,208	–	–	187,208
Fundo Reestruturação Empresarial FCR				
Gross value	60,963	–	33,280	94,243
Impairment and other fair value adjustments	(37,187)	–	(33,280)	(70,467)
	23,776	–	–	23,776
FLIT-PTREL				
Gross value	251,297	38,154	–	289,451
Impairment and other fair value adjustments	(28,145)	(38,154)	–	(66,299)
	223,152	–	–	223,152
Fundo Recuperação FCR				
Gross value	189,004	83,607	–	272,611
Impairment and other fair value adjustments	(128,045)	(83,607)	–	(211,652)
	60,959	–	–	60,959
Fundo Aquarius FCR				
Gross value	119,631	–	–	119,631
Impairment and other fair value adjustments	(19,233)	–	–	(19,233)
	100,398	–	–	100,398
Discovery Real Estate Fund				
Gross value	157,716	–	–	157,716
Impairment and other fair value adjustments	(965)	–	–	(965)
	156,751	–	–	156,751
Fundo Vega FCR				
Gross value	48,833	84,823	–	133,656
Impairment and other fair value adjustments	(7,977)	(84,823)	–	(92,800)
	40,856	–	–	40,856
Total Gross value	1,106,313	240,412	33,280	1,380,005
Total impairment and other fair value adjustments	(313,213)	(240,412)	(33,280)	(586,905)
	793,100	–	–	793,100

The supplementary capital contributions were initially recorded for the amount of Euros 33,280,000 and it was made a negative fair value adjustment of the same amount.

The book value of these assets resulted from the last communication by the respective Management Company relating the Fund's Global Net Asset Value (NAV) which, as at 30 June 2022, corresponds to the NAV estimated with reference to that date for 5 funds, to the NAV reported as at 31 March 2022 for 1 fund and to the NAV reported as at 31 December 2021 for the remaining fund.

The following aspects should also be mentioned, among others: (i) the latest Audit Reports available (with reference to 31 December 2021) do not include reserves; (ii) the funds are subject to supervision by the competent authorities.

There is currently ongoing a sale process of funds/assets managed by ECS Capital (FLIT-PTREL, FRT and three assets of FR) proceeding negotiations with the selected investor regarding the terms of the potential transaction and respective contractual documentation, with a view to setting the final terms of the transaction. In parallel, the Discovery Fund is being sold, which did not register relevant developments in this period and no binding proposals have been received to the date.

As referred in note 38, there are provisions for liabilities and charges recorded for ongoing sale processes of corporate restructuring funds.

As at 31 December 2021, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 December 2021			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions	Total
Fundo Recuperação Turismo FCR				
Gross value	278,385	33,598	–	311,983
Impairment and other fair value adjustments	(92,482)	(33,598)	–	(126,080)
	185,903	–	–	185,903
Fundo Reestruturação Empresarial FCR				
Gross value	60,963	–	33,280	94,243
Impairment and other fair value adjustments	(36,415)	–	(33,280)	(69,695)
	24,548	–	–	24,548
FLIT-PTREL				
Gross value	250,662	38,154	–	288,816
Impairment and other fair value adjustments	(31,492)	(38,154)	–	(69,646)
	219,170	–	–	219,170
Fundo Recuperação FCR				
Gross value	188,771	82,617	–	271,388
Impairment and other fair value adjustments	(125,941)	(82,617)	–	(208,558)
	62,830	–	–	62,830
Fundo Aquarius FCR				
Gross value	120,162	–	–	120,162
Impairment and other fair value adjustments	(16,497)	–	–	(16,497)
	103,665	–	–	103,665
Discovery Real Estate Fund				
Gross value	157,716	–	–	157,716
Impairment and other fair value adjustments	(8,244)	–	–	(8,244)
	149,472	–	–	149,472
Fundo Vega FCR				
Gross value	48,454	83,302	–	131,756
Impairment and other fair value adjustments	(7,241)	(83,302)	–	(90,543)
	41,213	–	–	41,213
Total Gross value	1,105,113	237,671	33,280	1,376,064
Total impairment and other fair value adjustments	(318,312)	(237,671)	(33,280)	(589,263)
	786,801	–	–	786,801

The supplementary capital contributions were initially recorded for the amount of Euros 33,280,000 and it was made a negative fair value adjustment of the same amount.

The book value of these assets resulted from the last communication by the respective Management Company relating the Global Net Asset Value (NAV) of the Fund which, as at 31 December 2021, corresponds to the NAV estimated with reference to that date.

The following aspects should also be mentioned, among others: (i) for 3 funds the latest Audit Reports available (for 2 funds with reference to 31 December 2021 and for 1 fund with reference to 30 June 2021) do not include neither reserves or emphasis; (ii) for 2 funds whose latest Limited Audit Reports available (with reference to 30 June 2021) and the latest Audit Reports available (with reference to 31 December 2020) do not include reserves but includes an emphasis related to the impacts and uncertainties of COVID-19 (for 1 fund); (iii) for 2 funds the latest Audit Reports available (with reference to 31 December 2020) do not include reserves but includes an emphasis related to the impacts and uncertainties of COVID-19 (for 1 fund); (iv) the funds are subject to supervision by the competent authorities.

The detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	30 June 2022			31 December 2021		
Corporate restructuring funds	Subscribed capital	Capital realized	Subscribed and unpaid capital	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	292,000	278,869	13,131	292,000	278,385	13,615
Fundo Reestruturação Empresarial FCR	51,212	46,486	4,726	51,212	46,486	4,726
FLIT-PTREL	244,900	244,900	–	244,337	244,337	–
Fundo Recuperação FCR	206,805	189,004	17,801	206,805	188,771	18,034
Fundo Aquarius FCR	134,205	119,631	14,574	134,801	120,162	14,639
Discovery Real Estate Fund	158,991	158,991	–	158,991	158,991	–
Fundo Vega FCR	49,616	47,337	2,279	49,616	46,968	2,648
	1,137,729	1,085,218	52,511	1,137,762	1,084,100	53,662

In 30 June 2022, there are also additional subscription commitments for the funds FLIT-PTREL and Discovery, in the amount of Euros 14,685,000 and Euros 1,107,000, respectively (31 December 2021: Euros 15,248,000 and Euros 1,107,000, respectively).

46. Relevant events occurred in the first half of 2022

Resolutions of the Annual General Meeting of Banco Comercial Português, S.A.

Banco Comercial Português, S.A. concluded on 4 May 2022, through electronic means and, simultaneously, at the Bank's facilities, with 64.31% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One – 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;

Item Two – Approval of the proposal for the appropriation of profit concerning the 2021 financial year;

Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

Item Four – Approval of the updating of the policy for the remuneration of Members of the Management and Supervisory Bodies;

Item Five – 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;

Item Six – 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;

Item Seven – Approval of the proposal to amend the articles of association of Banco Comercial Português, S.A.;

Item Eight – Election of the Board of Directors for the 2022/2025 term of office, including the Audit Committee;

Item Nine – Election of the Remunerations and Welfare Board for the term-of-office 2022/2025;

Item Ten – Approval of the acquisition and sale of own shares and bonds.

Payment of the dividend relating to the 2021 financial year

By resolution of the Annual General Meeting, the dividend relating to the 2021 financial year was paid, with the following amounts per share:

Gross unit dividend: Euros 0,0009

Taxation (withholding at source): IRS: 28% / IRC: 25%

Amount withheld at source IRS/IRC (if applicable): Euros 0,000252 / Euros 0,000225

Net dividend per share: Euros 0,000648 / Euros 0,000675

Upgrade to Investment Grade of senior unsecured debt ratings by Moody's

Banco Comercial Português, S.A. informs that 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), including the Combined Buffer Requirement (CBR), from January 2024.

Simultaneously, the rating agency affirmed the bank's Baseline Credit Assessment (BCA) and Adjusted BCA at ba2; the Banks' deposit ratings at Baa2/Prime-2; the junior senior debt rating at (P)Ba2; the dated subordinated debt at (P)Ba3; and its preference shares rating at B2(hyb).

The Outlook on the long-term deposit and senior unsecured debt ratings remains stable, reflecting Moody's view that the Bank's creditworthiness will be steady over the outlook horizon.

Notification by Banco de Portugal of MREL requirements

Banco Comercial Português, S.A. has been notified by Banco de 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, and therefore these targets replace those previously set.

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 1 January, 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.

Minimum prudential requirements

Under the context of the Supervisory Review and Evaluation Process (SREP), Banco Comercial Português, S.A. has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from 1 March 2022. In addition, BCP was previously informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII).

The ECB's decision prescribes the following minimum ratios as a percentage of total risk weighted assets (RWA) from 1 March 2022:

	Minimum Capital Requirements							
		of which:				of which:		
BCP Consolidated	**Phased-in 2022**	**Pilar 1**	**Pilar 2**	***Buffers***	**Fully implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	9.16%	4.50%	1.41%	3.25%	9.41%	4.50%	1.41%	3.50%
T1	11.13%	6.00%	1.88%	3.25%	11.38%	6.00%	1.88%	3.50%
Total	13.75%	8.00%	2.50%	3.25%	14.00%	8.00%	2.50%	3.50%

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.75%). BCP has one additional year (1 January 2023) to fulfil the future O-SII reserve requirement of 1.00%, as communicated by Banco de Portugal on its website on 30 November 2021.

Ukraine War

In 2022 the Russian Federation invaded Ukraine, as widely reported by supranational institutions and the media. Although the Group´s direct exposure to those countries´ economies is immaterial, the 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.

Based on all the information available at the time, including that regarding the liquidity and capital situation, as well as the value of the assets, it is considered that the going concern principle underlying the preparation of the financial statements continues to apply.

47. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Bank's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, as the future business evolution. Therefore, the values presented cannot be understood as an estimate of the economic value of the Bank.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks, it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is -1% (ECB deposit rate - 50 bp) as at 30 June 2022 and 31 December 2021.

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Bank on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Bank for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Bank. This was calculated from the average production of the three most recent months compared to the reporting date.

The average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions		Loans and advances to customers		Resources from credit institutions		Resources from customers	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
EUR	0.73%	0.26%	3.93%	2.27%	1.57%	0.38%	0.27%	-0.21%
AOA	n.a.	23.15%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.41%	0.42%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.23%	0.88%
CHF	n.a.	n.a.	4.10%	2.47%	n.a.	n.a.	0.60%	-0.32%
CNY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.28%	2.19%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.97%	-0.20%
GBP	1,80%	n.a.	n.a.	n.a.	n.a.	n.a.	1.95%	0.47%
HKD	n.a.	n.a.	2.99%	0.80%	n.a.	n.a.	1.30%	0.02%
MOP	n.a.	n.a.	3.16%	1.19%	n.a.	n.a.	1.58%	0.28%
MZN	17.12%	14.78%	20.13%	17.96%	n.a.	n.a.	13.50%	11.25%
NOK	n.a.	n.a.	4.56%	n.a.	n.a.	n.a.	2.78%	1.33%
PLN	7.67%	2.11%	10.57%	7.24%	7.04%	3.71%	6.67%	2.43%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.63%	0.29%
USD	2.42%	0.60%	4.16%	2.70%	2.35%	0.41%	2.05%	-0.11%
ZAR	5.27%	7.24%	12.52%	n.a.	n.a.	n.a.	3.07%	3.11%

Financial assets and liabilities measured at fair value through profit or loss (except derivatives), financial assets at fair value through other comprehensive income

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets measured at amortised cost - Debt securities

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Debt securities non subordinated issued and subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate remunerated instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised. For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded, when applicable. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non-institutional customers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average of the reference rates of the yield curve obtained from the market prices of the different currencies used in the determination of the fair value of the issues is analysed as follows:

	30 June 2022		31 December 2021	
	EUR	PLN	EUR	PLN
Placed in the institutional market				
Subordinated	10.08%	–	4.80%	–
Senior	6.50%	–	2.33%	–
Covered bonds	0.00%	–	-0.08%	–
Placed in retail				
Senior and collateralised	1.49%	6.74%	0.12%	3.63%

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a positive amount of Euros 43,950,000 (31 December 2021: a positive amount of Euros 11,616,000) and includes a payable amount of Euros 15,655,000 (31 December 2021: a payable amount of Euros 6,365,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading (note 23 and 36).

The following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the financial assets and liabilities of the Group:

	30 June 2022				31 December 2021			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	-0.48%	1.71 %	1.28 %	6.16 %	-0.59%	0.11%	0.19%	1.99%
7 days	-0.45%	1.76 %	1.29 %	6.16 %	-0.59%	0.14%	0.21%	1.99%
1 month	-0.41%	1.9 %	1.34 %	6.49 %	-0.56%	0.14%	0.25%	2.13%
2 months	-0.28%	2.21 %	1.55 %	6.73 %	-0.56%	0.16%	0.32%	2.28%
3 months	-0.18%	2.38 %	1.7 %	6.95 %	-0.56%	0.21%	0.38%	2.44%
6 months	0.25%	3.13 %	2.23 %	7.25 %	-0.54%	0.33%	0.56%	2.74%
9 months	0.7%	3.52 %	2.7 %	7.33 %	-0.51%	0.47%	0.76%	2.89%
1 year	0.85%	3.27 %	3 %	8.16 %	-0.49%	0.52%	0.89%	3.71%
2 years	1.39%	3.26 %	2.9 %	7.87 %	-0.30%	0.92%	1.20%	3.93%
3 years	1.58%	3.14 %	2.86 %	7.46 %	-0.15%	1.15%	1.30%	3.88%
5 years	1.82%	3.07 %	2.77 %	6.94 %	0.02%	1.34%	1.29%	3.74%
7 years	1.98%	3.04 %	2.67 %	6.74 %	0.13%	1.45%	1.24%	3.63%
10 years	2.18%	3.06 %	2.62 %	6.66 %	0.30%	1.56%	1.21%	3.54%
15 years	2.36%	3.12 %	2.59 %	6.77 %	0.49%	1.68%	1.18%	3.74%
20 years	2.28%	3.09 %	2.54 %	6.96 %	0.55%	1.74%	1.15%	3.86%
30 years	1.99%	2.88 %	2.46 %	6.96 %	0.48%	1.72%	1.10%	3.86%

The following table shows the fair value of financial assets and liabilities of the Group, as at 30 June 2022:

(Thousands of euros)

	30 June 2022				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	7,930,297	7,930,297	7,930,297
Loans and advances to credit institutions repayable on demand	–	–	329,648	329,648	329,648
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	875,317	875,317	784,139
Loans and advances to customers (i)	–	–	55,187,231	55,187,231	54,173,203
Debt securities	–	–	12,102,018	12,102,018	11,368,628
Financial assets at fair value through profit or loss					
Financial assets held for trading	1,758,419	–	–	1,758,419	1,758,419
Financial assets not held for trading mandatorily at fair value through profit or loss	932,227	–	–	932,227	932,227
Financial assets at fair value through other comprehensive income	–	8,644,875	–	8,644,875	8,644,875
Hedging derivatives (ii)	531,459	–	–	531,459	531,459
	3,222,105	8,644,875	76,424,511	88,291,491	86,452,895
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	8,996,119	8,996,119	8,985,856
Resources from customers (i)	–	–	73,190,262	73,190,262	73,104,891
Non subordinated debt securities issued (i)	–	–	1,114,595	1,114,595	1,158,545
Subordinated debt (i)	–	–	1,350,165	1,350,165	1,274,823
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	192,880	–	–	192,880	192,880
Financial liabilities designated at fair value through profit or loss	1,343,985	–	–	1,343,985	1,343,985
Hedging derivatives (ii)	1,677,170	–	–	1,677,170	1,677,170
	3,214,035	–	84,651,141	87,865,176	87,738,150

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2021:

(Thousands of euros)

	31 December 2021				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	7,796,299	7,796,299	7,796,299
Loans and advances to credit institutions repayable on demand	–	–	361,786	361,786	361,786
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	453,213	453,213	411,867
Loans and advances to customers (i)	–	–	54,972,401	54,972,401	54,310,839
Debt securities	–	–	8,205,196	8,205,196	8,245,752
Financial assets at fair value through profit or loss					
Financial assets held for trading	931,485	–	–	931,485	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	990,938	–	–	990,938	990,938
Financial assets at fair value through other comprehensive income	–	12,890,988	–	12,890,988	12,890,988
Hedging derivatives (ii)	109,059	–	–	109,059	109,059
	2,031,482	12,890,988	71,788,895	86,711,365	86,049,013
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	8,896,074	8,896,074	8,897,337
Resources from customers (i)	–	–	69,560,227	69,560,227	69,553,730
Non subordinated debt securities issued (i)	–	–	2,188,363	2,188,363	2,199,979
Subordinated debt (i)	–	–	1,394,780	1,394,780	1,486,659
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	231,241	–	–	231,241	231,241
Financial liabilities designated at fair value through profit or loss	1,581,778	–	–	1,581,778	1,581,778
Hedging derivatives (ii)	377,206	–	–	377,206	377,206
	2,190,225	–	82,039,444	84,229,669	84,327,930

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Group classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13. The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued based on the prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i) - There is a firm daily enforceable quotation for the financial instruments concerned, or;

ii) - There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;

iii) - Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

Level 2 - Valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i) - Failure to comply with the rules defined for level 1, or;

ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)), in particular with MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant. In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (i.e. internal ratings, default probabilities determined by internal models, etc.) incorporated in valuation of CVA is not significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

Level 3 - Valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i) - They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;

ii) - They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);

iii) - They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities/real estate/ other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSAs), and whose unobservable market data component incorporated in the valuation of CVA is significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 30 June 2022:

(Thousands of euros)

	30 June 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	7,930,297	—	—	7,930,297
Loans and advances to credit institutions repayable on demand	329,648	—	—	329,648
Financial assets at amortised cost				
Loans and advances to credit institutions	—	—	784,139	784,139
Loans and advances to customers	—	—	54,173,203	54,173,203
Debt securities	8,139,076	929,460	2,300,092	11,368,628
Financial assets at fair value through profit or loss				
Financial assets held for trading	1,305,163	188,589	264,667	1,758,419
Financial assets not held for trading mandatorily at fair value through profit or loss	—	—	932,227	932,227
Financial assets at fair value through other comprehensive income	8,185,942	337,912	121,021	8,644,875
Hedging derivatives	—	531,459	—	531,459
	25,890,126	1,987,420	58,575,349	86,452,895
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	—	—	8,985,856	8,985,856
Resources from customers	—	—	73,104,891	73,104,891
Non subordinated debt securities issued	—	—	1,158,545	1,158,545
Subordinated debt	—	—	1,274,823	1,274,823
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	—	174,836	18,044	192,880
Financial liabilities designated at fair value through profit or loss	843,687	—	500,298	1,343,985
Hedging derivatives	—	1,677,170	—	1,677,170
	843,687	1,852,006	85,042,457	87,738,150

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 31 December 2021:

(Thousands of euros)

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	7,796,299	—	—	7,796,299
Loans and advances to credit institutions repayable on demand	361,786	—	—	361,786
Financial assets at amortised cost				
Loans and advances to credit institutions	—	—	411,867	411,867
Loans and advances to customers	—	—	54,310,839	54,310,839
Debt securities	1,768,269	761,886	5,715,597	8,245,752
Financial assets at fair value through profit or loss				
Financial assets held for trading	499,147	169,181	263,157	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	—	—	990,938	990,938
Financial assets at fair value through other comprehensive income	12,463,415	303,629	123,944	12,890,988
Hedging derivatives	—	109,059	—	109,059
	22,888,916	1,343,755	61,816,342	86,049,013
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	—	—	8,897,337	8,897,337
Resources from customers	—	—	69,553,730	69,553,730
Non subordinated debt securities issued	—	—	2,199,979	2,199,979
Subordinated debt	—	—	1,486,659	1,486,659
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	—	221,040	10,201	231,241
Financial liabilities designated at fair value through profit or loss	961,730	—	620,048	1,581,778
Hedging derivatives	—	377,206	—	377,206
	961,730	598,246	82,767,954	84,327,930

48. Post-employment benefits and other long-term benefits

The Group assumed the liability to pay to their employees' pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 R.

As at 30 June 2022 and 31 December 2021, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	30 June 2022	31 December 2021
Retired and pensioners	17,163	17,177
Former Attendees Acquired Rights	3,506	3,539
Employees	6,387	6,407
	27,056	27,123

In accordance with the accounting policy described in note 1 R, the Group's retirement pension liabilities and other benefits and the respective coverage, based on the Projected Unit Credit method are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Actual amount of the past services		
Pensioners	2,045,266	2,454,361
Former attendees acquired rights	170,529	255,662
Employees	521,421	787,599
	2,737,216	3,497,622
Pension fund value	(3,420,843)	(3,699,988)
Net (assets) / liabilities in balance sheet (note 31)	(683,627)	(202,366)
Actuarial gains and losses and changing assumptions effect recognised in Other comprehensive income	3,050,307	3,528,224

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which under the scope of the fund is called an Additional Complement, which as at 30 June 2022 amounts to Euros 212,503,000 (31 December 2021: Euros 260,168,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

In 2022, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of the respective clauses, negotiations which are still ongoing.

At the same time, negotiations took place with all the unions subscribed to the Group's Collective Labour Agreements for the revision of the Salary Tables and other clauses of pecuniary expression relative to the years of 2021 and 2022, having been agreed on 20 June and 1 July with all the unions subscribed to the Group's Collective Labour Agreements, the update of the Salary Tables and the Bank's Contributions to SAMS in 2021 by 0.50%, and the increase of 0.50% of other clauses of pecuniary expression, such as lunch subsidy, diuturnities, among others. The agreed updates take effect on 1 January 2021, with the exception of compensation for subsistence and travel allowances, which will be updated after the agreed updates are operational.

Regarding the revision of the Salary Tables and other clauses of pecuniary expression for 2022, it was agreed on 20 June with the unions Mais Sindicato do Sector Financeiro, SBC – Sindicato Bancários do Centro and SBN - Sindicato dos Trabalhadores do Sector Financeiro de Portugal, the update of Salary Tables by 1.10% up to and including level 13, and 0.70% for level 14 and beyond. An increase of 1.10% was agreed for the Bank's contributions to SAMS and other pecuniary expression clauses, and an increase of 7.14% was agreed for the lunch subsidy, whose daily value was increased to Euros 10.50. The agreed updates take effect on 1 January 2022, with exception of compensation for subsistence and travel allowances, which will be updated after the agreed updates are operational.

Regarding SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários, SIB – Sindicato Independente da Banca, an agreement has not yet been reached on the proposal presented by the Group on 22 June, the content of which corresponds to what was agreed with the other unions, hence the negotiations are still ongoing.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Balance as at 1 January	3,497,622	3,657,527
Service cost	(6,218)	(14,466)
Interest cost / (income)	22,987	43,034
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	45,617	57,564
Related to changes in assumptions	(761,842)	(167,476)
Payments	(65,259)	(122,563)
Early retirement programmes and terminations by mutual agreement	973	36,583
Contributions of employees	3,336	7,451
Transfer from / (to) other plans	—	(32)
Balance at the end of the period	2,737,216	3,497,622

As at 30 June 2022, the pensions paid by the Fund, including the Additional Complement, amounts to Euros 65,259,000 (31 December 2021: Euros 122,563,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 249,109,000 as at 30 June 2022 (31 December 2021: Euros 311,161,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 30 June 2022 amounts to Euros 39,988,000 (31 December 2021: Euros 40,811,000), in order to pay:

i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;

ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

In the first half of 2022 and during the financial year of 2021 the changes occurred in the plan's assets value is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Balance as at 1 January	3,699,988	3,750,567
Employees' contributions	3,336	7,451
Actuarial gains / (losses)	(238,308)	25,374
Payments	(65,259)	(122,563)
Expected return on plan assets	21,082	38,606
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	4	586
Others	–	(33)
Balance at the end of the period	3,420,843	3,699,988

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of euros)

	30 June 2022			31 December 2021		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	373,591	1,152	374,743	397,322	1,098	398,420
Bonds and other fixed income securities	1,303,319	4,922	1,308,241	1,377,330	4,820	1,382,150
Participations units in investment funds	–	935,784	935,784	–	1,186,146	1,186,146
Participation units in real estate funds	–	300,673	300,673	–	304,736	304,736
Properties	–	239,256	239,256	–	239,838	239,838
Loans and advances to credit institutions and others	–	262,146	262,146	–	188,698	188,698
	1,676,910	1,743,933	3,420,843	1,774,652	1,925,336	3,699,988

The balance Properties includes buildings booked in the Fund's financial statements and used by the Group's companies which, as at 30 June 2022 amounts to Euros 239,256,000 (31 December 2021: Euros 239,838,000).

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Shares	4,848	4,140
Loans and advances to credit institutions	231,317	170,115
Bonds and other fixed income securities	2,851	15,386
	239,016	189,641

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Balance as at 1 January	(202,366)	(93,040)
Recognised in the income statement:		
Service cost	(6,218)	(14,466)
Interest cost / (income) net of the balance liabilities coverage	1,905	4,428
Cost with early retirement programs (note 7)	973	36,583
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(4)	(586)
	(3,344)	25,959
Recognised in the statement of comprehensive income:		
Actuarial (gains) / losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	238,308	(25,374)
Difference between expected and effective obligations	45,617	57,564
Arising from changes in actuarial assumptions	(761,842)	(167,475)
	(477,917)	(135,285)
Balance at the end of the period	(683,627)	(202,366)

In accordance with IAS 19, the first half of 2022 and 2021, the Group registered costs with post-employment benefits, which is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021
Current service cost	(6,218)	(7,279)
Net interest cost in the liability coverage balance	1,905	3,014
Cost with early retirement programs (note 7)	973	4,807
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(4)	—
(Income) / Cost of the period	(3,344)	542

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB / CLA regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the period is recognised under the heading "Current service costs".

Board of Directors Plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with: i) the retirement pensions of former Group's Executive Board Members; and ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

Assumptions used in the liability's assessment

Considering the market indicators, particularly the inflation rate estimates and the long-term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	30 June 2022	31 December 2021
Salary growth rate (c)	2,25% in 2023; 0,75% in the following years	0.75 %
Pension's growth rate (c)	2% in 2023; 0,5% in the following years	0.50%
Discount rate / Projected Fund's rate of return	3.30%	1.35%
Mortality tables		
Men	TV 88/90	TV 88/90
Women (a)	TV 88/90-3 years	TV 88/90-3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 7 months	66 years and 6 months
Total salary growth rate for Social Security purposes	1.75 %	1.75 %
Revaluation rate of wages / pensions of Social Security	1 %	1 %

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) Retirement age is variable. The normal retirement age increases one month for each civil year and cannot be higher than the normal retirement age in force in the General Social Security Regime (RGSS). The normal retirement age in the RGSS is variable and depends on the evolution of the average life expectancy at 65 years of age.

For 2021, the retirement age is 66 years and 6 months, for 2022 it is 66 years and 7 months. For 2023, due to the evolution of the average life expectancy at 65 years in Portugal and, consequently, the reduction of the normal retirement age in RGSS, the estimate of the normal retirement age was reduced to 66 years and 4 months.

For the projection of life expectancy's increment it was considered an increase of one year in every 10 years, with the maximum retirement age being set at 67 years and 2 months.

c) This rate refers to the growth for the years following the reporting year.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund, regarding the defined benefit pension plans of its employees and managers, was determined based on an analysis performed over the market yield of a bond portfolio issues with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities), denominated in Euros and related to a sundry and representative range of issuers. With reference to 30 June 2022, the Group used a discount rate of 3.30% (31 December 2021: 1.35%).

The Actuarial gains / losses are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	30 June 2022		31 December 2021	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		45,617		57,564
Changes on the assumptions:				
Discount rate		(824,599)		(167,475)
Pension's increase rate		62,757		–
Deviation between expected income and income from funds	(5.91%)	238,308	1.92%	(25,374)
		(477,917)		(135,285)

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	30 June 2022		31 December 2021	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	89,476	(84,137)	135,482	(127,790)
Pension's increase rate	(97,933)	100,577	(143,548)	151,248
Salary growth rate	(20,670)	24,305	(32,795)	35,922

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	30 June 2022		31 December 2021	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	83,592	(85,044)	128,401	(127,687)

(*) The impact of 1 year reduction in the mortality table implies an increase in the average life expectancy

Defined contribution plan

According to what is described in accounting policy 1 R3, in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in the first half of 2022 and 2021, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) the previous year BCP's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. The Group accounted as staff costs in the first half of 2022 the amount of Euros 146,000 (30 June 2021: Euros 130,000) related to this contribution.

49. Related parties

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 57 - List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties, people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

As the transactions with subsidiaries are eliminated in consolidation, these are not included in the notes to the Group's consolidated financial statements.

According to Portuguese law, namely under Article no. 109 of the General Law for Credit Institutions and Financial Companies and also in accordance with Article no. 33 of Notice 3/2020 of the Bank of Portugal, are considered related parties as well, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. Under the scope of the Portuguese Securities Code update, which came into force at the beginning of 2022, the reference threshold of 2% for qualifying holdings was changed to 5%. With reference to 2021 financial year, the reported balances refers to qualifying holdings above 2%, in accordance with the Securities Code in force at the date. The list of the qualified shareholders is detailed in note 40.

A) Balances and transactions with qualified shareholders

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Assets		
Financial assets at amortised cost		
Loans and advances to customers	106,561	148,916
Debt securities	79,877	79,673
Financial assets at fair value through profit or loss		
Financial assets held for trading	–	2,881
Financial assets at fair value through other comprehensive income	–	136,849
Others	–	48
	186,438	368,367
Liabilities		
Resources from customers	74,634	319,137
	74,634	319,137

Loans and advances to customers are net of impairment in the amount of Euros 753,000 (31 December 2021: Euros 3,140,000) and for Debt securities the amount of Euros 139,000 (31 December 2021: Euros 347,000).

In the first half of 2022 and 2021, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	30 June 2022	30 June 2021
Income		
Interest and similar income	2,783	4,980
Commissions	397	2,750
	3,180	7,730
Costs		
Commissions	42	43
	42	43

The provided guarantees and revocable and irrevocable credit lines granted by the Group to qualified shareholders, are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Guarantees granted	6,582	48,060
Revocable credit lines	11,140	143,225
Irrevocable credit lines	—	150,000
	17,722	341,285

As at 30 June 2022, the Group has accounted for provisions for Guarantees granted the amount of Euros 5,000 (31 December 2021: Euros 86,000), for Revocable credit lines the amount of Euros 20,000 (31 December 2021: Euros 184,000). As at 31 December 2021, an impairment of Euros 26,000 was recorded for provisions for irrevocable credit lines.

B) Balances and transactions with members of the Board of Directors and key management members

The balances with related parties discriminated in the following table, included on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to customers		Resources from customers	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Board of Directors				
Non-executive members	2	2	9,077	7,272
Executive Committee (*)	251	65	2,898	1,628
Closely related people	11	230	2,332	2,210
Controlled entities	—	—	9	45
Key management members				
Key management members	6,502	6,114	10,861	9,996
Closely related people	1,904	1,146	5,618	5,224
Controlled entities	6	2	2,683	2,232
	8,676	7,559	33,478	28,607

(*) The item Loans to Customers corresponds to mortgage loans granted prior to the respective election and to the amount used from private credit cards which must be settled on the maturity date.

In accordance with Article 85, no. 9 of RGICSF, no credits were granted in the first half of 2022 and in the financial year of 2021.

In the first half of 2022 and 2021, the transactions with related parties discriminated in the following table, included in income items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions income	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Board of Directors				
Non-executive members	—	—	17	28
Executive Committee	—	—	6	5
Closely related people	—	1	5	4
Key management members				
Key management members	10	12	32	29
Closely related people	6	5	23	23
Controlled entities	—	—	4	5
	16	18	87	94

In the first half of 2022 and 2021, the transactions with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Board of Directors				
Non-executive members	3	3	—	—
Closely related people	1	—	—	—
Key management members				
Key management members	2	3	2	2
Closely related people	1	—	1	—
Controlled entities	—	—	1	1
	7	6	4	3

The revocable credit lines granted by the Group to the following related parties are as follows:

(Thousands of euros)

	Revocable credit lines		Irrevocable credit lines	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Board of Directors				
Non-executive members	92	91	—	—
Executive Committee (*)	138	175	—	—
Closely related people	54	55	—	—
Key management members				
Key management members	710	878	—	—
Closely related people	189	210	—	23
Controlled entities	33	27	—	—
	1,216	1,436	—	23

(*) Corresponds to the maximum authorized and unused limit of private credit cards and overdraft authorization in a salary account under the same regime as all the Bank's other employees.

The shareholder and bondholder position of members of the Board of Directors, key management members and people closely related to the previous categories, as well as the movements occurred in the first half of 2022, are as follows:

Shareholders/Bondholders	Security	Number of securities: 30 June 2022	Number of securities: 31 December 2021	Acquisitions	Disposals	Date	Unit price Euros
MEMBERS OF BOARD OF DIRECTORS							
Ana Paula Alcobia Gray	BCP Shares	0	0				
Cidália Maria da Mota Lopes (1)	BCP Shares	2,184	2,184				
Fernando da Costa Lima	BCP Shares	18,986	18,986				
João Nuno Oliveira Jorge Palma	BCP Shares	1,364,642	426,957	1,662,562 (a)	724,877 (b)	24/6/2022	0.1775
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	88,500				
	Bonds (i)	1	1				
	Bonds (ii)	1	1				
José Manuel Elias da Costa	BCP Shares	0	0				
José Miguel Bensliman Schorcht da Silva Pessanha(4)	BCP Shares	1,177,152	333,829	1,500,574 (a)	657,251 (b)	24/6/2022	0.1775
Lingjiang Xu	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos (3)	BCP Shares	1,554,512	396,914	1,446,998 (a)	289,400 (b)	24/6/2022	0.1775
Miguel de Campos Pereira de Bragança	BCP Shares	1,725,908	763,422	1,685,613 (a)	723,127 (b)	24/6/2022	0.1775
Miguel Maya Dias Pinheiro	BCP Shares	2,018,854	800,692	2,118,541 (a)	900,379 (b)	24/6/2022	0.1775
Nuno Manuel da Silva Amado	BCP Shares	1,525,388	1,525,388				
	Bonds (i)	2	2				
	Bonds (ii)	2	2				
Rui Manuel da Silva Teixeira (2)	BCP Shares	1,207,858	376,663	1,478,995 (a)	647,800 (b)	24/6/2022	0.1775
Teófilo César Ferreira da Fonseca	BCP Shares	10,000	10,000				
Valter Rui Dias de Barros	BCP Shares	0	0				
Wan Sin Long	BCP Shares	0	0				
Xiao Xu Gu	BCP Shares	0	0				
KEY MANAGEMENT MEMBERS							
Albino António Carneiro de Andrade	BCP Shares	128,684	101,557	27,127 (a)		24/6/2022	0.1775
Alexandre Manuel Casimiro de Almeida	BCP Shares	111,400	55,865	55,535 (a)		24/6/2022	0.1775
Américo João Pinto Carola (9)	BCP Shares	104,945	61,269	77,439 (a)	33,763 (b)	24/6/2022	0.1775
Ana Isabel dos Santos de Pina Cabral (6)	BCP Shares	145,461	96,648	86,855 (a)	38,042 (b)	24/6/2022	0.1775
Ana Maria Jordão F. Torres Marques Tavares (8)	BCP Shares	215,340	161,758	84,249 (a)	30,667 (b)	24/6/2022	0.1775
André Cardoso Meneses Navarro	BCP Shares	148,020	106,697	55,098 (a)	13,775 (b)	24/6/2022	0.1775
António Augusto Amaral de Medeiros	BCP Shares	143,063	100,077	76,485 (a)	33,499 (b)	24/6/2022	0.1775
António Ferreira Pinto Júnior	BCP Shares		33,187		27,266	1/4/2022	0.1492
	BCP Shares	11,842		5,921 (a)		24/6/2022	0.1775
António José Lindeiro Cordeiro	BCP Shares	64,134	32,631	52,770 (a)	21,267 (b)	24/6/2022	0.1775
António Luís Duarte Bandeira (7)	BCP Shares	285,425	236,233	87,529 (a)	38,337 (b)	24/6/2022	0.1775
António Ricardo Fery Salgueiro Antunes	BCP Shares	61,361	15,035	46,326 (a)		24/6/2022	0.1775
António Vítor Martins Monteiro (5)	BCP Shares	3,872	3,872				

The paragraphs stated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people who they are associated with in the category "People closely related to the previous categories".

(i) - Tejo Project - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

(ii) - BCP *Tier 2 Subordinated Callable Notes*

(a) - identifies the increment of shares up to 30 June 2022 corresponding to variable compensation of 2021 and deferred from previous years

(b) - identifies the shares used in sell-cover uo to 30 June 2022 related to the increment of shares of variable remuneration.

Shareholders/Bondholders	Security	Number of securities 30 June 2022	31 December 2021	Acquisitions		Disposals		Date	Unit price Euros
Artur Frederico Silva Luna Pais	BCP Shares	459,405	396,760	62,645	(a)			24/6/2022	0.1775
Belmira Abreu Cabral	BCP Shares	96,604	57,285	62,410	(a)	23,091	(b)	24/6/2022	0.1775
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	54,362	25,999	49,673	(a)	21,310	(b)	24/6/2022	0.1775
Chi Wai Leung (Timothy)	BCP Shares	26,582	9,852	16,730	(a)			24/6/2022	0.1775
Constantino Alves Mousinho	BCP Shares	60,255	40,664	19,591	(a)			24/6/2022	0.1775
Fernando Maria Cardoso Rodrigues Bicho	BCP Shares	237	237						
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	135,398	85,467	87,446	(a)	37,515	(b)	24/6/2022	0.1775
Francisco António Caspa Monteiro (10)	BCP Shares	186,219	137,027	87,529	(a)	38,337	(b)	24/6/2022	0.1775
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	119,771	78,390	72,471	(a)	31,090	(b)	24/6/2022	0.1775
Hugo Miguel Martins Resende	BCP Shares	139,589	92,696	83,143	(a)	36,250	(b)	24/6/2022	0.1775
João Brás Jorge	BCP Shares	91,709	91,709						
João Manuel Rodrigues Tomé Cunha Martins	BCP Shares	0	0						
João Manuel Taveira Pinto Santos Paiva	BCP Shares	190,677	103,739	86,938	(a)			24/6/2022	0.1775
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	86,260	38,003	79,632	(a)	31,375	(b)	24/6/2022	0.1775
Jorge Manuel Machado de Sousa Góis	BCP Shares	134,204	73,203	61,001	(a)			24/6/2022	0.1775
Jorge Manuel Nobre Carreteiro	BCP Shares	55,988	27,648	47,471	(a)	19,131	(b)	24/6/2022	0.1775
Jorge Octávio Neto dos Santos	BCP Shares	471,191	471,191						
José Artur Gouveia Coelho Caetano	BCP Shares	0	0						
José Carlos Benito Garcia de Oliveira	BCP Shares	37,941	37,941						
José Gonçalo Prior Regalado (12)	BCP Shares	163,020	83,836	79,184	(a)			24/6/2022	0.1775
José Guilherme Potier Raposo Pulido Valente	BCP Shares	280,081	208,437	71,644	(a)			24/6/2022	0.1775
José Laurindo Reino da Costa (15)	BCP Shares		751,100			401,100		4/1/2022	0.1502
		200,000				150,000		3/6/2022	0.1953
José Maria Gonçalves Pereira Brandão de Brito	BCP Shares	55,225	23,878	50,076	(a)	18,729	(b)	24/6/2022	0.1775
Luis Miguel Manso Correia dos Santos	BCP Shares	216,790	125,615	91,175	(a)			24/6/2022	0.1775
Maria Constança C. Brandão Amado Fonseca G. Santos	BCP Shares	800	800						
Maria de Los Angeles Sanchez Sanchez	BCP Shares	32,571	19,191	23,029	(a)	9,649	(b)	24/6/2022	0.1775
Maria Helena Soledade Nunes Henriques	BCP Shares	232,863	199,002	60,250	(a)	26,389	(b)	24/6/2022	0.1775
Maria Manuela de Araújo Mesquita Reis (11)	BCP Shares	190,663	152,857	63,327	(a)	25,521	(b)	24/6/2022	0.1775
Maria Rita Sítima Fonseca Lourenço	BCP Shares	173,448	112,778	60,670	(a)			24/6/2022	0.1775
Mário António Pinho Gaspar Neves	BCP Shares	108,172	73,963	60,762	(a)	26,553	(b)	24/6/2022	0.1775
Mário Madeira Robalo Fernandes	BCP Shares	156,951	79,512	77,439	(a)			24/6/2022	0.1775
Moisés Jorge	BCP Shares	0	0						
Nelson Luís Vieira Teixeira	BCP Shares	108,936	59,343	86,855	(a)	37,262	(b)	24/6/2022	0.1775
Nuno Alexandre Ferreira Pereira Alves (14)	BCP Shares	183,959	101,156	82,803	(a)			24/6/2022	0.1775
Nuno Maria Lagoa Ribeiro de Almeida	BCP Shares	2,560	2,560						
Nuno Miguel Nobre Botelho	BCP Shares	105,625	33,366	72,259	(a)			24/6/2022	0.1775
Pedro José Mora de Paiva Beija	BCP Shares	195,202	107,673	87,529	(a)			24/6/2022	0.1775
Pedro Manuel Francisco da Silva Dias (13)	BCP Shares	111,149	50,473	60,676	(a)			24/6/2022	0.1775
Pedro Manuel Macedo Vilas Boas	BCP Shares	146,870	79,512	67,358	(a)			24/6/2022	0.1775
Pedro Manuel Rendas Duarte Turras	BCP Shares	105,371	61,176	73,780	(a)	29,585	(b)	24/6/2022	0.1775

The notes stated in the table above for the categories "Members of Board of Directors" and "Key management members" identify the people who they are related to in the category "People closely related to the previous categories".

(a) - identifies the increment of shares up to 30 June 2022 corresponding to variable compensation of 2021 and deferred from previous years

(b) - identifies the shares used in sell-cover up to 30 June 2022 related to the increment of shares of variable remuneration.

Shareholders/Bondholders	Security	Number of securities: 30 June 2022	Number of securities: 31 December 2021	Acquisitions		Disposals		Date	Unit price Euros
Ricardo Potes Valadares	BCP Shares	68,014	33,093	60,207	(a)	25,286	(b)	24/6/2022	0.1775
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	117,023	68,163	86,938	(a)	38,078	(b)	24/6/2022	0.1775
Rui Emanuel Agapito Silva	BCP Shares	109,252	60,219	86,938	(a)	37,905	(b)	24/6/2022	0.1775
Rui Fernando da Silva Teixeira	BCP Shares	186,154	145,098	73,053	(a)	31,997	(b)	24/6/2022	0.1775
Rui Manuel Pereira Pedro	BCP Shares	339,819	252,786	87,033	(a)			24/6/2022	0.1775
Rui Miguel Alves Costa	BCP Shares	279,133	217,920	61,213	(a)			24/6/2022	0.1775
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	110,273	60,954	87,446	(a)	38,127	(b)	24/6/2022	0.1775
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	143,793	70,740	73,053	(a)			24/6/2022	0.1775
Vânia Alexandra Machado Marques Correia	BCP Shares	115,226	66,426	61,001	(a)	12,201	(b)	24/6/2022	0.1775
PEOPLE CLOSELY RELATED TO THE PREVIOUS CATEGORIES									
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184						
Maria Helena Espassandim Catão (2)	BCP Shares	576	576						
Ricardo Gil Monteiro Lopes de Campos (3)	BCP Shares	(c)	(c)						
Anne Marie Bensliman Silva Pessanha (4)	BCP Shares	139	139						
José Manuel de Vasconcelos Mendes Ferreira (6)	BCP Shares	1,616	1,616						
Ana Margarida Rebelo A.M. Soares Bandeira (7)	BCP Shares	2,976	2,976						
António da Silva Bandeira (7)	BCP Shares	20,000	20,000						
Álvaro Manuel Correia Marques Tavares (8)	BCP Shares	25,118	25,118						
Francisco Jordão Torres Marques Tavares (8)	BCP Shares	1,016	1,016						
Maria Avelina V C L J Teixeira Diniz (8)	BCP Shares	16,770	16,770						
Ana Isabel Salgueiro Antunes (9)	BCP Shares	29	29						
Ricardo Miranda Monteiro (10)	BCP Shares	1,639	1,639						
Rita Miranda Monteiro (10)	BCP Shares	1,639	1,639						
José Francisco Conceição Monteiro (10)	BCP Shares	18,002	18,002						
Luís Filipe da Silva Reis (11)	BCP Shares	280,000	280,000						
Américo Simões Regalado (12)	BCP Shares	880	880						
Filomena Maria Brito Francisco Dias (13)	BCP Shares	4,290	4,290						
António Henrique Leite Pereira Alves (14)	BCP Shares	73,926	73,926						
Maria Raquel Sousa Candeias Reino da Costa (15)	BCP Shares	0	10,000			10,000		1/4/2022	0.1493
Isabel Maria Vaz Leite Pinto Martins Monteiro (5)	BCP Shares	3,104	3,104						

The notes stated in the table above for the categories "Members of Board of Directors" and "Key management members" identify the people who they are related to in the category "People closely related to the previous categories".

(a) - identifies the increment of shares up to 30 June 2022 corresponding to variable compensation of 2021 and deferred from previous years

(b) - identifies the shares used in sell-cover up to 30 June 2022 related to the increment of shares of variable remuneration.

(c) - joint ownership of the account in which the Member of Governing Bodies is not the 1st holder, with the 1st holder holding 96,240 shares.

C) Balances and transactions with associated companies

The balances with associated companies included in the consolidated balance sheet items, except for investments in associated companies, are as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Assets		
Loans and advances to credit institutions repayable on demand	3,372	2,130
Financial assets at amortised cost		
Loans and advances to credit institutions	80,343	18,290
Loans and advances to customers	60,981	63,681
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,751	35
Other assets	8,433	12,542
	154,880	96,678
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	43,429	46,158
Resources from customers	212,560	342,674
Non subordinated debt securities issued	1,991	15,140
Financial liabilities held for trading	5,624	96,536
Other liabilities	6	51
	263,610	500,559

As at 30 June 2022, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 142,601,002 BCP shares (31 December 2021: 142,601,002 shares) in the amount of Euros 23,529,000 (31 December 2021: Euros 20,078,000).

In the first half of 2022 and 2021, the transactions with associated companies included in the consolidated income statement items are as follows:

(Thousands of euros)

	30 June 2022	30 June 2021
Income		
Interest and similar income	1,526	1,659
Commissions	26,217	29,556
Profits from financial operations	86	—
Other operating income	643	399
	28,472	31,614
Costs		
Interest and similar expenses	454	4,514
Commissions	45	22
Other administrative costs	84	72
Losses from financial operations	(581)	536
Other operating losses	51	625
	53	5,769

The guarantees granted and revocable and irrevocable credit lines by the Group over associated companies are as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Guarantees granted	7,335	7,363
Revocable credit lines	327,567	335,367
Irrevocable credit lines	600	600
	335,502	343,330

Under the scope of the Group's insurance mediation activities, the remuneration from services provided is analysed as follows:

(Thousands of euros)

	30 June 2022	30 June 2021
Life insurance		
Saving products	14,577	16,548
Mortgage and consumer loans	10,560	9,551
Others	—	15
	25,137	26,114
Non-Life insurance		
Accidents and health	10,599	9,964
Motor	1,939	1,992
Multi-Risk Housing	3,705	3,539
Others	803	735
	17,046	16,230
	42,183	42,344

Remuneration from insurance intermediation services was received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.) and with Ageas Portugal – Companhia de Seguros, S.A. The Group does not collect insurance premiums on behalf of Insurance Companies nor performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported related to the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activities, by nature, are analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Funds receivable for payment of life insurance commissions	12,241	12,525
Funds receivable for payment of non-life insurance commissions	8,523	8,482
	20,764	21,007

The commissions received result from insurance mediation contracts and investment contracts, under the terms established in the contracts in force. The mediation commissions are calculated according to the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;

- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialisation of these products.

D) Transactions with the Pension Fund

The balances with the Pension Fund included in items of the consolidated balance sheet are as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Assets		
Financial assets held for trading	2,151	711
Liabilities		
Resources from customers	243,253	173,377
Non subordinated debt securities issued	13,941	29,144
	257,194	202,521

In the first half of 2022 and during the financial year of 2021 there were no transactions related to other financial instruments between the Group and the Pension Fund.

In the first half of 2022 and 2021, income and expenses with the Pension Fund included in the items of the consolidated income statement are as follows:

(Thousands of euros)

	30 June 2022	30 June 2021
Income		
Commissions	1,174	538
Expenses		
Interest expense and similar charges	–	911
Other administrative costs	7,114	7,135
	7,114	8,046

The balance Other administrative costs corresponds to rents incurred under the scope of the Pension Fund's properties in which the tenant is the Group.

As at 30 June 2022 and 31 December 2021, the guarantees granted by the Group to the Pension Fund amount to Euros 5,000.

50. Consolidated Balance sheet and Income statement by geographic and operational segments

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for management purposes by the Executive Committee. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Segment's description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal and ActivoBank.

Portugal activity includes the following segments: i) Retail Banking; ii) Companies, Corporate & Investment Banking; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than Euros 2.5 million. The Retail network strategic approach is to target "Mass Market" customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal based on innovation and personalisation, requiring a dedicated Account Manager;

- Retail Recovery Division that accompanies and manages the responsibilities of customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and

- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies, Corporate and Investment Banking segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;

- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;

- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment, in order to defend the value and managing credit risk, in a sustainable medium and long term perspective;

- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term;

- Trade Finance Department (from Marketing Division for Corporate, Business and Institutional since the end of 2021), which coordinates the business with banks and financial institutions, boosting international business with the commercial networks of the Bank and institutional custody services for securities;

- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1 million);

- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for the purposes of geographical segments, comprises:

- Private Banking Division in Portugal, which ensures the monitoring of clients with high net worth, based on a commitment to excellence and a personalized relationship with clients;

- Wealth Management Division, which provides advisory services and portfolio management for clients in the Private Banking network and the affluent segment.

For the purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation. It should be noted that the result generated by the subsidiary in Switzerland in June 2021 is recorded in a single line as results of discontinued or discontinuing operations, since the date on which the sale agreement was announced on 29 June 2021, which was later completed in early November 2021.

All other businesses not previously discriminated are allocated to the Other segment (Portugal) and include centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other amounts not allocated to segments.

Foreign Business includes the following segments:

- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;

- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and

- Other, which includes other countries activity such as Switzerland where the Group is represented by Banque Privée BCP (classified as discontinued operations at the end of the first half of 2021, following the agreement signed for the sale of Banque Privée BCP, which was effectively concluded in early November), a Private Banking platform under Swiss law and Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets (Affluent segment). The Other segment also includes the contribution of the associate in Angola.

B. Business Segments

For the purposes of business segments reporting, Foreign Business segment comprises the Group's operations developed in other countries already mentioned excluding the activity of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands which, in this context, are considered in Private Banking segment.

Business segments activity

The figures reported for each segment resulted from aggregating the subsidiaries and business units integrated in each segment. For the business units in Portugal, the aggregation process reflects the impact from capital allocation and balancing process in the balance sheet and income statement, based on average figures. The balance sheet headings for each business unit and Portuguese subsidiaries were re-calculated, considering the replacement of the equity book values by the amounts assigned through the allocation process, based on the regulatory solvency criteria.

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 30 June 2022, 31 December 2021 and 30 June 2021 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Commissions and other net income, as well as operating costs calculated for each business area, are based on the amounts accounted for directly in the respective cost centres, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. In this case, the allocation is based on the application of pre-defined criteria related to the level of activity of each business area.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 30 June 2022. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical).

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, the contribution of this subsidiary to the "Private Banking" segment (geographical segments) and "Other" from "Foreign business" segment (business segments) is reflected as income from discontinued operations and the historical information has been restated in order to ensure its comparability, as required by IFRS 5. Banque Privée BCP (Suisse) S.A. ceased to be part of the BCP Group on 2 November 2021, the date on which the sale of this subsidiary was completed. In this context, the capital gain arising from the sale of the operation was also recorded as income of discontinued or discontinued operations. It should also be noted that on 29 December 2021, BIM – Banco Internacional de Moçambique, S.A. also formalized the sale to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, S.A., with BIM maintaining approximately 22% of its share capital. The contribution of this subsidiary to the net income of the Foreign Business segment is also presented as income of discontinued or discontinued operations in June 2021, as required by IFRS 5. The presentation of assets and liabilities of Banque Privée BCP (Suisse) S.A. and Seguradora Internacional de Moçambique, S.A. referring to previous periods remained unchanged when compared to the criteria considered in the preparation of the consolidated financial statements previously disclosed.

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 30 June 2022, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	30 June 2022						
	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Interest and similar income	233,751	695,107	928,858	128,183	5,418	79,225	1,141,684
Interest expense and similar charges	(1,999)	(141,332)	(143,331)	(7,151)	(507)	(5,537)	(156,526)
Net interest income	231,752	553,775	785,527	121,032	4,911	73,688	985,158
Commissions and other income	237,612	165,237	402,849	96,489	21,802	10,750	531,890
Commissions and other costs	(26,695)	(160,066)	(186,761)	(14,208)	(1,008)	(118,783)	(320,760)
Net commissions and other income (2)	210,917	5,171	216,088	82,281	20,794	(108,033)	211,130
Net gains arising from trading activity (3)	12,570	(17,595)	(5,025)	205	1,514	45,530	42,224
Share of profit of associates under the equity method	–	(1,298)	(1,298)	–	–	34,087	32,789
Gains/(losses) arising from the sale of subsidiaries and other assets	–	637	637	7	(1)	11,457	12,100
Net operating revenue	455,239	540,690	995,929	203,525	27,218	56,729	1,283,401
Operating expenses	208,299	221,880	430,179	69,386	10,979	5,652	516,196
Impairment for credit and financial assets (4)	(16,443)	(39,616)	(56,059)	(119,534)	2,783	(9,003)	(181,813)
Other impairments and provisions (5)	(10)	(321,271)	(321,281)	–	–	(48,282)	(369,563)
Net income before income tax	230,487	(42,077)	188,410	14,605	19,022	(6,208)	215,829
Income tax	(71,728)	(72,595)	(144,323)	(4,451)	(5,808)	(1,184)	(155,766)
Net income after income tax from continuing operations	158,759	(114,672)	44,087	10,154	13,214	(7,392)	60,063
Income arising from discontinued operations	–	(310)	(310)	–	1,789	–	1,479
Net income for the period	158,759	(114,982)	43,777	10,154	15,003	(7,392)	61,542
Non-controlling interests (6)	–	12,778	12,778	–	–	189	12,967
Net income for the period attributable to Bank's Shareholders	158,759	(102,204)	56,555	10,154	15,003	(7,203)	74,509

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes net fees and commissions income, other operating income/(loss) and dividends from equity instruments.

3) Includes 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.

4) Includes impairment of financial assets at amortised cost for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, goodwill impairment, impairment of other assets and other provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

6) Includes the non-controlling interests of BIM Group related to Seguradora Internacional de Moçambique, S.A., entity classified as a discontinued operation.

As at 30 June 2022, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	30 June 2022						
	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	13,945,129	2,351,843	16,296,972	1,361,728	2,830,460	(11,353,898)	9,135,262
Loans and advances to customers (1)	25,495,854	17,501,973	42,997,827	12,457,839	343,541	1,239,707	57,038,914
Financial assets (2)	1,305,967	5,303,125	6,609,092	—	—	15,508,223	22,117,315
Other assets	77,239	894,093	971,332	10,676	2,187	6,797,822	7,782,017
Total Assets	40,824,189	26,051,034	66,875,223	13,830,243	3,176,188	12,191,854	96,073,508
Resources from credit institutions (3)	314,029	165,171	479,200	3,102,659	—	5,414,260	8,996,119
Resources from customers (4)	37,880,632	22,654,694	60,535,326	9,654,211	2,615,319	385,406	73,190,262
Debt securities issued (5)	1,227,424	—	1,227,424	2,102	143,817	1,085,237	2,458,580
Other financial liabilities (6)	—	560,877	560,877	—	—	2,659,338	3,220,215
Other liabilities (7)	50,393	877,860	928,253	63,011	1,031	924,950	1,917,245
Total Liabilities	39,472,478	24,258,602	63,731,080	12,821,983	2,760,167	10,469,191	89,782,421
Total Equity	1,351,711	1,792,432	3,144,143	1,008,260	416,021	1,722,663	6,291,087
Total Liabilities and Equity	40,824,189	26,051,034	66,875,223	13,830,243	3,176,188	12,191,854	96,073,508
Number of employees	3,863	9,410	13,273	533	142	1,719	15,667

1) Includes 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.

2) Includes 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), financial assets at fair value through other comprehensive income net of impairment and hedging derivatives.

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 June 2021, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	30 June 2021 (restated)						
	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business [1]	Total				
INCOME STATEMENT							
Interest and similar income	225,861	396,686	622,547	132,756	4,588	65,135	825,026
Interest expense and similar charges	(2,344)	(41,719)	(44,063)	(5,583)	(559)	(9,044)	(59,249)
Net interest income	223,517	354,967	578,484	127,173	4,029	56,091	765,777
Commissions and other income	219,146	151,683	370,829	79,993	17,342	360	468,524
Commissions and other costs	(23,453)	(85,573)	(109,026)	(9,884)	(2,149)	(107,173)	(228,232)
Net commissions and other income [2]	195,693	66,110	261,803	70,109	15,193	(106,813)	240,292
Net gains arising from trading activity [3]	10,093	12,283	22,376	161	694	57,073	80,304
Share of profit of associates under the equity method	–	(1,726)	(1,726)	–	–	31,012	29,286
Gains/(losses) arising from the sale of subsidiaries and other assets	–	103	103	4	–	881	988
Net operating revenue	429,303	431,737	861,040	197,447	19,916	38,244	1,116,647
Operating expenses	233,591	200,266	433,857	59,177	9,870	87,190	590,094
Impairment for credit and financial assets [4]	(44,526)	(30,161)	(74,687)	(76,200)	3,436	(15,538)	(162,989)
Other impairments and provisions [5]	(21)	(235,962)	(235,983)	–	–	(62,773)	(298,756)
Net income before income tax	151,165	(34,652)	116,513	62,070	13,482	(127,257)	64,808
Income tax	(47,124)	(47,965)	(95,089)	(19,400)	(4,238)	16,833	(101,894)
Net income after income tax from continuing operations	104,041	(82,617)	21,424	42,670	9,244	(110,424)	(37,086)
Income arising from discontinued operations	–	3,121	3,121	–	3,260	–	6,381
Net income for the period	104,041	(79,496)	24,545	42,670	12,504	(110,424)	(30,705)
Non-controlling interests [6]	–	43,372	43,372	–	–	(401)	42,971
Net income for the period attributable to Bank's Shareholders	104,041	(36,124)	67,917	42,670	12,504	(110,825)	12,266

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes net fees and commissions income, other operating income/(loss) and dividends from equity instruments.

3) Includes 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.

4) Includes impairment of financial assets at amortised cost for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, goodwill impairment, impairment of other assets and other provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

6) Includes the non-controlling interests of BIM Group related to Seguradora Internacional de Moçambique, S.A., entity classified as a discontinued operation.

As at 31 December 2021, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	31 December 2021						
	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	12,164,325	1,563,611	13,727,936	1,589,469	2,779,056	(9,485,163)	8,611,298
Loans and advances to customers (1)	25,010,925	17,780,147	42,791,072	12,077,141	344,222	1,147,494	56,359,929
Financial assets (2)	1,222,529	5,089,223	6,311,752	—	5,022	15,423,364	21,740,138
Other assets	69,403	928,378	997,781	7,933	1,741	5,185,992	6,193,447
Total Assets	38,467,182	25,361,359	63,828,541	13,674,543	3,130,041	12,271,687	92,904,812
Resources from credit institutions (3)	362,803	149,167	511,970	3,107,835	—	5,276,269	8,896,074
Resources from customers (4)	35,416,593	21,847,825	57,264,418	9,287,187	2,555,177	453,445	69,560,227
Debt securities issued (5)	1,396,658	8,632	1,405,290	1,418	165,410	2,198,023	3,770,141
Other financial liabilities (6)	—	501,480	501,480	—	—	1,501,747	2,003,227
Other liabilities (7)	46,338	693,806	740,144	61,480	1,041	810,421	1,613,086
Total Liabilities	37,222,392	23,200,910	60,423,302	12,457,920	2,721,628	10,239,905	85,842,755
Total Equity	1,244,790	2,160,449	3,405,239	1,216,623	408,413	2,031,782	7,062,057
Total Liabilities and Equity	38,467,182	25,361,359	63,828,541	13,674,543	3,130,041	12,271,687	92,904,812
Number of employees	3,897	9,575	13,472	541	144	1,711	15,868

1) Includes 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.

2) Includes 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), financial assets at fair value through other comprehensive income net of impairment and hedging derivatives.

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 June 2022, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	30 June 2022								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	233,751	128,183	4,446	79,225	445,605	561,282	133,825	972	1,141,684
Interest expense and similar charges	(1,999)	(7,151)	(507)	(5,537)	(15,194)	(99,831)	(41,598)	97	(156,526)
Net interest income	231,752	121,032	3,939	73,688	430,411	461,451	92,227	1,069	985,158
Commissions and other income	237,612	96,489	21,770	10,750	366,621	141,789	23,448	32	531,890
Commissions and other costs	(26,695)	(14,208)	(968)	(118,783)	(160,654)	(155,794)	(4,272)	(40)	(320,760)
Net commissions and other income (2)	210,917	82,281	20,802	(108,033)	205,967	(14,005)	19,176	(8)	211,130
Net gains arising from trading activity (3)	12,570	205	1,504	45,530	59,809	(28,180)	10,585	10	42,224
Share of profit of associates under the equity method	—	—	—	34,087	34,087	—	878	(2,176)	32,789
Gains/(losses) arising from the sale of subsidiaries and other assets	—	7	—	11,457	11,464	52	585	(1)	12,100
Net operating revenue	455,239	203,525	26,245	56,729	741,738	419,318	123,451	(1,106)	1,283,401
Operating expenses	208,299	69,386	10,472	5,652	293,809	168,591	53,289	507	516,196
Impairment for credit and financial assets (4)	(16,443)	(119,534)	2,783	(9,003)	(142,197)	(33,146)	(6,470)	—	(181,813)
Other impairments and provisions (5)	(10)	—	—	(48,282)	(48,292)	(320,656)	(615)	—	(369,563)
Net income before income tax	230,487	14,605	18,556	(6,208)	257,440	(103,075)	63,077	(1,613)	215,829
Income tax	(71,728)	(4,451)	(5,808)	(1,184)	(83,171)	(55,862)	(16,702)	(31)	(155,766)
Net income after income tax from continuing operations	158,759	10,154	12,748	(7,392)	174,269	(158,937)	46,375	(1,644)	60,063
Income arising from discontinued operations	—	—	—	—	—	—	(310)	1,789	1,479
Net income for the period	158,759	10,154	12,748	(7,392)	174,269	(158,937)	46,065	145	61,542
Non-controlling interests (6)	—	—	—	189	189	28,257	(15,479)	—	12,967
Net income for the period attributable to Bank's Shareholders	158,759	10,154	12,748	(7,203)	174,458	(130,680)	30,586	145	74,509

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes net fees and commissions income, other operating income/(loss) and dividends from equity instruments.

3) Includes 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.

4) Includes impairment of financial assets at amortised cost for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, goodwill impairment, impairment of other assets and other provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

6) Includes the non-controlling interests of BIM Group related to Seguradora Internacional de Moçambique, S.A., entity classified as a discontinued operation.

As at 30 June 2022, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

	30 June 2022								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	13,945,129	1,361,728	2,502,773	(11,353,898)	6,455,732	1,466,798	885,045	327,687	9,135,262
Loans and advances to customers (1)	25,495,854	12,457,839	343,541	1,239,707	39,536,941	16,892,340	609,633	—	57,038,914
Financial assets (2)	1,305,967	—	—	15,508,223	16,814,190	4,236,778	1,066,347	—	22,117,315
Other assets	77,239	10,676	2,138	6,797,822	6,887,875	578,226	225,071	90,845	7,782,017
Total Assets	40,824,189	13,830,243	2,848,452	12,191,854	69,694,738	23,174,142	2,786,096	418,532	96,073,508
Resources from other credit institutions (3)	314,029	3,102,659	—	5,414,260	8,830,948	116,413	48,758	—	8,996,119
Resources from customers (4)	37,880,632	9,654,211	2,615,319	385,406	50,535,568	20,462,815	2,191,879	—	73,190,262
Debt securities issued (5)	1,227,424	2,102	143,817	1,085,237	2,458,580	—	—	—	2,458,580
Other financial liabilities (6)	—	—	—	2,659,338	2,659,338	560,877	—	—	3,220,215
Other liabilities (7)	50,393	63,011	1,031	924,950	1,039,385	803,839	74,021	—	1,917,245
Total Liabilities	39,472,478	12,821,983	2,760,167	10,469,191	65,523,819	21,943,944	2,314,658	—	89,782,421
Total Equity	1,351,711	1,008,260	88,285	1,722,663	4,170,919	1,230,198	471,438	418,532	6,291,087
Total Liabilities and Equity	40,824,189	13,830,243	2,848,452	12,191,854	69,694,738	23,174,142	2,786,096	418,532	96,073,508
Number of employees	3,863	533	139	1,719	6,254	6,871	2,539	3	15,667

1) Includes 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.

2) Includes 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), financial assets at fair value through other comprehensive income net of impairment and hedging derivatives.

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 June 2021, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	30 June 2021 (restated)								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	225,861	132,756	3,042	65,135	426,794	295,138	101,548	1,546	825,026
Interest expense and similar charges	(2,344)	(5,583)	(559)	(9,044)	(17,530)	(13,818)	(27,918)	17	(59,249)
Net interest income	223,517	127,173	2,483	56,091	409,264	281,320	73,630	1,563	765,777
Commissions and other income	219,146	79,993	17,308	360	316,807	133,072	18,611	34	468,524
Commissions and other costs	(23,453)	(9,884)	(1,072)	(107,173)	(141,582)	(82,362)	(3,211)	(1,077)	(228,232)
Net commissions and other income (2)	195,693	70,109	16,236	(106,813)	175,225	50,710	15,400	(1,043)	240,292
Net gains arising from trading activity (3)	10,093	161	703	57,073	68,030	5,668	6,615	(9)	80,304
Share of profit of associates under the equity method	—	—	—	31,012	31,012	—	—	(1,726)	29,286
Gains/(losses) arising from the sale of subsidiaries and other assets	—	4	—	881	885	46	57	—	988
Net operating revenue	429,303	197,447	19,422	38,244	684,416	337,744	95,702	(1,215)	1,116,647
Operating expenses	233,591	59,177	9,403	87,190	389,361	157,240	43,026	467	590,094
Impairment for credit and financial assets (4)	(44,526)	(76,200)	3,436	(15,538)	(132,828)	(26,719)	(3,442)	—	(162,989)
Other impairments and provisions (5)	(21)	—	—	(62,773)	(62,794)	(230,646)	(2,117)	(3,199)	(298,756)
Net income before income tax	151,165	62,070	13,455	(127,257)	99,433	(76,861)	47,117	(4,881)	64,808
Income tax	(47,124)	(19,400)	(4,239)	16,833	(53,930)	(35,839)	(12,119)	(6)	(101,894)
Net income after income tax from continuing operations	104,041	42,670	9,216	(110,424)	45,503	(112,700)	34,998	(4,887)	(37,086)
Income arising from discontinued operations	—	—	—	—	—	—	3,121	3,260	6,381
Net income for the period	104,041	42,670	9,216	(110,424)	45,503	(112,700)	38,119	(1,627)	(30,705)
Non-controlling interests (6)	—	—	—	(401)	(401)	56,237	(12,865)	—	42,971
Net income for the period attributable to Bank's Shareholders	104,041	42,670	9,216	(110,825)	45,102	(56,463)	25,254	(1,627)	12,266

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes net fees and commissions income, other operating income/(loss) and dividends from equity instruments.

3) Includes 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.

4) Includes impairment of financial assets at amortised cost for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, goodwill impairment, impairment of other assets and other provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

6) Includes the non-controlling interests of BIM Group related to Seguradora Internacional de Moçambique, S.A., entity classified as a discontinued operation.

As at 31 December 2021, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

	31 December 2021								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	12,164,325	1,589,469	2,456,868	(9,485,163)	6,725,499	861,770	701,807	322,222	8,611,298
Loans and advances to customers (1)	25,010,925	12,077,141	344,222	1,147,494	38,579,782	17,206,345	573,802	—	56,359,929
Financial assets (2)	1,222,529	—	—	15,423,364	16,645,893	4,033,150	1,056,108	4,987	21,740,138
Other assets	69,403	7,933	1,660	5,185,992	5,264,988	568,058	194,990	165,411	6,193,447
Total Assets	38,467,182	13,674,543	2,802,750	12,271,687	67,216,162	22,669,323	2,526,707	492,620	92,904,812
Resources from other credit institutions (3)	362,803	3,107,835	—	5,276,269	8,746,907	117,674	6,672	24,821	8,896,074
Resources from customers (4)	35,416,593	9,287,187	2,555,177	453,445	47,712,402	19,953,653	1,894,172	—	69,560,227
Debt securities issued (5)	1,396,658	1,418	165,410	2,198,023	3,761,509	8,632	—	—	3,770,141
Other financial liabilities (6)	—	—	—	1,501,747	1,501,747	501,480	—	—	2,003,227
Other liabilities (7)	46,338	61,480	1,021	810,421	919,260	626,847	66,959	20	1,613,086
Total Liabilities	37,222,392	12,457,920	2,721,608	10,239,905	62,641,825	21,208,286	1,967,803	24,841	85,842,755
Total Equity	1,244,790	1,216,623	81,142	2,031,782	4,574,337	1,461,037	558,904	467,779	7,062,057
Total Liabilities and Equity	38,467,182	13,674,543	2,802,750	12,271,687	67,216,162	22,669,323	2,526,707	492,620	92,904,812
Number of employees	3,897	541	140	1,711	6,289	7,079	2,496	4	15,868

1) Includes 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.

2) Includes 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), financial assets at fair value through other comprehensive income net of impairment and hedging derivatives.

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

Reconciliation of net income of reportable segments with the net income attributable to shareholders

(Thousands of euros)

	30 June 2022	30 June 2021 (restated)
Net contribution		
Retail banking in Portugal	158,759	104,041
Companies, Corporate and Investment banking	10,154	42,670
Private Banking	12,748	9,216
Foreign business (continuing operations)	(114,206)	(82,589)
Non-controlling interests (1)	12,778	43,371
	80,233	116,709
Income arising from discontinued or discontinuing operations	1,479	6,381
	81,712	123,090
Amounts not allocated to segments		
Net interest income of the bond portfolio	20,174	12,531
Net interest income - TLTRO	40,071	39,610
Foreign exchange activity	27,739	15,950
Gains / (losses) arising from sales of subsidiaries and other assets	11,457	881
Equity accounted earnings	34,087	31,012
Impairment and other provisions (2)	(57,285)	(78,311)
Operational costs (3)	(5,653)	(87,190)
Gains on sale of Portuguese public debt	(9,937)	33,827
Gains on sale of foreign public debt	20,124	19,992
Mandatory contributions	(88,534)	(77,221)
Loans sale	5,363	(2,574)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	2,190	(17,817)
Taxes (5)	(1,184)	16,833
Non-controlling interests	189	(401)
Others (6)	(6,004)	(17,946)
Total not allocated to segments	(7,203)	(110,824)
Consolidated net income	74,509	12,266

1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland and in Mozambique.

2) Includes impairments for non-current assets held for sale, impairments for other assets, provisions for administrative infractions, various contingencies and other impairments and/or provisions not allocated to business segments.

3) Corresponds mainly to headcount adjustment costs recorded in both periods.

4) Includes gains/(losses) from corporate restructuring funds.

5) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.

6) Includes other operations not allocated to business segments, namely the financing of non-interest bearing assets and strategic financial investments.

51. Solvency

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV/CRR).

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted anticipated dividends and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach, goodwill and other intangible assets and the additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value, adjustments related to minimum commitment with collective investments undertakings and insufficient coverage for non-performing exposures. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The irrevocable payment commitments for the Single Resolution Fund, the fair value of the collateral for irrevocable commitments from the Deposits Guarantee Fund and the additional coverage for non-performing exposures, are also deducted, due to a SREP (Supervisory Review and Evaluation Process) recommendation.

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt that are compliant with the issue conditions established in the Regulation and minority interests related to minimum level 1 additional capital requirements, of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for the deferred tax assets already recorded on the balance sheet of 1 January 2014, according to the new regulation, which period ends in 2023.

With the IFRS9 introduction the Group has decided to gradually recognise the impacts, according to artº 473º-A of CRR. The group also decided to adopt, until the end of 2022, the option to gradually recognise the change in unrealized gains and losses measured at fair value through other comprehensive income, according to artº 468 of the CRR.

CRD IV/CRR establishes Pilar 1 capital requirements for CET1, Tier 1 and Total Capital. However, under the scope of SREP , European Central Bank notified BCP about the need to comply with phased-in capital ratios, including additional Pilar 2 requirements, O-SII and capital conservation buffer, as following:

2022 Minimum Capital Requirements

BCP Consolidated	Phased-in	of which: Pilar 1	of which: Pilar 2	of which: *Buffers*	Fully implemented	of which: Pilar 1	of which: Pilar 2	of which: *Buffers*
CET1	9.16%	4.50%	1.41%	3.25%	9.41%	4.50%	1.41%	3.50%
T1	11.13%	6.00%	1.88%	3.25%	11.38%	6.00%	1.88%	3.50%
Total	13.75%	8.00%	2.50%	3.25%	14.00%	8.00%	2.50%	3.50%

The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

The own funds and the capital requirements determined according to the CRD IV/CRR (phased-in) methodologies previously referred, are the following:

(Thousands of euros)

	30 June 2022	31 December 2021
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Reserves and retained earnings	334,066	957,922
Minority interests eligible to CET1	438,616	451,550
Regulatory adjustments to CET1	(193,953)	(778,167)
	5,320,200	5,372,776
Tier 1		
Capital Instruments	400,000	400,000
Minority interests eligible to AT1	107,439	109,266
	5,827,639	5,882,042
Tier 2		
Subordinated debt	1,050,000	1,050,000
Minority interests eligible to Tier 2	287,533	277,007
Other	(18,801)	3,751
	1,318,732	1,330,758
Total own funds	7,146,371	7,212,800
RWA - Risk weighted assets		
Credit risk	39,107,732	39,810,329
Market risk	3,005,565	1,947,366
Operational risk	4,123,409	4,123,409
CVA	48,559	51,426
	46,285,265	45,932,530
Capital ratios		
CET1	11.5%	11.7%
Tier 1	12.6%	12.8%
Tier 2	2.8%	2.9%
Total own funds	15.4%	15.7%

The presented amounts include the accumulated net income.

52. Risk Management

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line. Under this scope, the monitoring and control of the main types of financial risks (e.g. credit, market, operational) or non-financial risks (e.g. legal and compliance, reputational) to which the Group's business is subject to.

Main types ok risks

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

Interest rate – Interest rate risk is related with the probability of occurrence of negative impacts on results and/or capital, arising from adverse movements in the interest rates in the Banking Book, either by maturity or repricing mismatches, interest repricing terms or early unscheduled return of principal on interest rate sensitive asset and liabilities.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

Real Estate market – Real Estate market risk is related to the potential loss in which the Bank may incur due to changes in the prices of real estate assets owned by the Group.

ICT risk - IT and communications systems' risk is related with the probability of occurrence of negative impacts on results and/or capital, arising from inadaptability of the IT systems to the new business needs, to its incapacity of preventing cyber-attacks, to ensure data integrity and business continuity in case of failures as well as unadjusted IT development strategy.

Pension fund – Pension fund risk consists in the potential losses in which the Bank may incur due to risk related to the uncertainty about required contributions for defined benefit pension plans or to market rates fluctuations that might cause direct financial losses or indirect in the pension fund's assets.

Business and strategy – The risk related to business and strategy consists in the potential losses due to unpredictable changes in the economic and competitive framework in which the Group develops its activity, changes in the business strategy, risk of depreciation on strategic shareholdings that are out of the consolidation perimeter, and misalignment between IT's structure and the Bank's strategy.

Legal and compliance - Legal and compliance risk is related to losses that the Bank may incur as a result of violations or non-compliance with laws and regulations, encompassing the risk of financial crime (related to violations or non-conformities arising from obligations in matters prevention of money laundering and financing of terrorism), the risk of conduct (related to violations or non-compliance with applicable legislation and regulations in force originating, in particular, from fraud, negligent behaviour or design of products and services), the risk associated with non-compliance with personal data protection and the risk of litigation.

Reputational risk – Reputational risks refers to the current or prospective risk to earnings or capital arising from adverse perception of the image of the Bank on the part of customers, counterparties, shareholders, investors or regulators due to actions of any BCP Group entity or its employees.

Risk of foreign currency loans conversion in Poland – This risk is related to eventual losses for the Group due to approval of law or jurisprudence regarding rules of conversion into zlotys of loans originally based in foreign currency.

Internal organisation

Banco Comercial Português Board of Directors is responsible for the definition of the risk strategy and policies, including the approval of the principles and rules of the highest level to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee and Committee for Risk Assessment, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention and repression of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Group's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	30 June 2022	31 December 2021
Central Governments or Central Banks	24,483,696	24,942,714
Regional Governments or Local Authorities	1,126,383	1,243,453
Administrative and non-profit Organisations	432,276	462,481
Multilateral Development Banks	16,444	18,790
Other Credit Institutions	2,932,562	2,777,375
Retail and Corporate customers	71,794,997	71,911,594
Other items (*)	9,674,599	8,562,386
	110,460,957	109,918,793

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

(*) In addition to positions in equity, collective investment and securitization, the Other items contain other assets subject to credit risk in accordance with Article 134 of the CRR.

The evaluation of the risk associated to the loan portfolio and quantification of the respective losses expected considers the following methodological notes.

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognised stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares and subordinated bonds are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, it can be applied the substitution principle by replacing the Risk Grade of the client by the Risk Grade of the guarantor, (if the Risk of Grade Degree of the guarantor is better than the client's), when the protection is formalized through:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, there is a recovery agreement of the provider);
- Credit derivatives;
- Formalization of the clause of the contracting party in leasing contracts in which it is an entity that is in a relationship of dominion or group with the lessee.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and before decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Bank of Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following two methods:

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;
ii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance with the established standards from ECB and Bank of Portugal.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews with the minimum periodicities in accordance with the Regulation (EU) 575/2013, in the case of offices, commercial spaces, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer, preserving the referred i) above.

For the remaining real estate (land or countryside buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients' assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee

The following table lists the equivalence between the internal rating levels (Rating Master Scale) and the external ratings of the international rating agencies:

	External ratings			
Internal risk grade	**Fitch**	**S&P**	**Moody's**	**DBRS**
1	AAA	AAA	Aaa	AAA
1	AA+	AA+	Aa1	AA (high)
2	AA	AA	Aa2	AA
2	AA-	AA-	Aa3	AA (low)
3	A+	A+	A1	A (high)
3	A	A	A2	A
4	A-	A-	A3	A (low)
4	BBB+	BBB+	Baa1	BBB (high)
5	BBB	BBB	Baa2	BBB
6	BBB-	BBB-	Baa3	BBB (low)
7	BB+	BB+	Ba1	BB (high)
8	BB	BB	Ba2	BB
9	BB-	BB-	Ba3	BB (low)
10	B+	B+	B1	B (high)
11	B	B	B2	B
12	≤ B-	≤ B-	≤ B3	≤ B-

c) Impairment and Write-offs

The credit impairment calculation as at 30 June 2022 and 31 December 2021 integrates the general principles defined in International Financial Reporting Standards (IFRS 9) and the guidelines issued by the Bank of Portugal through Circular Letter CC/2018/00000062, in order to align the calculation process used in the Group with the best international practices in this area.

As at 30 June 2022, the financial instruments subject to impairment requirements under IFRS 9, (do not include equity instruments as accounting policy 1.C1.1.2, analysed by stage, are detailed in the following tables:

(Thousands of euros)

	30 June 2022				
	Gross exposure				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	870,946	5,581	–	–	876,527
Loans and advances to customers (note 21)	47,205,382	7,085,146	2,451,629	41,474	56,783,631
Debt instruments (note 22)	12,003,051	114,431	4,453	–	12,121,935
Debt instruments at fair value through other comprehensive income (note 23) (*)	8,617,690	–	1,064	–	8,618,754
Guarantees and other commitments (note 44) (**)	13,449,592	1,552,509	393,125	–	15,395,226
Total	82,146,661	8,757,667	2,850,271	41,474	93,796,073

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments

(Thousands of euros)

	30 June 2022				
	Impairment losses				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	160	1,050	–	–	1,210
Loans and advances to customers (note 21)	203,817	216,779	1,154,698	21,106	1,596,400
Debt instruments (note 22)	18,200	1,616	101	–	19,917
Guarantees and other commitments (note 38)	11,992	9,065	90,000	–	111,057
Total	234,169	228,510	1,244,799	21,106	1,728,584

(Thousands of euros)

	30 June 2022				
	Net exposure				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	870,786	4,531	–	–	875,317
Loans and advances to customers (note 21)	47,001,565	6,868,367	1,296,931	20,368	55,187,231
Debt instruments (note 22)	11,984,851	112,815	4,352	–	12,102,018
Debt instruments at fair value through other comprehensive income (note 23) (*)	8,617,690	–	–	–	8,617,690
Guarantees and other commitments (note 44) (**)	13,437,600	1,543,444	303,125	–	15,284,169
Total	81,912,492	8,529,157	1,604,408	20,368	92,066,425

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments.

As at 31 December 2021, the financial instruments subject to impairment requirements under IFRS 9, (do not include equity instruments as accounting policy 1.C1.1.2, analysed by stage, are detailed in the following tables:

(Thousands of euros)

	31 December 2021				
	Gross exposure				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	449,287	5,113	–	–	454,400
Loans and advances to customers (note 21)	46,113,653	7,964,052	2,686,267	57,713	56,821,685
Debt instruments (note 22)	8,094,290	122,257	4,451	–	8,220,998
Debt instruments at fair value through other comprehensive income (note 23) (*)	12,856,165	–	1,092	–	12,857,257
Guarantees and other commitments (note 44) (**)	13,462,773	1,922,031	412,179	–	15,796,983
Total	80,976,168	10,013,453	3,103,989	57,713	94,151,323

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments

(Thousands of euros)

	31 December 2021				
	Impairment losses				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	128	1,059	–	–	1,187
Loans and advances to customers (note 21)	207,328	288,642	1,336,612	16,702	1,849,284
Debt instruments (note 22)	13,187	2,517	98	–	15,802
Guarantees and other commitments (note 38)	12,848	13,033	84,768	–	110,649
Total	233,491	305,251	1,421,478	16,702	1,976,922

(Thousands of euros)

	31 December 2021				
	Net exposure				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	449,159	4,054	–	–	453,213
Loans and advances to customers (note 21)	45,906,325	7,675,410	1,349,655	41,011	54,972,401
Debt instruments (note 22)	8,081,103	119,740	4,353	–	8,205,196
Debt instruments at fair value through other comprehensive income (note 23) (*)	12,856,165	–	–	–	12,856,165
Guarantees and other commitments (note 44) (**)	13,449,925	1,908,998	327,411	–	15,686,334
Total	80,742,677	9,708,202	1,681,419	41,011	92,173,309

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments.

The maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Financial assets held for trading (note 23)		
Debt instruments	1,250,792	452,105
Derivatives	470,943	468,642
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 23)	866,253	881,556
Hedging derivatives (note 24)	531,459	147,570
Total	3,119,447	1,949,873

- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value;

- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

Financial assets modified during the period that have not resulted in derecognition (with impairment losses based on expected lifetime losses) are analysed as follows:

(Thousands of euros)

Financial assets modified	30 June 2022	31 December 2021
Amortised cost before changes	177,858	612,501
Impairment losses before changes	(21,773)	(87,268)
Net amortised cost before changes	156,085	525,233
Net gain/loss arising on changes	(8,171)	(7,949)
Net amortised cost after changes	147,914	517,284

The financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime, are analysed as follows:

(Thousands of euros)

Financial assets changed	30 June 2022	31 December 2021
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	37,916	61,103

As at 30 June 2022, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	30 June 2022									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	25,751,224	2,076,237	136,252	67,281	2,279,770	291,155	159,309	450,464	10,521	28,491,979
Individuals-Other	7,585,143	795,602	99,150	40,090	934,842	250,642	314,266	564,908	26,003	9,110,896
Financial Companies	3,292,769	260,295	50	–	260,345	91,903	1,504	93,407	–	3,646,521
Non-financial companies - Corporate	8,878,568	790,352	313	176	790,841	187,239	94,765	282,004	–	9,951,413
Non-financial companies - SME-Corporate	10,228,809	2,346,371	11,607	1,629	2,359,607	751,621	156,303	907,924	2,482	13,498,822
Non-financial companies -SME-Retail	6,683,504	1,738,780	24,590	10,816	1,774,186	380,145	170,175	550,320	2,468	9,010,478
Non-financial companies -Other	551,923	48,890	2	–	48,892	142	–	142	–	600,957
Other loans	10,557,031	309,183	–	1	309,184	–	38	38	–	10,866,253
Total	73,528,971	8,365,710	271,964	119,993	8,757,667	1,952,847	896,360	2,849,207	41,474	85,177,319
Impairment										
Individuals-Mortgage	12,502	8,859	1,754	5,235	15,848	51,472	68,220	119,692	5,035	153,077
Individuals-Other	45,186	14,233	15,038	11,248	40,519	105,300	208,828	314,128	16,071	415,904
Financial Companies	3,965	4,964	1	–	4,965	50,993	1,132	52,125	–	61,055
Non-financial companies - Corporate	29,216	19,258	6	31	19,295	89,110	49,573	138,683	–	187,194
Non-financial companies - SME-Corporate	78,867	70,666	1,632	224	72,522	235,424	86,881	322,305	–	473,694
Non-financial companies -SME-Retail	50,652	67,675	2,366	2,229	72,270	221,975	75,878	297,853	–	420,775
Non-financial companies -Other	286	145	–	–	145	2	–	2	–	433
Other loans	13,495	2,946	–	–	2,946	–	11	11	–	16,452
Total	234,169	188,746	20,797	18,967	228,510	754,276	490,523	1,244,799	21,106	1,728,584
Net exposure										
Individuals-Mortgage	25,738,722	2,067,378	134,498	62,046	2,263,922	239,683	91,089	330,772	5,486	28,338,902
Individuals-Other	7,539,957	781,369	84,112	28,842	894,323	145,342	105,438	250,780	9,932	8,694,992
Financial Companies	3,288,804	255,331	49	–	255,380	40,910	372	41,282	–	3,585,466
Non-financial companies - Corporate	8,849,352	771,094	307	145	771,546	98,129	45,192	143,321	–	9,764,219
Non-financial companies - SME-Corporate	10,149,942	2,275,705	9,975	1,405	2,287,085	516,197	69,422	585,619	2,482	13,025,128
Non-financial companies -SME-Retail	6,632,852	1,671,105	22,224	8,587	1,701,916	158,170	94,297	252,467	2,468	8,589,703
Non-financial companies -Other	551,637	48,745	2	–	48,747	140	–	140	–	600,524
Other loans	10,543,536	306,237	–	1	306,238	–	27	27	–	10,849,801
Total	73,294,802	8,176,964	251,167	101,026	8,529,157	1,198,571	405,837	1,604,408	20,368	83,448,735
% of impairment coverage										
Individuals-Mortgage	0.05%	0.43%	1.29%	7.78%	0.70%	17.68%	42.82%	26.57%	47.86%	0.54%
Individuals-Other	0.60%	1.79%	15.17%	28.06%	4.33%	42.01%	66.45%	55.61%	61.80%	4.56%
Financial Companies	0.12%	1.91%	2.00%	0.00%	1.91%	55.49%	75.27%	55.80%	0.00%	1.67%
Non-financial companies - Corporate	0.33%	2.44%	1.92%	17.61%	2.44%	47.59%	52.31%	49.18%	0.00%	1.88%
Non-financial companies - SME-Corporate	0.77%	3.01%	14.06%	13.75%	3.07%	31.32%	55.58%	35.50%	0.00%	3.51%
Non-financial companies -SME-Retail	0.76%	3.89%	9.62%	20.61%	4.07%	58.39%	44.59%	54.12%	0.00%	4.67%
Non-financial companies -Other	0.05%	0.30%	0.00%	0.00%	0.30%	1.41%	0.00%	1.41%	0.00%	0.07%
Other loans	0.13%	0.95%	0.00%	0.00%	0.95%	0.00%	28.95%	28.95%	0.00%	0.15%
Total	0.32%	2.26%	7.65%	15.81%	2.61%	38.62%	54.72%	43.69%	50.89%	2.03%

As at 31 December 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	31 December 2021									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	25,365,328	2,305,851	126,323	66,432	2,498,606	296,980	171,593	468,573	13,320	28,345,827
Individuals-Other	7,631,117	820,962	94,862	40,061	955,885	251,607	340,511	592,118	42,163	9,221,283
Financial Companies	2,946,812	333,975	71	13	334,059	116,539	61,091	177,630	—	3,458,501
Non-financial companies - Corporate	7,994,250	920,647	436	409	921,492	209,359	365,953	575,312	—	9,491,054
Non-financial companies - SME-Corporate	9,848,761	2,914,636	8,506	2,360	2,925,502	719,045	142,057	861,102	850	13,636,215
Non-financial companies -SME-Retail	6,469,104	2,021,279	18,127	12,285	2,051,691	329,395	98,615	428,010	1,380	8,950,185
Non-financial companies -Other	570,736	54,092	—	—	54,092	152	—	152	—	624,980
Other loans	7,293,895	272,126	—	—	272,126	—	—	—	—	7,566,021
Total	68,120,003	9,643,568	248,325	121,560	10,013,453	1,923,077	1,179,820	3,102,897	57,713	81,294,066
Impairment										
Individuals-Mortgage	13,417	11,246	1,991	3,946	17,183	48,326	67,393	115,719	3,159	149,478
Individuals-Other	44,802	24,514	13,555	9,521	47,590	104,129	231,996	336,125	13,530	442,047
Financial Companies	4,990	6,966	4	3	6,973	67,871	42,746	110,617	—	122,580
Non-financial companies - Corporate	30,910	23,366	11	95	23,472	86,950	247,397	334,347	—	388,729
Non-financial companies - SME-Corporate	81,639	118,121	788	589	119,498	260,886	68,570	329,456	—	530,593
Non-financial companies -SME-Retail	47,538	82,720	2,356	2,543	87,619	143,756	51,382	195,138	13	330,308
Non-financial companies -Other	297	136	—	—	136	76	—	76	—	509
Other loans	9,898	2,780	—	—	2,780	—	—	—	—	12,678
Total	233,491	269,849	18,705	16,697	305,251	711,994	709,484	1,421,478	16,702	1,976,922
Net exposure										
Individuals-Mortgage	25,351,911	2,294,605	124,332	62,486	2,481,423	248,654	104,200	352,854	10,161	28,196,349
Individuals-Other	7,586,315	796,448	81,307	30,540	908,295	147,478	108,515	255,993	28,633	8,779,236
Financial Companies	2,941,822	327,009	67	10	327,086	48,668	18,345	67,013	—	3,335,921
Non-financial companies - Corporate	7,963,340	897,281	425	314	898,020	122,409	118,556	240,965	—	9,102,325
Non-financial companies - SME-Corporate	9,767,122	2,796,515	7,718	1,771	2,806,004	458,159	73,487	531,646	850	13,105,622
Non-financial companies -SME-Retail	6,421,566	1,938,559	15,771	9,742	1,964,072	185,639	47,233	232,872	1,367	8,619,877
Non-financial companies -Other	570,439	53,956	—	—	53,956	76	—	76	—	624,471
Other loans	7,283,997	269,346	—	—	269,346	—	—	—	—	7,553,343
Total	67,886,512	9,373,719	229,620	104,863	9,708,202	1,211,083	470,336	1,681,419	41,011	79,317,144
% of impairment coverage										
Individuals-Mortgage	0.05%	0.49%	1.58%	5.94%	0.69%	16.27%	39.27%	24.70%	23.72%	0.53%
Individuals-Other	0.59%	2.99%	14.29%	23.77%	4.98%	41.39%	68.13%	56.77%	32.09%	4.79%
Financial Companies	0.17%	2.09%	5.63%	23.08%	2.09%	58.24%	69.97%	62.27%	0.00%	3.54%
Non-financial companies - Corporate	0.39%	2.54%	2.52%	23.23%	2.55%	41.53%	67.60%	58.12%	0.00%	4.10%
Non-financial companies - SME-Corporate	0.83%	4.05%	9.26%	24.96%	4.08%	36.28%	48.27%	38.26%	0.00%	3.89%
Non-financial companies -SME-Retail	0.73%	4.09%	13.00%	20.70%	4.27%	43.64%	52.10%	45.59%	0.94%	3.69%
Non-financial companies -Other	0.05%	0.25%	0.00%	0.00%	0.25%	50.00%	0.00%	50.00%	0.00%	0.08%
Other loans	0.14%	1.02%	0.00%	0.00%	1.02%	0.00%	0.00%	0.00%	0.00%	0.17%
Total	0.34%	2.80%	7.53%	13.74%	3.05%	37.02%	60.13%	45.81%	28.94%	2.43%

As at 30 June 2022, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	30 June 2022									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	33,336,367	2,871,839	235,402	107,371	3,214,612	541,797	473,575	1,015,372	36,524	37,602,875
Non-financial companies - Trade	5,692,793	721,458	5,784	2,340	729,582	100,525	66,761	167,286	336	6,589,997
Non-financial companies - Construction	2,071,731	721,595	2,512	1,891	725,998	367,065	33,921	400,986	1,955	3,200,670
Non-financial companies - Manufacturing industries	5,938,099	794,162	14,256	3,585	812,003	194,903	147,846	342,749	751	7,093,602
Non-financial companies -Other activities	1,893,443	387,088	1,007	905	389,000	115,028	89,111	204,139	39	2,486,621
Non-financial companies - Other services	10,746,738	2,300,090	12,953	3,900	2,316,943	541,626	83,604	625,230	1,869	13,690,780
Other Services /Other activities	13,849,800	569,478	50	1	569,529	91,903	1,542	93,445	–	14,512,774
Total	73,528,971	8,365,710	271,964	119,993	8,757,667	1,952,847	896,360	2,849,207	41,474	85,177,319
Impairment										
Loans to individuals	57,688	23,092	16,792	16,483	56,367	156,772	277,048	433,820	21,106	568,981
Non-financial companies - Trade	28,743	21,518	481	602	22,601	37,787	35,962	73,749	–	125,093
Non-financial companies - Construction	13,367	12,556	373	604	13,533	146,670	22,261	168,931	–	195,831
Non-financial companies - Manufacturing industries	31,763	21,443	1,857	404	23,704	65,152	72,428	137,580	–	193,047
Non-financial companies -Other activities	10,396	13,655	167	94	13,916	54,298	39,530	93,828	–	118,140
Non-financial companies - Other services	74,752	88,572	1,126	780	90,478	242,604	42,151	284,755	–	449,985
Other Services /Other activities	17,460	7,910	1	–	7,911	50,993	1,143	52,136	–	77,507
Total	234,169	188,746	20,797	18,967	228,510	754,276	490,523	1,244,799	21,106	1,728,584
Net exposure										
Loans to individuals	33,278,679	2,848,747	218,610	90,888	3,158,245	385,025	196,527	581,552	15,418	37,033,894
Non-financial companies - Trade	5,664,050	699,940	5,303	1,738	706,981	62,738	30,799	93,537	336	6,464,904
Non-financial companies - Construction	2,058,364	709,039	2,139	1,287	712,465	220,395	11,660	232,055	1,955	3,004,839
Non-financial companies - Manufacturing industries	5,906,336	772,719	12,399	3,181	788,299	129,751	75,418	205,169	751	6,900,555
Non-financial companies -Other activities	1,883,047	373,433	840	811	375,084	60,730	49,581	110,311	39	2,368,481
Non-financial companies - Other services	10,671,986	2,211,518	11,827	3,120	2,226,465	299,022	41,453	340,475	1,869	13,240,795
Other Services /Other activities	13,832,340	561,568	49	1	561,618	40,910	399	41,309	–	14,435,267
Total	73,294,802	8,176,964	251,167	101,026	8,529,157	1,198,571	405,837	1,604,408	20,368	83,448,735
% of impairment coverage										
Loans to individuals	0.17%	0.80%	7.13%	15.35%	1.75%	28.94%	58.50%	42.73%	57.79%	1.51%
Non-financial companies - Trade	0.50%	2.98%	8.32%	25.73%	3.10%	37.59%	53.87%	44.09%	0.00%	1.90%
Non-financial companies - Construction	0.65%	1.74%	14.85%	31.94%	1.86%	39.96%	65.63%	42.13%	0.00%	6.12%
Non-financial companies - Manufacturing industries	0.53%	2.70%	13.03%	11.27%	2.92%	33.43%	48.99%	40.14%	0.00%	2.72%
Non-financial companies -Other activities	0.55%	3.53%	16.58%	10.39%	3.58%	47.20%	44.36%	45.96%	0.00%	4.75%
Non-financial companies - Other services	0.70%	3.85%	8.69%	20.00%	3.91%	44.79%	50.42%	45.54%	0.00%	3.29%
Other Services /Other activities	0.13%	1.39%	2.00%	0.00%	1.39%	55.49%	74.12%	55.79%	0.00%	0.53%
Total	0.32%	2.26%	7.65%	15.81%	2.61%	38.62%	54.72%	43.69%	50.89%	2.03%

As at 31 December 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	31 December 2021									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	32,996,445	3,126,813	221,185	106,493	3,454,491	548,587	512,104	1,060,691	55,483	37,567,110
Non-financial companies - Trade	5,498,200	868,334	4,967	3,001	876,302	91,994	57,333	149,327	99	6,523,928
Non-financial companies - Construction	1,862,344	860,822	3,450	1,790	866,062	375,867	35,275	411,142	41	3,139,589
Non-financial companies - Manufacturing industries	5,586,843	998,335	8,412	2,987	1,009,734	171,010	119,504	290,514	92	6,887,183
Non-financial companies -Other activities	1,665,202	452,573	618	581	453,772	174,343	85,674	260,017	19	2,379,010
Non-financial companies - Other services	10,270,262	2,730,590	9,622	6,695	2,746,907	444,737	308,839	753,576	1,979	13,772,724
Other Services /Other activities	10,240,707	606,101	71	13	606,185	116,539	61,091	177,630	–	11,024,522
Total	68,120,003	9,643,568	248,325	121,560	10,013,453	1,923,077	1,179,820	3,102,897	57,713	81,294,066
Impairment										
Loans to individuals	58,219	35,760	15,546	13,467	64,773	152,455	299,389	451,844	16,689	591,525
Non-financial companies - Trade	29,433	28,996	529	534	30,059	33,035	37,220	70,255	–	129,747
Non-financial companies - Construction	11,855	14,740	634	389	15,763	127,891	22,655	150,546	–	178,164
Non-financial companies - Manufacturing industries	33,038	30,564	473	725	31,762	49,030	53,649	102,679	12	167,491
Non-financial companies -Other activities	9,548	17,393	123	120	17,636	87,138	41,142	128,280	–	155,464
Non-financial companies - Other services	76,510	132,650	1,396	1,459	135,505	194,574	212,683	407,257	1	619,273
Other Services /Other activities	14,888	9,746	4	3	9,753	67,871	42,746	110,617	–	135,258
Total	233,491	269,849	18,705	16,697	305,251	711,994	709,484	1,421,478	16,702	1,976,922
Net exposure										
Loans to individuals	32,938,226	3,091,053	205,639	93,026	3,389,718	396,132	212,715	608,847	38,794	36,975,585
Non-financial companies - Trade	5,468,767	839,338	4,438	2,467	846,243	58,959	20,113	79,072	99	6,394,181
Non-financial companies - Construction	1,850,489	846,082	2,816	1,401	850,299	247,976	12,620	260,596	41	2,961,425
Non-financial companies - Manufacturing industries	5,553,805	967,771	7,939	2,262	977,972	121,980	65,855	187,835	80	6,719,692
Non-financial companies -Other activities	1,655,654	435,180	495	461	436,136	87,205	44,532	131,737	19	2,223,546
Non-financial companies - Other services	10,193,752	2,597,940	8,226	5,236	2,611,402	250,163	96,156	346,319	1,978	13,153,451
Other Services /Other activities	10,225,819	596,355	67	10	596,432	48,668	18,345	67,013	–	10,889,264
Total	67,886,512	9,373,719	229,620	104,863	9,708,202	1,211,083	470,336	1,681,419	41,011	79,317,144
% of impairment coverage										
Loans to individuals	0.18%	1.14%	7.03%	12.65%	1.88%	27.79%	58.46%	42.60%	30.08%	1.57%
Non-financial companies - Trade	0.54%	3.34%	10.65%	17.79%	3.43%	35.91%	64.92%	47.05%	0.00%	1.99%
Non-financial companies - Construction	0.64%	1.71%	18.38%	21.73%	1.82%	34.03%	64.22%	36.62%	0.00%	5.67%
Non-financial companies - Manufacturing industries	0.59%	3.06%	5.62%	24.27%	3.15%	28.67%	44.89%	35.34%	13.04%	2.43%
Non-financial companies -Other activities	0.57%	3.84%	19.90%	20.65%	3.89%	49.98%	48.02%	49.34%	0.00%	6.53%
Non-financial companies - Other services	0.74%	4.86%	14.51%	21.79%	4.93%	43.75%	68.87%	54.04%	0.05%	4.50%
Other Services /Other activities	0.15%	1.61%	5.63%	23.08%	1.61%	58.24%	69.97%	62.27%	0.00%	1.23%
Total	0.34%	2.80%	7.53%	13.74%	3.05%	37.02%	60.13%	45.81%	28.94%	2.43%

As at 30 June 2022, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	30 June 2022									
		Stage 2				Stage 3				
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Portugal	52,533,930	7,186,700	169,468	58,143	7,414,311	1,566,402	451,759	2,018,161	9,499	61,975,901
Poland	18,991,036	796,078	98,155	59,152	953,385	378,034	341,651	719,685	31,975	20,696,081
Mozambique	2,004,005	382,932	4,341	2,698	389,971	8,411	102,950	111,361	–	2,505,337
Total	73,528,971	8,365,710	271,964	119,993	8,757,667	1,952,847	896,360	2,849,207	41,474	85,177,319
Impairment										
Portugal	152,506	165,718	5,800	3,283	174,801	616,529	209,488	826,017	–	1,153,324
Poland	74,139	18,604	14,410	15,073	48,087	135,182	226,310	361,492	21,106	504,824
Mozambique	7,524	4,424	587	611	5,622	2,565	54,725	57,290	–	70,436
Total	234,169	188,746	20,797	18,967	228,510	754,276	490,523	1,244,799	21,106	1,728,584
Net exposure										
Portugal	52,381,424	7,020,982	163,668	54,860	7,239,510	949,873	242,271	1,192,144	9,499	60,822,577
Poland	18,916,897	777,474	83,745	44,079	905,298	242,852	115,341	358,193	10,869	20,191,257
Mozambique	1,996,481	378,508	3,754	2,087	384,349	5,846	48,225	54,071	–	2,434,901
Total	73,294,802	8,176,964	251,167	101,026	8,529,157	1,198,571	405,837	1,604,408	20,368	83,448,735
% of impairment coverage										
Portugal	0.29%	2.31%	3.42%	5.65%	2.36%	39.36%	46.37%	40.93%	0.00%	1.86%
Poland	0.39%	2.34%	14.68%	25.48%	5.04%	35.76%	66.24%	50.23%	66.01%	2.44%
Mozambique	0.38%	1.16%	13.52%	22.65%	1.44%	30.50%	53.16%	51.45%	0.00%	2.81%
Total	0.32%	2.26%	7.65%	15.81%	2.61%	38.62%	54.72%	43.69%	50.89%	2.03%

As at 31 December 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	31 December 2021									
		Stage 2				Stage 3				
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Portugal	47,317,940	8,493,201	146,320	67,733	8,707,254	1,547,559	728,443	2,276,002	5,300	58,306,496
Poland	19,103,628	769,723	99,516	51,793	921,032	365,537	361,411	726,948	52,413	20,804,021
Mozambique	1,698,435	380,644	2,489	2,034	385,167	9,981	89,966	99,947	–	2,183,549
Total	68,120,003	9,643,568	248,325	121,560	10,013,453	1,923,077	1,179,820	3,102,897	57,713	81,294,066
Impairment										
Portugal	147,634	236,865	4,407	4,193	245,465	581,622	418,597	1,000,219	–	1,393,318
Poland	79,484	29,130	13,962	12,071	55,163	127,416	248,916	376,332	16,702	527,681
Mozambique	6,373	3,854	336	433	4,623	2,956	41,971	44,927	–	55,923
Total	233,491	269,849	18,705	16,697	305,251	711,994	709,484	1,421,478	16,702	1,976,922
Net exposure										
Portugal	47,170,306	8,256,336	141,913	63,540	8,461,789	965,937	309,846	1,275,783	5,300	56,913,178
Poland	19,024,144	740,593	85,554	39,722	865,869	238,121	112,495	350,616	35,711	20,276,340
Mozambique	1,692,062	376,790	2,153	1,601	380,544	7,025	47,995	55,020	–	2,127,626
Total	67,886,512	9,373,719	229,620	104,863	9,708,202	1,211,083	470,336	1,681,419	41,011	79,317,144
% of impairment coverage										
Portugal	0.31%	2.79%	3.01%	6.19%	2.82%	37.58%	57.46%	43.95%	0.00%	2.39%
Poland	0.42%	3.78%	14.03%	23.31%	5.99%	34.86%	68.87%	51.77%	31.87%	2.54%
Mozambique	0.38%	1.01%	13.50%	21.29%	1.20%	29.62%	46.65%	44.95%	0.00%	2.56%
Total	0.34%	2.80%	7.53%	13.74%	3.05%	37.02%	60.13%	45.81%	28.94%	2.43%

As at 30 June 2022, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	30 June 2022							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	43,595,095	10,064,326	3,509,170	6,692	1,208,950	58,384,233	215,904	58,168,329
stage 2	1,220,090	1,641,476	3,277,226	336,505	381,486	6,856,783	214,203	6,642,580
stage 3	–	–	–	2,344,462	482	2,344,944	1,097,513	1,247,431
POCI	1,375	1,466	744	37,827	62	41,474	21,106	20,368
	44,816,560	11,707,268	6,787,140	2,725,486	1,590,980	67,627,434	1,548,726	66,078,708
Debt instruments at fair value through other comprehensive income (*)								
stage 1	8,277,570	134,911	19,416	–	157,827	8,589,724	–	8,589,724
stage 3	–	–	–	–	1,064	1,064	1,064	–
	8,277,570	134,911	19,416	–	158,891	8,590,788	1,064	8,589,724
Guarantees and other commitments (**)								
stage 1	8,292,752	3,433,158	1,244,529	25	170,269	13,140,733	10,741	13,129,992
stage 2	200,483	381,407	755,047	39,369	134,607	1,510,913	8,685	1,502,228
stage 3	–	–	–	392,902	–	392,902	89,996	302,906
	8,493,235	3,814,565	1,999,576	432,296	304,876	15,044,548	109,422	14,935,126
Total	61,587,365	15,656,744	8,806,132	3,157,782	2,054,747	91,262,770	1,659,212	89,603,558

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments (note 44).

As at 31 December 2021, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	31 December 2021							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	39,316,700	9,478,965	3,269,930	2,149	1,149,874	53,217,618	215,151	53,002,467
stage 2	1,425,095	1,793,024	3,757,450	280,696	491,548	7,747,813	287,907	7,459,906
stage 3	–	–	–	2,590,604	694	2,591,298	1,291,836	1,299,462
POCI	3,001	2,535	1,096	51,081	–	57,713	16,702	41,011
	40,744,796	11,274,524	7,028,476	2,924,530	1,642,116	63,614,442	1,811,596	61,802,846
Debt instruments at fair value through other comprehensive income (*)								
stage 1	12,356,156	198,383	20,027	–	220,790	12,795,356	–	12,795,356
stage 3	–	–	–	–	1,092	1,092	1,092	–
	12,356,156	198,383	20,027	–	221,882	12,796,448	1,092	12,795,356
Guarantees and other commitments (**)								
stage 1	8,264,765	3,514,586	1,178,486	192	245,921	13,203,950	11,967	13,191,983
stage 2	194,724	501,109	890,723	42,849	251,068	1,880,473	12,721	1,867,752
stage 3	–	–	–	411,652	–	411,652	84,715	326,937
	8,459,489	4,015,695	2,069,209	454,693	496,989	15,496,075	109,403	15,386,672
Total	61,560,441	15,488,602	9,117,712	3,379,223	2,360,987	91,906,965	1,922,091	89,984,874

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments (note 44).

The financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment, are presented in the following tables:

(Thousands of euros)

	30 June 2022					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals - Mortgage	43,440	28,448,539	28,491,979	14,473	138,604	153,077
Individuals - Other	29,658	9,081,238	9,110,896	18,329	397,575	415,904
Financial Companies	57,535	3,588,986	3,646,521	44,171	16,884	61,055
Non-financial companies - Corporate	231,478	9,719,935	9,951,413	132,816	54,378	187,194
Non-financial companies - SME - Corporate	681,035	12,817,787	13,498,822	273,819	199,875	473,694
Non-financial companies -SME - Retail	331,962	8,678,516	9,010,478	215,848	204,927	420,775
Non-financial companies - Other	—	600,957	600,957	—	433	433
Other loans	—	10,866,253	10,866,253	—	16,452	16,452
Total	1,375,108	83,802,211	85,177,319	699,456	1,029,128	1,728,584

(Thousands of euros)

	31 December 2021					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals - Mortgage	46,604	28,299,223	28,345,827	14,081	135,397	149,478
Individuals - Other	30,802	9,190,481	9,221,283	18,753	423,294	442,047
Financial Companies	171,875	3,286,626	3,458,501	110,524	12,056	122,580
Non-financial companies - Corporate	520,987	8,970,067	9,491,054	325,523	63,206	388,729
Non-financial companies - SME - Corporate	650,958	12,985,257	13,636,215	290,432	240,161	530,593
Non-financial companies -SME - Retail	248,059	8,702,126	8,950,185	127,132	203,176	330,308
Non-financial companies - Other	152	624,828	624,980	76	433	509
Other loans	—	7,566,021	7,566,021	—	12,678	12,678
Total	1,669,437	79,624,629	81,294,066	886,521	1,090,401	1,976,922

The columns Gross exposure and Collective impairment losses include loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

The financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by sector of activity, are presented in the following tables:

(Thousands of euros)

	30 June 2022					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	73,098	37,529,777	37,602,875	32,802	536,179	568,981
Non-financial companies - Trade	69,475	6,520,522	6,589,997	40,370	84,723	125,093
Non-financial companies - Construction	298,007	2,902,663	3,200,670	152,112	43,719	195,831
Non-financial companies - Manufacturing industry	222,631	6,870,971	7,093,602	103,818	89,229	193,047
Non-financial companies - Other activities	185,553	2,301,068	2,486,621	86,561	31,579	118,140
Non-financial companies - Other services	468,809	13,221,971	13,690,780	239,622	210,363	449,985
Other Services /Other activities	57,535	14,455,239	14,512,774	44,171	33,336	77,507
Total	1,375,108	83,802,211	85,177,319	699,456	1,029,128	1,728,584

(Thousands of euros)

	31 December 2021					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	77,406	37,489,704	37,567,110	32,834	558,691	591,525
Non-financial companies - Trade	62,335	6,461,593	6,523,928	39,934	89,813	129,747
Non-financial companies - Construction	295,885	2,843,704	3,139,589	129,735	48,429	178,164
Non-financial companies - Manufacturing industry	204,562	6,682,621	6,887,183	81,987	85,504	167,491
Non-financial companies - Other activities	234,767	2,144,243	2,379,010	120,809	34,655	155,464
Non-financial companies - Other services	622,607	13,150,117	13,772,724	370,698	248,575	619,273
Other Services /Other activities	171,875	10,852,647	11,024,522	110,524	24,734	135,258
Total	1,669,437	79,624,629	81,294,066	886,521	1,090,401	1,976,922

The columns Gross exposure and Collective impairment losses include loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

The financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by geography, are presented in the following tables:

(Thousands of euros)

	30 June 2022					
	Gross Exposure			Impairment losses		
Geography	Individual	Collective	Total	Individual	Collective	Total
Portugal	1,132,194	60,843,707	61,975,901	596,449	556,875	1,153,324
Poland	151,875	20,544,206	20,696,081	53,962	450,862	504,824
Mozambique	91,039	2,414,298	2,505,337	49,045	21,391	70,436
Total	1,375,108	83,802,211	85,177,319	699,456	1,029,128	1,728,584

(Thousands of euros)

	31 December 2021					
	Gross Exposure			Impairment losses		
Geography	Individual	Collective	Total	Individual	Collective	Total
Portugal	1,419,193	56,887,303	58,306,496	791,108	602,210	1,393,318
Poland	168,126	20,635,895	20,804,021	57,127	470,554	527,681
Mozambique	82,118	2,101,431	2,183,549	38,286	17,637	55,923
Total	1,669,437	79,624,629	81,294,066	886,521	1,090,401	1,976,922

The columns Gross exposure and Collective impairment losses include loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

As at 30 June 2022, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	30 June 2022					
Year of production	**Construction and CRE**	**Companies - Other Activities**	**Mortgage loans**	**Individuals - Other**	**Other loans**	**Total**
2012 and previous						
Number of operations	16,477	28,104	308,376	709,456	447	1,062,860
Value (Euros '000)	993,283	3,470,677	10,994,567	1,279,795	124,022	16,862,344
Impairment constituted (Euros '000)	83,596	61,578	116,526	19,757	1,284	282,741
2013						
Number of operations	1,223	4,104	10,623	71,140	25	87,115
Value (Euros '000)	71,526	551,357	406,702	112,668	9,337	1,151,590
Impairment constituted (Euros '000)	4,009	7,123	5,230	3,584	5,852	25,798
2014						
Number of operations	1,359	5,547	9,217	88,080	89	104,292
Value (Euros '000)	88,597	573,570	387,829	139,963	187,645	1,377,604
Impairment constituted (Euros '000)	4,949	12,569	4,419	5,308	2,480	29,725
2015						
Number of operations	1,852	7,160	11,394	124,956	135	145,497
Value (Euros '000)	113,043	860,956	554,680	202,248	46,792	1,777,719
Impairment constituted (Euros '000)	2,547	22,647	3,361	11,651	27,009	67,215
2016						
Number of operations	2,161	9,813	12,999	145,990	70	171,033
Value (Euros '000)	154,051	1,364,491	665,962	291,840	4,585	2,480,929
Impairment constituted (Euros '000)	5,666	39,655	3,674	21,421	182	70,598
2017						
Number of operations	3,092	14,060	21,280	164,216	120	202,768
Value (Euros '000)	236,668	1,489,123	1,298,023	353,674	16,017	3,393,505
Impairment constituted (Euros '000)	3,708	23,019	4,178	26,792	714	58,411
2018						
Number of operations	6,023	25,161	27,975	316,279	237	375,675
Value (Euros '000)	549,080	2,606,437	1,967,020	756,355	323,578	6,202,470
Impairment constituted (Euros '000)	9,148	42,156	4,354	54,111	1,683	111,452
2019						
Number of operations	9,581	32,032	31,608	644,085	220	717,526
Value (Euros '000)	747,844	2,324,180	2,362,262	1,347,866	170,056	6,952,208
Impairment constituted (Euros '000)	9,131	45,665	3,304	87,709	3,158	148,967
2020						
Number of operations	10,550	39,944	37,584	369,302	292	457,672
Value (Euros '000)	1,393,797	4,879,976	2,854,710	959,139	205,678	10,293,300
Impairment constituted (Euros '000)	16,949	84,122	4,415	43,389	2,247	151,122
2021						
Number of operations	11,465	40,256	55,409	665,216	524	772,870
Value (Euros '000)	1,333,543	3,984,098	4,745,154	1,761,288	422,495	12,246,578
Impairment constituted (Euros '000)	16,461	46,300	6,014	49,797	2,763	121,335
2022						
Number of operations	8,095	93,380	24,181	652,000	4,382	782,038
Value (Euros '000)	1,148,343	4,723,689	2,313,079	1,357,499	230,643	9,773,253
Impairment constituted (Euros '000)	9,044	150,903	3,266	19,118	1,618	183,949
Total						
Number of operations	71,878	299,561	550,646	3,950,720	6,541	4,879,346
Value (Euros '000)	6,829,775	26,828,554	28,549,988	8,562,335	1,740,848	72,511,500
Impairment constituted (Euros '000)	165,208	535,737	158,741	342,637	48,990	1,251,313

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2021, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	31 December 2021					
Year of production	Construction and CRE	Companies - Other Activities	Mortgage loans	Individuals - Other	Other loans	Total
2011 and previous						
Number of operations	16,443	27,013	312,064	707,279	493	1,063,292
Value (Euros '000)	988,051	3,546,686	11,518,139	1,202,309	96,963	17,352,148
Impairment constituted (Euros '000)	74,609	59,229	112,005	25,236	824	271,903
2012						
Number of operations	1,184	3,463	11,387	103,094	184	119,312
Value (Euros '000)	80,315	213,802	401,586	144,851	10,158	850,712
Impairment constituted (Euros '000)	3,837	5,324	4,751	4,355	35	18,302
2013						
Number of operations	1,641	4,653	11,229	107,983	33	125,539
Value (Euros '000)	81,722	576,793	442,501	136,479	8,762	1,246,257
Impairment constituted (Euros '000)	4,471	8,084	5,580	5,122	5,108	28,365
2014						
Number of operations	1,641	6,271	9,805	116,968	95	134,780
Value (Euros '000)	105,894	645,718	422,736	166,061	190,746	1,531,155
Impairment constituted (Euros '000)	3,970	20,745	4,348	7,486	2,191	38,740
2015						
Number of operations	2,289	8,314	12,051	161,566	135	184,355
Value (Euros '000)	118,689	964,423	598,334	241,761	42,217	1,965,424
Impairment constituted (Euros '000)	2,824	28,579	3,728	16,198	19,417	70,746
2016						
Number of operations	2,669	11,649	13,803	182,204	76	210,401
Value (Euros '000)	163,829	1,478,862	722,220	354,356	4,193	2,723,460
Impairment constituted (Euros '000)	6,010	38,956	3,929	28,921	200	78,016
2017						
Number of operations	3,601	16,424	22,504	206,982	135	249,646
Value (Euros '000)	277,439	1,670,775	1,398,081	429,457	18,044	3,793,796
Impairment constituted (Euros '000)	5,095	23,129	4,472	35,979	680	69,355
2018						
Number of operations	6,750	28,128	29,336	361,525	252	425,991
Value (Euros '000)	765,450	2,700,168	2,109,180	893,124	334,778	6,802,700
Impairment constituted (Euros '000)	10,003	53,212	4,375	66,397	1,688	135,675
2019						
Number of operations	10,349	35,279	33,145	703,461	255	782,489
Value (Euros '000)	916,637	2,723,462	2,540,307	1,582,002	181,729	7,944,137
Impairment constituted (Euros '000)	9,757	69,372	2,964	95,816	2,883	180,792
2020						
Number of operations	11,226	42,426	39,282	450,557	362	543,853
Value (Euros '000)	1,671,233	5,360,650	3,082,954	1,138,368	268,429	11,521,634
Impairment constituted (Euros '000)	19,037	87,662	4,534	44,968	2,008	158,209
2021						
Number of operations	14,097	107,313	56,969	994,034	5,019	1,177,432
Value (Euros '000)	1,729,149	6,506,623	5,006,493	2,353,761	513,072	16,109,098
Impairment constituted (Euros '000)	17,888	88,776	7,652	35,963	2,954	153,233
Total						
Number of operations	71,890	290,933	551,575	4,095,653	7,039	5,017,090
Value (Euros '000)	6,898,408	26,387,962	28,242,531	8,642,529	1,669,091	71,840,521
Impairment constituted (Euros '000)	157,501	483,068	158,338	366,441	37,988	1,203,336

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

The following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loan's portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	30 June 2022					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**
< 0.5 M€						
Number	6,590	10,188	9,243	74,985	476,159	315
Value (Euros '000)	876,084	230,912	1,369,917	1,500,212	62,172,059	18,273
>= 0.5 M€ and < 1 M€						
Number	745	60	1,237	236	5,971	4
Value (Euros '000)	520,356	40,379	869,314	163,207	3,854,557	2,271
>= 1 M€ and < 5 M€						
Number	582	54	1,158	209	968	1
Value (Euros '000)	1,192,567	97,178	2,301,539	402,129	1,469,079	1,271
>= 5 M€ and < 10 M€						
Number	103	1	122	18	15	—
Value (Euros '000)	718,352	5,329	876,340	120,353	92,963	—
>= 10 M€ and < 20 M€						
Number	49	2	53	11	1	—
Value (Euros '000)	644,728	22,573	743,007	156,050	11,110	—
>= 20 M€ and < 50 M€						
Number	20	—	45	2	—	—
Value (Euros '000)	577,209	—	1,309,088	70,986	—	—
>= 50 M€						
Number	4	—	13	2	—	—
Value (Euros '000)	249,598	—	1,102,573	638,535	—	—
Total Number	8,093	10,305	11,871	75,463	483,114	320
Total Value (Euros '000)	4,778,894	396,371	8,571,778	3,051,472	67,599,768	21,815

(*) Includes, namely, securities, deposits and fixed assets pledges.

The following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loan's portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	31 December 2021					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)
< 0.5 M€						
Number	6,479	10,273	9,346	74,677	476,204	321
Value (Euros '000)	868,524	238,345	1,412,766	1,495,825	60,342,081	17,349
>= 0.5 M€ and < 1 M€						
Number	763	63	1,231	249	5,567	6
Value (Euros '000)	522,827	40,591	858,038	170,352	3,594,194	3,534
>= 1 M€ and < 5 M€						
Number	550	57	1,092	207	883	1
Value (Euros '000)	1,125,581	105,005	2,173,966	388,273	1,337,278	1,474
>= 5 M€ and < 10 M€						
Number	100	3	119	20	10	—
Value (Euros '000)	696,758	16,515	844,212	134,534	63,256	—
>= 10 M€ and < 20 M€						
Number	44	3	51	15	1	—
Value (Euros '000)	595,828	40,128	687,338	224,766	11,047	—
>= 20 M€ and < 50 M€						
Number	33	—	35	1	—	—
Value (Euros '000)	958,264	—	1,032,578	49,281	—	—
>= 50 M€						
Number	4	—	13	3	—	—
Value (Euros '000)	260,929	—	1,108,030	827,069	—	—
Total Number	7,973	10,399	11,887	75,172	482,665	328
Total Value (Euros '000)	5,028,711	440,584	8,116,928	3,290,100	65,347,856	22,357

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 30 June 2022, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	30 June 2022				
Segment/Ratio	**Number of properties**	**Stage 1**	**Stage 2**	**Stage 3**	**Impairment**
Construction and CRE					
Without associated collateral	n.a.	1.618.750	469.052	87.722	78.460
<60%	26,110	892,522	203,660	46,897	29,191
>=60% and <80%	3,103	407,698	89,012	21,442	10,836
>=80% and <100%	1,036	168,301	42,332	54,490	40,896
>=100%	990	103,204	106,304	38,023	36,213
Companies - Other Activities					
Without associated collateral	n.a.	10.692.231	1.575.810	335.421	436.228
<60%	50,551	1,488,975	520,085	166,074	61,256
>=60% and <80%	16,841	1,034,928	300,162	143,477	47,148
>=80% and <100%	12,327	646,095	382,248	135,992	85,869
>=100%	3,082	656,945	336,998	346,877	175,875
Mortgage loans					
Without associated collateral	n.a.	50.292	2.808	11.658	10.914
<60%	381,233	13,389,839	1,068,053	245,264	92,348
>=60% and <80%	133,391	8,562,456	787,551	124,632	32,566
>=80% and <100%	46,568	3,260,848	360,505	71,564	18,485
>=100%	6,959	280,955	64,294	44,727	21,050

As at 31 December 2021, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	31 December 2021				
Segment/Ratio	**Number of properties**	**Stage 1**	**Stage 2**	**Stage 3**	**Impairment**
Construction and CRE					
Without associated collateral	n.a.	1,424,035	445,746	95,216	74,207
<60%	27,798	970,377	222,871	48,352	27,275
>=60% and <80%	2,954	463,338	132,369	15,611	11,035
>=80% and <100%	1,139	151,733	32,023	55,414	34,538
>=100%	1,006	84,817	111,936	70,487	40,012
Companies - Other Activities					
Without associated collateral	n.a.	9,980,670	1,899,978	695,583	695,418
<60%	49,685	1,371,462	575,090	139,700	59,772
>=60% and <80%	16,637	811,111	334,522	164,667	68,698
>=80% and <100%	12,242	649,604	390,780	133,205	89,029
>=100%	3,266	625,990	519,368	160,142	142,482
Mortgage loans					
Without associated collateral	n.a.	79,901	6,680	12,708	10,594
<60%	372,586	12,771,509	1,124,487	230,446	82,434
>=60% and <80%	132,538	8,118,509	845,140	131,474	32,559
>=80% and <100%	53,980	3,584,503	436,402	85,040	21,262
>=100%	10,056	470,774	84,150	60,405	26,797

As at 30 June 2022, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 26), by type of asset:

(Thousands of euros)

	30 June 2022					
	Assets arising from recovered loans results		Assets belong to investments funds and real estate companies		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	151,262	119,065	212,748	212,748	364,010	331,813
Rural	9,169	6,198	2,928	2,928	12,097	9,126
Buildings in development						
Commercials	863	514	–	–	863	514
Mortgage loans	2,556	1,520	–	–	2,556	1,520
Constructed buildings						
Commercials	98,101	72,148	11,519	11,519	109,620	83,667
Mortgage loans	121,413	94,869	187	187	121,600	95,056
Other	62,148	62,059	–	–	62,148	62,059
	445,512	356,373	227,382	227,382	672,894	583,755

As at 31 December 2021, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 26), by type of asset:

(Thousands of euros)

	31 December 2021					
	Assets arising from recovered loans results		Assets belong to investments funds and real estate companies		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	282,174	216,292	213,809	213,809	495,983	430,101
Rural	20,195	14,745	3,097	3,097	23,292	17,842
Buildings in development						
Commercials	869	517	–	–	869	517
Mortgage loans	2,569	1,529	–	–	2,569	1,529
Constructed buildings						
Commercials	145,039	104,144	11,497	11,497	156,536	115,641
Mortgage loans	148,880	117,008	187	187	149,067	117,195
Other	48,772	48,629	–	–	48,772	48,629
	648,498	502,864	228,590	228,590	877,088	731,454

Credit portfolio monitoring process

As a response to the increased risks and uncertainties arising from the COVID-19 pandemic crisis, the Bank adjusted its credit portfolio management and monitoring processes, namely with regard to the assessment of its potential impacts on the risk profile of the different portfolios/segments of exposure, an approach that began in 2020 and was consolidated in 2021.

This modification was based on the creation of a specific approach with the objective of identifying and closely monitoring the customers potentially more affected by the pandemic, anticipating possible difficulties in complying their responsibilities and defining credit and performance strategies adjusted to the specific specificities of each customer/group of customers, with a view to both maintaining support to customers considered viable and mitigating credit risk.

Recognizing the merits of the approach adopted to respond to the unexpected challenge of Pandemic COVID- 19, the Bank decided to systematize the new approach to monitoring the credit portfolio, transforming it into a structural process that can be adjusted at any given moment to the main challenges/risks identified according to the macroeconomic context that the Bank foresees for the development of its activity.

In fact, while it is true that the effects of the pandemic have faded, new risks have emerged in the meantime, especially those resulting from the geopolitical conflict between Russia and Ukraine, reinforcing threats that were already appearing in areas such as constraints in logistics and distribution chains, limitations in access to raw materials and certain goods, increased energy costs, inflationary pressures and rising interest rates.

The main guidelines of the credit portfolio monitoring approach can be characterized as presented below:

- Global and transversal: Is supported by an analysis of the entire credit portfolio of the Bank, being excluded from the special monitoring only customers with a risk profile not very vulnerable (in the case of retail) or with exposures of a lower size (in the case of retail and corporate).

- Specialized: Monitoring by the “Comité de Acompanhamento de Risco de Empresas” (CARE), and Credit Division in coordination with the Rating Division for the corporate segment and by the Retail Recovery Division for individuals and small businesses.

- Segmented: Prioritization of approach/analysis recurrence based on risk signs, in order to gather additional information and agree on appropriate and sustainable financial restructuring solutions in a timely manner.

- Prospective: Definition of predictive models, in order to anticipate potential future defaults, avoiding a reactive approach.

- Standardized: Both in terms of risk models and monitoring, and in terms of credit solutions for which it is possible to identify pre-defined alternatives (retail segments).

- Convenient and innovative: Making the restructuring journey simpler and more convenient for private and corporate customers, both in terms of credit solutions and channels, extending the restructuring offer to the App for consumer credit and mortgages.

Specifically in the corporate segment, the process of portfolio follow-up and monitoring evolved and can be generically characterized as described below, having as a fundamental component the attribution of credit strategies, among pre-defined options, with review periods differentiated according to the level of risk associated to the strategy attributed:

1. Client Assessment and presentation of Indicative Credit Strategy by the Rating Division (for customers with ratings assigned by corporate rating models);

2. Approval, by the competent credit decision levels, of a credit strategy for each customer, taking into consideration the Indicative Credit Strategy received from the Rating Division, the proposals received from the area that follows the client and the inputs received as a result of the customer interaction process;

3. Decision, negotiation and formalisation of the operations that will ensure that the approved strategy is pursued and the approved credit limits are met (Credit Division, Areas that follow the client and Operations Division);

4. Monitoring the Credit Strategy and the evolution of the customer's activity (Credit Division, Areas that follow the client and Specialised Committees - CARE);

5. Monitoring of the credit portfolio and effectiveness of the portfolio monitoring process and credit strategy attribution (Risk Office), based on a set of KPIs, (e.g. percentage of the credit portfolio with valid risk strategy; evolution of credit exposure to customers with a reduction strategy; adequacy of the credit strategy to the customer's performance);

6. In the attribution of the customer's credit strategy, besides the intrinsic factors of the customer, more transversal factors are taken into consideration, such as the evaluation of the sectorial risk and ESG impacts (periodically reviewed with the support of the Economic, Sustainability and Criptoactives Studies Division)

7. The occurrence of effective and/or potential risk events (signs of default/delinquency; breach of contractual covenants; severe alteration in sector risk; alteration in the corporate/shareholder structure), trigger an extraordinary revision of the strategy.

Additional measures with impact on the Impairment level

i. Impairment overlays

In order to incorporate an additional level of conservatism in the impairment values and meeting the guidelines issued by the Supervisors, namely regarding the identification and measurement of credit risk in the context of the COVID-19 pandemic, the Bank defined and implemented a methodology of complementary identification of situations of significant increase in credit risk and evidence of impairment. This approach took into consideration several factors considered relevant for an assessment of the potential risk of customers' exposures in an exceptional context resulting from the COVID-19 pandemic, including data already observed in their behaviour and estimated impacts, adopting complementary and distinct criteria in relation to the methodologies in force, with distinct approaches having been adopted for the calculation of the overlays of the corporate and individual segments.

The exercise carried out reflected, in terms of impairment value, in the calculation of the estimated impact resulting from potential migrations of customers with higher risk to Stage 2 and Stage 3, based on the various factors considered in the analysis. It should be noted that the most significant impact occurred in the corporate segment.

As a result of the implementation of this methodology, the Bank determined an impairment additional to the one resulting from the collective analysis model, therefore with characteristics of overlays, whose amount on 30 June 2022 amounts to approximately Euros 71.1 million (31 December 2021: Euros 85 million) in Portugal and Euros 23.4 million (31 December 2021: Euros 12 million) in Poland.

ii. Risk Grade freeze of clients rated by behavioural models

Assuming a conservative perspective, in Portugal, the Bank implemented a procedure whereby it identified the customers subject to moratorium with internal risk rating awarded by behavioural models that at the end of December showed an improvement in the risk level in comparison with the one existing before the moratoria and, for these cases, assumed for purposes of staging criteria and impairment calculation the maintenance of that pre-moratoria risk rating.

This procedure did not imply a change in the internal risk rating attributed by the Bank.

From March 2022 onwards the above-mentioned procedure was no longer applied, given that the vast majority of moratoria had ended in September 2021 and the remaining in the end of December 2021. As such, the Bank considered that an elapsed period is more than enough to consider that the behavioural rating models are no longer affected by the previous existence of moratoria.

Operations subject to legislative and non-legislative moratorium and new loans granted under new public guarantee systems introduced in response to the COVID-19 crisis

The following tables characterize the transactions that, as of 30 June 2022 and 31 December 2021, were subject to legislative and non-legislative moratorium, as well as new loans granted under new public guarantee systems introduced in response to the COVID-19 crisis, at Portugal and consolidated level.

As of 30 June 2022 and 31 December 2021, the amounts related with the moratoria in force are null.

Loans and advances subject to legislative and non-legislative moratorium

The analysis of the gross carrying amount and respective impairment, of loans and advances that have ever been subject to legislative and non-legislative moratorium, with reference as at 30 June 2022:

(Thousands of euros)

		Gross carrying amount						
		Performing			Non-performing			
	Total		Of which: exposures with forbearance measures	Of which Stage 2 (*)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures in the last six months
Loans and advances subject to moratorium	9,811,956	8,784,569	499,269	2,497,469	1,027,387	673,073	872,391	269,207
of which: Households	4,782,967	4,526,518	239,397	814,787	256,449	147,726	175,446	64,019
of which: Collateralised by residential immovable property	4,212,439	4,053,369	208,028	717,513	159,070	100,563	130,946	40,891
of which: Non-financial corporations	4,945,578	4,194,596	258,177	1,623,314	750,982	505,406	677,004	205,175
of which: Small and Medium-sized Enterprises	4,477,606	3,785,611	211,225	1,467,737	691,995	486,276	622,960	198,088
of which: Collateralised by commercial immovable property	1,772,873	1,305,565	132,370	727,316	467,308	332,948	459,032	166,632

(*) Instruments with significant increase in credit risk since initial recognition but not credit-impaired.

(Thousands of euros)

		Accumulated impairment (**)					
		Performing			Non-performing		
	Total		Of which: exposures with forbearance measures	Of which Stage 2 (*)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium	522,240	103,952	9,167	78,026	418,288	302,036	344,641
of which: Households	83,237	17,879	952	12,417	65,358	31,439	31,697
of which: Collateralised by residential immovable property	28,630	7,737	418	4,806	20,893	12,197	15,827
of which: Non-financial corporations	417,733	83,694	7,753	63,309	334,039	251,711	294,057
of which: Small and Medium-sized Enterprises	384,389	77,127	6,660	59,103	307,262	237,690	270,187
of which: Collateralised by commercial immovable property	204,727	31,470	3,504	27,926	173,257	130,893	171,616

(*) Instruments with significant increase in credit risk since initial recognition but not credit-impaired.

(**) The impairment presented in the table does not include the amounts of impairment calculated using the overlays methodology described in point i. of the section "Additional measures with impact on the Impairment level" of this note.

The analysis of the gross carrying amount and respective impairment, of loans and advances that have ever been subject to legislative and non-legislative moratorium, with reference as at 31 December 2021:

(Thousands of euros)

	Gross carrying amount							
		Performing			Non-performing			
	Total		Of which: exposures with forbearance measures	Of which Stage 2 (*)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures in the last six months
Loans and advances subject to moratorium	10,939,554	9,990,621	696,426	3,145,093	948,933	603,174	834,070	333,500
of which: Households	5,212,656	4,968,993	258,573	1,038,745	243,663	145,907	183,807	148,835
of which: Collateralised by residential immovable property	4,533,171	4,384,126	228,269	915,413	149,045	97,934	134,940	77,684
of which: Non-financial corporations	5,632,584	4,952,474	436,068	2,046,523	680,110	436,937	625,105	184,663
of which: Small and Medium-sized Enterprises	5,085,424	4,503,348	372,415	1,847,727	582,076	379,997	564,032	160,075
of which: Collateralised by commercial immovable property	1,895,246	1,590,586	286,092	988,440	304,660	179,465	302,064	100,596

(*) Instruments with significant increase in credit risk since initial recognition but not credit-impaired.

(Thousands of euros)

	Accumulated impairment (**)						
		Performing			Non-performing		
	Total		Of which: exposures with forbearance measures	Of which Stage 2 (*)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium	553,384	149,636	30,170	116,166	403,748	292,759	341,535
of which: Households	82,892	23,826	1,263	15,128	59,066	28,719	32,192
of which: Collateralised by residential immovable property	27,624	8,881	650	5,337	18,743	11,215	15,451
of which: Non-financial corporations	443,230	123,257	28,399	98,551	319,973	244,161	284,634
of which: Small and Medium-sized Enterprises	380,880	115,080	26,813	92,831	265,800	202,059	258,473
of which: Collateralised by commercial immovable property	178,995	56,281	22,189	52,713	122,714	88,507	122,342

(*) Instruments with significant increase in credit risk since initial recognition but not credit-impaired.

(**) The impairment presented in the table does not include the amounts of impairment calculated using the overlays methodology described in point i. of the section "Additional measures with impact on the Impairment level" of this note.

Loans and advances granted under new public guarantee schemes introduced in response to the COVID-19 crisis

In what concerns the loans granted under new public guarantee schemes, we present below the exposure breakdown by segment, the amount of the associated guarantee and an indication of the portion classified as restructured due to financial difficulties or classified as non-performing is presented.

As at 30 June 2022, the analysis of the loans and advances subject to public guarantee schemes is as follows:

(Thousands of euros)

	30 June 2022			
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures in the last six months
Newly originated loans and advances subject to public guarantee schemes	2,701,937	4,515	2,014,452	21,334
of which: Households	14,241	—	12,593	133
of which: Collateralised by residential immovable property	261	—	235	—
of which: Non-financial corporations	2,687,164	4,515	2,001,406	21,201
of which: Small and Medium-sized Enterprises	2,368,749	4,515	1,873,780	16,728
of which: Collateralised by commercial immovable property	79,176	—	65,673	901

As at 31 December 2021, the analysis of the loans and advances subject to public guarantee schemes is as follows:

(Thousands of euros)

	31 December 2021			
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures in the last six months
Newly originated loans and advances subject to public guarantee schemes	2,835,674	1,215	2,186,423	18,500
of which: Households	15,381	—	13,572	52
of which: Collateralised by residential immovable property	275	—	248	—
of which: Non-financial corporations	2,819,709	1,215	2,172,353	18,447
of which: Small and Medium-sized Enterprises	2,531,939	1,215	2,048,765	16,172
of which: Collateralised by commercial immovable property	90,342	—	74,859	1,551

Analysis of the impacts of geopolitical conflict in Eastern Europe

The Bank has performed a set of quantitative and qualitative analysis to assess the potential impacts of the Russian/ Ukraine conflict 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 distribution chains of several products and commodities.

Nevertheless, specific portfolios were identified as being potently more vulnerable and for which more closely monitoring procedures were putted in place.

i. Retail segment:

By principle the entities of the Group are not promoting neither granting loans to citizens with residence in foreigner countries.

Consequently, as of the end of June 2022, the volume of credit exposures linked with citizens with residence in Russia, Belarus and Ukraine (the largest majority in Ukraine) in the household segment was negligible (circa 2.7 million euros in Portugal and 0.4 million euros in Poland).

In what regards credit exposures to citizens of Ukraine with residence in Poland the values are higher and amounted to about 1.6% of Bank Millennium Group retail portfolio, divided almost equally between cash loans and mortgages (loans are collateralized with real estate assets located in Poland).

Those exposures are subject to frequent monitoring, and no signs of deterioration has been observed so far, despite the social impacts of the migration flows from Ukrainian citizens to Poland.

On the other hand, retail borrowers in Poland are also particularly exposed to increased inflation and higher PLN interest rates. At the end of June 2022, within the scope of the monitoring framework the Bank in Poland identified a so called “at risk portfolio” representing circa 6% of the cash loan portfolio (high inflation being the key risk factor) and 7% of the mortgage portfolio (increased interest rates is the key risk factor).

Both sub-portfolios start to show some soft signs of deterioration, but the level of new defaults is still not material – below 8.5 million euros as at the end of the second quarter of 2022.

No signals of deterioration of the quality of the household portfolio were so far observed in Portugal.

ii. Corporate segment:

An analysis of 1st order (direct impacts), 2nd order (exposure to targets with Russia/Ukraine trade channels) and 3rd order (wider macro-economic impacts) was conducted.

- In what concerns 1st order effects, both at the Group level as well as at the level of each of the subsidiaries the volume of credit exposure is negligible, as the Group does not operate directly in Ukraine, Russia or Belarus and does not have corporate clients domiciled in Russia or Ukraine.

- Concerning 2nd order effects, no major cases were identified in Portugal. In what concerns Bank Millennium in Poland, all the debtors with a share in the structure of either suppliers/customers, from the Ukraine, Russia and Belarus markets, above 15%, were considered as potentially more vulnerable and were assessed on a case-by case- basis

- Regarding a more-broader macroeconomic perspective (3rd order effects), the Bank updated the list of sectors potentially more vulnerable to the current macroeconomic and geopolitical context.

In Portugal, the list of sectors considered as more vulnerable to this crisis is presented in the table below, representing a total corporate performing exposure of 3.645 million euros, of which 1.817 million euros in High impacted sectors.

Portugal Corporate Portfolio (Performing) - Impacted Sectors

(Million of euros)

	30 June 2022							
	On Balance		High Impact		Medium Impact		Total Impact	
	Amount	% total portfolio	On Balance Exposure	% in the sector	On Balance Exposure	% in the sector	On Balance Exposure	% in the sector
Construction	1,068	6%	—	—	546	51%	546	51%
Industry - Generic	1,174	7%	507	43%	124	11%	631	54%
Industry - Food & Beverage	720	4%	—	—	720	100%	720	100%
Industry - Textile/Footwear	566	3%	24	4%	—	—	24	4%
Services - Transportation	480	3%	475	99%	—	—	475	99%
Industry - Metalworking	449	3%	433	96%	—	—	433	96%
Industry - Ceramic/Glass	175	1%	175	100%	—	—	175	100%
Industry - Automotive	112	1%	88	78%	—	—	88	78%
Industry - Electronic	105	1%	101	96%	—	—	101	96%
Others	452	3%	14	3%	438	97%	452	100%
Sub-total	5,301	32%	1,817	34%	1,828	34%	3,645	69%
Total Corporate Portfolio	16,700	100%	1,817	11%	1,828	11%	3,645	22%

In what concerns the internal rating structure of the credit portfolio in vulnerable sectors, we can conclude that 5% of the portfolio is already classified as non-performing and around 60% are allocated to risk grade 8 or better.

For those clients potentially more affected, directly and/or indirectly, by the conflict it was applied a bottom-up monitoring approach.

The bottom-up assessment is supported by the combination of a comprehensive credit monitoring initiatives, notably:

1. the update of the impairment signs questionnaire (for customers with more significant exposures).

2. the recently introduced process of assignment of a set of pre-defined credit strategy to each client (less favourable strategies have shorter periods of validity and the assignation of a "minimization of expected loss" strategy implies the reclassification of the Client to Stage 3.)

3. specific engagement questionnaire sent to corporate clients.

No hard signals of risk were identified so far (the total volume of credits associated with performing clients with past due exposures represents only 0,1% of total exposures).

In Poland the analysis of the impact in Corporate clients was even more strict and supported on a case-by-case review of a significant part of the corporate portfolio, independently of the sector of activity of each client.

Following the review of corporate exposures, notably considering the 15% materiality/exposure factor above mentioned, it was concluded that the exposure which may potentially suffer from a direct negative impact on their business from the conflict in Ukraine amounts to approximately 78,7 million euros (end of June 2022 data), equivalent to just 1,4% of the Bank Millennium (Poland) Group's corporate portfolio.

So far, the situation of these companies remained stable.

iii. Other/general measures:

- Dedicated sessions of BCP Executive Committee are being held with the purpose of evaluating the impacts of this geopolitical crisis in the risk profile of the bank. The CEO's of the main subsidiaries of the Bank (Poland and Mozambique) as well as other the Heads of other relevant areas of the Bank (e.g. Risk Office; Compliance Officer, Head of credit; Head of IT security department etc) are invited to participate in those sessions.

- Dedicated committees are in place to follow exposures to more vulnerable customers, notably CARE (corporate risk assessment committee) in Portugal and Corporate Risk & Business Monitoring in Poland (Diagnostic Committee).

- The Bank has reviewed the baseline and adverse scenarios supporting the Group ICAAP, as well as the macroeconomic scenarios supporting the credit impairment processes.

Credit concentration risk

The Group's policy relating to the identification, measurement, and evaluation of the concentration risk in credit risk is approved by the Bank's management body, applied to all Group entities, and is based on the following guidelines:

The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Customer Groups" - sets of connected Customers (individual persons or companies), which represent a single entity from a credit risk perspective, such that if one of them is affected by financial problems, one or all of the others, will probably face difficulties to fulfil their debtor obligations. The Customer connections that originate a Customer group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency).The identification of connected clients is an integral part of the credit granting and monitoring processes of each entity.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for:

1) Exposures to Sovereigns;
2) Exposures to Institutions (Banks/financial institutions);
3) Single-name exposures (Large Corporate exposures);
4) Geographic concentration (country risk);
5) Exposure to sectors of activity.

These limits apply to the 'Net exposures' at stake(*), relating either to a counterparty or a group of counterparties – cases for 1), 2) and 3) – or to the set of exposures to an activity sector or to a country (the counterparty country of residence) – cases for 4) and 5). The metrics regarding the concentration of exposure to Sovereigns and geographic concentration exclude the countries in which the Group operates (Portugal, Poland and Mozambique) and the respective Sovereigns.

Except for exposure to sectors of activity, the concentration limits are established by taking into consideration the credit worthiness of the debtors at stake in what concerns their rating grades/probability of Default (PD) (internal or external ratings; country rating in the case of geographic concentration).

The concentration limits for Corporate single-name exposures apply only to non-NPE positions, since the NPE(**) positions are covered by the NPE reduction Plan defined and executed at Group BCP level.

The limits in force as at 30 June 2022, for the exposure to Single-name, in terms of the Net Exposure weight over the Consolidated Own Funds, are the following:

Risk quality	Risk grade	*Single-name*
High quality	1 - 5	7.0%
Average/good quality	6 - 7	4.5%
Average low/quality	8 - 9	3.0%
Low quality	10 - 11	0.6%
Restricted credit	12 - 13	0.3%

(*) Net exposure = EAD x LGD, considering LGD=45% whenever own estimates for LGD are not available or applicable. EAD = Exposure at default ; LGD = Loss given Default;
(**) NPE = Non-performing exposures

As at 30 June 2022:

- There were no exposure excesses to Sovereigns, Institutions or countries;

- There were 4 Economic Groups with net exposure above the established Single-name limits for their respective risk grade. For each client with an exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

It should also be referred that the assessment of the Single-name concentration is also performed within the Group RAS (Risk Appetite Statement) scope.

In what concerns the limit for exposure to sectors of activity, in force on 30 June 2022, this is defined as a maximum of 40% per sector of activity, in terms of the weight of the Net Exposure for each sector of activity over the Own Funds of each Group Entity. At this date, there was no excess over this limit.

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks.

The credit concentration risk is measured and monitored by the Risk Office supported on a database on credit exposures (the *Risk Office Datamart*), monthly updated by the Group's systems, which feeds the risk management system of the Group.

The Risk Office maintains a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, which is used by the Credit Division and by the Commercial Networks within the scope of credit analysis for large clients.

Market risk

Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

For purposes of profitability analysis and market risks quantification and control, the following management areas are defined for each entity of the Group:

- Trading - Management of positions whose objective is the achievement of short-term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;
- Funding - Management of institutional funding (wholesale funding) and money market positions;
Investment - Management of all the positions in securities to be held to maturity (or for a longer period of time) or positions which are not tradable on liquid markets;
- Commercial - Management of positions arising from commercial activity with Customers;
- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM - Assets and Liabilities Management.

The definition of these areas allows for an effective management separation of the trading and banking books, as well as for the correct allocation of each operation to the most suitable management area, according to its respective context and strategy.

In order to ensure that the risk levels incurred in the different portfolios of the Group comply with the predefined levels of tolerance to risk, various market risks limits are established, at least yearly, being applicable to all portfolios of the risk management areas over which the risks are incident. These limits are monitored on a daily basis (or intra-daily, in the case of financial markets) by the Risk Office.

Stop Loss limits are also defined for the financial market areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. When these limits are reached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

Trading book market risks (Positions allocated to the Trading Management Area and not, specifically, to the accounting Trading Book)

The Group uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk - including interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps (indexes) - a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured through standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The table below presents the amounts at risk for the Trading Book, measured by the methodologies referred to above:

(Thousands of euros)

	30 June 2022	Max of global risk in the period	Min of global risk in the period	31 December 2021
Generic Risk (VaR)	3,945	6,586	348	1,533
Interest Rate Risk	2,949	3,836	190	1,432
FX Risk	2,557	4,195	259	469
Equity Risk	402	36	187	274
Diversification effects	*(1,963)*	*(1,481)*	*(288)*	*(642)*
Specific Risk	28	37	167	35
Non-Linear Risk	—	—	2	—
Global Risk	3,973	6,623	517	1,568

In order to check the appropriateness of the internal VaR model to the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identifying risk concentrations that have not been captured by the VaR model.

Interest rate risk

The evaluation of interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long-term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, although with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Group holds material positions:

(Thousands of euros)

	30 June 2022			
Currency	-200 bp (*)	- 100 bp (*)	+100 bp	+ 200 bp
CHF	10,837	4,780	(3,613)	(6,293)
EUR	(184,369)	(86,335)	79,796	162,451
PLN	(56,169)	(28,792)	26,869	55,038
USD	(23,173)	(11,355)	10,701	21,011
	(252,874)	(121,702)	113,753	232,207

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

(Thousands of euros)

	31 December 2021			
Currency	-200 bp (*)	- 100 bp (*)	+100 bp	+ 200 bp
CHF	(1,283)	(1,284)	2,949	5,802
EUR	(49,468)	(50,226)	103,583	200,789
PLN	(100,182)	(49,203)	47,484	93,306
USD	(32,171)	(16,049)	15,286	29,847
	(183,104)	(116,762)	169,302	329,744

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

As described in accounting policy 1.B, the financial statements of the Group's subsidiaries and associates placed abroad are prepared in their functional currency and translated into Euros at the end of each financial period. The exchange rates used for the conversion of balance sheet foreign currency amounts are the ECB reference rates at the end of each period. In foreign currency conversion of results, are calculated average exchange rates according to the closing exchange rates of each month of the year. The rates used by the Group are as follows:

	Closing exchange rates (Balance sheet)		Average exchange rates (Income statement)	
Currency	30 June 2022	31 December 2021	30 June 2022	30 June 2021
AOA	447.6490	632.4200	508.9727	780.5689
BRL	5.4640	6.3364	5.5042	6.5443
CHF	1.0007	1.0362	1.0283	1.0952
MOP	8.4491	9.1330	8.4491	9.4840
MZN	67.0750	72.9000	70.1346	81.4217
PLN	4.6974	4.5839	4.6374	4.5399
USD	1.0454	1.1373	1.0942	1.2051

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area, in accordance with the risk specialization model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations, taking into consideration the defined policy and the conditions and availability of instruments.

With reference to June 30, 2022 there is no hedge accounting for the financial investment held in Bank Millennium, S.A. (Poland). As at 31 December 2021, this Group's investments in convertible foreign currencies was hedged. On a consolidated basis, this hedge is identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, in this case through a 'Fair Value Hedge' methodology.

The information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

		2021			
		Net Investment	Hedging instruments	Net Investment	Hedging instruments
Company	Currency	Currency '000	Currency '000	Euros '000	Euros '000
Bank Millennium, S.A.	PLN	696,325	696,325	151,907	151,907

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. This hedging relationship was considered effective during 2021, as described in the accounting policy 1.C4.

Regarding equity risk, the Group maintains a set of positions of small size and low risk equity positions, essentially in the investment portfolio, which are not held for trading purposes. The management of these positions is carried out by a specific area of the Group, with the respective risk being controlled on a daily basis, through the indicators and limits defined for market risks' control.

The transfer to Portugal of funds, including dividends, which are owed by BCP's subsidiaries or associates in third countries, particularly outside the European Union, are, by their nature, subject to the exchange restrictions and controls that are in force at any time in the country of subsidiaries or associates. In particular, as regards Angola and Mozambique, countries in which the Group holds a minority investment in Banco Millennium Angola and a majority investment in BIM - Banco Internacional de Moçambique, being the case of, export of foreign currency requires prior authorization of the competent authorities, which depends, namely, on the availability of foreign exchange by the central bank of each country.

Liquidity risk

The evaluation of the Group's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The monitoring of the liquidity position of the Group's operations in short-term time horizons (up to 3 months) is based on two internally defined indicators (immediate liquidity and quarterly liquidity). These indicators are calculated on a daily basis, taking into account the impact in the liquidity buffers available to discount with the respective central banks at the reference date of future estimated cash flows for each of the respective time horizon (3 days or 3 months) considering the set of transactions intermediated by the market areas, including in this context transactions with clients of the Corporate and Private networks, which, due to their size, must be quoted by the Trading Room. The remaining buffer in each time bucket is then compared to the amount of customer deposits, being the indicators assessed against exposure limits defined in the Bank's regulations.

In parallel, the evolution of the Group's structural liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

The methodological aspects of the control of liquidity risk are a responsibility of the Risk Commission. This control includes the regular execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

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, in the first half of 2022 there was an increase in the balance of customer deposits at BCP, Bank Millennium and BIM. In the case of BCP, this reinforcement amounted to Euros 2,823,167,000, being almost entirely attributable to the retail segment, thus providing added stability to the Bank's main source of funding. This growth was reflected, in a strict liquidity perspective, in a favorable evolution of the commercial gap in the amount of Euros 1,737,811,000, given the lower growth of the loan portfolio.

With regard to medium-long-term market funding, at the end of May 2022 BCP reimbursed an issue of covered bonds amounting to Euros 1,000,000,000, having the related unencumbered assets not been used in any new issue to reinforce the monetary policy pool of the ECB, given the current slack in 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, in the first half of 2022, the liquidity generated by the evolution of the commercial gap and the reductions in the balance on demand deposits at the Bank of Portugal was applied to the reimbursement of the referred issuance of covered bonds and the reinforcement of the derivatives margin accounts, whose provisioning needs grew significantly after the beginning of the crisis in Ukraine, as a result of the increase in interest rates on swaps and the respective volatility.

The liquidity buffer available for discounting at the ECB stood at Euros 23,156,105,000 on 30 June 2022, lower than at the end of 2021 (Euros 23,771,462,000), due to the devaluation of the portfolio of assets eligible for discount at the ECB, another consequence of the Ukraine crisis, and the aforementioned strengthening of derivatives margin accounts. It should be noted, however, that the figure as of 30 June is materially higher than that recorded in the same period of the previous year (Euros 21,054,028,000), reflecting the solidity of BCP's short-term position.

Likewise, in the first half of 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 even considering the effects of the invasion of Ukraine, which resulted in the devaluation of the portfolio of assets eligible for discount at the central bank and the strengthening of derivatives margin accounts.

The pool of eligible assets for funding operations in the European Central Bank and other central banks, after haircuts, is detailed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
European Central Bank	13,499,824	13,394,653
Other Central Banks	5,067,785	4,840,405
	18,567,609	18,235,058

As at 30 June 2022 the gross amount discounted with the European Central Bank amounts to Euros 8,150,070,000 (31 December 2021: Euros 8,150,070,000). The amount discounted with the Bank of Mozambique amounts to Euros 2,347,000 (31 December 2021: Euros 2,491,000). There are no discounted amounts with other central banks.

The evolution of the ECB's Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

(Thousands of euros)

	30 June 2022	31 December 2021
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	13,499,824	13,394,653
Outside the pool of ECB monetary policy	11,734,866	12,107,127
	25,234,690	25,501,780
Net borrowing at the ECB (ii)	2,078,605	1,730,318
Liquidity buffer (iii)	23,156,085	23,771,462

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).

ii) Includes as at 30 June 2022 the value of funding with ECB (deducted from the accrual of the T LTRO III), deducted from deposits with the Bank of Portugal and other liquidity with the Eurosystem (Euros 6,405,243,000), plus the minimum cash reserves (Euros 495,173,000).

iii) Collateral eligible for ECB, after haircuts, less net financing at the ECB.

The Group's counterbalancing capacity is defined by the ability to generate additional liquidity in the short term to deal with possible situations of financial stress. The measures for its reinforcement are described in the Recovery Plan which, as at 30 June 2022, had a total estimated value for Portugal of Euros 3,750,000,000, arising from the sale of corporate bonds and commercial paper, securitization of a portfolio of consumer credit and issuance of retained covered bonds to be mobilized for the ECB's monetary policy pool.

In consolidated terms, the refinancing risk of medium to long-term instruments will remain at very low levels in the coming years. Excluding the refinancing of LTRO III, which will release collateral for the corresponding amount, the annual amount to be refinanced in the next three years will always be less than Euros 1,000,000,000.

Loans to deposits ratio

The 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 on 30 June 2022 of 78% (current version) and on 31 December 2021 this ratio was set at 81% (according to the current version of the Instruction as at 31 December 2021).

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 261% at the end of June 2022 (31 December 2021: 269%), equivalent to a surplus of Euros 14bn (31 December 2021: Euros 15bn) 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.

Net stable funding ratio

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% (150% as at 31 December 2021).

Encumbered and Unencumbered assets

Within the scope of the European Banking Authority's guidance on the disclosure of encumbered assets and unencumbered assets, taking into account the recommendation made by the European Systemic Risk Committee, the following information is presented in accordance with Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets.

(Thousands of euros)

	30 June 2022 (1)							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA (2)		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Assets of the disclosing institution	13,428,249	802,195			80,605,466	25,012,107		
Equity instruments	—	—	-	-	127,810	—	127.810	—
Debt securities	802,195	802,195	795,125	795,125	22,096,853	17,148,809	21,749,918	16,803,535
of which: securitisations	—	—	—	—	—	—	—	—
of which:	—	—	—	—	33,020	—	28,237	—
issued by general governments	762,716	762,716	756,113	756,113	16,851,146	16,328,431	16,533,289	15,997,268
issued by financial corporations	—	—	—	—	1,804,297	85,319	1,804,289	85,319
issued by non-financial corporations	39,490	39,490	38,498	38,498	2,635,614	606,936	2,636,296	606,936
Other assets	12,640,019	—			58,847,396	7,863,298		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.
(2) EHQLA (*Set as Extremely High Quality Liquid Assets*) e HQLA (*High Quality Liquid Assets*).

Collateral received and own debt securities issued

(Thousands of euros)

	30 June 2022 (1)			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Collateral received by the disclosing institution	—	—	58,596	3,869
Debt securities	—	—	3,869	3,869
of which:				
issued by general governments	—	—	3,869	3,869
Loans and advances other than loans on demand	—	—	29,092	—
Own covered bonds and asset-backed securities issued and not yet pledged			5,916,920	—
Total Collateral Received And Own Debt Securities Issued	13,428,249	802,195		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.
(2) EHQLA (*Set as Extremely High Quality Liquid Assets*) e HQLA (*High Quality Liquid Assets*).

Sources of encumbrance

(Thousands of euros)

Sources of encumbrance	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	10,258,907	12,912,604

The table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

At the end of first half of 2022, and according to the EBA methodology, the total encumbered assets represents 14% of the Group's total balance sheet assets. The encumbered Loans to customers represents 90% of the total encumbered assets, while Debt securities represents 6%.

The encumbered assets are mostly related with the Portugal's activity funding operations, namely with the ECB and securitisation programs. The type of assets used as collateral for these financing transactions are different Loans to Customers' portfolios, supporting securitisation programs and mortgage bonds, intended to reinforce the collateral pool with the ECB. Another part of the collateralisation of financing operations with the European Investment Bank, is mainly supported by sovereign debt eligible for central banks, together with bonds issued by public sector companies.

On 30 June 2022, the Other assets includes unencumbered assets in the amount of Euros 7,612,175,000 related to Loans on demand, the amount of Euros 55,824,268,000 related to Loans and advances other than loans on demand (of which encumbered assets in the amount of Euros 12,062,271,000) and the amount of Euros 7,701,593,000, mostly unencumbered and related to the Group's activity, namely, to: investments in associated companies and subsidiaries, tangible assets and investment properties, intangible assets, assets associated with derivatives and current and deferred taxes.

As at 30 June 2022, BCP Group has a Euros 12.5 billion BCP Covered Bond Programme ("BCP Programme") with Euros 9.2 billion of covered bonds outstanding and fully repurchased by the Group. The BCP Programme is backed by a Euros 11.2 billion portfolio of residential mortgages, providing an overcollateralization ("OC") of 22.1%, which is above the minimum of 14% currently required by rating agencies.

The Portuguese covered bond legislation affords covered bond holders a dual-recourse, firstly over the issuer, secondly over the cover pool that may also include other eligible assets, over which they benefit from a special preferential claim. The Portuguese covered bond legislation ensures total segregation of the covered pool from any future issuer's insolvent estate, for the benefit of covered bond holders, who have precedence over claims of any other of the issuer's creditors in case of issuer insolvency, thus and to this extent superseding the general insolvency and recovery legislation. Residential mortgages in a cover pool are subject to certain eligibility criteria inscribed in the Portuguese covered bond legislation, among them a maximum LTV of 80%, delinquency of no more than 90 days, and them being first lien mortgages (or, if otherwise, all preceding liens being in the cover pool) over properties located in the EU. The BCP's Programme documentation limits property location to Portugal only.

Operational Risk

The operational risk management system is framed by the "3 Lines of Defence" Corporate Governance model and is based on an integrated structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, these processes model also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity. Hence, the most relevant Group subsidiaries have their own processes structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed, ensuring thus, the replication of the 3 Lines of Defence model in the management of operational risk.

The responsibility for the day-to-day processes' management lies with the 1st Line of Defence: the process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective Key Risk Indicators (KRI), to perform the Risks Self-Assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic revision of the main processes in each geography is ensured by local structure units.

The Risk Management function (materialised in the Risk Office) and the Compliance function (materialised in the Compliance Office) represent the 2nd Line of Defence and are responsible for implementing the risk policy defined for the Group, proposing and developing approaches for managing this risk, supervising their implementation and challenging the 1st Line of Defence regarding the risk levels incurred. The Internal Audit function embodies the 3rd Line of Defence and supervises the appropriate fulfilment of the functions and activities of the remaining two lines of defence.

In the first half of 2022, the usual operational risk management activities continued to be executed by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group's management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts.

It should also be noted that the last 5-years average of the ratio between gross losses and the relevant indicator for TSA (gross income) has consistently presented values below 1%, which compares favourably with international benchmarking and attests the robustness of the operational control environment of the Group. The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

The Bank's mobilisation to reinvent the banking experience, based on the digitization and use of new technologies, entails relevant challenges in the management of operational risk, which include the reinforcement of the security of digital banking channels, the reinforcement of mechanisms for the prevention and detection of potential fraud, proper management of personal data and compliance with the information duties legally provided for in sales through digital banking channels.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português, there are no relevant covenants related to a possible downgrade of BCP.

Hedge accounting

As at 30 June 2022, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	30 June 2022			
	Hedging instruments			
		Book value		
Type of hedging	Notional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	12,939,511	374,424	152,968	486,535
Foreign exchange risk				
Currency and interest rate swap	392,194	22,309	—	(1,509)
	13,331,705	396,733	152,968	485,026
Cash flows hedging				
Interest rate risk				
Interest rate swaps	18,200,799	134,726	1,454,685	(1,046,848)
Foreign exchange risk				
Currency and interest rate swap	1,253,307	—	69,517	(770)
	19,454,106	134,726	1,524,202	(1,047,618)
Total	32,785,811	531,459	1,677,170	(562,592)

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2021, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	31 December 2021			
	Hedging instruments			
		Book value		
Type of hedging	Notional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	15,464,986	74,261	28,509	127,033
Foreign exchange risk				
Currency and interest rate swap	347,329	12,043	121	(29)
	15,812,315	86,304	28,630	127,004
Cash flows hedging				
Interest rate risk				
Interest rate swaps	15,781,769	19,617	283,335	(324,922)
Foreign exchange risk				
Currency and interest rate swap	1,691,525	3,138	65,008	(1,241)
	17,473,294	22,755	348,343	(326,163)
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	153,427	—	233	(1,045)
Total	33,439,036	109,059	377,206	(200,204)

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 30 June 2022, the table below includes the detail of the hedged items:

(Thousands of euros)

	30 June 2022							
	Hedged items							
							Cash flow hedge reserve / Currency translation reserve	
Type of hedging	Balance sheet item	Book value Assets	Book value Liabilities	Cumulative value of the adjustments Assets	Cumulative value of the adjustments Liabilities	Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	792,992	—	(52,355)	—	(50,677)	n.a.	n.a.
	(H)	3,412,524	—	(136,360)	—	(314,794)	n.a.	n.a.
	(C)	3,963,967	—	108,717	(3,949)	(204,167)	n.a.	n.a.
	(D)	—	10,000	—	(257)	350	n.a.	n.a.
	(E)	—	12,350	—	80	410	n.a.	n.a.
	(F)	—	460,328	—	(38,605)	37,625	n.a.	n.a.
	(G)	—	711,980	—	(41,905)	37,375	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		—	392,194	—	(1,575)	1,448	n.a.	n.a.
		8,169,483	1,586,852	(79,998)	(86,211)	(492,430)	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	18,200,585	—	—	—	1,046,848	(1,308,461)	79,427
Foreign exchange risk								
Currency and interest rate swap	(B)	1,253,307	—	—	—	1,671	(11,004)	(400)
		19,453,892	—	—	—	1,048,519	(1,319,465)	79,027
Total		27,623,375	1,586,852	(79,998)	(86,211)	556,089	(1,319,465)	79,027

(A) Fair value changes used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

As at 31 December 2021, the table below includes the detail of the hedged items:

(Thousands of euros)

	31 December 2021							
	Hedged items							
		Book value		Cumulative value of the adjustments			Cash flow hedge reserve / Currency translation reserve	
Type of hedging	Balance sheet item	Assets	Liabilities	Assets	Liabilities	Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	745,328	–	(1,678)	–	(8,237)	n.a.	n.a.
	(H)	4,133,227	–	(12,706)	–	(20,638)	n.a.	n.a.
	(C)	6,574,692	–	41,485	(2,013)	(117,932)	n.a.	n.a.
	(D)	–	10,000	–	93	140	n.a.	n.a.
	(E)	–	12,350	–	490	311	n.a.	n.a.
	(F)	–	497,998	–	(985)	979	n.a.	n.a.
	(G)	–	758,076	–	(4,530)	5,754	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		–	347,329	–	(66)	98	n.a.	n.a.
		11,453,247	1,625,753	27,101	(7,011)	(139,525)	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	15,781,551	–	–	–	324,922	(263,143)	131,353
Foreign exchange risk								
Currency and interest rate swap	(B)	1,691,525	–	–	–	1,939	(9,567)	(285)
		17,473,076	–	–	–	326,861	(272,710)	131,068
Hedging of net investments in foreign entities								
Foreign exchange risk								
- Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	1,045	55,326	–
Total		28,926,323	1,625,753	27,101	(7,011)	188,381	(217,384)	131,068

(A) Fair value changes used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

The reconciliation of each equity component and an analysis of other comprehensive income attributable to hedge accounting, with reference to 30 June 2022 and 31 December 2021, is as follows:

(Thousands of euros)

	Cash flow hedge reserve		Exchange differences	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Balance as at 1 January	(141,642)	262,288	55,326	56,371
Amounts recognised in other comprehensive income:				
Hedging cash flows - foreign exchange risk				
Changes in fair value of currency and interest rate swaps	(1,047,245)	(326,958)	–	–
Foreign exchange changes	1,997	42	–	–
Hedge breakage	(52,155)	(75,565)	–	–
Ineffectiveness of coverage recognised in results	237	107	–	–
Others	(1,630)	(1,556)	–	–
Hedging of net investments - foreign exchange risk				
Reclassified to the income statement	–	–	3,685	(1,045)
Variation in the fair value of liquidated operations	–	–	(59,011)	–
Balance at the end of the period	(1,240,438)	(141,642)	–	55,326

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 30 June 2022:

(Thousands of euros)

	30 June 2022					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains/(losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	(7,343)		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	(61)		n.a.	n.a.
		n.a.	(7,404)		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	(6,899)	(494)	(E)	30,533	–
Foreign exchange risk						
Currency and interest rate swap	(D)	(108,644)	(237)		–	–
		(115,543)	(731)		30,533	–
Total		(115,543)	(8,135)		30,533	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains/(losses) from hedge accounting operations

(E) Interest income

(F) Net gains/(losses) from foreign exchange

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2021:

(Thousands of euros)

	31 December 2021					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	**Income statement item (A)**	**Gains/(losses) recognised in Other comprehensive income**	**Hedging ineffectiveness recognised in Income statement (A)**	**Income statement item (B)**	**Cash flows that were being hedged (C)**	**Hedged item with an impact on results**
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	(12,590)		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	69		n.a.	n.a.
		n.a.	(12,521)		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	(72,809)	(699)	(E)	68,038	–
Foreign exchange risk						
Currency and interest rate swap	(D)	(6,156)	(107)		–	–
		(78,965)	(806)		68,038	–
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	(1,045)	–		–	–
Total		(80,010)	(13,327)		68,038	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains/(losses) from hedge accounting operations

(E) Interest income

(F) Net gains/(losses) from foreign exchange

The table below shows the detail of hedging instruments, as at 30 June 2022, by maturity:

(Thousands of euros)

	30 June 2022					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	290,586	672,636	11,976,289	12,939,511	374,424	152,968
Fixed interest rate (average)	0.74%	1.08%	1.33%	1.36%		
Fair value hedging derivatives related to currency risk changes						
OTC Market:						
Currency and interest rate swap	191,314	200,880	–	392,194	22,309	–
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	409,908	17,790,891	18,200,799	134,726	1,454,685
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	–	212,464	1,040,843	1,253,307	–	69,517
Total derivatives traded by OTC Market:	481,900	1,495,888	30,808,023	32,785,811	531,459	1,677,170

The table below shows the detail of hedging instruments, as at 31 December 2021, by maturity:

(Thousands of euros)

	31 December 2021					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	342,503	1,076,631	14,045,852	15,464,986	74,261	28,509
Fixed interest rate (average)	1.54%	0.57%	0.25%	0.30%		
Fair value hedging derivatives related to currency risk changes						
OTC Market:						
Currency and interest rate swap	171,466	175,863	–	347,329	12,043	121
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	174,524	15,607,245	15,781,769	19,617	283,335
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	210,017	160,365	1,321,143	1,691,525	3,138	65,008
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	153,427	–	–	153,427	–	233
Total derivatives traded by OTC Market:	877,413	1,587,383	30,974,240	33,439,036	109,059	377,206

53. Mozambique's sovereign debt

Following a period of deceleration in economic activity and increase of inflation, reduction of Republic of Mozambique rating, depreciation of Metical and decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate since December 2015, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue a strict liquidity management, emphasis on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, existing debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique and the terms of reference for an external audit were agreed.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information. In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsibility of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique.

On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

In May 2020, the Constitutional Council of the Republic of Mozambique issued a Judgment, declaring the nullity of the acts related with the loans contracted by Proindicus, SA ("Proindicus") and Mozambique Asset Management, MAM, SA ("MAM"), and the respective sovereign guarantees granted by the Government in 2013 and 2014, respectively, and on 19 October 2020, the dissolution of the two companies was registered based on an order issued by the Judicial Court of the City of Maputo.

In the context of the liquidation of Proindicus and MAM, the Liquidator published, on 3 May 2022, an announcement in the Jornal de Notícias de Moçambique, through which the creditors of those companies are notified to submit, within thirty days counted from the said publication, the supporting documents of their credits. Following the publication of the said announcement, BIM and BCP submitted, on 1 June 2022, their credit claims on Proindicus and MAM, respectively.

An action brought on 27 February 2019 and amended on 30 April 2020, by the Republic of Mozambique (represented by the Attorney General of the Republic) against the arranger and originating lender of the loan to Proindicus and other entities, by which the Republic of Mozambique requests, inter alia, the declaration of nullity of the sovereign guarantee of the Mozambican State to the Proindicus loan. Following this lawsuit, on 27 April 2020, the Banco Internacional de Moçambique (BIM) filed a lawsuit, in the London Commercial Court, against the arranger and lender of the loan to Proindicus, claiming, inter alia, payment of BIM's exposure to the Proindicus, in the event that the said sovereign guarantee of the State of Mozambique to Proindicus is, in a court of law declared null and void. Considering the dependency of this claim in relation with the lawsuit brought by the Republic of Mozambique above mentioned, it is expected that the judgment sessions of the claim brought by BIM will only take place simultaneously or after the judgment sessions scheduled for the beginning of October 2023, relating to the lawsuit filed by the Republic of Mozambique.

Regarding MAM, as far as we are aware, no lawsuit with the same purpose was brought by the Republic of Mozambique at the London Commercial Court. However, it is expected that, in the context of ongoing legal proceedings, that several creditors of MAM (including BCP) have filed, at the London Commercial Court, against MAM and the Republic of Mozambique in order to recover their credits, the question of the validity of the sovereign guarantee of the Mozambican State to the MAM loan will be raised by the Republic of Mozambique. In July 2021, London Commercial Court decided that the various lawsuits brought by several creditors of MAM (including BCP) against the Republic of Mozambique, as guarantor, and MAM, as debtor, as well as the lawsuit brought by the Republic of Mozambique within the scope of the loan to Proindicus, must be judged through a unitary trial and scheduled the start of the respective trial sessions for 3 October 2023. On this date, is in progress the process of collecting and disclosure of evidence (DRD - Disclosure Review Documents).

According to public information made available by the IMF, there are defaults on credits granted to non-state Mozambican companies' and guaranteed by the Mozambican State. Considering the above-mentioned developments related to these credits, although the Ministry of Economy and Finance of the Republic of Mozambique has submitted in November 2018 new proposals regarding this matter and interactions are ongoing between the Government of Mozambique, the IMF and the creditors with the objective of finding a solution to the aforementioned debt guaranteed by the State of Mozambique, which had not been previously disclosed to the IMF, a solution that changes the ex-approved a solution that would change the Group's current expectations, reflected in the financial statements as at 30 June 2022, on: (i) the ability of the Government of Mozambique and public companies to repay their debts and commitments assumed; and (ii) the development of the activity of its subsidiary Banco Internacional de Mozambique (BIM).

As at 30 June 2022, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 314,380,000 (31 December 2021: Euros 372,708,000), with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 132,722,000 (31 December 2021: negative amount of Euros 162,561,000). BIM's contribution to consolidated net income for the first half of 2022, attributable to the shareholders of the Bank, amounts to Euros 30,985,000 (30 June 2021: Euros 25,252,000).

As at 30 June 2022, the subsidiary BIM's exposure to the State of Mozambique and to the Central Bank includes public debt securities denominated in Metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of MZN 69,773,826,000 corresponding to Euros 1,040,236,000 (31 December 2021: MZN 72,710,220,000 corresponding to Euros 997,397,000) and Financial assets at fair value through other comprehensive income in the gross amount of MZN 1,808,908,000 corresponding to Euros 26,968,000 (31 December 2021: MZN 4,359,808,000 corresponding to Euros 59,805,000).

As at 30 June 2022, the Group has also registered in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of MZN 19,688,200,000 corresponding to Euros 293,527,000 (31 December 2021: MZN 20,380,268,000 corresponding to Euros 279,567,000) and in the balance Guarantees granted revocable and irrevocable commitments, an amount of MZN 4,772,927,000 corresponding to Euros 71,328,000 (31 December 2021: MZN 6,318,155,000 corresponding to Euros 86,904,000).

54. Contingent liabilities and other commitments

In accordance with accounting policy 1.U3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority ("PCA") initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ("BCP" or "Bank") and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between Portuguese banks.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections ("SO") in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in a commercially sensitive information exchange between other fourteen banks related to retail credit products, namely housing, consumer and small and medium enterprises credit products. The notification of a statement of objections does not constitute a final decision in relation to the accusation of the PCA.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court ("Competition Court") on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the Authority – for several months, the PCA denied the Defendant' right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the statement of objections. A non-confidential version of the Bank's defense was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017 (although without the presence of BCP's legal representatives).

In May 2018, the PCA refused the Bank's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018, the PCA notified the Bank of its intention to deny the application for confidential treatment of some of the information included in the Bank's defence; subsequently, in January 2019, it requested BCP to provide summaries for the co-defendants' confidential information. The Bank filed an appeal before the Competition Court, which ruled in favor of BCP, as it considered that the elaboration by the Bank of summaries for its co-defendants' confidential information an illegitimate burden.

In April 2019, at the PCA's request, BCP declared to be in favor of the re-examination of its witnesses, requested in its defense and previously held. The witnesses were re-inquired on 16-17 April 2019 with the presence of the Bank's legal representatives.

The PCA denied the request of BCP to be allowed to conduct cross-examination of the witnesses appointed by its co-defendants. The Bank appealed to the Competition Court, which denied the appeal, through a decision which was latter upheld by the Lisbon Court of Appeal. BCP then lodged an appeal before the Portuguese Constitutional Court for breach of the constitutional right of defence. The Constitutional Court dismissed the appeal on 29 April 2021, on the grounds that the requested cross-examination was not required by the Portuguese Constitution, at that stage of the proceedings. On 12 August 2020, the Bank lodged a complaint before the European Court of Human Rights on this matter.

On 2 July 2019, the Bank submitted its observations to the PCA's report on complementary evidence measures.

On 3 June 2019, BCP was notified of the partial dismissal of the complementary evidence measures it had requested in its reply to the SO, which it judicially contested on 13 June 2019. By judgment of 26 September 2019, the Competition Court declared the nullity of the PCA's decision, for breach of the right of the parties to be heard on the PCA's draft decision. The Bank appealed to the Lisbon Court of Appeal in what concerned the limitation by the Competition Court of the effects of the nullity declaration of the PCA's decision. Although this appeal was ultimately admitted by the panel of judges of the Lisbon Court of Appeal, it ends up being denied.

In order to give compliance to BCP's right to be heard, the PCA notified the Bank of its intention to reject the above-mentioned complementary evidence measures. Following BCP's observations in November 2019, the PCA adopted its final decision rejecting the measures, which was judicially contested by the Bank in December 2019. In March 2020, the Competition Court rejected the appeal. This judgment was upheld by the Lisbon Court of Appeal in October 2020.

On 9 September 2019, the PCA adopted its final decision in this proceeding, fining the BCP in a Euros 60 million fine for its alleged participation in an information exchange system with its competitors in the housing, consumer and SME credit segments. The Bank considers that the Decision contains serious factual and legal errors, having, on 21 October 2019, filed an appeal before the Competition Court requesting the annulation of the Decision and the suspensory effect of the appeal. On 8 May 2020, BCP's appeal was admitted. On 8 June 2020, the Bank submitted a request before the Court, claiming that the rule according to which appeals do not have, in principle, suspensory effect violates the Portuguese Constitution, submitting elements aimed at demonstrating considerable harm in the advance provisional payment of the fine, and offering a guarantee in lieu (indicating the respective percentage of the fine to be offered as a guarantee). On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between the PCA and the defendant banks, including BCP, as to the dosimetry (i.e., 50% of the amount of the fine) and the forms of the guarantee to be provided, in order for the appeal of the PCA's decision to have suspensory effect. On 21 December 2020, BCP submitted a bank guarantee issued by the BCP, which was accepted by the Competition Court. On 1 March 2021, the Competition Court notified BCP that the guarantee had been presented in a timely manner and in the agreed form, and, as a result, attributed suspensory effect to the appeal. By order of 20 March 2021, the Competition Court lifted the judicial secrecy and informed the appellants that the trial would, in principle, start in September 2021.

On 9 July 2020, the Bank requested the Court to declare the nullity of the fining decision of the PCA for failure to assess the economic and legal context, as determined by the recent case-law of the Court of Justice of the European Union. The Competition Court clarified that this and other prior questions would not be assessed before the hearing phase.

On 13 January 2021, BCP was notified of an application submitted by "Associação Ius Omnibus – Nova Associação de Consumidores" to the Competition Court asking it to have access to a non-confidential version of the file, based on the need to assert the "rights to indemnification of the consumers whose rights and interests it represents, and the possible exercise and proof of those rights in the context of an action for damages". On the same date, BCP was notified by the Competition Court of its decision authorizing the news agency "Lusa" to access the file of the administrative phase of the case. BCP appeal of this decision to the Appeal Court of Lisbon, on 25 January 2021 and opposed to the request of "Ius Omnibus" on 2 February 2021.

On 20 March 2021, the Competition Court determined: (i) the lifting of the judicial secrecy; (ii) the forwarding to the Public Prosecutor of the appeal of BCP against the decision of the Competition Court relating to "Lusa", for reply; (iii) the provisional start date of the judgement hearing on September 2021, having requested suggestions by the co-appellants for venues.

By decision of 9 April 2021 of the Competition Court, a preparatory hearing took place on 30 April 2021 for discussion of issues precedent to the begging of the judgment hearings, in which the procedures relating to the treatment of confidential information of the co-appellants in the appeals was defined, as well as the conditions relating to access to file. The Competition Court also set forth preliminary dates for the judgement hearing and scheduled a preparatory hearing for 7 July 2021.

On 28 June 2021, BCP was notified by the Competition Court to reply to the requests submitted by some of the co-appellants and confirm that all confidential information had been duly eliminated from non-confidential versions submitted by each co-appellant. The Competition Court also determined that the hearing of 7 July 2021 was cancelled and its object would be transferred to the next hearing date (6 September 2021).

On 8 July 2021, BCP presented its reply to the notification of 28 June 2021, having also requested confirmation in relation to the scheduling of the judgement hearing, namely confirmation of whether it was actually scheduled for 6 September 2021 the preparatory hearing and the start of the judgement hearing sessions.

Several representatives of the banks raised the question of the possible unconstitutionality of the seizure proceedings of e-mail messages used as evidence in the PCA's decision, which objection appeal will now take place. This issue was raised bearing in mind the recent Decision of the Constitutional Court no. 687/2021 on the administrative offence case no. 225/15.4YUSTR-W. A petition on this matter was filed with the Court on 10 October 2021, requesting the Court to take a position on the matter before the beginning of the trial. The Court issued an order rejecting the banks' request to rule on those nullities raised by them, having refused to prohibit the use during the judgment of electronic messages seized, allowing witnesses to be confronted with their content. The requesting banks lodged an appeal against this order, which was admitted by the Lisbon Court of Appeal.

On 28 April 2022, TCRS handed down a decision under the scope of Proc. 225/15.4YUSTR-W, regarding the appeal to challenge the decision of the Portuguese Competition Authority of September 2019 (PRC/2012/09), which imposed fines on a number of banking institutions for alleged violation of competition rules in virtue of participating in a process of exchanging information on mortgage loans, consumer credit and credit to SMEs.

In this extensive decision, TCRS lists the facts given as proven, bearing in mind the testimonial evidence produced and the documents attached to the case file, both in the administrative phase and in the trial, however, at this stage, the TCRS does not yet conclude by the legal framework of the facts as proven, nor, consequently, by the imposition of fines, having the TCRS instead chosen to make the reference for a preliminary ruling to the Court of Justice of the European Union (CJEU) in order to answer two preliminary questions that it sets out, requesting that this reference follows further terms in the form of an accelerated procedure, taking into account the risk of prescription. It should be noted that it is not up to the CJEU to adjudicate on the case, but only to interpret the rules of community law by answering in abstract to the questions submitted to it by the referring court.

CJEU rejected TCRS's request for an accelerated procedure and for priority to be given in the assessment of this case, hence CJEU's assessment must be given within the normal deadline for these prejudicial proceedings, after which the judgment of this Court will then be concluded.

The Bank has been notified by the CJEU to, if it wishes, submit its written observations, and must do so by 2 September 2022.

2. On 7 June 2022, the Bank was notified by the Court to contest a lawsuit brought by Fundação José Berardo and José Manuel Rodrigues Berardo against Banco Comercial Português, S.A., Caixa Geral de Depósitos, S.A., Novo Banco, S.A. and Banco Espírito Santo, S.A., in liquidation.

In this lawsuit, the Plaintiffs allege that they incurred in a mistake regarding the endogenous situation of the defendant banks and the financial system, without which they would have sold the pledged shares and paid their loans. If this is not the case, the plaintiffs request the defendant banks to be ordered to pay compensation to Fundação José Berardo for damages caused by breach of contract, since the moment when they should have been sold in execution of the pledge due to failure to verify coverage ratios until the moment when they were sold, that is, the difference between the price at which the pledged shares would have been sold on the dates of coverage ratios default and the price at which they were actually sold, plus interest and all other loan charges since those dates, in any case the global amount of compensation not being less than Euros 800,000,000. In any case, the plaintiffs ask the defendant banks to be jointly condemned to pay José Manuel Rodrigues Berardo compensation for moral damages, in the already calculated amount of Euros 100,000,000 and also in the amount that is settled as soon as the full extent of the damages is known.

In the meantime, through Order No. 8765/2022 of Mr. Secretary of State for the Presidency of the Council of Ministers, published in Republic Diary, Series 2, part C, of 19 July 2022, the Plaintiff of this lawsuit, Fundação José Berardo, was declared extinct.

The deadline for defendants to contest this lawsuit ends on 27 September 2022.

The Bank does not anticipate that this lawsuit may result in any responsibility that could have impact on the respective financial statements.

3. On 3 January 2018, Bank Millennium received decision of the Chairman of the Office for Protection of Competition and Consumers (OPCC Chairman), in which the OPCC Chairman found infringement by Bank Millennium of the rights of consumers. In the opinion of the OPCC Chairman the essence of the violation is that Bank Millennium informed consumers (it regards 78 agreements) in responses to their complaints, that the court verdict stating the abusiveness of the provisions of the loan agreement regarding exchange rates does not apply to them. According to the position of the OPCC Chairman the abusiveness of contract's clauses determined by the court in the course of abstract control is constitutive and effective for every contract from the beginning. As a result of the decision, Bank Millennium was obliged to:

1) send information on the UOKiK's decision to the said 78 clients;

2) place the information on decision and the decision itself on the website and on Twitter;

3) to pay a fine amounting to PLN 20.7 million (Euros 4.41 million).

Bank Millennium lodged an appeal within the statutory time limit.

On 7 January 2020, the first instance court dismissed Bank Millennium's appeal in its entirety. Bank Millennium appealed against the judgment within the statutory deadline. The court presented the view that the judgment issued in the course of the control of a contractual template (in the course of an abstract control), recognizing the provisions of the template as abusive, determines the abusiveness of similar provisions in previously concluded contracts. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by OPCC, the court pointed out that the policy of imposing penalties by the Office had changed in the direction of tightening penalties and that the court agrees with this direction.

In Bank Millennium's assessment, the Court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law views on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the OPCC Chairman was published), the more penalties for these behaviours should not be imposed using current policy. The above constitutes a significant argument against the validity of the judgment and supports the appeal which Bank Millennium submitted to the Court of second instance.

The second instance court, in its judgment of 24 February 2022, completely revoked the decision of the OPCC Chairman. The OPCC Chairman may file a cassation appeal against the judgment. The deadline for submitting a cassation complaint by OPCC Chairman is the beginning of August this year.

Bank Millennium (along with other banks) is also a party to the dispute with OPCC, in which the OPCC Chairman recognized the practice of participating banks, including Bank Millennium, in an agreement aimed at jointly setting interchange fee rates charged on transactions made with Visa and Mastercard cards as restrictive of competition, and by decision of 29 December 2006 imposed a fine on Bank Millennium in the amount of PLN 12.2 million (Euros 2.60 million). Bank Millennium, along with other banks, appealed the decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of 23 November 2020, the case is currently pending before the court of first instance - the Court of Competition and Consumer Protection. Bank Millennium has created a provision in the amount equal to the imposed penalty.

4. On 22 September 2020, Bank Millennium received decision of the Chairman of the Office for Protection of Competition and Consumers (OPCC Chairman) recognising clauses stipulating principles of currency exchange applied in the so-called anti-spread annex as abusive and prohibited the use thereof.

Penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.24 million). Penalty amount takes account of two mitigating circumstances: cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of provisions in question.

Bank Millennium was also requested, after the decision becomes final and binding, to inform consumers, by registered mail, to the effect that the said clauses were deemed to be abusive and therefore not binding upon them (without need to obtain court's decision confirming this circumstance) and publish the decision in the case on Bank Millennium's website.

In the decision justification delivered in writing the OPCC Chairman stated that FX rates determined by Bank Millennium were determined at Bank Millennium's discretion (on the basis of a concept, not specified in any regulations, of average inter-bank market rate). Moreover, client had no precise knowledge on where to look for said rates since provision referred to Reuters, without precisely defining the relevant site.

Provisions relating to FX rates in Bank Millennium's tables were challenged since Bank Millennium failed to define when and how many times a day these tables were prepared and published.

In justification of the decision, the OPCC Chairman also indicated that in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC Chairman deemed to be insufficient.

The decision is not final and binding. Bank Millennium appealed against the said decision within statutory term.

On 31 March 2022, the first instance court revoked the entire decision of the Chairman of the OPCC. On 23 May 2022, the Chairman of the OPCC filed an appeal. The case is pending.

Bank Millennium believes that chances for it to win the case are positive.

5. As at 30 June 2022, the most important proceedings, in the group of the court cases where the Group's companies were defendant, were following:

- Bank Millennium is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, Bank Millennium was sued jointly and severally with another bank, and in one with another bank and card organizations. The total value of claims submitted in these cases is PLN 729.6 million (Euros 155.32 million). The proceedings with the highest value of the submitted claim are brought by PKN Orlen SA, in which the plaintiff demands payment of PLN 635.7 million (Euros 135.33 million). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2006-2014. In the other two cases, the charges are similar to those raised in the case brought by PKN Orlen SA, while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision. In addition, we point out that Bank Millennium participates as a side intervener in four other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2008-2014.

- A lawsuit brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium S.A., worth of the dispute PLN 521.9 million (Euros 111.10 million) with statutory interest from 05.04.2016 until the day of payment. The plaintiff filed the suit dated 23 October 2015 to the Regional Court in Warsaw; the suit was served to Bank Millennium on 04 April 2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by Bank Millennium and consisting in the wrong interpretation of the Agreement for working capital loan concluded between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand. In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of PLN 250.0 million (Euros 53.22 million). The petition was dismissed on 5 September 2016 with legal validity by the Appellate Court. Bank Millennium is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of Bank Millennium, Bank Millennium's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to Bank Millennium, issued in the same legal state in the action brought by PCZ SA against Bank Millennium. At present, the Court of first instance is conducting evidence proceedings.

As at 30 June 2022, the total value of the subjects of the other litigations in which the Group appeared as defendant, stood at PLN 3,075.2 million (Euros 654.66 million) (excluding the class actions described below and in note 55. In this group the most important category are cases related with FX loans mortgage portfolio and cases related to forward transactions (option cases).

6. On 3 December 2015 a class action was served on Bank Millennium. A group of Bank Millennium's debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.75 million), claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. Plaintiff extended the group in the court letter filed on the 4th of April 2018, therefore the claims increased from PLN 3.5 million (Euros 0.75 million) to over PLN 5 million (Euros 1.06 million).

Actual status:

On the 1st of October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (Euros 1,569,188.90).

By the resolution of 1 April 2020 the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing and called on the parties to submit questions to the witnesses. Bank Millennium submitted a pleading with questions to witnesses in July 2020. Currently, the court is collecting written testimony from witnesses. The date of the hearing has not been set at the moment.

As at 30 June 2022, there were also 270 individual court cases regarding LTV insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

7. On 13 August 2020, Bank Millennium received lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands that Bank Millennium and the Insurer (TU Europa) be ordered to discontinue performing unfair market practices involving, as follows:

- presenting the offered loan repayment insurance as protecting interests of the insured in case when insurance structure indicates that it protects Bank Millennium's interests;

- use of clauses linking the value of insurance benefit with the amount of borrower's debt;

- use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);

- use of clauses excluding insurer's liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires Bank Millennium to be ordered to publish, on its website, information on use of unfair market practices.

The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance.

8. On 1 October 2015, a set of entities connected to a group with debts in default to BCP amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against BCP, after receiving the Bank's notice for mandatory payment, a lawsuit requesting that:

a) the court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares, since they acted pursuant to a request made by the Bank for the making of the respective purchases, and also that the court orders the cancellation of the registration of those shares in the name of those companies;

b) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;

c) the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to refund them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;

d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;

e) the Bank opposed and presented a counter claim, wherein it requests the conviction, namely, of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The court issued a curative act and already ascertained the factual basis that are proven and that must be proven.

The expertise was carried out and the expert report was submitted. There is a deadline for completing and concluding the expert report, in its final version, since the Bank presented a complaint about various aspects of the expert's report, in its first version.

9. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Decree-law no. 298/92, of 31 December 1992, as amended (the "Banking Law"), which entailed, *inter alia*, the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by Banco de Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder. Further, in accordance with information published on the Resolution Fund's website, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the Portuguese State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the liabilities emerging from the "*eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies*".

On 7 July 2016, the Resolution Fund declared that it would analyze and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. These lists detail that the total acknowledged credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, and no guaranteed or privileged claims exist. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined upon the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 19 of the Resolution Fund's annual report of 2020, *"Legal actions related to the application of resolution measures have no legal precedents, which makes it impossible to use case law in its evaluation, as well as to obtain a reliable estimate of the associated contingent financial impact. (…) The Board of Directors, supported by legal advice of the attorneys for Novo Banco in these actions, and in light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure"*.

Also according to note 20 of the Resolution Fund's annual report of 2020, *"In addition to the Portuguese courts, it is important to take into account the litigation of Novo Banco, S.A., in other jurisdictions, being noteworthy, for its materiality and respective procedural stage, the litigation in the Spanish jurisdiction. (...) Regarding litigation in the Spanish jurisdiction, during the years 2018 to 2020, two (decisions) have become final and unappealable (...) condemning Novo Banco, and in relation to which due compensation has been requested from the Resolution Fund, and the grounds for their enforceability are being analyzed"*.

On 31 March 2017, Banco de Portugal communicated the sale of Novo Banco, where it states the following: *"Banco de Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital".*

The terms agreed also included a Contingent Capital Agreement (CCA), under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, Banco de Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of BES.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the Portuguese State that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion[(1)] that revealed significant uncertainties regarding adequacy in provisioning[(2)]:

(i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions[(1)(2)(3)];

(ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the CCA is subject to the cap of Euros 3.89 billion[(2)];

(iii) in case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the Portuguese State will provide additional capital in certain conditions and through different instruments(2). According to the audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, *"the risk of triggering the additional capital mechanism (capital backstop), up to Euros 1.6 billion, provided for in the commitments made by the Portuguese State to ensure the viability of NB, exists"*.

According to Novo Banco's Institutional presentation of June 2022, Novo Banco still has Euros 485 million under the MCC in addition to the Euros 209 million included in the capital call for 2021. The mechanism is in place until 25 December, date that can be extended, under certain conditions, by one additional year.

[(1)] Exact value not disclosed by the European Commission for confidentiality reasons

[(2)] As referred to in the respective European Commission Decision

[(3)] According to 2018 Novo Banco's earnings institutional presentation, the "minimum capital condition" is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first three years (2017-2019); (ii) CET1 < 12%

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible for clarifying any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the CCA or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets. According to the 2020 Resolution Fund's annual report, the Resolution Fund follows the work carried out by the Verification Agent, while specific analyses are being requested.

In its 2020 annual report, the Resolution Fund states that *"Regarding future periods, a significant uncertainty as to the relevant parameters for the calculation of future liabilities is deemed to exist, either for their increase or reduction, under the terms of the CCA"*.

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the CCA was, as of 30 June 2016, Euros 7,838 million (book value of the associated assets, net of impairments);

- The value of the portfolio, as at 31 December 2021, amounted to Euros 1.8 billion (book value, net of impairments), according to Novo Banco's 2021 annual report.

According to a notice issued by the Resolution Fund on 4 June 2020, the *"Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the CCA, of the effects of Novo Banco's decision to waive the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the CCA, which sets the maximum amount of payments to be made by the Resolution Fund at Euro 3,890 million. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of Euros 3,890 million in accordance with the CCA. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of Euros 3,890 million"*.

According to a statement issued by the Resolution Fund on 2 November 2021, the final judgment of the Arbitration Court constituted within the International Chamber of Commerce of Paris was favourable to the Resolution Fund regarding the transitional regime of the introduction of IFRS 9. According to Resolution Fund's 2020 annual report (Box 1), the value of the dispute at the time of the judgment amounted to 169 million euros, an amount that the Resolution Fund would have had to pay to Novo Banco had the Arbitration Court's judgment not been in its favour.

According to Novo Banco's statement disclosed on 3 November 2021, *"Novo Banco is reviewing"* the Arbitration Court's decision.

In a separate notice dated 16 June 2020, the Resolution Fund clarifies that *"the Resolution Fund has also provided the Budget and Finance Committee of the Portuguese Parliament, in writing, with all the clarifications on its decision to deduct from the amount calculated under the CCA, the amount related to the variable remuneration attributed to the members of the Executive Board of Directors of Novo Banco"*.

In accordance with Novo Banco's 2021 report, *"The amount related to the CCA recorded in 2020, as receivable by the Resolution Fund (Euros 598.312 thousand) differs from the amount paid as a result of disagreements , between Novo Banco and the Resolution Fund, regarding (i) the provision for discontinued operations in Spain and (ii) the valuation of participation units, leading to a limitation to the immediate access to this amount, which despite being recorded as receivables, the Bank deducted, as at December 31, 2021, to the regulatory capital calculation (Euro 165,442 thousand). Novo Banco considers this amount to be due under the CCA and is triggering the legal and contractual mechanisms at its disposal to ensure the receipt of the same. Additionally, the variable remuneration of the Executive Board of Directors for 2019 and 2020 (Euro 3,857 thousand) was also deducted. In 2021 an amount receivable by the Resolution Fund of Euro 209,220 thousand was recorded in relation to the CCA, under Other Reserves and which results, on the date of each balance sheet, from losses incurred and regulatory ratios in force at the time of their determination. As a result of the above and in line with the Regulator's guidelines, on 31 December 2021, this value was also deducted from the regulatory capital calculation".*

According to a statement by the Resolution Fund on 3 September 2020, following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the CCA, a special audit determined by the Government was carried out. Information was presented by the independent entity that carried out the special audit, showing that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in BES, which resulted in impairment charges and provisions, but have also contributed to rendering Novo Banco's internal procedures more robust. Regarding the exercise of the powers of the Resolution Fund under the CCA, the audit results reflect the adequacy of the principles and the adopted criteria.

According to Novo Banco's 2021 annual report (note 36), Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, according to which, the deferred tax assets recorded until 31 December 2015 can be converted into tax credits when the taxable entity reports an annual net loss, in accordance to the proportion of the amount of the said net loss to total equity at the individual company level, A special reserve was established with an amount identical to the tax credit approved, increased by 10%. The conversion rights are securities that entitle the State to require Novo Banco to increase its share capital by incorporating the amount of the special reserve and consequently issuing and delivering free of charge ordinary shares. The shareholders have the right to acquire the conversion rights attributed to the Portuguese State.

According to the Resolution Fund's 2020 annual report, under the terms of the Sale and Subscription Agreement of 17 October 2017 for the sale of 75% of the share capital of Novo Banco to Lone Star, the effect of the dilution associated with the Special Regime applicable to deferred tax assets shall exclusively affect the Resolution Fund's stake.

According to Novo Banco's 2021 Annual Report, *"In December 2021, a capital increase of Euros 154,907 thousand was carried out through the conversion of the conversion rights (resulting from the special regime applicable to Deferred Tax Assets) for the year 2015 which gave the state 1.56% in Novo Banco, and which resulted in the issuance of 154,907,314 new ordinary shares".*

According to the audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, considering the years in which Novo Banco recorded losses and accumulated tax credits (from 2015 to 2020), there is a risk that the Resolution Fund's stake in Novo Banco will be reduced to 9.05% using the Resolution Fund's most current estimates.

As at 31 December 2021, Nani Holdings' stake at Novo Banco was 73,83%, Resolution Fund of 24,61% and Direção-Geral do Tesouro e Finanças 1.56%. As provided for in the agreements between the Resolution Fund and the shareholder Lone Star, *"on 24 February 2022, the Resolution Fund transferred ownership of the shares to Nani Holdings as a result of the capital increase by conversion of the conversion rights so that Nani Holding's shareholding in the Bank would remain at 75%, and the Resolution Fund's shareholding was diluted to 23.44%. (...) For the years 2016 and 2017, the Tax Authority has already validated the tax credit, and the final amount of conversion rights attributed to the state represents an additional 4.13% stake in the share capital of Novo Banco (5.69% for the years 2015 to 2017). This conversion will be exercised in accordance with the procedures and deadlines established in the legal regime. The issuer of these rights has agreed with the shareholders that clarification will be sought from the State regarding the procedure for the conversion of these rights. As soon as this clarification is received, the conversion of the rights for the financial years 2016 and 2017 will take place".*

On 3 May 2021, following the request of the Portuguese parliament in October 2020 to review the operations and management of Novo Banco that led to the need to transfer funds from the Resolution Fund to Novo Banco, the Resolution Fund announced that the audit report conducted by Tribunal de Contas ("Court of Auditors") was released. The Court of Auditors concluded that the public financing of Novo Banco through the CCA contributed to the stability of the financial system, particularly as it avoided the bank's liquidation and reduced systemic risk. According to the Resolution Fund, the audit does not identify any impediment to the fulfilment of commitments and contracts arising from BES's resolution process, initiated in August 2014.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal announced that Banif *"was failing or likely to fail"* and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved State aid, of which Euros 489 million were provided by the Resolution Fund, which was funded by a loan granted by the State.

According to the Resolution Fund's 2020 annual report, *"the outstanding debt related to the amount made available by the State to finance the absorption of Banif's losses, following the resolution measure applied by Banco de Portugal to that entity [amounts to] Euros 352,880 thousand"*. This partial early repayment of Euros 136 million corresponds to the revenue of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism which was not transferred to the Single Resolution Fund and which will be paid to the Single Resolution Fund by the credit institutions that are covered by this scheme over a period of 8 years starting in 2016 (according to the Resolution Fund's 2016 annual report).

According to Oitante's press release on 12 January 2022, *"during 2021, it repaid Euros 160.5 million related to its bond loan of Euros 746 million, contracted when it was created on 20 December 2015 due to the resolution of Banif"*. On 4 July 2022, Oitante - 100% owned by the Resolution Fund - completed the process of repayment of the bonds issued in connection with the resolution of BANIF. Oitante's debt, which initially amounted to Euros 746 million, was thus fully repaid. With the early repayment of the debt, the Resolution Fund's responsibility as guarantor also ceases, as well as the Portuguese State's responsibility as provider of a counter-guarantee.

On 12 January 2021, Banco de Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif's resolution measures applied by Banco de Portugal. In its decision, the Court determined the legality and maintenance of Banco de Portugal's measures.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif, the Resolution Fund incurred on loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2020, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif's losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the CCA (Euros 430 million plus Euros 850 million of additional funding requested in 2019 and Euros 850 million made available in 2020);

- Other funding granted:

- in 2014 by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;
- in 2021 by seven domestic credit institutions, including BCP, to finance payments due under the CCA up to a maximum of EUR 475 million;

- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million. This underwriting did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to secure the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;

- CCA allows Lone Star to claim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3.89 billion under the aforementioned conditions, among which a reduction of Novo Banco's CET1 below 8%-13%;

- In case the Supervisory Review and Evaluation Process (SREP) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to note 20 of the Resolution Fund's 2020 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in August 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and bank loans to the Resolution Fund, required from to maintain the contributory effort required from the banking sector at prevailing levels at that time.

According to the statement of the Resolution Fund of 21 March 2017:

- *"The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed. These loans amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 700 million were granted by a group of banks"*;

- *"Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The revision of the loan's terms aimed to ensure the sustainability and financial balance of the Resolution Fund. The terms allow the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions"*.

According to the audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, *"the repayment of the Euros 2,130 million loans granted by the Portuguese State to the Resolution Fund will not end in 2046, as expected, rather in 2056 (without payments under the CCA after 2021) or in 2059 (with the use of the CCA cap). (...) In other, more pessimistic scenarios, these loans will still be being repaid in 2062"*.

According to a statement issued by the Resolution Fund on 31 December 2021, the Euros 700 million loan to the Resolution Fund was provided by seven credit institutions (Caixa Geral de Depósitos, Banco Comercial Português, Banco BPI, Banco Santander Totta, Caixa Económica, Montepio Geral, Banco BIC Português and Caixa Central de Crédito Agrícola Mútuo).

On 2 October 2017, by Resolution no. 151-A/2017, of the Council of Ministers of the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when the State deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. The above-mentioned resolution further set out that the framework agreement should be subject to a time period that is consistent with the undertakings of the Resolution Fund and should preserve the Resolution Fund's capacity to satisfy said obligations in due time.

On 31 December 2020, the Resolution Fund's own resources had a negative equity of Euros 7,315 million, as opposed to Euros 7,021 million at the end of 2019, according to the latest 2020 annual report of the Resolution Fund.

To repay the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (created under Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to satisfy its obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the Banking Law, the Bank has been paying, since 2013, its mandatory contributions set out in the aforementioned decree-law.

On 3 November 2015, the Banco de Portugal issued Circular Letter no. 085/2015/DES, under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law no. 24/2013, of 19 February, thus the Bank is recognising as an expense the contribution to the Resolution Fund in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: *"...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the potential collection of a special contribution appears to be unlikely"*.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group made an initial contribution in the amount of Euros 31,364 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015. The total amount of the contribution attributable to the Group in the first half of 2022 was Euros 30,400 thousand, of which the Group delivered Euros 25,847 thousand and the remaining was constituted as irrevocable payment commitment.

Decree-Law no. 24/2013 of 19 February further sets out that Banco de Portugal has the authority to determine, by way of instruction ("instrução"), the applicable yearly rate based on objective incidence of periodic contributions. The instruction of Banco de Portugal no. 22/2021, published on 15 December 2021, set the base rate for 2022 for the determination of periodic contributions to the Resolution Fund at 0.057% (0.06% in 2021).

In the first half of 2022, the Group made regular contributions to the Portuguese Resolution Fund in the amount of Euros 18,668 thousand. The amount related to the contribution on the banking sector in Portugal, registered in the first half of 2022, was Euros 43,489 thousand. These contributions were recognized as a cost in the first half of 2022, in accordance with IFRIC no. 21 – Levies.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco which need to be neutralized by the Resolution Fund; and, (iv) legal proceedings against the Resolution Fund, including "processo dos lesados do BES".

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the member of the Government responsible for finance a proposal with respect to the determination of amounts, time limits, payment methods, and any other terms related to the special contributions to be made by the institutions participating in the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund's 2020 annual report, under note 8, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the Banking Act, although no such contributions are expected, in particular after a review of the financing conditions of the Resolution Fund"*.

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the CCA of Novo Banco.

According to Resolution no. 63-A/2021 of 27 May 2021 of the Council of Ministers, a number of national financial institutions offered to finance the Resolution Fund, under conditions considered as appropriate by it, increasing up to Euros 475 million the direct financing of banks to the Resolution Fund and waiving a Portuguese State loan to the Resolution Fund. The funding costs of the Resolution Fund (from the State and from banks) will continue to be exclusively borne by periodic revenues, corresponding to the contributions paid by the banking sector. The payment obligations arising from this loan benefit from a *pari passu* treatment with the payment obligations of the loans entered into with the Portuguese State on 7 August 2014 and 31 December 2015 and with the Portuguese credit institutions on 28 August 2014.

According to a statement issued by the Resolution Fund on 23 December 2021, the procedure related to the payment to Novo Banco regarding the 2020 accounts has been concluded. From the analyses carried out by the Resolution Fund, it was concluded that the Resolution Fund owes Novo Banco the payment of Euros 112 million, which was pending further verification in June 2021. The payment was made on 23 December 2021, an amount that had already been provisioned, included in the total amount of the provision of (Euros 429,012,629).

According to Novo Banco's June 2022 Institutional presentation, the total amount of capital calls received by Novo Banco were up to 31 December 2022, Euros 3.4 billion, with Euros 485 million still available to make up the total associated with the CCA, excluding the amounts still in dispute with the Resolution Fund.

According to Novo Banco's 2021 annual report, the total amount of Euros 165,442 million (discontinued operations in Spain and valuation of participation units) are due under the CCA, and the Bank is triggering the legal and contractual mechanisms at its disposal to ensure the receipt of these amounts.

The payment to Novo Banco was fully funded with resources from a loan from seven domestic credit institutions, including BCP, to finance payments that are due under the aforementioned contingent capitalization mechanism, up to a maximum amount of Euros 475 million. The loan matures in 2046 and bears interest at a rate corresponding to the sovereign cost of funding for the period between the contract date (31 May 2021) and 31 December 2026, plus a margin of 15 b.p. The interest rate will be reviewed on 31 December 2026 and, after that, every five-years.

The budgetary amendment necessary to make the payment by the Resolution Fund was authorised by Order of the Minister of State and Finance dated 31 May 2021.

The expectation of the Resolution Fund is that, except for what may eventually result from the pending arbitration disputes with Novo Banco, no further payments will occur under the CCA. On the other hand, the value of payments already made may be compensated, under the terms of the contracts, by the eventual recovery of credits that may occur, to which the value of the shareholding of the Resolution Fund in Novo Banco must be added.

10. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Bank of Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3,9 billion, under determined circumstances. In the proceedings, the claimants request the declaration of nullity or annulment of those acts.

The proceedings were filed based on the information contained in the Communication from Bank of Portugal dated 31 March 2017, of which the claimants were not notified. The proceedings were filed in court on 4 September 2017. Bank of Portugal and the Resolution Fund presented their arguments and, only very recently, Nani Holdings SGPS, S.A. did the same since, by delay of the court, this company was only very recently notified to act as a party in the proceedings.

In addition to opposing to it, the defendants invoke three objections (i) the illegitimacy of the claimants, (ii) the argument that the act performed by Bank of Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent party invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The claimants replied to the arguments presented by the defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Bank of Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but most of the documents delivered were truncated in such a way that neither the court nor the claimants are able to obtain adequate knowledge thereof. That issue was already raised in the proceedings (requesting the court to order Bank of Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings are prepared for confirmation of the decision accepting the formalities of the right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation in order to request the claimants to identify it. Afterwards, that Bank will be notified to present its opposition arguments.

The case was sent to the judge on 23 September 2019 and the Bank is awaiting a decision. BCP added legal opinions to the records (Professors Mário Aroso de Almeida and Manuel Fontaine de Campos).

11. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, Group Banco Comercial Português implemented a process of salary adjustment for a temporary period. Additionally, it was agreed between the Bank and the Unions that, in the years after the State intervention and if there are distributable profits, the Board of Directors and the Executive Committee would submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement.

At the General Meeting of 4 May 2022, following the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2021 was approved, which included an extraordinary distribution to each employee up to Euros 5,692,000, and the concrete determination of the amount to be attributed to each employee must be fixed by the Executive Committee to employees who, having not already been fully compensated with the results distributed in 2019 and 2020, remain in office on the date of payment of the remuneration corresponding to June 2022.

12. The Bank was subject to tax inspections for the years up to 2018. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred regarding IRC, including in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) deduction *pro rata* used for the purpose of determining the amount of deductible VAT. Most of additional liquidations/corrections made by the tax administration were the object of contestation by administrative and/or judicial means.

The Bank recorded provisions or deferred tax liabilities at the amount considered sufficient to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

55. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Court claims and current provisions on legal risk

On 30 June 2022, Bank Millennium had 13,902 loan agreements and additionally 1,103 loan agreements from former Euro Bank (87% loans agreements before the Court of first instance and 13% loans agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by the bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 2,146.9 million (Euros 457.04 million) and CHF 164.4 million (Euros 164.28 million) [(Bank Millennium portfolio: PLN 1,980.6 million (Euros 421.64 million) and CHF 161.3 million (Euros 161.19 million) and former Euro Bank portfolio: PLN 166.3 million (Euros 35.40 million) and CHF 3 million (Euros 3 million)].

The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of allegedly undue performance, due to the abusive nature of indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

In addition, Bank Millennium is a party to the group proceedings (class action) subject matter of which is to determine Bank Millennium's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not grant any amounts to the group members. The number of credit agreements covered by these proceedings was originally 3,281. At the current stage, the composition of the group has been established and confirmed by the court. On 2 February 2022 the court dismissed Bank Millennium’s evidentiary motions regarding witnesses, court-appointed experts, private expert reports, as well as part of the documents submitted by Bank Millennium, and ordered the parties to submit in writing their final positions in the case prior to issuing the judgment in a closed hearing. The judgment has not been issued yet. On 24 May 2022 the court issued a decision changing the composition of the group, thus limiting the number credit agreements involved to 3,272, as well as a judgment on the merits, dismissing the claim in full. Both parties requested a written justification of the judgment. Upon receiving the written justification, the claimant will be able to appeal the judgment. The judgment is not yet final.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,981 individual claims were filed against Bank Millennium (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,151 (421), while in the 1st half of 2022 the number increased by 3,126 (211).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved in favour of banks until 2019 year. However, after the Court of Justice of the European Union (CJEU) judgment issued on 3 October 2019 (Case C-260/18) the proportion has adversely changed and vast majority of court cases have been lost by banks, particularly in first instance proceedings. As far as Bank Millennium itself is concerned, until 30 of June 2022 only 593 cases were finally resolved (540 in claims submitted by clients against Bank Millennium and 53 in claims submitted by Bank Millennium against clients i.e. debt collection cases). 46% of finalised individual lawsuits against Bank Millennium were favourable for Bank Millennium including remissions and settlements with plaintiffs. Unfavourable rulings (54%) included both invalidation of loan agreements as well as conversions into PLN+LIBOR. Bank Millennium submits cassation appeals to the Supreme Court against unfavourable for Bank Millennium legally binding verdicts. On the other hand, the statistics of first instance court decisions have been much more unfavourable in recent periods and its number has also increased. In general, Bank Millennium submits appeals against 1st instance negative court rulings.

The outstanding gross balance of the loan agreements under individual court cases and class action against Bank Millennium on 30 June 2022 was PLN 5,180 million (Euros 1,102.74 million) [of which the outstanding amount of the loan agreements under the class action proceeding was PLN 959 million (Euros 204.16 million)].

If all Bank Millennium’s loan agreements currently under individual and class action court proceedings would be declared invalid without proper compensation for the use of capital, the pre-tax cost could reach PLN 4,925 million (Euros 1,048.45 million). Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the second quarter of 2022, Bank Millennium created PLN 467.4 million provisions (Euros 100.79 million) and PLN 48.0 million (Euros 10.35 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of June 2022 was at the level of PLN 4,154.5 million (Euros 884.43 million), and PLN 341.8 million (Euros 72.76 million) for former Euro Bank originated portfolio.

The methodology developed by Bank Millennium is based on the following main parameters:

(1) the number of current (including class action) and potential future court cases that will appear within a specified (three-year) time horizon,

(2) the amount of Bank Millennium's potential loss in the event of a specific court judgment three negative judgment scenarios were taken into account:

- Invalidity of the agreement;
- Average NBP;
- PLN + LIBOR.

(3) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

(4) in the case of a loan agreement invalidity scenario, a component recognized in the methodology, taking legal assessments into consideration, is the calculation of Bank Millennium's loss taking into account the assignment of a minimum probability of receiving the settlement of a remuneration for the cost of use of capital.

(5) new component recognized in the methodology is the amicable settlement with clients in or out of court. Notwithstanding Bank Millennium’s determination to continue taking all possible actions to protect its interests in courts, Bank Millennium has been open to its customers in order to reach amicable solutions on negotiated terms, case by case, providing favourable conditions for conversion of loans to PLN and / or early repayment (partial or total). As a result of these negotiations the number of active FX mortgage loans was materially reduced in 2021 and in 1st half 2022. As Bank Millennium is still conducting efforts to further signing of agreements which involved some costs, a scenario of further materialization of negotiations was added. However, it should be noted that:

a. Negotiations are conducted on a case-by-case basis and can be stopped at any time by Bank Millennium

b. As the effort was material in 2021 and in 1st half 2022, the probability of success may be lower in the future and at the same time, gradually most of the client base has had contact with Bank Millennium regarding potential negotiation of the conversion of the loans to PLN, so Bank Millennium is taking a conservative approach when calculating the potential future impact for the time being.

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Societe Generale.

Bank Millennium analyzed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against Bank Millennium	PLN 64 million (Euros 13.62 million)
Change in the probability of winning a case	The probability of Bank Millennium winning a case is lower by 1 p.p	PLN 43 million (Euros 9.15 million)
Change in estimated losses for each variant of the judgment	Increase in losses for each variant of the judgment by 1 p.p	PLN 41 million (Euros 8.73 million)

Bank Millennium is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations the number of active FX mortgage loans decreased by 8,449 in 2021 and 4,456 in the 1st half of 2022 compared to over 47,500 active loans at the end of 2021. Cost incurred in conjunctions with these negotiations totalled PLN 364.3 million (Euros 77.55 million) in 2021 and PLN 233.3 million (Euros 49.67 million) in the 1st half of 2022 is presented mainly in 'Net gains/(losses) from foreign exchange' in the income statement.

Finally it should also be mentioned, that Bank Millennium, as at 30 June 2022, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 2.82 p.p. (2.79 p.p. at the Group level), part of which is allocated to operational/legal risk.

On 3 October 2019, the Court of Justice of the European Union ('the CJEU') issued the judgment in Case C-260/18 in connection with the preliminary questions formulated by the District Court of Warsaw in the case against Raiffeisen Bank International AG. The judgment of the CJEU, as regards the interpretation of European Union law made therein, is binding on domestic courts. The judgment in question interpreted Article 6 of Directive 93/13. In the light of the subject matter judgment the said provision must be interpreted in such a way that (i) the national court may invalidate a credit agreement if the removal of unfair terms detected in this agreement would alter the nature of the main subject-matter of the contract; (ii) the effects for the consumer's situation resulting from the cancellation of the contract must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose and the will of the consumer is decisive as to whether he wishes to maintain the contract; (iii) Article 6 of the Directive precludes the filling-in of gaps in the contract caused by the removal of unfair terms from the contract solely on the basis of national legislation of a general nature or established customs; (iv) Article 6 of the Directive precludes the maintenance of unfair terms in the contract if the consumer has not consented to the maintenance of such terms. It can be noticed the CJEU found doubtful the possibility of a credit agreement being performed further in PLN while keeping interest calculated according to LIBOR.

The CJEU judgment concerns only the situation where the national court has previously found the contract term to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a particular contract term can be regarded as abusive in the circumstances of the case.

On 29th April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., CJEU said that:

(i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term is unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it.

(ii) the national court may remove only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by Council Directive 93/13 is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. At the same time, provisions of the Directive preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance.

(iii) the consequences of a judicial finding that a term if a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions.

(iv) the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, shall inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On 7th May 2021, the Supreme Court composed of 7 judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

i) An abusive contractual clause (art. 3851 § 1 of the Civil Code), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively.

ii) If without the ineffective clause the loan agreement cannot bind, the consumer and the lender shall be eligible for separate claims for return of monetary performances made in exercising this agreement (art. 410 § 1 in relation to art. 405 of the Civil Code). The lender may demand return of the performance from the moment the loan agreement becomes permanently ineffective.

In this context, taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, and if such trend continues, Bank Millennium will have to regularly review and may need to continue to increase the balance of provisions allocated to court litigations.

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the national courts within the framework of disputes considered which would possibly result in the emergence of further interpretations, which are relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters. Further request for clarification and ruling addressed to the European Court of Justice and Polish Supreme Court have already been filed and may still be filed with potential impact on the outcome of the court cases.

2. Events that may impact foreign currency-indexed mortgage loans legal risk and related provision

On 29 January 2021 a set of questions addressed by the First President of the Supreme Court to the full Civil Chamber of the Supreme Court was published. This may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court has been requested for answering the questions concerning key matters related to FX mortgage agreements: (i) is it permissible to replace - with the law provisions or with a custom - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of impossibility of determining the exchange rate of a foreign currency in the indexed/denominated credit agreement - is it permissible to keep the agreement still valid in its remaining scope; as well as (iii) if in case of invalidity of the CHF credit there would be applicable the theory of balance (i.e. does arise a single claim which is equal to the difference between value of claims of bank and the customer) or the theory of two condictions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court has also been requested for answering the question on (iv) from which point in time there shall be starting the limitation period in case of bank's claim for repayment of amounts paid as a loan and (v) whether banks and consumers may receive remuneration for using their pecuniary means by another party.

On 11 May the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions including the National Bank of Poland (NBP), the Polish Financial Supervision Authority (UKNF), the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of: the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favorable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers vis-à-vis PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Supreme Court.

In the next meeting of the Supreme Court that took place on 2 September 2021, the Court did not address the answers to the submitted questions and no new meeting date is known. Bank Millennium will assess in due time the implications of the decisions of the Supreme Court on the level of provisions for the legal risk.

In August 2021, the CJEU was asked for a preliminary ruling (C-520/21) whether, in the event that a loan agreement concluded by a bank and a consumer is deemed invalid from the beginning due to unfair contract terms, the parties, in addition to the reimbursement of the money paid in contracts (bank - loan capital, consumer - installments, fees, commissions and insurance premiums) and statutory interest for delay from the moment of calling for payment, may also claim any other benefits, including receivables in particular, remuneration, compensation, reimbursement of costs or valorization of the performance. The hearing has been set for October 12, 2022.

Notwithstanding the above there are a number of questions addressed by polish courts to the European Court of Justice which may be relevant for the outcome of the court disputes in Poland.

The subject matter questions relate, in particular, to:

- the possibility of replacing of an abusive contractual clause with a dispositive law provision;

- the limitation period of a consumer claims concerning reimbursement of benefits made as performance of an agreement which has been declared to be invalid

- the possibility of declaration by the Court of abusiveness of only part of a contractual provision.

With the scope of settlements between Bank Millennium and borrower following the fall of the loan agreement is also connected the legal issue directed to the seven-person composition of the Supreme Court (case sign: III CZP 54/21). The date of case review has not been specified yet.

The Supreme Court was also presented with the issue of whether the loan agreement is a mutual agreement in the light of the regulations concerning retention right.

On December 8, 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority ('PFSA') proposed a 'sector' solution to address the sector risks related to FX mortgages. The solution would consist in offering by banks to their clients a voluntary possibility of concluding arrangements based on which a client would conclude with the bank a settlement as if his/her loan from the very beginning had been a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loan.

Following that public announcement, the idea has been subject of consultations between banks under the auspices of the PFSA and Polish Banking Association. Banks in general have been assessing the conditions under which such solution could be implemented and consequent impacts.

As expressed in previous financial reports, in the view of the Management Board of Bank Millennium, important aspects to take into consideration when deciding on potential implementation of such program are: a) favorable opinion or at least non-objection from important public institutions; b) support from National Bank of Poland to the implementation; c) level of legal certainty of the settlement agreements to be signed with the borrowers; d) level of the financial impact on a pre- and after tax basis; e) capital consequences including regulatory adjustments in the level of capital requirements associated with FX mortgage loans.

Based on current information some of the above mentioned aspects are not likely to be fully clarified and / or achieved.

At the time of publishing this report, neither the Management Board nor any other corporate body of Bank Millennium took any decision regarding implementation of such program. If / when a recommendation regarding the program would be ready, the Management Board would submit it to the Supervisory Board and General Shareholders meeting taking into consideration the relevance of such decision and its implications.

According to the current calculations, implementation of a solution whereby loans would be voluntarily converted to Polish zloty as if from the very beginning they had been a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the existing portfolio would be converted) with a pre-tax impact between PLN 4,527 million (Euros 963.72 million) to PLN 5,021 million (Euros 1,068.89 million) (not audited data). The impacts can significantly change in case of variation of the exchange rate and several assumptions. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk weighted assets and the decrease or elimination of Pillar 2 buffer.

Due to the complexity and uncertainty regarding the outcome of court cases, as well as from potential implementation of KNF Chairman solution or from potential Supreme Court decisions or European Court of Justice decisions, it is difficult to reliably estimate potential impacts of such different outcomes and their interaction as at the date of publication of the financial statements.

56. Restatement of first half of 2021 balances

A. Comparability of information

The balances for the first half of 2021 were restated under the classification Seguradora Internacional de Moçambique, S.A. as discontinuing operations by the end of 2021, as described in point B.

The Group has made the following adjustments to the comparable data in the Consolidated Income Statement for the first six months period ended 30 June 2021:

(Thousands of euros)

	30 June 2021 as reported	Discontinued or discontinuing operations Seguradora Internacional Moçambique	30 June 2021 restated
Interest and similar income	826,257	(1,231)	825,026
Interest expense and similar charges	(58,009)	(1,240)	(59,249)
NET INTEREST INCOME	768,248	(2,471)	765,777
Dividends from equity instruments	709	–	709
Net fees and commissions income	352,577	358	352,935
Net gains/(losses) from financial operations at fair value through profit or loss	(9,269)	(20)	(9,289)
Net gains/(losses) from foreign exchange	26,942	562	27,504
Net gains/(losses) from hedge accounting operations	1,424	–	1,424
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	(2,993)	–	(2,993)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	63,658	–	63,658
Net gains/(losses) from insurance activity	4,841	(4,841)	–
Other operating income / (losses)	(113,855)	503	(113,352)
TOTAL OPERATING INCOME	1,092,282	(5,909)	1,086,373
Staff costs	374,241	(1,454)	372,787
Other administrative costs	149,168	(191)	148,977
Amortisations and depreciations	68,342	(12)	68,330
TOTAL OPERATING EXPENSES	591,751	(1,657)	590,094
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	500,531	(4,252)	496,279
Impairment of financial assets at amortised cost	(158,774)	2	(158,772)
Impairment of financial assets at fair value through other comprehensive income	(4,192)	–	(4,192)
Impairment of other assets	(26,781)	107	(26,674)
Other provisions	(272,107)	–	(272,107)
NET OPERATING INCOME	38,677	(4,143)	34,534
Share of profit of associates under the equity method	29,286	–	29,286
Gains/(losses) arising from sales of subsidiaries and other assets	1,038	(50)	988
NET INCOME BEFORE INCOME TAXES	69,001	(4,193)	64,808
Income taxes			
Current	(50,374)	1,072	(49,302)
Deferred	(52,592)	–	(52,592)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	(33,965)	(3,121)	(37,086)
Income arising from discontinued or discontinuing operations	3,260	3,121	6,381
NET INCOME AFTER INCOME TAXES	(30,705)	–	(30,705)
Net income for the year attributable to:			
Bank's Shareholders	12,266	–	12,266
Non-controlling interests	(42,971)	–	(42,971)
NET INCOME FOR THE PERIOD	(30,705)	–	(30,705)

B. Discontinued or discontinuing operations

By the end of 2021, the Group, through its subsidiary BIM - Banco Internacional de Moçambique, S.A., sold 70% of the investment held in Seguradora Internacional de Moçambique, S.A., becoming to hold a minority stake of 22%. In accordance with the provisions of IFRS 5, in December 2021, this operation was considered as discontinued and the impact on results presented in a separate line of the income statement named "Income / (loss) arising from discontinued or discontinuing operations".

The income statement of Seguradora Internacional de Moçambique, S.A. and other adjustments that have been incorporated, for the six months period ended 30 June 2021, are the followings:

(Thousands of euros)

	30 June 2021		
	Seguradora Internacional Moçambique		
	Entity's contribution	Adjustments	Total contribution (note 16)
Interest and similar income	2,350	(1,119)	1,231
Interest expense and similar charges	—	1,240	1,240
Net interest income	2,350	121	2,471
Net fees and commissions income	(358)	—	(358)
Net gains/(losses) from financial operations at fair value through profit or loss	20	—	20
Net gains/(losses) from foreign exchange	(562)	—	(562)
Net gains/(losses) from insurance activity	5,222	(381)	4,841
Other operating income/(losses)	181	(684)	(503)
Total operating income	6,853	(944)	5,909
Staff costs	1,609	(155)	1,454
Other administrative costs	877	(686)	191
Amortisations and depreciations	156	(144)	12
Total operating expenses	2,642	(985)	1,657
Net operating income before provisions and impairments	4,211	41	4,252
Impairment of financial assets at amortised cost	—	(2)	(2)
Impairment of other assets	(107)	—	(107)
Net operating income	4,104	39	4,143
Gains/(losses) arising from sales of subsidiaries and other assets	50	—	50
Net income before income taxes	4,154	39	4,193
Income taxes			
Current	(1,072)	—	(1,072)
Deferred	47	(47)	—
Net income for the period	3,129	(8)	3,121

Under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, in June 2021, this operation was considered as discontinued, and the impact on results presented in a separate line of the income statement named "Income / (loss) arising from discontinued or discontinuing operations", which was already reflected in the consolidated financial statements for the six month period ended 30 June 2021.

The financial statements of Banque Privée BCP (Suisse) S.A. and other adjustments that have been incorporated, for the six months period ended 30 June 2021, are the following:

(Thousands of euros)

	30 June 2021		
	Banque Privée BCP		
	Entity's contribution	Adjustments	Total contribution (note 16)
Interest and similar income	1,681	34	1,715
Interest expense and similar charges	(48)	(34)	(82)
Net interest income	1,633	—	1,633
Net fees and commissions income	13,800	3	13,803
Net gains/(losses) from financial operations at fair value through profit or loss	1	—	1
Net gains/(losses) from foreign exchange	1,372	—	1,372
Other operating income/(losses)	(150)	(20)	(170)
Total operating income	16,656	(17)	16,639
Staff costs	9,373	—	9,373
Other administrative costs	2,800	(17)	2,783
Amortisations and depreciations	686	—	686
Total operating expenses	12,859	(17)	12,842
Net operating income before provisions and impairments	3,797	—	3,797
Impairment of financial assets at amortised cost	14	—	14
Net income before income taxes	3,811	—	3,811
Income taxes			
Current	(551)	—	(551)
Net income for the period	3,260	—	3,260

57. List of subsidiary and associated companies of Banco Comercial Português Group

As at 30 June 2022, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Sector of activity	% economic interests	% effective held	% direct held
Banco ActivoBank, S.A.	Lisbon	127,600,000	EUR	Banking	100 %	100 %	100 %
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1 %	50.1 %	50.1 %
Millennium Bank Hipoteczny S.A.	Warsaw	57,000,000	PLN	Banking	100 %	50.1 %	–
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100 %	100 %	100 %
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7 %	66.7 %	–
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100 %	100 %	–
Millennium bcp Bank & Trust (in voluntary liquidation)	George Town	340,000,000	USD	Banking	100 %	100 %	–
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100 %	100 %	100 %
BCP Capital - Sociedade de Capital de Risco, S.A. (in liquidation)	Oeiras	1,000,000	EUR	Venture capital	100 %	100 %	100 %
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	70,062,159	BRL	Financial Services	100 %	100 %	100 %
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100 %	100 %	100 %
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100 %	100 %	100 %
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	32,859,181	EUR	Real-estate management	100 %	100 %	100 %
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,750	EUR	Services	98.6 %	97.7 %	93.0 %
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100 %	100 %	100 %
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100 %	100 %	100 %
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100 %	100 %	–
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100 %	100 %	–
Fiparso – Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100 %	100 %	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100 %	50.1 %	–
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100 %	50.1 %	–

(continues)

(continuation)

Subsidiary companies	Head office	Share capital	Currency	Sector of activity	Group % economic interests	Group % effective held	Bank % direct held
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100 %	50.1 %	—
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100 %	50.1 %	—
Millennium Financial Services, Sp.z o.o.	Warsaw	100,000	PLN	Services	100 %	50.1 %	—
Piast Expert Sp. z o.o (in liquidation)	Warsaw	100,000	PLN	Marketing services	100 %	50.1 %	—
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100 %	50.1 %	—
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100 %	50.1 %	—

In the first half of 2022, the Group liquidated its subsidiary BCP Finance Company.

As at 30 June 2022, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 B, were as follows:

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	69,511,253	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo de Investimento Imobiliário Imorenda	Oeiras	85,787,149	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	310,307,200	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	17,369,933,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Millennium Fundo de Capitalização - Fundo de Capital de Risco (in liquidation)	Oeiras	18,307,000	EUR	Venture capital fund	100 %	100 %	100 %
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,879,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundial - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	19,164,700	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundipar - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Domus Capital- Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real-estate investment fund	95.8 %	95.8 %	95.8 %
Predicapital - Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real-estate investment fund	60 %	60 %	60 %

(*) - Company classified as non-current assets held for sale.

The Group holds a securitization transaction regarding mortgage loans which was set through specifically created SPE. As referred in accounting policy 1 B, when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE is fully consolidated, following the application of IFRS 10.

As at 30 June 2022, the Special Purpose Entity included in the consolidated accounts under the full consolidation method is as follows:

					Group		Bank
Special Purpose Entities	**Head office**	**Share capital**	**Currency**	**Activity**	**% economic interests**	**% effective held**	**% direct held**
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4 %	82.4 %	82.4 %

As at 30 June 2022, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

					Group		Bank
Associated companies	**Head office**	**Share capital**	**Currency**	**Activity**	**% economic interests**	**% effective held**	**% direct held**
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7 %	22.5 %	—
Banque BCP, S.A.S.	Paris	198,295,587	EUR	Banking	19 %	19 %	19 %
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	Setúbal	744,231	EUR	Trade and industry of sea products	35 %	35 %	—
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50 %	25.1 %	—
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3 %	21.9 %	—
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32 %	32 %	0.5 %
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1 %	25.1 %	25.1 %

As at 30 June 2022, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	**Head office**	**Share capital**	**Currency**	**Activity**	**% economic interests**	**% effective held**	**% direct held**
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Lisbon	50,002,375	EUR	Holding company	49 %	49 %	49 %
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Lisbon	22,375,000	EUR	Life insurance	49 %	49 %	—
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	1,200,000	EUR	Pension fund management	49 %	49 %	—
Seguradora Internacional de Moçambique, S.A.	Maputo	295,000,000	MZN	Insurance	22 %	14.7 %	—

Some indicators of the main subsidiaries and associated companies are analysed as follows:

(Thousands of euros)

	30 June 2022			30 June 2021		
Subsidiaries and associated companies	Total Assets	Total Equity	Net income	Total Assets	Total Equity	Net income
Banco ActivoBank, S.A.	3,150,883	204,941	7,426	2,515,028	161,046	6,573
Bank Millennium, S.A. (1)	23,174,142	1,230,199	(56,627)	23,054,971	1,854,972	(112,700)
BIM - Banco Internacional de Moçambique, S.A. (1)	2,786,096	471,438	46,465	2,410,456	482,808	37,868
BCP International B.V.	1,005,602	1,004,214	28,021	976,522	976,496	(57)
BCP Finance Bank, Ltd.	524,268	523,961	4,278	623,638	516,946	1,487
BCP África, S.G.P.S., Lda.	559,486	556,522	57,228	558,594	557,689	31,440
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	173,957	173,945	7,054	182,553	175,741	8,850
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	11,631	7,062	1,084	7,708	6,379	1,287
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (1)(2)	9,668,808	695,823	33,396	11,055,216	782,140	32,471
Banco Millennium Atlântico, S.A. (3)	3,354,199	347,933	4,277	2,363,839	231,345	486
Banque BCP, S.A.S.	4,873,172	253,651	11,895	4,373,951	227,203	12,085

1) Consolidated accounts.

2) Includes VOBA annual amortisation. The value of the acquired business (VOBA) corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition and it is recognised in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortised over the period of recognition of the income associated with the policies acquired.

3) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29.

58. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 Z, the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Information on expected negative impact of credit holidays on 3rd quarter 2022 results of Bank Millennium S.A. Capital Group and on launching of the Recovery Plan.

The Management Board of Bank Millennium S.A. informs that, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland on the same day of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers (‘the Act’), introducing, among others, a possibility of up to 8 months of credit holidays in 2022-2023 for PLN mortgage borrowers, the Bank Millennium S.A. estimated the maximum impact of the implementation of this Act for Bank Millennium S.A. Capital Group Mlevel at PLN 1,779 million (Euros 378.72 million) [of which PLN 1,731 million (Euros 368.50 million) at solo level and PLN 48 million (Euros 10.22 million) at Millennium Bank Hipoteczny S.A. level] if all eligible Bank Millennium Group’s borrowers were to use such an opportunity. The Bank Millennium Group expects to recognise an upfront cost in 3rd quarter 2022 results in the range between 75-90% of the above amounts. The impact of each 10% of eligible borrowers fully using the credit holidays is estimated at PLN 178 million (Euros 37.89 million) at the Bank Millennium Group level.

Due to costs generated as a result of the above mentioned Act, it could be reasonably assumed that the Bank Millennium S.A. will post a negative net result for the 3rd quarter of 2022 and as a result its capital ratios may fall below the current minimum requirements set by Polish Financial Supervision Authority (‘PFSA’). As the emergence of risk of a breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on 15 July 2022 the Management Board of the Bank Millennium S.A. took a decision to launch the Recovery Plan, notifying of the fact both PFSA and Bank Guarantee Fund.

The Management Board of the Bank Millennium, S.A. intends to increase capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations).

The Act introduced also:

- a process leading to the WIBOR interest rate benchmark being replaced with a new benchmark. Act contains only a legal delegation to announce new benchmark by means of a Decree of Ministry of Finance. Due to the lack of information on the details of potential new index that will be replacing WIBOR, it is not possible to estimate the potential impact of the above changes in the future.
- contribution in amount of PLN 1.4 billion (Euros 0.3 million) to Borrowers' Support Fund till the end of 2022 year to be made by banking sector. There is no information yet on the exact amount that the Bank Millennium S.A. will be obliged to contribute to the Fund. The Act introduces several conditions enabling the release from the obligation to make a payment to the Fund, the Bank Millennium, S.A. will assess whether these conditions apply to the Bank Millennium S.A.

Demerger of Millennnium Dom Maklerski

The Bank Millennium, S.A. and Millennium Dom Maklerski (100% subsidiary of the Bank Millennium S.A.) made a decision on the Demerger by way of the inclusion of the Brokerage Activity in the Bank Millennium's structures in order to integrate within a single entity the brokerage services so far provided through the Demerged Company. The decision to effectuate the Demerger is dictated by:

- an interest in improving the efficiency of the operation of the brokerage activity in the Bank Millennium Group both in the area of institutional and retail client services;

- efforts to increase the quality and comprehensiveness of the brokerage service offer addressed to both individual and institutional clients.

The MDM Division was conducted in accordance with Article 529 § 1.4 of the CCC, i.e. by:

a) transferring to the Bank Millennium S.A. a part of the property (assets and liabilities) and the rights and obligations of the Divided Company in the form of an organised part of the MDM's enterprise related to the provision of brokerage services (the "Brokerage Business"); and

b) keeping in MDM the part of the property (assets and liabilities) and the rights and obligations of the Divided Company in the form of an organised part of MDM's enterprise related to other activity not related to the brokerage services (the "Non-Regulated Business").

The division of MDM, as a result of which the Bank Millennium S.A. took over the Brokerage Business, took place and was registered by the competent registry court on 29 July 2022.

Declaration of Compliance

Millennium bcp

Administração

DECLARATION OF COMPLIANCE

It is hereby declared that, to the best of the knowledge of the undersigned, the individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which include (i) the individual and consolidated balance sheets as at 30 June 2022, (ii) the individual and consolidated income statements for the financial half-year ended on 30 June 2022, (iii) the maps of changes in equity and individual and consolidated cash flows for the financial half-year ended on 30 June 2022, (iv) a summary of the significant accounting policies, and (v) of the individual and consolidated explanatory notes, give a true and appropriate image of the individual and consolidated financial situation of the Bank as at 30 June 2022, of the individual and consolidated earnings of their operations and changes in equity and in individual and consolidated cash flows for the half-year ended on that date, in accordance to the International Accounting Standards, as adopted by the European Union.

The Bank's individual and consolidated financial statements relative to 30 June 2022 and the management report were approved by the Board of Directors on August 5, 2022.

Furthermore, it is also declared that the management report of BCP for the 1st half of 2022 faithfully presents the evolution of the business, performance and situation of the Bank and companies included in the consolidation perimeter and contain a description of the main risks and uncertainties faced by them, have been approved by the Board of Directors on August 5, 2022.

Porto Salvo, 5 August 2022

Nuno Manuel da Silva Amado
(Chairperson)

Jorge Manuel Baptista Magalhães Correia
(Vice-Chairman)

Valter Rui Dias de Barros
(Vice-Chairman)

Miguel Maya Dias Pinheiro
(Vice-Chairman)

Ana Paula Alcobia Gray
(Member)

Cidália Maria da Mota Lopes
(Member)

Fernando da Costa Lima
(Member)

João Nuno de Oliveira Jorge Palma
(Member)

José Manuel Alves Elias da Costa
(Member)

José Miguel Bensliman Schorcht da Silva Pessanha
(Member)

Capital Social Atualizado 4.725.000.000,00 Euros

BANCO COMERCIAL PORTUGUÊS, S.A. Sociedade Aberta, com sede na Praça D. João I, 28, Porto, com o Capital Social de 6.064.999.986 Euros, matriculada na Conservatória do Registo Comercial do Porto, com o número único de matrícula e de identificação fiscal 501 525 882

Praça D. João I, 28 - 4000-295 PORTO
Av. Prof. Dr. Cavaco Silva, Edifício 1, Piso 0, Ala B
2744-002 PORTO SALVO

Millennium bcp

Administração

Julia Gu (Xiaoxu Gu)
(Member)

Lingjiang Xu
(Member)

Maria José Henriques Barreto Matos de Campos
(Member)

Miguel de Campos Pereira de Bragança
(Member)

Rui Manuel da Silva Teixeira
(Member)

Teófilo César Ferreira da Fonseca
(Member)

Wan Sin Long
(Member)

EXTERNAL AUDITORS' REPORT

LIMITED REVIEW REPORT OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1A)

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements of Banco Comercial Português, S.A. (the Bank) and its subsidiaries (the Group) for the six month period ended 30 June 2022 which comprise the interim condensed consolidated balance sheet as of 30 June 2022 that presents a total of 96,073,508 t.euros and total shareholders' equity of 6,291,087 t.euros, including a consolidated net profit attributable to the shareholders of the Bank of 74,509 t.euros, the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and a selected set of notes to the interim condensed consolidated financial statements.

Board of Directors' Responsibilities

The Board of Directors of the Bank is responsible for the preparation of interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34) as endorsed by the European Union, and for the design and maintenance of appropriate systems of internal control in order to permit the preparation of interim condensed consolidated financial statements exempt from material misstatement due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express a conclusion on the accompanying interim condensed consolidated financial statements. Our work was performed in accordance with ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and the applicable technical and ethical standards and guidelines of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). These standards require that our work be performed in order to conclude as to whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared in all material respects in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) as endorsed by the European Union.

A limited review of financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of inquiries and analytical procedures and subsequent assessment of the evidence obtained.

A limited review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Banco Comercial Português, S.A. and its subsidiaries for the six month period ended 30 June 2022 have not been prepared in all material respects in accordance with International Accounting Standard 34 – Interim Financial Reporting as endorsed by the European Union.

Emphasis

In note 55 of the interim condensed consolidated financial statements, the Board of Directors of the Bank presents the main aspects and uncertainties associated with the legal contingencies related to the Swiss Franc-indexed loans granted by the subsidiary Bank Millennium, SA, whose developments may influence the future evolution of this contingencies and the consequent impact for the BCP Group. Our conclusion is not modified in respect of this matter.

Lisbon, 5 August 2022

Deloitte & Associados, SROC S.A.
Represented by João Carlos Henriques Gomes Ferreira, ROC
Registration in OROC n.º 1129
Registration in CMVM n.º 20160741

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report should not be signed. In the event of discrepancies, the Portuguese language version prevails.)

First-half 2022 Report & Accounts

www.millenniumbcp.pt

Banco Comercial Português, S.A.,

Registered Office:
Praça D. João I, 28
4000-295 Porto

Share Capital:
Euros 4.725.000.000.00

Registered at the
Commercial Registry Office of Oporto
under the Single Registration and
Tax Identification Number 501 525 882

Investor Relations Division
Av. Professor Doutor Cavaco Silva
Edifício 1 Piso 0 Ala B
2744-002 Porto Salvo
Phone: (+351) 211 131 084
investors@millenniumbcp.pt

Communication Division
Av. Professor Doutor Cavaco Silva
Edifício 3 Piso 1 Ala C
2744-002 Porto Salvo
Phone: (+351) 211 131 243
comunicar@millenniumbcp.pt

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