1Q '21
REPORT & ACCOUNTS

Pursuant to article 10 of the Regulation 7/2018 of the CMVM, please find herein the transcription of the

1st Quarter of 2021 Report & Accounts

BANCO COMERCIAL PORTUGUÊS, S.A.

Company open to public investment
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 1st Quarter of 2021 Report & Accounts is a translation of the "Relatório & Contas do 1º Trimestre de 2021" 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 & Contas do 1º Trimestre de 2021" prevails.

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

BCP in Q1 2021

- **Net income of the Group amounted to 57.8 million euros** in the first quarter of 2021 (+63.8%, compared to the first quarter of 2020) despite the reinforcement of 112.8 million euros in provisions for legal risk on loans granted in Swiss francs in Poland.
- **Net income before impairment and provisions up 5.8%,** to 329.5 million euros. **Significant reinforcement of impairment and other provisions,** totalling 242.8 million euros in the first three months of 2021.
- **Operating costs 9.2% down,** with a cost to core income of 47%, on a comparable basis.
- **Estimated Fully-implemented Core Equity Tier 1 ratio and Total capital ratio** at 12.2% and 15.5%, respectively, both above regulatory requirements.
- **High liquidity levels,** comfortably above regulatory requirements. Eligible assets for ECB funding of 23.0 billion euros.
- **Performing loans up by 2.0 billion euros in Portugal, +5.9% from March 2020,** with NPE reduction of 0.7 billion euros. Comfortable NPE coverage, in adverse context. Total customer funds up by 7.1 billion euros.
- Growing Customer base, **mobile Customers** standing out (+538,000, of which **+221,000 in Portugal**).
- **Leading bank in Customer satisfaction with digital channels** (Basef 5 largest banks).

Main highlights (1)

Euro million

	31 Mar. 21	31 Mar. 20	Change 21/20
BALANCE SHEET			
Total assets	88,566	81,499	8.7%
Loans to customers (net)	54,344	52,507	3.5%
Total customer funds	87,042	79,955	8.9%
Balance sheet customer funds	66,888	62,306	7.4%
Deposits and other resources from customers	65,373	60,815	7.5%
Loans to customers (net) / Deposits and other resources from customers (2)	83.1%	86.3%	
Loans to customers (net) / Balance sheet customer funds	81.2%	84.3%	
RESULTS			
Net interest income	376.0	385.5	-2.5%
Net operating revenues	588.8	597.2	-1.4%
Operating costs	259.3	285.7	-9.2%
Operating costs excluding specific items (3)	258.6	276.3	-6.4%
Loan impairment charges (net of recoveries)	111.0	86.1	28.8%
Other impairment and provisions	131.8	115.7	14.0%
Income taxes	57.6	65.6	-12.2%
Net income	57.8	35.3	63.8%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.7%	2.9%	
Return on average assets (ROA)	0.1%	0.2%	
Income before tax and non-controlling interests / Average net assets (2)	0.4%	0.5%	
Return on average equity (ROE)	4.0%	2.4%	
Income before tax and non-controlling interests / Average equity (2)	5.1%	6.3%	
Net interest margin	1.9%	2.1%	
Cost to core income (2) (3)	46.7%	48.9%	
Cost to income (2)	44.0%	47.8%	
Cost to income (2) (3)	43.9%	46.3%	
Cost to income (Portugal activity) (2) (3)	40.1%	42.7%	
Staff costs / Net operating revenues (2) (3)	24.8%	26.2%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	79	63	
Non-Performing Exposures / Loans to customers	5.5%	7.2%	
Total impairment (balance sheet) / NPE	64.7%	55.5%	
Restructured loans / Loans to customers	4.5%	5.0%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	270%	218%	
Net Stable Funding Ratio (NSFR)	144%	132%	
CAPITAL (4)			
Common equity tier I phased-in ratio	12.2%	11.9%	
Common equity tier I fully implemented ratio	12.2%	12.0%	
total fully implemented ratio	15.5%	15.4%	
BRANCHES			
Portugal activity	476	501	-5.0%
International activity	878	1,000	-12.2%
EMPLOYEES			
Portugal activity	7,004	7,193	-2.6%
International activity (5)	10,064	11,303	-11.0%

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and in the "Alternative Performance Measures" chapter, being reconciled with the accounting values published in the consolidated financial statements.

(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.

(3) Excludes specific items: negative impact of 0.7 million euros in the first quarter of 2021, related to restructuring costs, recognized as staff costs in the activity in Portugal. In the first quarter of 2020, the impact was also negative, in the amount of 9.5 million euros, of which 2.6 million euros related to restructuring costs, recognized as staff costs in the activity in Portugal and 6.9 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (5.5 million euros as staff costs, 1.3 million euros as other administrative costs and 0.1 million euros as depreciations). In the profitability and efficiency indicators, the specific items included in the net operating revenues, recognized by the Polish subsidiary, in the amount of 0.1 million euros, in the first quarter of 2020, related to costs with the acquisition, merger and integration of Euro Bank S.A., are also not considered.

(4) As at 31 March 2021 and 31 March 2020, capital ratios include the positive cumulative net income of each period. Ratios as of 31 March 2021 are estimated and unaudited.

(5) Of which, in Poland: 7,392 employees as at 31 March 2021 (corresponding to 7,238 FTE - Full-time equivalent) and 8,556 employees as at 31 March 2020 (corresponding to 8,412 FTE - Full-time equivalent).

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 operations in Poland and Switzerland. 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 operations of the Bank 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.

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.

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite an adverse banking sector environment in Portugal. This position reflects a relentless path and multiple achievements, such as a cost reduction of approximately 40% in Portugal since 2011, and a reduction of more than 75% of the Group's NPEs since 2013 (from Euros 13.7 billion to Euros 3.1 billion in March 2021). Three distinctive competences were at the core of this turnaround: a customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

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.

At the General Shareholders' Meeting held on May 22, 2019, a non-executive Director, Mr. Fernando da Costa Lima, was co-opted to perform duties in the current term, which ends in 2021, to fill a vacancy on the Audit Committee; Prof. Cidália Lopes elected on May 30, 2018 as a member of this Committee was appointed Chairman, and Mr. Nuno Alves was elected a member of the RWB, filling a vacancy.

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. At the end of 2019, the Board of Directors was 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 Chied Executive Officer being appointed by the General Meeting.

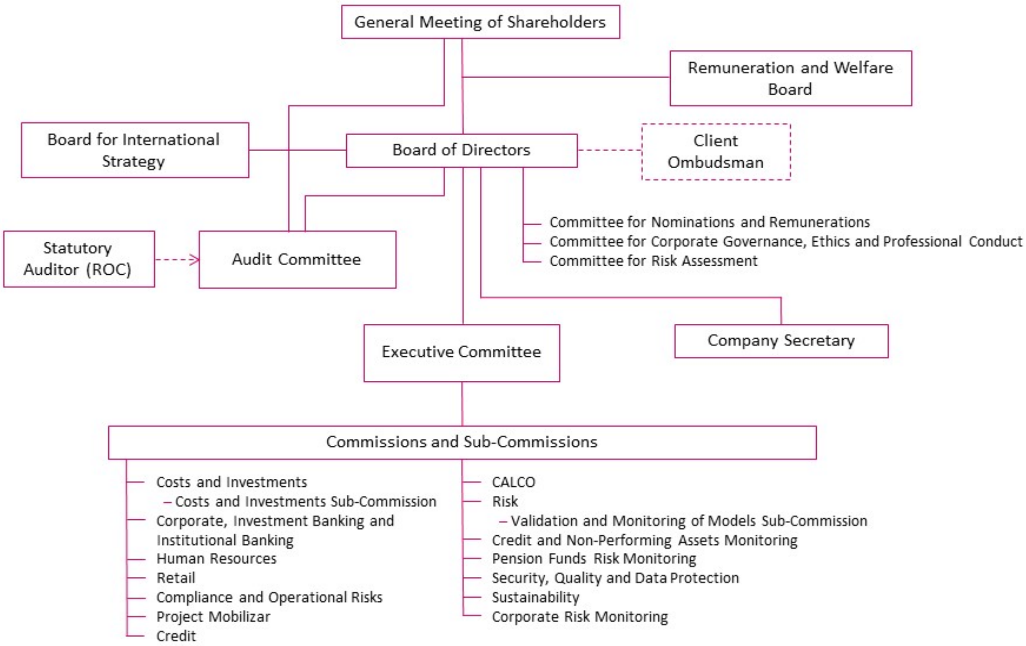
The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

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 Chairman.

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



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

	Board of Directors	Executive Committee	Audit Committee	Remuneration and Welfare Board	Board for International Strategy *	Committee for Corporate Governance, Ethics and Professional Conduct	Committee for Nominations and Remunerations	Committee for Risk Assessment
Nuno Manuel da Silva Amado (Board of Directors President)	●				●			
Jorge Manuel Baptista Magalhaes Correia (Board of Directors Vice-President and RWB President)	●			●				
Valter Rui Dias de Barros (Board of Directors Vice-President)	●		●			●		
Miguel Maya Dias Pinheiro (Board of Directors Vice-President and CEO)	●	●			●			
Ana Paula Alcobia Gray	●			●				●
Cidalia Maria Mota Lopes (Audit Comittee 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 (CCGEPC President)	●					●	●	
Maria Jose Henriques Barreto de Matos de Campos	●	●						
Miguel de Campos Pereira de Bragan^a	●	●						
Rui Manuel da Silva Teixeira	●	●						
Teofilo Cesar Ferreira da Fonseca (CRA President)	●						●	●
Wan Sin Long	●		●					●
Xiao Xu Gu (Julia Gu)	●							
Antonio Vitor Martins Monteiro					●			
Nuno Maria Pestana de Almeida Alves				●				

* Chairman and Vice- chairman to be nominated.

Main events in Q1 2021

The most significant events in the first quarter of 2021 were the following:

- On 5 February 2021, Banco Comercial Português, S.A. ("Bank") fixed the terms for a new issue of senior preferred debt securities, under its Euro Note Programme. The issue, in the amount of 500 million euros, has a tenor of 6 years, with the option of early redemption by the Bank at the end of year 5, an issue price of 99.879% and an annual interest rate of 1.125% during the first 5 years (corresponding to a spread of 1.55% over the 5-year mid-swap rate). The annual interest rate for the 6th year was set at 3-month Euribor plus a 1.55% spread.

- Millennium bcp and the European Investment Fund signed two contracts under the Pan-European Guarantee Fund in the amount of around 1.200 billion euros, aiming to support the recovery of Portuguese SMEs affected by the economic crisis caused by the pandemic COVID-19.

- Millennium bcp has affirmed that it will use only 100% green electricity at its facilities in Portugal, in a mix of energy produced by the Bank's photovoltaic plant and energy purchased with a certificate of renewable origin.

- Millennium bcp has extended its offer of wireless payments through Fitbit and Garmin watches, helping its Customers to have access to an increasingly complete digital offer, while maintaining simplicity and security.

AWARDS

- Millennium bcp was named the "Consumer Choice 2021", standing out in the attributes: "Digital Channels", "Security", "Clear Information", "Brand Credibility", "Response Capacity", "Fees Charged", " Simple and Easy-to-Understand Communication of Products ", " Quick Response "and" Good Online Service ".

- Millennium bcp was, for the 3rd consecutive year, the Bank with the highest number of PME Líder statutes attributed to SMEs.

- BCP returned in 2021 to "The Sustainability Yearbook", a reference publication in the Sustainability area published by S&P based on the information gathered from company answers to the "Dow Jones Sustainability Indices".

- Millennium bcp is included, for the 2nd consecutive year, the Bllomberg Gender-Equality Index 2021, standing out in the implementation of practices and policies of gender equality, diversity and inclusion. At the same time, the Bank also joined the United Nations Women's Empowerment Principles, an international platform for promoting gender equality.

- Millennium bcp distinguished by Global Finance magazine as "Best Investment Bank" in Portugal in 2021.

- Millennium bcp distinguished at the Meios & Publicidade Communication Awards, having been awarded with the film "Vai Correr Bem", in the categories "Banking, Finance and Insurance" and "Internal Communication" and with the "Millennium Festival ao Largo 2020", in the category "Events".

- BCP Group ellected "Best Foreign Exchange Provider" in Portugal, Mozambique and Poland in 2021.

- Bank Millennium distinguished by the consultancy Bain & Company as one of the ten most digitally advanced European banks.

- Bank Millennium distinguished in the category of Best Performance in Poland, in the 2021 edition of the SRP European Awards, the most prestigious competition in the structured products sector, organized by SRP Structured Retail Products.

- Bank Millennium was the best performing bank in Forbes magazine's "Climate Leaders Poland 2021" ranking, achieving second place among Polish companies in the list regarding the reduction of greenhouse gas emissions.

- ActivoBank distinguished as the "Consumer's Choice 2021" in the "Digital Bank" category.

BCP Share

BCP shares closed 1Q 2021 having depreciated 5.8%, which compares to a 19.1% increase of the European banks index.

BCP's share performance reflected the uncertainties related to the appearance of the Covid-19 third wave and the social and economic impacts resulting from the new lockdown in Portugal. Additionally, it also reflected specific factors associated with the Bank's Polish operation, such as, the uncertainty associated with the foreign currency loans.

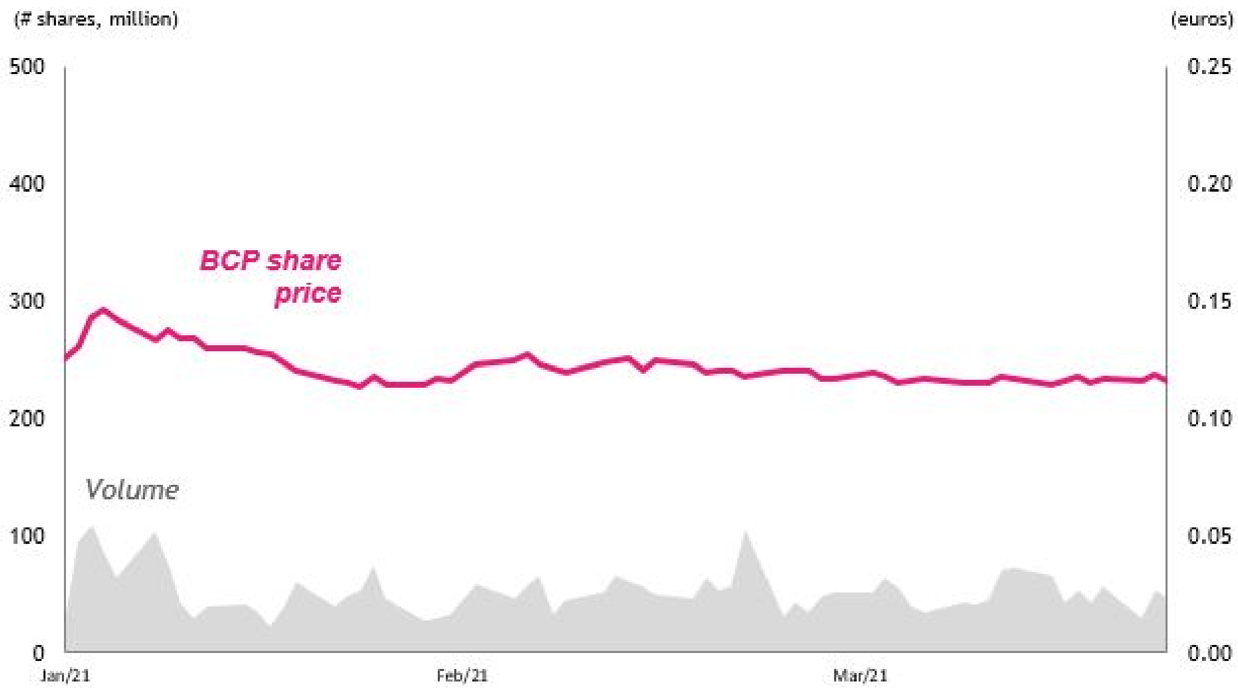
Positive impacts:

- Announcement of 2020 results, with 4Q 2020 results surpassing analysts' expectations, especially regarding the resilience of the business model of the Portuguese operation in an extremely challenging context;
- Upward revision – by several analysts – of BCP's share price targets;
- Upward revision – by several entities – of macroeconomic projections for the Eurozone;

Negative impacts:

- Uncertainty associated with the CHF mortgage portfolio in Bank Millennium;
- Uncertainty regarding the evolution of loan moratoria;
- Increase in trade tensions between the USA and China;
- Slower than expected vaccination plan against Covid-19.

The current average price target of €0.16 represents a 38% potential appreciation, compared to the BCP share's closing price on March 31, 2021.



Source: Euronext, Thomson Reuters

Economic environment

The International Monetary Fund (IMF) foresees a strong recovery of the world economy in 2021, after the global recession of 2020. However, the recovery is expected to be heterogeneous among the main economies, depending on the evolution of the pandemic and economic policy measures, and is subject to a significant degree of uncertainty.

In the first quarter, the US economy expanded at a 1.6% rate on a quarterly basis, on the back of a marked increase in private consumption, driven by budgetary measures aimed at supporting families' income. For the full year, the IMF predicts that the US GDP will grow by 6.4%. In the Euro Area, the need to reintroduce health restrictions in several Member States weighed on the performance of economic activity, with GDP dropping 0.6% (on a quarterly basis) in the first quarter. The uncertainty surrounding the economic situation together with a broad rise in government bond yields in the Euro Area countries impelled the ECB to reinforce the degree of accommodation of monetary policy through the intensification of the pace of asset purchases under the Pandemic Emergency Purchase Programme (PEEP) launched in 2020. The maintenance of an expansionary monetary policy contributed to keeping the Euribor interest rates around historical lows.

The evolution of the financial markets throughout the first quarter was determined by the prospect of a strong upturn in world economic activity, propelled by the vaccination progress and the elevated stance of accommodation of the global economic policy, namely in the US. Against this background, the riskier asset classes, including equities, commodities, corporate bonds and cryptocurrencies showed a strong appreciation, along with a broad rise in the long-term interest rates. In the foreign-exchange segment, it is worth noting the depreciation of the Euro against the US Dollar.

The Portuguese economy contracted, on a quarterly basis, by 3.3%, in the first quarter. The worsening of the pandemic at the beginning of the year required renewed containment measures, which were particularly adverse for the tourism sector, whose negative impact on GDP should, however, have been mitigated by improving exports of goods, resilient investment in construction and a milder reduction in private consumption, comparing to that observed in the Spring of 2020. The gradual lifting of restrictive measures from the second half of March onwards coupled with the ongoing vaccination process and the maintenance of initiatives to support the economy should contribute to a sharp recovery of the activity in the second quarter, which should result in a GDP growth of 3.9% in 2021, according to the forecasts of the Bank of Portugal. The uncertainty surrounding the economic condition in Portugal had, however, a very limited impact on the evolution of Portuguese public debt risk premia.

In Poland, the deterioration of the pandemic situation led to the reintroduction of health restrictions that likely penalized the economic activity in the first quarter, particularly in the services sector. Nevertheless, the impact on GDP should be significantly lower than that observed in the pandemic outbreaks of 2020, benefiting from a greater dynamism in the industry, on the back of a strong external demand. Against a background of greater uncertainty, the zloty depreciated against the Euro and reached levels not observed since 2009 (4.65 zlotys per Euro). From the second quarter onwards, the Polish economy is projected to resume a growth trajectory that, for the whole of year, is expected to correspond to an expansion of 3.5%, according to the IMF.

In Mozambique, after a GDP drop of 1.3% in 2020, economic activity is forecast to improve in the course of 2021, boosted by the recovery of the external demand and the implementation of the natural gas exploration projects in the Rovuma Basin. According to the IMF, the growth of the Mozambican economy is estimated at 2.1% in 2021, which nevertheless corresponds to a moderate pace, conditioned by associated risks, in particular the military instability. In the first quarter, the Metical appreciated as a result of the central bank's intervention to contain inflationary pressures. In Angola, the fragilities of the domestic economy together with a strong reduction of the oil price led to a GDP contraction of 5.2% in the last year. In 2021, the structural reforms that have been implemented and the expectation of a rise in commodity prices amid the global economic recovery should allow to return to a path of economic growth, according to the IMF.

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, Switzerland, 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 priorities, in accordance with the 2021 Strategic Plan, consist in redesigning the digital experience to an approach centred on mobile devices, transforming the top customer journeys, forming an appropriate and productive omnichannel model and transforming the operations through the implementation of NextGen technologies (such as robotics and natural language processing). At the same time, the Bank will adopt an IT strategy focused on the updating of technology, information safety and promotion of new ways of working.

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.

International presence as a platform for growth

At the end of March 2021, Millennium bcp was the largest Portuguese privately-owned bank on business volumes with a relevant position in the countries where it operates.

On 31 March 2021, operations in Portugal accounted for 71% of total assets, 69% of total loans to Customers (gross) and 71% of total customer funds. The Bank had over 2.4 million active Customers in Portugal and market shares of 17.5% and 18.1% of loans to Customers and customer deposits, respectively, in February 2021.

At the end of March 2021, Millennium bcp was also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 5.9 million active Customers.

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 16.9% in loans and advances to Customers and of 23.9% in deposits, on 31 March 2021. 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.

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.

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. On 31 March 2021, Bank Millennium had a market share of 6.1% in loans to Customers and of 5.6% in deposits.

The Group has had an operation in Switzerland since 2003, through a private banking platform offering customized quality services to the Group's high net worth Customers, comprising asset management solutions based on rigorous research and on a profound knowledge of financial markets, underpinned by a robust commitment to risk management and an efficient IT platform.

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 8 representation offices (1 in the United Kingdom, 3 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 built a reputation associated with 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

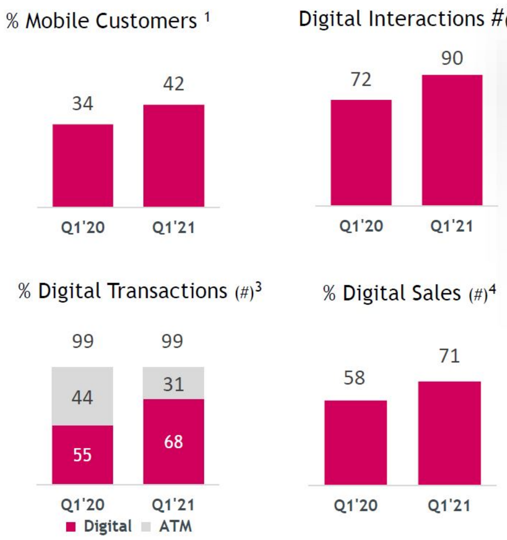
The Bank had to adapt to the enormous challenges and constraints imposed by the pandemic since 2020, with digital channels assuming a decisive role both as a catalyst for the Bank's overall results and in its relationship with Customers.

The major dimensions of accelerating the digital business were: the growth in the number of active digital Customers, with a particular focus on Mobile; the migration of main day-to-day Customer transactions to the App; the growth of digital sales and open banking, boosting the offer and expanding distribution.

For individuals Customers, the growth trend of the Digital Assets base continued, with an increase of 16% compared March 2020, to which the growth of 28% of the users of the App Channel contributed decisively year-on-year. Of these, 48% already use this channel exclusively, while 89% of the digital interactions are Mobile.

In the main Digital Transactions, the Bank recorded a growth, on the 1st quarter of 2021, of 27% year-on-year in logins, 57% in payments, 86% in transfer and 81% in sales.

Our digital capabilities are particularly appreciated in times of pandemic



Strong mobile growth Y/Y

(Jan-Mar 2021 vs. Jan-Mar 2020)

+27% Logins	**+57%** Payments
+86% Transfers	**+81%** Sales

48% of digital Customers are app-exclusive

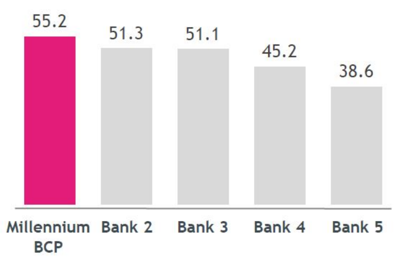
89% of digital interactions are mobile

1 Mobile active Customers that have used the app at least once over the last 3 months
2 Interactions (Millennium website and app)
3 Includes mobile, online and ATMs; excludes branches
4 Digital sales (Millennium website and app) in number of operations

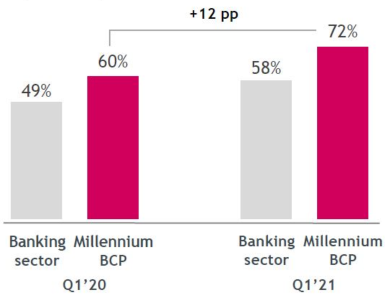
Best Digital Bank and Leader in Customer Satisfaction in 2021

Marktest

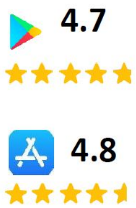
 # 1 NPS[1] Digital Customers Mar. 2021, 5 largest Banks



'Best Digital Bank' (unaided nomination by Customers)[2], 2021 (Q1 YTD)



Millennium App leads ratings



1 Top recommendation index (NPS), digital channels: BASEF 5 largest banks, Mar. 2021
2 *Which bank do you choose as the 'Best Digital Bank'?* (Unaided reply) | Sample: Banking sector, total number of banking Customers, aged> 15 years - 70 years, Portugal (N 2021 = 2,000 per quarter; 8,000 per year)

Digital: More Innovation at the Service of Customers

40 NEW APP FEATURES IN 2021

1.4 million active Customers

Customers aged >65 years increased 39% yoy

> 1.4 million logins per day

StayOn - Communication ecosystem. Brings Digital, remote and physical together

Notifications: all push messages received by Customers

Documents: Accounts statements, receipts, tax Statements

BancoMail: exchange of messages with attachments

Pending Operations: contracts formalized remotely

Mcontacto: contact with Account Manager/Bank via Email, Chat and Video Call

Constant innovation in investments

New investment area with easy access to funds and certificates, and financial literacy space

Purchase and sale of certificates

Investor Questionnaires

Improved checking of the Securities Portfolio

100% digital, 24x7 sales journeys

Credit card: request to increase limit with immediate decision and update

Mortgages: easier to request and linked to the update of personal data journey

Personal Credit: more support for customers with online personal credit restructuring

Commitment to health protection

Following Médis Dental, the simulation and immediate subscription of Médis insurance is now available. 100% digital and with digital card

Sustainability of the business model

The resilience of the business model is primarily based on the Bank's focus on retail banking, which is more stable by nature. Millennium bcp successfully implemented an operational recovery in its core market, reinforcing its financial and capital position, despite of the challenging environment in the banking sector. The Bank implemented a restructuring program based on a reduction of operating costs by approximately of 40% in Portugal since 2011 and a more than 75% reduction in the Group's NPE since 2013 (from Euros 13.7 billion to 3.1 billion euros in March 2021).

Three distinctive competences acted as the main pillars of this recovery: a Customer oriented relationship model, market leading position in terms of efficiency and competitive international operations.

The purpose of the Bank is to ensure sustainable profitability in the medium and long term, seeking to become the best in class in terms of operational efficiency, improving operating profit in a sustainable manner and maintaining a high level of control on credit risk, thus preserving its strategic position in the Portuguese retail banking services market. One of the Bank's top priorities is to improve the quality of its credit portfolio, reduce the stock of NPE to around 3 billion euros by the end of 2021 and, simultaneously, to decrease the cost of risk.

Results and Balance Sheet

RESULTS AND ACTIVITY IN THE FIRST QUARTER OF 2021

The last twelve months were necessarily marked by the impacts caused by COVID-19 pandemic, with most of the countries adopting exceptional measures, with a great impact on the lives of people and companies. Millennium bcp showed, since the beginning, an enormous capacity for adaptation and resilience, reacting promptly to the evolution of the pandemic, while ensuring business continuity, constantly supporting the economy and the communities it serves. Thus, Millennium bcp remained at the forefront in supporting the economy, reinforcing its presence with companies, with a leadership position in the COVID-19 lines and approving more than 100,000 moratoria intended for families. Additionally, the Bank made an agreement with the European Investment Fund to provide 1.2 billion euros guaranteed lines to support small and medium-sized companies affected by the pandemic. The growth of the customer base and the external recognition, materialized in the several awards and distinctions that the Bank received, reflects the resilience of the business model, boosted by the digital resources that proved to be a great advantage during the pandemic. Despite the uncertainty caused by the pandemic, the gradual lifting of restrictive measures from the second half of March onwards coupled with the ongoing vaccination process and the maintenance of initiatives to support the economy should contribute to a sharp recovery of the activity, according to the forecasts of the Bank of Portugal. The Group will continuously assess the situation, in order to adapt to the pandemic's evolution, always bearing in mind the need to protect employees and customers as well as reinforcing social support.

Following the guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA), the relevant indicators that allow a full understanding of the evolution of the Group's economic and financial position are detailed at the end of this document, being reconciled with the accounting values published in the consolidated financial statements.

RESULTS

The **consolidated net income** of Millennium bcp was 57.8 million euros in the first quarter of 2021, an increase from the 35.3 million euros posted in the same quarter of the previous year. The return on equity (ROE) of the Group reached 4.0% in the first three months of 2021, above the 2.4% achieved in the same period in 2020 and the 3.1% obtained at the end of the previous year.

This favourable evolution was due to the good performance of the activity in Portugal, although it was offset by the lower contribution of the international activity, namely of the Polish subsidiary, strongly influenced by the reinforcement of the extraordinary provision booked for foreign exchange mortgage legal risk, which amounted to 112.8 million euros in the first three months of 2021 (12.7 million euros in the same period of 2020). This significant reinforcement of provisions in the Polish subsidiary reflects the continuing negative trends in court decisions, inflow of new court cases and resultant changes in the risk assessment methodology.

In the activity in Portugal, net income reached 83.4 million euros in the first quarter of 2021, up from the 16.2 million euros recorded in the same period of 2020, having benefited from the general improvement of several items in the profit and loss statement, highlighting the reduction of impairments and provisions, in the amount of 38.2 million euros, and the increase in net interest income, that stood 18.1 million euros above the amount posted in the first quarter of 2020. Additionally, the evolution of net income in the activity in Portugal also reflects the performance of equity accounted earnings, other net operating income and operating costs. Conversely, net trading income was below the amount recorded in the first three months of 2020, since in that period gains in foreign exchange operations were recognized due to the devaluation of the zloty, that was not repeated in the current year.

In the international activity, net income of the first quarter of 2021 stood at a negative 25.6 million euros, which compares to a positive 19.1 million euros recorded in the same quarter of the previous year. This evolution was mainly due to the performance of the Polish subsidiary, which despite the solid operational performance, booked a significative reinforcement of impairments and provisions for legal risk associated with the mortgage loans granted in foreign currency, in the amount of 112.8 million euros (net of the amount originated by the operations of Euro Bank S.A., to be reimbursed by Société Générale, S.A.; 12.7 million euros in the first quarter of 2020), reflecting the negative trends in court decisions, inflow of new court cases and the application of more conservative assumptions in risk assessment. At the same time, despite having less impact, the contributions of Millennium bim in Mozambique and of Banco Millennium Atlântico in Angola to the consolidated net income also stood below the first quarter of 2020.

Although the macroeconomic context remained particularly adverse in the first quarter of 2021, the capacity to adapt has allowed the Group to stimulate the growth of the core operating profit, which in consolidated terms totaled 294.6 million euros in the first three months of 2021, 5.4% above the 279.6 million euros recorded in the first quarter of 2020. The favourable evolution of the consolidated core operating profit was due to the performance of the activity in Portugal, which showed a 15.0% growth from the 150.7 million euros in the first quarter of 2020, reaching 173.4 million euros in the first quarter of 2021. The core operating profit of the international activity, in turn, stood 5.9% below the amount recorded in the first quarter of the previous year.

The core operating profit in the activity in Portugal benefited, at the same time, from the expansion of core income and the reduction in operating costs. The performance of core income was mainly determined by the growth of net interest income, since commissions remained at a similar level to that of the first quarter of the previous year. The reduction obtained in operating costs, mainly reflects the evolution of staff costs, partly due to the lower level of restructuring costs, that are considered as specific items. Excluding the specific items referred to, in both periods, the core operating profit of the activity in Portugal would have increased 13.5%.

In the international activity, core operating profit totalled 121.3 million euros in the first quarter of 2021, that compares to 128.9 million euros achieved in the same quarter of the previous year, being influenced by the devaluation of both the Zloty and the Metical against the Euro, in the Polish and Mozambican subsidiaries, respectively. In this sense, it should be noted that the core operating profit of the international activity, excluding the exchange rate effect, would show a favourable evolution based mainly on the reduction of operating costs and on the performance of the Polish subsidiary.

Net interest income stood at 376.0 million euros in the first three months of 2021, compared to 385.5 million euros accounted in the same period of the previous year. This evolution incorporates two distinct dynamics, characterized, on the one hand, by the good performance of the activity in Portugal and, on the other hand, by the reduction observed in the international activity.

Net interest income in the activity in Portugal showed a 9.7% growth from the 186.4 million euros achieved in the first quarter of 2020, reaching 204.5 million euros in the same period of the current year. For this evolution, the reduction in the cost of funding was decisive, namely through the positive impact from the additional funding obtained from the European Central Bank, at the end of the second quarter of 2020, through the participation in the new targeted longer-term refinancing operation (TLTRO III). The decision of the Bank to increase its participation to 7,550 million euros in June 2020 and then to 8,150 in March 2021, together with a remuneration, based on a more favourable negative interest rate, to incentivize lending to the economy, allowed a significant reduction in the overall funding cost, from the amount recognized in the first three months of 2020. In this context, it is important to note that these gains were partially offset by the costs incurred by the Bank with the excess liquidity deposited with the European Central Bank.

Regarding commercial business, the persistence of historically low interest rates strongly influenced the income generated by the performing loan portfolio that was lower than that recorded in the first quarter of 2020, despite the increase in the volume of loans, which reflects both the impact of loans granted to companies under the credit lines guaranteed by the Portuguese State, following the pandemic caused by COVID-19, and the promotion of commercial initiatives to support families and companies with sustainable business plans. It should be noted that net interest income in Portugal was also influenced by the substantial reduction of non-performing loan portfolio. Conversely, customer funds contributed positively to the evolution of net interest income from the previous year, as the remuneration of the time deposit portfolio continues to decrease, despite the average balance of remunerated deposits from customers having reached a higher level than that verified in the first quarter of 2020.

In the international activity, net interest income totalled 171.5 million euros in the first quarter of 2021, standing below the 199.1 million euros recorded in the same quarter of the previous year, mainly influenced by the performance of the Polish subsidiary, mostly penalized by the successive cuts in the reference interest rates imposed by the Polish Central Bank, which to face the impacts from the COVID-19 pandemic, moved interest rates close to zero, but also by the devaluation of the Zloty against the Euro. Net interest income of the subsidiary in Mozambique was also lower than in the first quarter of 2020, induced by the devaluation of the metical against the Euro, since in local currency it remained at a similar level to that reached in the first three months of the previous year.

In consolidated terms, net interest margin went from 2.1% in the first quarter of 2020, to 1.9% in the same period of the current year, mainly reflecting the performance of the international activity, which decreased from 3.1% in the first three months of 2020, to 2.8% in the first quarter of 2021, influenced by the impact of the sharp reduction of the reference interest rates in Poland and in Mozambique. In the activity in Portugal, net interest margin stood at 1.5% in the first quarter of 2021, in line with the same quarter of the previous year, pressed by the negative interest rates context, by the greater weight of products with lower rates in credit production, namely by the credit lines with guarantee of the Portuguese State and by the lower interest income related to the reduction of the NPE portfolio.

AVERAGE BALANCES

Euro million

	31 Mar. 21		31 Mar. 20	
	Amount	Yield %	Amount	Yield %
Deposits in banks	6,449	0.5	5,087	1.0
Financial assets	18,214	0.8	15,550	1.4
Loans and advances to customers	54,071	2.6	52,641	3.2
INTEREST EARNING ASSETS	**78,734**	**2.0**	**73,278**	**2.7**
Non-interest earning assets	8,533		9,124	
	87,267		**82,402**	
Amounts owed to credit institutions	8,863	-0.8	6,626	0.2
Deposits and other resources from customers	64,541	0.1	61,366	0.5
Debt issued	3,230	0.8	3,269	1.2
Subordinated debt	1,372	4.6	1,547	4.8
INTEREST BEARING LIABILITIES	**78,006**	**0.1**	**72,807**	**0.6**
Non-interest bearing liabilities	1,904		2,146	
Shareholders' equity and non-controlling interests	7,357		7,449	
	87,267		**82,402**	
Net interest margin		1.9		2.1

Note: Interest related to hedge derivatives was allocated, in March 2021 and 2020, to the respective balance sheet item.

Equity accounted earnings together with dividends from equity instruments, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, amounted to 15.4 million euros in the first quarter of 2021, comfortably above the 10.8 million euros posted in the same quarter of the previous year, benefiting from the performance of the activity in Portugal.

The favourable evolution in the activity in Portugal, reflects an increase of 5.6 million euros in the period under analysis, mainly justified by the higher contribution generated by Millennium Ageas. On the other side, equity accounted earnings together with dividends from equity instruments in the international activity stood 1.1 million euros below the 1.5 million euros accounted in the first quarter of 2020, due to the lower appropriation of results generated by Banco Millennium Atlântico.

Net commissions[1] reached 177.9 million euros in the first quarter of 2021, standing 1.0% below the 179.8 million euros achieved in the same quarter of the previous year. It should be noted that despite the negative impacts caused by the pandemic associated with COVID-19, net commissions, in the activity in Portugal,

[1] During 2020, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts of such items 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.

remained at a similar level to that in the first three months of the previous year, with the reduction in the international activity being determined by the devaluation of both the zloty and the metical against the Euro, as the total net commissions in the international activity, excluding exchange rate effect evolved favourably compared to the first quarter of 2020.

In the activity in Portugal, despite the unavoidable negative impacts from the pandemic caused by COVID-19, net commissions stood at 119.6 million euros in the first quarter of 2021, remaining at a similar level to the first quarter of 2020, that had only been affected by the impact of the COVID-19 pandemic since the second half of March. Although net commissions, in overall terms stayed stable compared to the previous year, this nevertheless reflects different trends depending on the nature of the commissions. Market related commissions showed an increase of 18.1% (2.8 million euros), mainly benefiting from the increase in commissions related to stock exchange trades and asset management, namely with regard to the distribution of investment funds, reflecting the success of the Bank on offer off-balance sheet products.

The growth in market related commissions was, however, absorbed almost entirely by lower commissions related to the banking business, which went from 104.1 million euros in the first quarter of 2020, to 101.7 million euros in the first three months of 2021. It should be noted that in addition to the direct impacts of the pandemic, the performance of commissions related to the banking business, as of the second half of March 2020, was also penalized by the support initiatives adopted by the Bank, embodied in exemptions granted in the context of this particular situation of the country. These impacts are particularly visible in commissions related to credit operations and with cards and transfers, which performance was partially offset by the increase in commissions from management and maintenance of accounts, boosted by the strong dynamics of acquiring new customers and by the commercial policy in force.

In the international activity, net commissions totalled 58.4 million euros in the first quarter of 2021, standing below the 60.5 million euros accounted in the same quarter of the previous year, essentially due to the performance of the banking business commissions, which fell 4.2% from the first quarter of 2020, largely justified by the contribution of the subsidiary in Mozambique. The Polish subsidiary, in turn, despite showing a favourable evolution in the same period, saw its contribution influenced by the currency devaluation of the Zloty against the Euro. The positive evolution is mainly justified by the increase in commissions from management and maintenance of accounts, namely by the entry into force, at the beginning of the year, of the new price list applied to deposit accounts, which had an impact that offset the reduction in Bancassurance commissions, which had benefited in the first quarter of 2020 from extraordinary impacts related to the integration of Euro Bank S.A. that were not repeated in 2021.

Net trading income amounted to 42.9 million euros in the first quarter of 2021, that compares to 61.4 million euros posted in the same quarter of the previous year, reflecting the performance of both the activity in Portugal and the international activity.

In the activity in Portugal, net trading income totalled 32.6 million euros in the first three months of the year, standing below the 45.3 million euros achieved in the same period of the previous year. This evolution was largely influenced by the gains in the first quarter of 2020, from foreign exchange operations, namely by income arising from the foreign exchange coverage of the Group's stake in Poland, following the devaluation of the zloty, which did not repeat in the current year. On the other hand, costs incurred with the sale of loans were 11.3 million euros lower than the losses recorded in the first quarter of 2020.

In the international activity, net trading income went from 16.1 million euros for March 2020, to 10.3 million euros in the first quarter of 2021, mainly due to the performance of the Polish subsidiary, which in 2021 recorded lower gains from foreign exchange operations with customers and from sale of bonds, with these impacts partially offset by gains from the revaluation of the loan portfolio mandatorily classified at fair value through profit or loss.

Other net operating income[2,3], which, among others, includes the costs associated with mandatory contributions as well as with the resolution and the deposit guarantee funds, showed a very favorable evolution, from a negative amount of 40.4 million euros in the first quarter of 2020 to a negative amount of 23.4 million euros in the first three months of the year, due to the good performance of both the activity in Portugal and the international activity.

[2] In June 2020, some of the amounts recorded in the activity in Portugal as other administrative costs, started to be accounted as other net operating income, 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, therefore diverging from the accounting values disclosed. The above mentioned reclassifications totaled 0.6 million euros in the first quarter of 2020.

[3] The amount of other net operating income includes the specific items considered by the Polish subsidiary in the amount of 0.1 million euros in the first quarter of 2020 related to costs arising from the acquisition, merger and integration of Euro Bank S.A.

In the activity in Portugal, other net operating income reached a positive amount of 2.0 million euros in the first quarter of 2021, compared to the negative amount of 3.3 million euros recorded in the same quarter of the previous year. This performance was mainly due to lower losses from the sale of non-current assets held for sale.

In the international activity, other net operating income, including the specific items, went from a negative 37.1 million euros in the first quarter of 2020, to an also negative 25.4 million euros in the first three months of 2021. This favourable evolution was driven by the contribution of the Polish subsidiary, largely influenced by the reduction in mandatory contributions, namely in the contribution for the resolution fund and, on a smaller scale, in the contribution for the deposit guarantee fund. Additionally, other net operating income include, in the first quarter of 2021, a gain, in the amount of 4.6 million euros, corresponding to the amount to be reimbursed by Société Générale, S.A., following the acquisition contract of Euro Bank S.A., related to foreign exchange mortgage legal risk.

OTHER NET INCOME

Euro million

	3M21	3M20	Change 21/20
DIVIDENDS FROM EQUITY INSTRUMENTS	**0.0**	**0.1**	**-46.4%**
NET COMMISSIONS	**177.9**	**179.8**	**-1.0%**
Banking commissions	145.6	150.0	-2.9%
Cards and transfers	38.4	40.9	-6.0%
Credit and guarantees	36.4	40.3	-9.7%
Bancassurance	29.3	33.7	-13.1%
Management and maintenance of accounts	38.4	31.4	22.3%
Other commissions	3.1	3.7	-15.8%
Market related commissions	32.3	29.8	8.4%
Securities	15.4	15.0	3.3%
Asset management	16.9	14.9	13.5%
NET TRADING INCOME	**42.9**	**61.4**	**-30.1%**
OTHER NET OPERATING INCOME	**(23.4)**	**(40.4)**	**42.0%**
EQUITY ACCOUNTED EARNINGS	**15.4**	**10.8**	**42.2%**
TOTAL OTHER NET INCOME	**212.8**	**211.7**	**0.5%**
Other net income / Net operating revenues	**36.1%**	**35.5%**	

Operating costs[4], not considering the effect of specific items[5], totaled 258.6 million euros in the first quarter of 2021, standing 6.4% below the 276.3 million euros recorded in the same quarter of the previous year, benefiting from the favorable evolution recorded in both the activity in Portugal and in the international activity. Thus, operating costs maintain the downward trend seen in the previous year, reflecting the focus on the commitment assumed regarding the efficiency improvement.

In the activity in Portugal, operating costs, not considering the effect of specific items abovementioned, amounted to 150.0 million euros in the first quarter of 2021, showing a 1.6% reduction from the 152.3 million euros accounted in the same period of the previous year, mainly due to the decrease in staff costs.

In the international activity, operating costs, excluding the effect of specific items mentioned above, showed a 12.3% decrease from the 123.9 million euros posted in the first quarter of 2020, amounting to 108.6 million euros in the first three months of the current year. This evolution was possible thanks to the contribution of

[4] In June 2020, some of the amounts recorded in the activity in Portugal as other administrative costs, started to be accounted as other net operating income, 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, therefore diverging from the accounting values disclosed. The abovementioned reclassifications totaled 0.6 million euros in the first quarter of 2020.
[5] Negative impact of 0.7 million euros in the first quarter of 2021, related to restructuring costs, recognized as staff costs in the activity in Portugal. In the first quarter of 2020, the impact was also negative, in the amount of 9.5 million euros, of which 2.6 million euros related to restructuring costs recognized as staff costs in the activity in Portugal and 6.9 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (5.5 million euros as staff costs, 1.3 million euros as other administrative costs and 0.1 million euros as depreciation).

all subsidiaries, highlighting the performance of the Polish subsidiary that continues to reflect, partially, the impact of the synergies obtained after the merger with Euro Bank S.A. It should also be noted that the devaluation of the Zloty and the Metical against the Euro also favorably influenced the evolution of operating costs in the international activity, having been decisive in the particular case of the operation in Mozambique. Operating costs in the international activity reflect the good performance of both staff costs and other administrative costs and depreciation.

Despite the adverse context, influenced by the COVID-19 pandemic, the reduction in operating costs allowed the cost to income and cost to core income ratios of the Group, excluding specific items, to stand at 43.9% and 46.7% respectively, below the amounts posted in the first quarter of 2020 (46.3% and 48.9%, respectively).

Staff costs showed a favourable evolution in both the activity in Portugal and the international activity, showing, in consolidated terms, a drop of 6.7%, from the 156.6 million euros recorded in the first quarter of 2020, totaling 146.1 million euros in the first three months of the current year. The afore mentioned amounts did not consider the effect of specific items that amounted to 0.7 million euros in the first quarter of 2021 and 8.1 million euros in the same quarter of the previous year.

In the activity in Portugal, the favourable performance of staff costs resulted in a 3.5% reduction from the 90.2 million euros posted in the first three months of 2020, totaling 87.1 million euros in the same period of 2021. The specific items, not included in these amounts, stood at 0.7 million euros and 2.6 million euros in the first quarter of 2021 and 2020 respectively, in both periods related to restructuring costs. Despite the hiring of employees, during the last year, mainly with adequate skills to reinforce digital areas, the favorable evolution of staff costs, in the activity in Portugal, was mainly influenced by the reduction in the number of employees, which decreased from 7,193 employees at the end of March 2020, to 7,004 employees as at 31 March 2021.

In the international activity, not considering the impact of specific items, fully recognized by the Polish subsidiary, in the amount of 5.5 million euros in the first quarter of 2020, related to costs with the acquisition, merger and integration of Euro Bank S.A., staff costs showed a 11.0% reduction from the 66.4 million euros recorded in the first three months of the previous year, totaling 59.0 million euros in the first quarter of 2021. The decrease observed was mainly due to the performance of the Polish subsidiary, mostly reflecting the impact associated with the progressive reduction of the total number of employees, which decreased from 8,556 employees (8,412 FTE - full-time equivalent) at the end of March 2020, to 7,392 employees (7,238 FTE - full -time equivalent) as at 31 March 2021, but also the effect of the synergies obtained in the merger process of Euro Bank S.A. Additionally, the positive contribution of the Polish subsidiary to the evolution of staff costs in the period under analysis, was also boosted from the devaluation of the Zloty against the Euro.

The total number of employees in the international activity decreased 1,239, from 11,303 employees as at 31 March 2020, to 10,064 employees at the end of March 2021.

Other administrative costs, not considering the impact of specific items, showed a favourable evolution reducing 8.1% from the 85.0 million euros in the first quarter of 2020, totaling 78.1 million euros in the first three months of the year. The above mentioned specific items were fully recognized by the Polish subsidiary, in the first quarter of 2020, in the amount of 1.3 million euros, following the process of acquisition, merger and integration of Euro Bank S.A.

The favourable evolution of other administrative costs, in consolidated terms, benefited mainly from the savings reached by the international activity, since in the activity in Portugal, other administrative costs remain in line with the amounts recognized in the same period of 2020.

In the first quarter of 2021, other administrative costs in the activity in Portugal totaled 43.0 million euros, standing at a similar level to that of the first quarter of the previous year. The performance of other administrative costs in the activity in Portugal was necessarily influenced by the impacts arising from COVID-19 pandemic, which had not yet been felt in the first three months of the previous year. Thus, the suspension or cancellation of certain projects and travels together with the absence of a significant number of employees at the Bank's facilities since they started to perform their functions from remote locations, allowed savings in items such as other specialized services, travel, hotel and representation costs, water, energy and fuels, maintenance and related services, among others. Additionally, the performance of other administrative costs continues to benefit from the pursuit of a disciplined cost management, namely the impacts resulting from the resizing of the branch network, which decreased from 501 branches at the end of March 2020, to 476 on 31 March 2021. Conversely, there was an increase, mostly in outsourcing costs, independent labour, mainly related to costs with lawyers, and advisory services, in this case due to the smaller number of projects implemented in 2020, which together absorbed, almost entirely, the savings obtained in other items, including those previously mentioned.

In the international activity, other administrative costs, excluding the impact of the specific items mentioned, showed a very favourable evolution, standing 16.2% below the 41.9 million euros posted in the first quarter of 2020, totalling 35.1 million euros in the first three months of the current year. This evolution benefited from the contribution of all subsidiaries abroad, highlighting the Polish subsidiary, where the ongoing restructuring measures allowed to obtain a set of synergies, with a particular emphasis on the reduction in the total number of branches, which went from the 799 branches existing as at 31 of March 2020, to 678 branches at the end of March 2021, as well as savings in IT costs. Other administrative costs in the subsidiary in Mozambique were also lower than in the first quarter of 2020, with a generalized reduction across almost all items, partially boosted by the devaluation of the Metical against Euro.

Depreciations, excluding the specific items recognized by the Polish subsidiary (0.1 million euros in the first quarter of 2020), totaled 34.4 million euros in the first three months of 2021, standing 1.0% below the amount recorded in the same period of 2020. This evolution was due to the contribution of the international activity, despite being partially offset by the increase in the activity in Portugal.

Depreciations, in the activity in Portugal, amounted to 19.8 million euros in the first quarter of 2021, standing 4.4% above the 19.0 million euros recorded in the same period of the previous year, mainly due to the investment in software made in recent years. This reinforcement in investment in software reflects the commitment of the Bank to technological innovation and the ongoing digital transformation, providing the Bank with the necessary capacity to face the challenges imposed by the impact of the pandemic associated with COVID-19.

In the international activity, depreciations, excluding the specific items above mentioned, totalled 14.5 million euros in the first quarter of 2021, standing 7.5% below the 15.7 million euros recognized in the same quarter of the previous year. This evolution is mainly due to the performance of the Polish subsidiary, which reflects partially the synergies obtained through the ongoing restructuring measures, following the acquisition of Euro Bank S.A. by Bank Millennium, S.A., further amplified by the devaluation of Zloty against Euro. The subsidiary in Mozambique also contributed to the good evolution of depreciation in the international activity, benefiting from de devaluation of the Metical against the Euro.

OPERATING COSTS

Euro million

	3M21	3M20	Change 21/20
Staff costs	146.1	156.6	-6.7%
Other administrative costs	78.1	85.0	-8.1%
Depreciations	34.4	34.7	-1.0%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	**258.6**	**276.3**	**-6.4%**
OPERATING COSTS	**259.3**	**285.7**	**-9.2%**
Of which (1):			
Portugal activity	150.0	152.3	-1.6%
International activity	108.6	123.9	-12.3%

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) totalled 111.0 million euros in the first quarter of 2021, which compares to 86.1 million euros posted in the same quarter of the previous year. It should be noted however that the amount recorded in the first quarter of 2020 does not include any reinforcement to face the risks associated with the pandemic caused by COVID-19, since the provision, in the amount of 78.8 million euros, booked in that period, was reflected in the line of other impairments and provisions, and it was only allocated to cover the risks associated with the loans portfolio, during the second quarter of 2020.

In the activity in Portugal, impairment for loan losses (net of recoveries) reached 91.0 million euros in the first quarter of 2021, standing above the 58.4 million euros recognized in the same quarter of 2020, reflecting on one hand, the worsening of the risk indicators of customers subject to individual analysis, and on the other hand, the updating, in June 2020, of the credit risk parameters considered for the purpose of calculating collective impairment. It should be noted that, in the first quarter of 2020, additional impairments of 60.0 million euros had been booked to cover the risks arising from the pandemic associated with COVID-19, which were only subsequently recognized as loans impairment.

In the international activity, impairment charges (net of recoveries) showed a favourable evolution from the 27.8 million euros accounted in the first quarter of 2020, totalling 20.0 million euros in the first three months of 2021. The amount recognized, in the first quarter of 2020, in other impairments and provisions to cover the risks associated with the COVID-19 pandemic and only subsequently recognized as loans impairment was 18.8 million euros, of which 13.8 million euros in the Polish subsidiary and 5.0 million euros in the subsidiary in Mozambique. The favourable evolution of loans impairment in the international activity was justified by the performance of the Polish subsidiary, due to the improvement in the level of implicit risk in loans subject to moratoriums, which have since expired, and to the risk of customers, both individuals and companies. The subsidiary in Mozambique, in turn, saw its loans impairments at a higher level than that recorded in the first quarter of 2020.

The **cost of risk (net)** of the Group stood at 79 basis points in the first quarter of 2021, with the evolution from 63 basis points in the same quarter of 2020 being influenced by the fact that in that period, the impairments recognized to cover the risks arising from the pandemic associated with COVID-19 were not recognized as loans impairment. In the activity in Portugal, the cost of risk (net) went from 63 basis points in the first quarter of 2020, to 94 basis points in the first quarter of 2021, while in the international activity, the cost of risk showed a favourable evolution from 65 basis points to 46 basis points in the same period.

Other impairments and provisions totalled 131.8 million euros in the first quarter of 2021, compared to 115.7 million euros recognized in the same quarter of the previous year. This evolution includes the reinforcement, in the amount of 117.5 million euros (12.7 million euros in the first quarter of 2020), of the extraordinary provision booked by the Polish subsidiary for foreign exchange mortgage legal risk. In the first quarter of 2021, the impact of these provisions was partially offset by the recognition of income, in the amount of 4.6 million euros (reflected in other net operating income), corresponding to the amount receivable from Société Générale, following the contract of acquisition of Euro Bank S.A. It should be noted that, in the first quarter of 2020, a provision had been booked, in the amount of 78.8 million euros, to cover the risks inherent to the pandemic caused by COVID-19, which was subsequently recognized as loans impairment, during the second quarter of 2020.

In the activity in Portugal, other impairment and provisions stood at 11.4 million euros at the end of the first quarter of 2021, showing a strong reduction from the 82.2 million euros accounted in the first three months of 2020. This evolution was mainly due to the aforementioned recognition, in the first quarter of 2020, of a provision to face the risks inherent to the pandemic caused by COVID-19, which in the activity in Portugal amounted to 60.0 million euros. As previously mentioned, during the second quarter of 2020, this provision started to be reflected in loans impairment. Despite the lesser magnitude, it is also worth noting the favorable impact on the evolution of other impairments and provisions associated with the lower level of provisioning for non-current assets held for sale and for guarantees and other commitments.

In the international activity, other impairment and provisions reached 120.5 million euros in the first quarter of 2021, standing 87.0 million euros above the 33.5 million euros recognized in the same period of the previous year. This increase was essentially due to the activity of the Polish subsidiary, mainly induced by the reinforcement of the extraordinary provision in the amount of 117.5 million euros (12.7 million euros in the first quarter of 2020), booked for foreign exchange mortgage legal risk, reflecting the negative trends in court decisions, inflow of new court cases and the more conservative assumptions applied in risk assessment. In the first quarter of 2021, the impact of the aforementioned provisions was partially offset by the recognition of income, in the amount of 4.6 million euros (reflected in other net operating income), corresponding to the amount receivable from Société Générale, following the contract of acquisition of Euro Bank S.A. On the other hand, the performance of other impairments and provisions in the international activity was also influenced by the provisions that had been booked in the first quarter of 2020 to face the risks inherent to the pandemic caused by COVID-19, in the amount of 18.8 million euros (13.8 million euros at the Polish subsidiary and 5.0 million euros at the subsidiary in Mozambique), which were subsequently recognized as loans impairment during the second quarter of 2020.

Income tax (current and deferred) amounted to 57.6 million euros in the first quarter of 2021, which compares to 65.6 million euros obtained in the same period of the previous year.

The recognized taxes include, in the first quarter of 2021, current tax of 22.7 million euros (27.0 million euros in the first quarter of 2020) and deferred tax of 34.9 million euros (38.7 million euros in the first quarter of 2020).

Current tax expenses in the first quarter of 2021 was strongly influenced by provisions for legal risks related to the portfolio of foreign currency mortgage loans and mandatory contributions to the banking sector, both in the Polish subsidiary, non-deductible for tax purposes.

BALANCE SHEET

Total assets of the consolidated balance sheet of Millennium bcp amounted to 88,566 million euros as at 31 March 2021, standing 8.7% above the 81,499 million euros recorded in the same date of the previous year. The observed increase was determined by the performance of the activity in Portugal, since total assets in the international activity remained in line with the amount recorded as at 31 March 2020.

In the activity in Portugal, total assets showed a 12.6% increase from the 55,757 million euros posted in 31 March 2020, reaching 62,778 million euros in the same date of the current year. This evolution was strongly influenced by the increases in cash and deposits at Central Banks and in the securities portfolio, with the reinforcement of eligible assets, namely Portuguese, Italian and Spanish public debt portfolio. The loans to customers portfolio (net of impairment) also stood at a higher level than in the previous year, contributing significantly to the increase of total assets. The most significant reduction, though of a lesser magnitude, was in loans and advances to credit institutions and in non-current assets held for sale, namely in the portfolio of real estate properties received as payment.

Total assets in the international activity amounted to 25,788 million euros as at 31 March 2021, in line with the amount posted in the same date of the previous year, partially due to the devaluation of zloty and metical against the Euro, since total assets in local currency stood at a higher level to that of 31 March 2020 in both the Polish subsidiary and the subsidiary in Mozambique.

Consolidated loans to customers (gross) of Millennium bcp, as defined in the glossary, showed a 3.0% growth from the 54,685 million euros achieved in 31 March 2020, reaching 56,351 million euros at the end of the first quarter of 2021, benefiting from the favourable performances of both the activity in Portugal and the international activity.

In the activity in Portugal, the balance of loans to customers (gross) reached 38,644 million euros as at 31 March 2021, standing 3.5% above the 37,333 million euros posted at the end of March of the previous year. This growth reflects the loans granted under the credit lines launched by the Government to face the impacts caused by the pandemic associated to COVID-19, allowing at the same time the reinforcement of the presence of the Bank with the Portuguese companies. It is important to mention that this evolution was possible despite the reduction of 725 million euros in NPE, following the success of the divestment strategy in this type of assets, carried out by the Bank in recent years, since the growth of the performing loan portfolio by 2,036 million euros, more than offset this reduction.

As at 31 March 2021, the total amount of credit granted by the Bank under the COVID-19 lines guaranteed by the Portuguese State was 2,498 million euros, representing an increase of 10.5% compared to the amount of 2,262 million euros which, at the end of 2020, the Bank had disbursed under these lines. It should be noted that the credit lines were made available mainly to small and medium-sized Portuguese companies, having allowed for the support of more than 18,000 customers. At the end of the first quarter of 2021 they represented about 6% of the total loans portfolio of the activity in Portugal.

The moratoriums recorded new additions in the first quarter of 2021, following the reactivation promoted by the European Banking Authority on 2 December 2020 and the publication of Decree-Law No. 107/2020 of 31 December 2020. This framework allowed access to new moratoriums for a period of up to nine months from the date of entry (deducted from any moratorium period previously applied), maintaining the conditions and characteristics of the moratorium regime in force, with the adaptations provided for in the new diploma, namely the period of entry and the duration of the moratorium.

At the same time, in the first quarter of 2021, there was a significant reduction in moratoriums, in particular the Private Moratorium, which led mainly to a decrease in the value of exposures subject to moratorium in the Private Sector.

MORATORIUMS

Euro million

	31 Mar. 21		31 Dec. 20	
	Active	Expired	Active	Expired
Families	3,421	862	4,101	107
Companies	4,597	270	4,579	194
Total	8,018	1,132	8,679	300

As of March 31, 2021, the total amount of the portfolio subject to a moratorium amounted to 8,018 million euros, showing a reduction of 7.6% compared to the 8,679 million euros at the end of 2020, largely influenced by the end of the mortgage moratorium, as mentioned above. As a consequence, in the same period there was an increase in the expired moratoria, i.e. for contracts whose period of suspension of the payment of interest and/or capital has already ended. It should also be said that of the total amount of active moratoriums as of March 31, 2021, 57% relates to credit operations contracted by companies and 43% by households.

Finally, it should be noted that active moratoriums represent about 21% of the loans portfolio in Portugal and that 91% of these exposures correspond to performing loans.

In the international activity, loans to customers (gross) stood 2.0% above the 17,352 million euros posted as 31 March 2020, achieving 17,707 million euros at the end of March 2021, with this evolution being determined by the growth in the Polish subsidiary, despite being offset by both the devaluation of the Zloty against the Euro, and by the reduction recorded in the portfolio of the operation in Mozambique.

The structure of the consolidated customer loans portfolio (gross) maintained a balanced level of diversification, with loans to individuals and loans to companies representing, respectively 57.6% and 42.4% of the total portfolio as at 31 March 2021, in line with the ratios of 57.7% and 42.3% posted at the same date of 2020.

LOANS TO CUSTOMERS (GROSS)

Euro million

	31 Mar. 21	31 Mar. 20	Change 21/20
INDIVIDUALS	**32,440**	**31,550**	**2.8%**
Mortgage	26,708	25,724	3.8%
Personal loans	5,732	5,826	-1.6%
COMPANIES	**23,911**	**23,135**	**3.4%**
Services	8,167	8,946	-8.7%
Commerce	4,075	3,536	15.2%
Construction	1,629	1,560	4.4%
Others	10,040	9,092	10.4%
TOTAL	**56,351**	**54,685**	**3.0%**
Of which:			
Portugal activity	38,644	37,333	3.5%
International activity	17,707	17,352	2.0%

The **quality of the credit portfolio** continues to be one of the priorities of the Group, materialized through the various initiatives carried out by the commercial and credit recovery areas, in order to recover non-performing loans over the recent years, keeping the focus on selectivity and monitoring of the credit risk control processes.

As of 31 March 2020, at the beginning of the COVID-19 pandemic, the Group had an NPE portfolio of 3,928 million euros, which was reduced by 21.1%, to 3,100 million euros at the end of the first quarter of 2021.

This reduction is mainly supported in sales operations carried out in a particularly challenging context, which made it possible to largely offset the new exposures that, in this period, started to be classified as NPE, contributing to a (net) decrease in the volume of NPE in 827 million euros in consolidated terms, of which 725 million euros in Portugal.

In this sense, there is an improvement in the NPE ratio as a percentage of the total loan portfolio, which decreased from 7.2% on 31 March 2020, to 5.5% on the same date in 2021, highlighting the performance of the domestic loan portfolio, where the NPE ratio decreased from 7.8% to 5.7% in the same period.

At the same time, it should also be noted that, in the last year, and despite the pandemic situation, there was also a general improvement in coverage indicators, highlighting the increase in the coverage levels in the activity in Portugal, namely the reinforcement in the coverage of NPE by impairments which stood at 65.5% at the end of March 2021, compared to 55.1% at the same date of the previous year and also the coverage of NPL by more than 90 days, from 107.7% at the end of March 2020, to 133.6% as at 31 March 2021.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	31 Mar. 21	31 Mar. 20	Chg. % 21/20	31 Mar. 21	31 Mar. 20	Chg. % 21/20
STOCK (M€)						
Loans to customers (gross)	56,351	54,685	3.0%	38,644	37,333	3.5%
Overdue loans > 90 days	1,192	1,435	-16.9%	822	1,016	-19.1%
Overdue loans	1,316	1,579	-16.6%	835	1,048	-20.3%
Restructured loans	2,508	2,746	-8.7%	1,985	2,228	-10.9%
Non-performing loans (NPL) > 90 days	1,573	2,055	-23.4%	1,075	1,493	-28.0%
Non-performing exposures (NPE)	3,100	3,928	-21.1%	2,193	2,918	-24.8%
Loans impairment (Balance sheet)	2,007	2,178	-7.9%	1,436	1,608	-10.7%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	2.1%	2.6%		2.1%	2.7%	
Overdue loans / Loans to customers (gross)	2.3%	2.9%		2.2%	2.8%	
Restructured loans / Loans to customers (gross)	4.5%	5.0%		5.1%	6.0%	
Non-performing loans (NPL) > 90 days / Loans to customers (gro:	2.8%	3.8%		2.8%	4.0%	
Non-performing exposures (NPE) / Loans to customers (gross)	5.5%	7.2%		5.7%	7.8%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	168.4%	151.8%		174.8%	158.3%	
Coverage of overdue loans	152.4%	138.0%		172.0%	153.5%	
Coverage of *Non-performing loans* (NPL) > 90 days	127.6%	106.0%		133.6%	107.7%	
Coverage of *Non-performing exposures* (NPE)	64.7%	55.5%		65.5%	55.1%	
EBA						
NPE ratio (includes debt securies and off-balance exposures)	3.6%	5.2%		3.8%	5.8%	

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

Total **customer funds** showed a favourable evolution and practically across most items, both in the activity in Portugal and in the international activity, amounting in consolidated terms to 87,042 million euros on 31 March 2021, 8.9% above the 79,955 million euros recorded on the same date of the previous year.

The performance of balance sheet customer funds was decisive to the good evolution of total customer funds, namely deposits and other resources from customers which, in consolidated terms, showed an increase of 4,558 million euros, from 60,815 million euros as at 31 March 2020, to 65,373 million euros as at 31 March 2021. Total customer funds also benefited from the growth of 2,504 million euros in off-balance sheet customer funds, which went from 17,649 million euros as at 31 March 2020 to 20,153 million euros as at 31 March 2021.

In the activity in Portugal, total customer funds showed an increase of 5,573 million euros from the 56,558 million euros recorded in 31 March 2020, reaching 62,131 million euros at the end of March 2021. This evolution reflects mainly the performance of deposits and other resources from customers, which grew from 40,248 million euros, to 44,048 million euros in the same period, reaffirming its weight in the assets financing structure. Off-balance sheet customer funds also contributed to the growth of total customer funds, standing 1,666 million euros above the amount recorded in the same date of the previous year, mainly due to the growth of assets placed with customers, particularly through the placement of investment funds. Although more modestly, assets under management also showed an increase compared to the same date of the previous year, despite it was almost entirely absorbed by the reduction in insurance products (savings and investment).

In the international activity, total customer funds increased 1,514 million euros from the 23,397 million euros recorded in 31 March 2020, reaching 24,911 million euros in the same date of the current year. The performance of both balance sheet customer funds and off-balance sheet customer funds contributed to this evolution by 676 million euros and 838 million euros, respectively. The Polish subsidiary was the main driver for the good evolution of customer funds in the international activity, along with the contribution of the Swiss operation to the increase in assets under management.

On a consolidated basis, balance sheet customer funds, as at 31 March 2021, represented 77% of total customer funds (78% at the same date of the previous year), while the weight of deposits and other resources from customers in total customer funds was 75% (76% as at 31 March 2020).

The **loans to deposits ratio**, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 83% on 31 March 2021, that compares to 86% at the end of March of the previous year. The same ratio, considering on-balance sheet customers' funds, went from 84% in 31 March 2020, to 81% in the same date of 2021.

TOTAL CUSTOMER FUNDS

Euro million

	31 Mar. 21	31 Mar. 20	Change 21/20
BALANCE SHEET CUSTOMER FUNDS	**66,888**	**62,306**	**7.4%**
Deposits and other resources from customers	65,373	60,815	7.5%
Debt securities	1,515	1,490	1.7%
OFF-BALANCE SHEET CUSTOMER FUNDS	**20,153**	**17,649**	**14.2%**
Assets under management	6,467	5,092	27.0%
Assets placed with customers	5,814	4,017	44.7%
Insurance products (savings and investment)	7,872	8,540	-7.8%
TOTAL	**87,042**	**79,955**	**8.9%**
Of which:			
Portugal activity	62,131	56,558	9.9%
International activity	24,911	23,397	6.5%

The securities portfolio of the Group, as defined in the glossary, showed an increase of 18.9% from the 16,663 million euros recorded in 31 March 2020, reaching 19,806 million euros in the same date of 2021, increasing its weight in total assets from 20.4% to 22.4% in the same period.

The performance of the securities portfolio of the Group was determined by the reinforcement of the portfolio of the activity in Portugal, that went from 10,842 million euros at the end of March 2020, to 13,900 million euros as at 31 March 2021, reflecting the increase in the Portuguese, Italian and Spanish sovereign debt portfolio. The securities portfolio of the international activity, in turn, also recorded an increase, albeit less expressive (1.5%), from the amount posted in 31 March 2020.

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 Banque Privée (Switzerland) (**) Millennium bcp Bank & Trust (Cayman Islands) (**)
Foreign Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Atlântico (***) Millennium Banque Privée (Switzerland) (**) 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. Also includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) From Treasury and Markets International Division.

(**) For the purposes of business segments, Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands) are included in the Private Banking segment. In terms of geographic segments, both operations are considered Foreign Business.

(***) 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 the 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 restructuring costs and other costs considered as specific items recorded in 2021 and 2020, respectively.

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 31

March 2021. The balance sheet and income statement indicators by segment, including the amounts not allocated to the commercial activity areas, included in the segment Other, are presented in Note 47 of the accompanying notes to the interim condensed consolidated financial statements.

RETAIL

Million euros

RETAIL BANKING in Portugal	31 Mar. 21	31 Mar. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	112	133	-15.8%
Other net income	96	95	0.7%
	208	228	-8.9%
Operating costs	118	119	-0.7%
Impairment and provisions	11	8	32.7%
Income before tax	79	101	-22.1%
Income taxes	24	31	-23.6%
Income after tax	55	70	-21.4%
SUMMARY OF INDICATORS			
Allocated capital	1,207	1,216	-0.7%
Return on allocated capital	18.5 %	23.2 %	
Risk weighted assets	9,770	9,983	-2.1%
Cost to income ratio	56.7 %	52.1 %	
Loans to Customers (net of impairment charges)	23,698	22,186	6.8%
Balance sheet Customer funds	33,550	30,530	9.9%

Notes:

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

Income

As at 31 March 2021, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 55 million, showing a 21.4% decrease compared to Euros 70 million in the same period of 2020, penalized mainly by the lower banking income activity, essentially constrained by the negative evolution of the interest rates. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income reached Euros 112 million as at 31 March 2021, reducing 15.8% compared to the previous year (Euros 133 million), mainly influenced by the lower income arising from the internal placements of the excess liquidity. Despite the increase verified in the existing credit volumes, interest income generated by the loan portfolio in the first quarter of 2021 was lower than in the same period of the previous year, largely reflecting the impact of the current context of negative interest rates. It should be noted that the continued reduction in costs incurred with term deposits has mitigated the negative evolution of net interest margin generated by the Retail segment.
- Other net income reached Euros 96 million as at 31 March 2021, showing a slight increase of 0.7% compared to the amount attained in the same period of the previous year. This evolution reflects mainly higher gains with certificates recorded in net trading income, since commissions and other net results stayed below the amounts achieved in the first quarter of 2020, as a consequence of the impacts of the COVID-19 pandemic in the first quarter of 2021, visible on the reduction of the commissions related to discount bill operations and collection of valuables and commissions associated with credit operations, transfers and card transactions. It should be noted that the favourable performance of commissions from exchange and brokerage transactions has partly mitigated the evolution of the abovementioned banking commissions.
- Operating costs dropped 0.7% from the amounts recognized in the same period of the previous year, benefiting, on the one hand, by the progressive reduction in the number of employees and, on the other hand, by the savings in other administrative costs, as a consequence of the generalized reduction in

activity observed during the COVID-19 pandemic, which had a greater impact in the first quarter of 2021 compared to the same period of the previous year, only partially affected by the pandemic.

- Impairment charges amounted to Euros 11 million by the end of March 2021, increasing 32.7% compared to Euros 8 million recorded in March 2020, reflecting the downgrade of the credit risk parameters considered in the impairment calculation model, as a result of the update of the macroeconomic scenario, which incorporated, in 2020, the adverse impacts of the COVID-19 pandemic.
- In March 2021, loans to customers (net) totalled Euros 23,698 million, 6.8% up from the position at the end of March 2020 (Euros 22,186 million), while balance sheet customer funds increased by 9.9% in the same period, amounting to Euros 33,550 million at the end of March 2021 (Euros 30,530 million at the end of March of the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING in Portugal	31 Mar. 21	31 Mar. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	63	57	10.0%
Other net income	37	36	3.6%
	100	93	7.5%
Operating costs	27	28	-3.8%
Impairment and provisions	43	39	12.9%
Income before tax	30	26	11.5%
Income taxes	10	8	12.0%
Income after tax	20	18	11.2%
SUMMARY OF INDICATORS			
Allocated capital	1,250	1,298	-3.7%
Return on allocated capital	6.6%	5.7%	
Risk weighted assets	10,863	10,583	2.7%
Cost to income ratio	27.1%	30.3%	
Loans to Customers (net of impairment charges)	11,765	12,311	-4.4%
Balance sheet Customer funds	9,159	7,894	16.0%

Notes:

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

Income

The Companies, Corporate and Investment Banking segment in Portugal reached an income after tax of Euros 20 million in March 2021, showing a 11.2% increase compared to Euros 18 million in the same period of 2020. Despite its favourable performance, this segment 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 this context, it should be noted that impairments charges ended up being penalized by the additional amounts recorded following the revision of the credit risk parameters linked to the update of the macroeconomic scenario underlying the impairment calculation model implemented in 2020. In 2021 the performance of this segment is explained by the following changes:

- Net interest income stood at Euros 63 million as at 31 March 2021, 10.0% below the amount attained in the previous year (Euros 57 million). The reduction in the cost of internal funding and also in the interest rates of term deposits contributed favourably to the net interest income evolution, which ended up being partially offset by lower income arising from the loan portfolio, as a consequence of the lower level of average interest rates. It should be noted that, despite the reinforcement of the credit portfolio with the loans granted under the credit lines backed by the Portuguese Government to support the economy during the pandemic, the margin of the credit portfolio continues to be under pressure by the current macroeconomic context characterized by a persistent low interest rate scenario.

- Other net income reached Euros 37 million in March 2021, being 3.6% higher compared to the amount achieved in March 2020, which is mainly explained by the positive impact of commissions, namely the reduction in costs incurred with commissions linked to guarantees received, in particular those guarantees linked to matured transactions with the European Investment Bank.
- Operating costs totalled Euros 27 million by the end of March 2021, 3.8% down in comparison with the previous year, mainly due to reduction in other administrative costs, which generally reflect the decrease in activity caused by the COVID-19 pandemic, which had a particular impact in the first quarter of 2021, since the same period of the previous year was only partially affected by the pandemic.
- Impairments showed a 12.9% rise, increasing from Euros 39 million in March 2020 to Euros 43 million in March 2021. This evolution reflects on one hand, the worsening of the risk indicators of customers subject to individual analysis, and, on the other hand, the deterioration of credit risk parameters arising from the update of the macroeconomic scenario embedded in the impairment calculation model performed in 2020.
- As at March 2021, loans to customers (net) totalled Euros 11,765 million, decreasing 4.4% from the position in March 2020 (Euros 12,311 million), reflecting simultaneously the Bank's positive performance in granting credit under the credit lines guaranteed by the Portuguese State and also the effort made to reduce the non-performing exposures, as previously mentioned. Balance sheet customer funds reached Euros 9,159 million, 16.0% above the amount recorded in March 2020, in particular through the expansion of the customer’s deposits base.

PRIVATE BANKING

Million euros

PRIVATE BANKING in Portugal	31 Mar. 21	31 Mar. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	1	6	-77.3%
Other net income	8	6	11.4%
	9	12	-30.8%
Operating costs	5	6	-17.8%
Impairment and provisions	—	(1)	-105.5%
Income before tax	4	7	-50.0%
Income taxes	1	2	-50.0%
Income after tax	3	5	-50.0%
SUMMARY OF INDICATORS			
Allocated capital	76	72	4.9%
Return on allocated capital	13.5%	28.0%	
Risk weighted assets	651	589	10.5%
Cost to income ratio	56.6%	47.6%	
Loans to Customers (net of impairment charges)	280	270	3.8%
Balance sheet Customer funds	2,656	2,274	16.8%

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 3 million in March 2021, showing a 50.0% drop compared to the net profit posted in the same period of 2020 (Euros 5 million), mainly due to the unfavourable evolution of banking income. Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Banking income stood at Euros 9 million in March 2021, 30.8% down from the previous year (Euros 12 million). This reduction is explained by the unfavourable performance of net interest income, partially offset by the increase observed in other net income. Net interest income totalled Euros 1 million in March 2021, comparing to Euros 6 million reached in March 2020, penalized from the lower income arising from the internal placements of the excess liquidity, despite the lower costs incurred with term deposits. Other net income amounted to Euros 8 million in March 2021, reflecting an increase of 11.4% compared to the same period of the previous year, mainly due to the higher volume of commissions raised with the management of customer portfolios.
- Operating costs amounted to Euros 5 million in March 2021, below the operating costs recorded in 2020 (Euros 6 million), reflecting a decreasing trend, as in the other business segments.
- Impairments recorded practically with a null impact in the profit and loss account in March 2021, in contrast to the reversals recorded by the end of March 2020.
- Loans to customers (net) amounted to Euros 280 million by the end of March 2021, showing an increase of 3.8% compared to figures accounted in the same period of the previous year (Euros 270 million), while balance sheet customer funds grew 16.8% during the same period, from Euros 2,274 million in March 2020 to Euros 2,656 million in March 2021, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Million euros

FOREIGN BUSINESS	31 Mar. 21	31 Mar. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	172	199	-13.8%
Other net income (*)	43	41	6.4%
	215	240	-10.3%
Operating costs	109	131	-16.9%
Impairment and provisions	140	61	129.4%
Income before tax	-34	48	-170.8%
Income taxes	21	20	1.9%
Income after income tax	-55	28	<-200%
SUMMARY OF INDICATORS			
Allocated capital (**)	2,801	2,993	-6.4%
Return on allocated capital	-7.9%	3.7%	
Risk weighted assets	16,342	15,154	7.8%
Cost to income ratio	50.5%	54.5%	
Loans to Customers (net of impairment charges)	17,137	16,782	2.1%
Balance sheet Customer funds	21,362	20,687	3.3%

(*) 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 55 million in March 2021, reversing the last year's performance, when a profit of Euros 28 million was achieved in the first quarter of 2020. This evolution is mostly explained by the impairment charges and, although to a lesser extent, by the decrease in the banking income.

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

- Net interest margin stood at Euros 172 million in March 2021, which compares to Euros 199 million achieved in March 2020. Excluding the impact arising from the foreign exchange effects, the decrease would have been 7.1%, reflecting mainly the negative performance of the subsidiary in Poland, mostly penalized by the successive cuts in the reference interest rates implemented by the Polish Central Bank in 2020.

- Other net income increased 6.4%. Excluding foreign exchange effects, other net income increased 18.7%, as a consequence of the performance of the subsidiary in Poland, mostly benefiting from the lower impact of mandatory contributions.

- Operating costs amounted to Euros 109 million as at 31 March 2021, 16.9% down from March 2020. Excluding foreign exchange effects, operating costs would have dropped 10.7%, mainly influenced by the operation in Poland, which continues to reflect, in part, the impact of the synergies obtained after the merger with Euro Bank S.A.

- Impairment charges at the end of March of 2021 presented a substantial increase compared to figures reported in the same period of 2020, reflecting mainly the additional extraordinary provision for legal proceeding related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary, amounting to Euros 117 million (Euros 13 million in the first quarter of 2020). Credit impairment showed a favourable evolution against the first quarter of 2020, which had included the impact of the additional provisions related to risks from COVID-19 pandemic, recorded both by the Polish and Mozambican subsidiaries.

- Loans to customers (net) stood at Euros 17,137 million at the end of March 2021, below the amount attained as at 31 March 2020 (Euros 16,782 million). Excluding foreign exchange effects, the loan portfolio increased 4.2%, benefiting from the growth achieved by the Polish subsidiary. The Foreign business' balance sheet customer funds increased 3.3% from Euros 20,687 million reported as at 31 March 2020 to Euros 21,362 million as at 31 March 2021. Excluding the foreign exchange effects, balance sheet customer funds increased 5,6%, mainly driven by the performance of the subsidiary in Poland, but also, although to a lesser extent, by the subsidiary in Mozambique.

Liquidity Management

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 270% at the end of March 2021, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity. The Liquidity Coverage Ratio stood significantly above the one on the same date of the previous year (218%) which already reflected a high coverage level.

At the same time, the Group has a strong and stable financing base, characterized by the large share of customer deposits in the funding structure, collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (Net Stable Funding Ratio or NSFR) as at 31 March 2021 to stand at 144% (132% as at 31 March 2020).

The last twelve months were marked by the impact of the COVID-19 pandemic, to which supervisory entities and central banks responded, as early as April 2020, with a broad set of mitigation measures. In this context, the ECB decided to increase the provision of additional liquidity to the banking system through the creation of “Targeted longer-term refinancing operations III” (“TLTRO III”) and proceed to a transversal reduction of haircuts applicable to all types of assets eligible for discount with the ECB, permanent in the case of credit rights portfolios. Until the ECB decides otherwise, the temporary measures are due to expire on 30 June 2022.

Although all liquidity indicators related to customer deposits and liquidity buffers held with central banks have shown total stability, both at BCP S.A. and its main subsidiaries, BCP has chosen, in a precautionary perspective, to quickly adjust its financing policy. As a consequence, still in April 2020, it took an additional 1.5 billion euros at the ECB using the main refinancing operations ("MRO") with a 3-month maturity, thus increasing its exposure to the bank from 4.0 billion euros related to the targeted longer-term refinancing operation II (“T LTRO II”) to 5.5 billion euros. In June, on the maturity date of the T LTRO II and the MROs referred to above, the Bank took 7.6 billion euros in T LTRO III. In the first quarter of 2021, after the ECB's decision to extend the eligibility of T LTRO III to 55% of eligible loans, BCP decided to access an additional tranche of 600 million euros, bringing the gross amount taken in this instrument to 8.15 billion euros.

After these operations, net financing from the ECB reached 2.9 billion euros at the end of the first quarter of 2021, 897 million euros more than a year earlier. The additional liquidity thus obtained, added to that resulting from the continuous reduction of the commercial gap in Portugal, was applied primarily to support the real economy and, given its magnitude, in the early repayment of long-term loans to the European Investment Bank (EIB), which totalled 1.0 billion euros in the annual period ended in March 31 (of which 750 million euros in June 2020 and 250 million euros in October 2020), in the reinforcement of the securities portfolio in Portugal by 3.0 billion euros and in liquidity deposited at Banco de Portugal (increase over the previous year of 3.2 billion euros, to 5.3 billion euros).

Also having an impact on the strengthening of its liquidity position during the first quarter of 2021, BCP took advantage of favourable market conditions and anticipated the execution of a senior preferred issue in the amount of 500 million euros, carried out under the scope of the MREL and foreseen in the Liquidity Plan only for the third quarter of 2021.

The growth of the sovereign debt portfolios contributed to the increase in the portfolio of assets eligible for discount at the ECB, which was also reinforced, within the scope of prudent liquidity management, by the inclusion in the monetary policy pool, in April 2020, of an issue of own mortgage bonds currently valued at 1.8 billion euros after haircuts. The previous effect combined with the overall decrease in haircuts promoted by the ECB raised the balance of assets eligible for discount (after haircuts) to 23.0 billion euros in March 2021, 6.9 billion euros more than a year earlier. In the same period, the liquidity buffer with the ECB increased by 5.9 billion euros, to 20.1 billion euros.

Likewise, the main subsidiaries demonstrated, in the annual period ended in 31 March 2021, the resilience of their liquidity positions, by strengthening the buffers available for discount at the respective central banks, which in the case of Bank Millennium grew by 557 million euros, to a total of 5.0 billion euros, and in Millennium bim increased by 86 million euros, to 933 million euros. Accordingly, both operations were positioned, throughout 2020 and until March 2021, in the comfort zone of the liquidity risk indicators adopted across the Group, as well as in all regulatory indicators.

In consolidated terms, the risk of refinancing medium-term instruments will remain at very low levels in the coming years, given that in 2022 alone it will reach 1.0 billion euros. Even in this case, it will involve the payment of a covered bond issue in that exact amount, the collateral of which will be integrated into the ECB's discounted liquidity buffer after repayment, thus meaning a minor loss of liquidity.

Capital

The estimated CET1 ratio as at 31 March 2021 stood at 12.2% both phased-in and fully implemented, reflecting a change of +28 and +19 basis points, respectively, compared to the 11.9% phased-in and 12.0% fully implemented, reported in the same period of 2020 and above the minimum ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2021 (CET1 8.828%, T1 10.750% and Total 13.313%).

The organic generation of capital overcame the negative impacts of the pension's fund discount rate reduction and Bank Millennium Poland's provisioning for credits in Swiss francs, maintaining the CET1 ratio above the 2020 levels, in line with the bank's medium-term objectives.

SOLVENCY RATIOS

Euro million

	31 Mar. 21	31 Mar. 20
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,575	5,449
Tier 1	6,105	5,975
Total Capital	**7,096**	**7,016**
Risk weighted assets	**45,822**	**45,512**
Solvency ratios		
CET1	12.2%	12.0%
Tier 1	13.3%	13.1%
Total capital	15.5%	15.4%
PHASED-IN		
CET1	12.2%	11.9%

Note: The capital ratios of March 2021 and March 2020 include the positive accumulated net income of the respective periods.
The capital ratios of March 2021 are estimated and non-audited.

Strategic Plan 2018-2021

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite the adverse setting of the banking sector in the core Portuguese market. This position reflects its relentless path and multiple achievements, such as a cost reduction of approximately 40% in Portugal since 2011, and a reduction in Group NPEs exceeding 75% since 2013 (from Euros 13.7 to Euros 3.1 billion in March 2021). Three distinctive competences were at the core of this turnaround: a Customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Millennium is ready to embark on a new cycle of growth with profitability, requiring complementary capabilities to cope with the evolving context and the need to secure a fully sustainable position. These include leading digital, mobile, and analytics capabilities (preparing the organization to be competitive in the new age) and integration in value chains and ecosystems (embedding into its Customers' needs and reach), complemented by a robust balance sheet and rigorous capital allocation and shaped by strong governance (continuing its effort to de-risk the portfolio and reinforcing focus on value-added business).

Against this backdrop, Millennium has defined five overarching priorities for the future:

Talent mobilization, which will entail energizing employees to drive the Bank's agenda as a team, promoting greater engagement and proactivity and empowering decision making in a collaborative model. The Bank's talent will also to be reinvigorated by developing a merit-based growth model and fostering the development of new capabilities. Finally, the Bank will review its compensation processes across teams to ensure alignment with the new agenda and performance.

Mobile-centric digitization, aspiring to double down on efforts to transform Customer experience and enable productivity gains across geographies, reemphasizing Millennium's innovation trademark. The main priorities consist of redesigning the digital experience from a mobile-centric approach, transforming top Customer journeys, setting up a convenient and productive omnichannel model, and transforming operations through the deployment of NextGen technologies (such as robotics and natural language processing). In parallel, an IT strategy focused on upgrading technology, data, security, and ways of working will enable these levers.

Growth and leading position in Portugal, aiming to maximize the potential of the unique position in which the Bank emerged out of the financial crisis (the largest private Portuguese bank) implying a renewed commitment to grow the Customer base and expand relationships. This will materialize into helping Portuguese businesses thrive (e.g., building a position as the preferred partner for sound small businesses), while serving its individual customers across their full range of needs. The Group further aspires to capture the full potential of ActivoBank's simple and value-based offer and to assess potential internationalization options.

Growth in international footprint, with the objective of capitalizing on the opportunities offered by the intrinsic high-growth of markets where the Bank has a presence and competitive advantage. This implies growing in Poland by deepening retail relationships and enlarging the Customer business base; a step change in Switzerland by growing existing business and exploring new markets and digital advice; leveraging market leading position in Mozambique to focus on profitability and capturing the tailwinds of large commodity investments planned; building on its position in Angola as a trusted and sound business partner with unique local relationships; and exploring emerging China related opportunities (trade and investment flows, payments, private banking).

Business model sustainability, maintaining the improvement of its credit portfolio quality as a clear priority, by reducing the NPE stock (reduction to Euros 3 billion by 2021) and simultaneously lowering the cost of risk. Risk and compliance governance will also be strengthened to ensure a sustainable growth of credit volumes with a sound risk profile.

The successful execution of these priorities should enable us to accomplish a set of strategic objectives for 2021: franchise growth (>6 million active Customers[4]), readiness for the future (from 58% to >60% digital customers by 2021), a sustainable business model (with NPEs reaching Euros 3 billion), and attractive returns for shareholders (≈40% cost-to-income and ≈10% ROE in 2021).

		Q1 2021	Steady State (Original Plan)
Franchise growth	**Total active Customers***	5.9 million	>6 million
	Digital customers	66%	>60%
	Mobile customers	51%	>45%
Value creation	**Cost-to-income**	44%	≈40%
	ROE	4.0%	≈10%
	CET1**	12.2%	≈12%
	LTD	83%	<100%
	Dividend payout	—	≈40%
Asset quality	**NPE stock *****	EUR 3.1 billion	EUR 3.0 billion
	Cost-of-risk	79 bp	<50 pb

*Customer counting criteria used in the 2021 Strategic Plan.

**Including unaudited earnings of 2020.

*** NPEs includes only loans.

[4] Customers with a debit or credit card movement in the past three months, or who have assets greater than or equal to €100.

Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2021 AND 2020

	31 March 2021	31 March 2020
Interest and similar income	404,067	500,427
Interest expense and similar charges	(28,051)	(114,958)
NET INTEREST INCOME	376,016	385,469
Dividends from equity instruments	30	56
Net fees and commissions income	177,946	179,827
Net gains/(losses) from financial operations at fair value through profit or loss	805	(5,979)
Net gains/(losses) from foreign exchange	20,304	65,020
Net gains/(losses) from hedge accounting operations	1,033	(3,711)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	(3,410)	(14,367)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	24,162	20,428
Net gains/(losses) from insurance activity	2,077	3,207
Other operating income/(losses)	(24,460)	(38,473)
TOTAL OPERATING INCOME	574,503	591,477
Staff costs	146,857	164,671
Other administrative costs	78,103	86,904
Amortisations and depreciations	34,357	34,785
TOTAL OPERATING EXPENSES	259,317	286,360
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	315,186	305,117
Impairment of financial assets at amortised cost	(110,918)	(86,892)
Impairment of financial assets at fair value through other comprehensive income	(1,431)	735
Impairment of other assets	(8,159)	(11,369)
Other provisions	(122,320)	(104,297)
NET OPERATING INCOME	72,358	103,294
Share of profit of associates under the equity method	15,352	10,793
Gains/(losses) arising from sales of subsidiaries and other assets	(1,040)	(4,463)
NET INCOME BEFORE INCOME TAXES	86,670	109,624
Income taxes		
Current	(22,686)	(26,964)
Deferred	(34,922)	(38,674)
NET INCOME AFTER INCOME TAXES	29,062	43,986
Net income for the period attributable to:		
Bank's Shareholders	57,815	35,299
Non-controlling interests	(28,753)	8,687
NET INCOME FOR THE PERIOD	29,062	43,986
Earnings per share (in Euros)		
Basic	0.013	0.007
Diluted	0.013	0.007

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2021 AND 31 DECEMBER 2020

(Thousands of euros)

	31 March 2021	31 December 2020
ASSETS		
Cash and deposits at Central Banks	6,506,551	5,303,864
Loans and advances to credit institutions repayable on demand	269,472	262,395
Financial assets at amortised cost		
Loans and advances to credit institutions	892,552	1,015,087
Loans and advances to customers	52,487,580	52,120,815
Debt securities	6,281,166	6,234,545
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,158,247	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	1,307,441	1,315,467
Financial assets at fair value through other comprehensive income	13,466,818	12,140,392
Hedging derivatives	106,521	91,249
Investments in associated companies	449,660	434,959
Non-current assets held for sale	991,706	1,026,481
Investment property	7,891	7,909
Other tangible assets	630,557	640,825
Goodwill and intangible assets	237,269	245,954
Current tax assets	12,435	11,676
Deferred tax assets	2,647,951	2,633,790
Other assets	1,112,062	1,296,812
TOTAL ASSETS	88,565,879	85,813,421
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	9,186,206	8,898,759
Resources from customers	65,192,226	63,000,829
Non subordinated debt securities issued	1,817,891	1,388,849
Subordinated debt	1,278,720	1,405,172
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	209,170	278,851
Financial liabilities at fair value through profit or loss	1,599,340	1,599,405
Hedging derivatives	222,884	285,766
Provisions	553,574	443,799
Current tax liabilities	10,439	14,827
Deferred tax liabilities	6,096	7,242
Other liabilities	1,193,569	1,103,652
TOTAL LIABILITIES	81,270,115	78,427,151
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	254,464	254,464
Treasury shares	—	(40)
Reserves and retained earnings	730,106	642,397
Net income for the period attributable to Bank's Shareholders	57,815	183,012
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,183,856	6,221,304
Non-controlling interests	1,111,908	1,164,966
TOTAL EQUITY	7,295,764	7,386,270
TOTAL LIABILITIES AND EQUITY	88,565,879	85,813,421

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Mar. 21	Mar. 20	Change 21/20	Mar. 21	Mar. 20	Change 21/20	Mar. 21	Mar. 20	Change 21/20
INCOME STATEMENT									
Net interest income	376.0	385.5	-2.5%	204.5	186.4	9.7%	171.5	199.1	-13.8%
Dividends from equity instruments	0.0	0.1	-46.4%	-	-	-	0.0	0.1	-46.4%
Net fees and commission income	177.9	179.8	-1.0%	119.6	119.3	0.2%	58.4	60.5	-3.6%
Net trading income	42.9	61.4	-30.1%	32.6	45.3	-28.1%	10.3	16.1	-35.9%
Other net operating income	(23.4)	(40.4)	42.0%	2.0	(3.3)	161.4%	(25.4)	(37.1)	31.5%
Equity accounted earnings	15.4	10.8	42.2%	15.0	9.3	60.3%	0.4	1.4	-74.9%
Net operating revenues	**588.8**	**597.2**	**-1.4%**	**373.6**	**357.1**	**4.6%**	**215.2**	**240.1**	**-10.4%**
Staff costs	146.9	164.7	-10.8%	87.8	92.8	-5.4%	59.0	71.8	-17.8%
Other administrative costs	78.1	86.3	-9.5%	43.0	43.1	-0.2%	35.1	43.2	-18.7%
Depreciation	34.4	34.8	-1.2%	19.8	19.0	4.4%	14.5	15.8	-8.0%
Operating costs	**259.3**	**285.7**	**-9.2%**	**150.7**	**155.0**	**-2.8%**	**108.6**	**130.8**	**-16.9%**
Operating costs excluding specific items	258.6	276.3	-6.4%	150.0	152.3	-1.6%	108.6	123.9	-12.3%
Profit before impairment and provisions	**329.5**	**311.4**	**5.8%**	**222.9**	**202.1**	**10.3%**	**106.6**	**109.3**	**-2.5%**
Loans impairment (net of recoveries)	111.0	86.1	28.8%	91.0	58.4	55.8%	20.0	27.8	-27.8%
Other impairment and provisions	131.8	115.7	14.0%	11.4	82.2	-86.2%	120.5	33.5	>200%
Profit before income tax	**86.7**	**109.6**	**-20.9%**	**120.6**	**61.6**	**96.0%**	**(34.0)**	**48.1**	**-170.6%**
Income tax	57.6	65.6	-12.2%	37.0	45.4	-18.5%	20.6	20.3	1.8%
Current	22.7	27.0	-15.9%	2.9	0.6	>200%	19.8	26.4	-24.8%
Deferred	34.9	38.7	-9.7%	34.1	44.8	-23.8%	0.8	(6.1)	113.2%
Income after income tax from continuing operations	**29.1**	**44.0**	**-33.9%**	**83.6**	**16.2**	**>200%**	**(54.6)**	**27.8**	**<-200%**
Income arising from discontinued operations	-	-	-	-	-	-	-	-	-
Non-controlling interests	(28.8)	8.7	<-200%	0.2	(0.1)	>200%	(28.9)	8.8	<-200%
Net income	**57.8**	**35.3**	**63.8%**	**83.4**	**16.2**	**>200%**	**(25.6)**	**19.1**	**<-200%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	88,566	81,499	8.7%	62,778	55,757	12.6%	25,788	25,743	0.2%
Total customer funds	**87,042**	**79,955**	**8.9%**	**62,131**	**56,558**	**9.9%**	**24,911**	**23,397**	**6.5%**
Balance sheet customer funds	**66,888**	**62,306**	**7.4%**	**45,526**	**41,619**	**9.4%**	**21,362**	**20,687**	**3.3%**
Deposits and other resources from customers	65,373	60,815	7.5%	44,048	40,248	9.4%	21,325	20,567	3.7%
Debt securities	1,515	1,490	1.7%	1,478	1,371	7.8%	37	120	-68.9%
Off-balance sheet customer funds	**20,153**	**17,649**	**14.2%**	**16,605**	**14,939**	**11.2%**	**3,549**	**2,711**	**30.9%**
Assets under management	6,467	5,092	27.0%	3,888	3,120	24.6%	2,579	1,972	30.8%
Assets placed with customers	5,814	4,017	44.7%	5,273	3,658	44.2%	541	359	50.5%
Insurance products (savings and investment)	7,872	8,540	-7.8%	7,443	8,160	-8.8%	429	379	13.2%
Loans to customers (gross)	**56,351**	**54,685**	**3.0%**	**38,644**	**37,333**	**3.5%**	**17,707**	**17,352**	**2.0%**
Individuals	**32,440**	**31,550**	**2.8%**	**19,673**	**19,443**	**1.2%**	**12,767**	**12,107**	**5.4%**
Mortgage	26,708	25,724	3.8%	17,632	17,287	2.0%	9,076	8,437	7.6%
Personal Loans	5,732	5,826	-1.6%	2,041	2,156	-5.3%	3,691	3,671	0.5%
Companies	**23,911**	**23,135**	**3.4%**	**18,971**	**17,890**	**6.0%**	**4,940**	**5,245**	**-5.8%**
CREDIT QUALITY									
Total overdue loans	1,316	1,579	-16.6%	835	1,048	-20.3%	481	531	-9.4%
Overdue loans by more than 90 days	1,192	1,435	-16.9%	822	1,016	-19.1%	370	419	-11.8%
Overdue loans by more than 90 days / Loans to customers	2.1%	2.6%		2.1%	2.7%		2.1%	2.4%	
Total impairment (balance sheet)	2,007	2,178	-7.9%	1,436	1,608	-10.7%	570	570	-0.0%
Total impairment (balance sheet) / Loans to customers	3.6%	4.0%		3.7%	4.3%		3.2%	3.3%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	168.4%	151.8%		174.8%	158.3%		154.3%	136.1%	
Non-Performing Exposures	3,100	3,928	-21.1%	2,193	2,918	-24.8%	907	1,010	-10.2%
Non-Performing Exposures / Loans to customers	5.5%	7.2%		5.7%	7.8%		5.1%	5.8%	
Total impairment (balance sheet) / NPE	64.7%	55.5%		65.5%	55.1%		62.9%	56.5%	
Restructured loans	2,508	2,746	-8.7%	1,985	2,228	-10.9%	523	518	0.9%
Restructured loans / Loans to customers	4.5%	5.0%		5.1%	6.0%		3.0%	3.0%	
Cost of risk (net of recoveries, in b.p.)	79	63		94	63		46	65	

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 has not been audited and 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 abovementioned guidelines, alternative performance measures, which are detailed below, are presented together with additional information 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

		31 Mar. 21	31 Mar. 20
Loans to customers (net) (1)		54,344	52,507
Balance sheet customer funds (2)		66,888	62,306
	(1) / (2)	**81.2%**	**84.3%**

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.

		3M21	3M20
Net income (1)		58	35
Non-controlling interests (2)		(29)	9
Average total assets (3)		87,267	82,402
	[(1) + (2), annualised] / (3)	**0.1%**	**0.2%**

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

		3M21	3M20
Net income (1)		58	35
Average equity (2)		5,793	5,802
	[(1), annualised] / (2)	**4.0%**	**2.4%**

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

		3M21	3M20
Operating costs (1)		259	286
of which: specific items (2)		1	9
Net operating revenues (3)*		589	597
	[(1) - (2)] / (3)	**43.9%**	**46.3%**

* Excludes the specific items, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary (1 million euros in 2019 and an immaterial amount in 2020).

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

		3M21	3M20
Loans to customers at amortised cost, before impairment (1)		55,975	54,340
Loan impairment charges (net of recoveries) (2)		111	86
	[(2), annualised] / (1)	**7900**	**6300**

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

		31 Mar. 21	31 Mar. 20
Non-Performing Exposures (1)		3,100	3,928
Loans to customers (gross) (2)		56,351	54,685
	(1) / (2)	**5.5%**	**7.2%**

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

		31 Mar. 21	31 Mar. 20
Non-Performing Exposures (1)		3,100	3,928
Loans impairments (balance sheet) (2)		2,007	2,178
	(2) / (1)	**64.7%**	**55.5%**

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

Loans to customers

Euro million

	31 Mar. 21	31 Mar. 20
Loans to customers at amortised cost (accounting Balance Sheet)	52,488	49,624
Debt instruments at amortised cost associated to credit operations	1,505	2,559
Balance sheet amount of loans to customers at fair value through profit or loss	352	324
Loan to customers (net) considering management criteria	**54,344**	**52,507**
Balance sheet impairment related to loans to customers at amortised cost	1,973	2,144
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	9	13
Fair value adjustments related to loans to customers at fair value through profit or loss	24	21
Loan to customers (gross) considering management criteria	**56,351**	**54,685**

Loans impairment (P&L)

Euro million

	3M21	3M20
Impairment of financial assets at amortised cost (accounting P&L) (1)	111	87
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)	0	1
Loans impairment considering management criteria (1)-(2)-(3)	**111**	**86**

Balance sheet customer funds

Euro million

	31 Mar. 21	31 Mar. 20
Financial liabilities at fair value through profit or loss (accounting Balance sheet) (1)	1,599	2,659
Debt securities at fair value through profit or loss and certificates (2)	1,418	1,242
Customer deposits at fair value through profit or loss considering management criteria (3) = (1) - (2)	**181**	**1,418**
Resources from customers at amortised cost (accounting Balance sheet) (4)	65,192	59,398
Deposits and other resources from customers considering management criteria (5) =(3) + (4)	**65,373**	**60,815**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet) (6)	1,818	1,554
Debt securities at fair value through profit or loss and certificates (7)	1,418	1,242
Non subordinated debt securities placed with institucional customers (8)	1,721	1,306
Debt securities placed with customers considering management criteria (9) = (6) + (7) - (8)	**1,515**	**1,490**
Balance sheet customer funds considering management criteria (10) = (5) + (9)	**66,888**	**62,306**

Securities portfolio

Euro million

	31 Mar. 21	31 Mar. 20
Debt instruments at amortised cost (accounting Balance sheet) (1)	6,281	6,065
Debt instruments at amortised cost associated to credit operations net of impairment (2)	1,505	2,559
Debt instruments at amortised cost considering management criteria (3) = (1) - (2)	**4,776**	**3,506**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet) (4)	1,307	1,361
Balance sheet amount of loans to customers at fair value through profit or loss (5)	352	324
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (6) = (4) - (5)	**956**	**1,038**
Financial assets held for trading (accounting Balance sheet) (7)	1,158	2,393
of which: trading derivatives (8)	551	687
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (9)	0	31
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (10)	13,467	10,381
Securities portfolio considering management criteria (12) = (3)+(6)+(7)-(8)+(9)+(10)	**19,806**	**16,663**

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income, 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) on loans and advances of credit institutions classified at amortised cost, impairment of 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 of 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, 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 THREE MONTHS PERIODS ENDED 31 MARCH 2021 AND 2020

(Thousands of euros)

	Notes	31 March 2021	31 March 2020
Interest and similar income	2	404,067	500,427
Interest expense and similar charges	2	(28,051)	(114,958)
NET INTEREST INCOME		376,016	385,469
Dividends from equity instruments	3	30	56
Net fees and commissions income	4	177,946	179,827
Net gains/(losses) from financial operations at fair value through profit or loss	5	805	(5,979)
Net gains/(losses) from foreign exchange	5	20,304	65,020
Net gains/(losses) from hedge accounting operations	5	1,033	(3,711)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	5	(3,410)	(14,367)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	5	24,162	20,428
Net gains/(losses) from insurance activity		2,077	3,207
Other operating income/(losses)	6	(24,460)	(38,473)
TOTAL OPERATING INCOME		574,503	591,477
Staff costs	7	146,857	164,671
Other administrative costs	8	78,103	86,904
Amortisations and depreciations	9	34,357	34,785
TOTAL OPERATING EXPENSES		259,317	286,360
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		315,186	305,117
Impairment of financial assets at amortised cost	10	(110,918)	(86,892)
Impairment of financial assets at fair value through other comprehensive income	11	(1,431)	735
Impairment of other assets	12	(8,159)	(11,369)
Other provisions	13	(122,320)	(104,297)
NET OPERATING INCOME		72,358	103,294
Share of profit of associates under the equity method	14	15,352	10,793
Gains/(losses) arising from sales of subsidiaries and other assets	15	(1,040)	(4,463)
NET INCOME BEFORE INCOME TAXES		86,670	109,624
Income taxes			
Current	29	(22,686)	(26,964)
Deferred	29	(34,922)	(38,674)
NET INCOME AFTER INCOME TAXES		29,062	43,986
Net income for the period attributable to:			
Bank's Shareholders		57,815	35,299
Non-controlling interests	43	(28,753)	8,687
NET INCOME FOR THE PERIOD		29,062	43,986
Earnings per share (in Euros)			
Basic	16	0.013	0.007
Diluted	16	0.013	0.007

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 ENDED 31 MARCH 2021 AND 2020

(Thousands of euros)

	31 March 2021				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	29,062	—	29,062	57,815	(28,753)
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	(31,113)	—	(31,113)	(20,959)	(10,154)
Reclassification of (gains)/losses to profit or loss	(24,162)	—	(24,162)	(23,989)	(173)
Cash flows hedging					
Gains/(losses) for the period	(119,658)	—	(119,658)	(116,744)	(2,914)
Other comprehensive income from investments in associates and others	(6,258)	—	(6,258)	(6,256)	(2)
Exchange differences arising on consolidation	35,929	—	35,929	33,071	2,858
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(180)	—	(180)	(180)	—
Fiscal impact	51,072	—	51,072	48,664	2,408
	(94,370)	—	(94,370)	(86,393)	(7,977)
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)	315	—	315	367	(52)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 42)	(120)	—	(120)	(120)	—
Actuarial gains/(losses) for the period					
Pension Fund - other associated companies	134	—	134	134	—
Fiscal impact	(37)	—	(37)	(47)	10
	292	—	292	334	(42)
Other comprehensive income/(loss) for the period	(94,078)	—	(94,078)	(86,059)	(8,019)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(65,016)	—	(65,016)	(28,244)	(36,772)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	31 March 2020				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	43,986	—	43,986	35,299	8,687
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	(89,536)	—	(89,536)	(95,936)	6,400
Reclassification of (gains)/losses to profit or loss	(20,428)	—	(20,428)	(18,806)	(1,622)
Cash flows hedging					
Gains/(losses) for the period	75,208	—	75,208	72,874	2,334
Other comprehensive income from investments in associates and others	4,554	—	4,554	4,557	(3)
Exchange differences arising on consolidation	(144,275)	—	(144,275)	(64,000)	(80,275)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A. (note 42)	(653)	—	(653)	(653)	—
Fiscal impact	12,472	—	12,472	13,814	(1,342)
	(162,658)	—	(162,658)	(88,150)	(74,508)
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)	(1,273)	—	(1,273)	(1,045)	(228)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 42)	1,354	—	1,354	1,354	—
Actuarial gains/(losses) for the period					
Pension Fund - other associated companies	(1,471)	—	(1,471)	(1,471)	—
Fiscal impact	(1,130)	—	(1,130)	(1,173)	43
	(2,520)	—	(2,520)	(2,335)	(185)
Other comprehensive income/(loss) for the period	(165,178)	—	(165,178)	(90,485)	(74,693)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(121,192)	—	(121,192)	(55,186)	(66,006)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2021 AND 31 DECEMBER 2020

(Thousands of euros)

	Notes	31 March 2021	31 December 2020
ASSETS			
Cash and deposits at Central Banks	17	6,506,551	5,303,864
Loans and advances to credit institutions repayable on demand	18	269,472	262,395
Financial assets at amortised cost			
Loans and advances to credit institutions	19	892,552	1,015,087
Loans and advances to customers	20	52,487,580	52,120,815
Debt securities	21	6,281,166	6,234,545
Financial assets at fair value through profit or loss			
Financial assets held for trading	22	1,158,247	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	22	1,307,441	1,315,467
Financial assets at fair value through other comprehensive income	22	13,466,818	12,140,392
Hedging derivatives	23	106,521	91,249
Investments in associated companies	24	449,660	434,959
Non-current assets held for sale	25	991,706	1,026,481
Investment property	26	7,891	7,909
Other tangible assets	27	630,557	640,825
Goodwill and intangible assets	28	237,269	245,954
Current tax assets		12,435	11,676
Deferred tax assets	29	2,647,951	2,633,790
Other assets	30	1,112,062	1,296,812
TOTAL ASSETS		88,565,879	85,813,421
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	31	9,186,206	8,898,759
Resources from customers	32	65,192,226	63,000,829
Non subordinated debt securities issued	33	1,817,891	1,388,849
Subordinated debt	34	1,278,720	1,405,172
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	35	209,170	278,851
Financial liabilities at fair value through profit or loss	36	1,599,340	1,599,405
Hedging derivatives	23	222,884	285,766
Provisions	37	553,574	443,799
Current tax liabilities		10,439	14,827
Deferred tax liabilities	29	6,096	7,242
Other liabilities	38	1,193,569	1,103,652
TOTAL LIABILITIES		81,270,115	78,427,151
EQUITY			
Share capital	39	4,725,000	4,725,000
Share premium	39	16,471	16,471
Other equity instruments	39	400,000	400,000
Legal and statutory reserves	40	254,464	254,464
Treasury shares	41	—	(40)
Reserves and retained earnings	42	730,106	642,397
Net income for the period attributable to Bank's Shareholders		57,815	183,012
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,183,856	6,221,304
Non-controlling interests	43	1,111,908	1,164,966
TOTAL EQUITY		7,295,764	7,386,270
TOTAL LIABILITIES AND EQUITY		88,565,879	85,813,421

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2021 AND 2020

(Thousands of euros)

	31 March 2021	31 March 2020
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	409,036	464,106
Commissions received	212,106	227,158
Fees received from services rendered	14,749	15,516
Interests paid	(50,134)	(106,710)
Commissions paid	(33,575)	(42,342)
Recoveries on loans previously written off	6,075	7,724
Net earned insurance premiums	5,250	5,384
Claims incurred of insurance activity	(1,532)	(1,663)
Payments (cash) to suppliers and employees (*)	(283,886)	(328,345)
Income taxes (paid)/received	(16,467)	(28,027)
	261,622	212,801
Decrease/(increase) in operating assets:		
Receivables from/(Loans and advances to) credit institutions	83,033	(369,713)
Deposits held with purpose of monetary control	39,408	(175,334)
Loans and advances to customers receivable/(granted)	(423,248)	246,935
Short term trading securities	(106,633)	(1,716,416)
Increase/(decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(84,229)	(30,919)
Deposits from credit institutions with agreed maturity date	390,712	388,593
Loans and advances to customers repayable on demand	1,618,138	871,368
Deposits from customers with agreed maturity date	508,525	(917,394)
	2,287,328	(1,490,079)
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Dividends received	4,702	56
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	17,900	12,591
Sale of financial assets at fair value through other comprehensive income and at amortised cost	10,172,949	7,684,914
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(13,349,624)	(18,485,714)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	1,859,923	10,287,763
Acquisition of tangible and intangible assets	(6,997)	(6,883)
Sale of tangible and intangible assets	2,545	1,183
Decrease/(increase) in other sundry assets	(72,223)	335,351
	(1,370,825)	(170,739)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	282	–
Reimbursement of subordinated debt	(114,000)	(41,057)
Issuance of debt securities	499,716	11,218
Reimbursement of debt securities	(77,459)	(66,232)
Issuance of commercial paper and other securities	28,346	9,859
Reimbursement of commercial paper and other securities	(9,520)	(212,331)
Dividends paid to non-controlling interests	(16,331)	(514)
Interest paid of Perpetual Subordinated Bonds (Additional Tier 1)	(9,250)	(9,250)
Increase/(decrease) in other sundry liabilities and non-controlling interests (**)	(44,452)	224,286
	257,332	(84,021)
Exchange differences effect on cash and equivalents	35,929	(144,778)
Net changes in cash and equivalents	1,209,764	(1,889,617)
Cash (note 17)	579,997	636,048
Deposits at Central Banks (note 17)	4,723,867	4,530,503
Loans and advances to credit institutions repayable on demand (note 18)	262,395	320,857
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,566,259	5,487,408
Cash (note 17)	520,742	541,373
Deposits at Central Banks (note 17)	5,985,809	2,793,452
Loans and advances to credit institutions repayable on demand (note 18)	269,472	262,966
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	6,776,023	3,597,791

(*) As at 31 March 2021, this balance includes the amount of Euros 199,000 (31 March 2020: Euros 721,000) related to short-term lease contracts and the amount of Euros 715,000 (31 March 2020: Euros 584,000) related to lease contracts of low value assets.

(**) As at 31 March 2021, this balance includes the amount of Euros 14,522,000 (31 March 2020: Euros 15,987,000) 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 THREE MONTHS PERIODS ENDED 31 MARCH 2021 AND 2020

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non - controlling interests (note 43)	Total equity
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	400,000	240,535	(102)	435,823	302,003	6,119,730	1,261,524	7,381,254
Net income for the period	–	–	–	–	–	–	35,299	35,299	8,687	43,986
Other comprehensive income	–	–	–	–	–	(90,485)	–	(90,485)	(74,693)	(165,178)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(90,485)	35,299	(55,186)	(66,006)	(121,192)
Results application:										
Transfers for reserves and retained earnings	–	–	–	–	–	302,003	(302,003)	–	–	–
Interests of the perpetual subordinated bonds (Additional Tier 1 (AT1))	–	–		–	–	(9,250)	–	(9,250)	–	(9,250)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	(1,080)	(1,080)
Dividends (a)	–	–	–	–	–	–	–	–	(514)	(514)
Treasury shares	–	–	–	–	35	–	–	35	–	35
Other reserves	–	–	–	–	–	64	–	64	22	86
BALANCE AS AT 31 MARCH 2020	4,725,000	16,471	400,000	240,535	(67)	638,155	35,299	6,055,393	1,193,946	7,249,339
Net income for the period	–	–	–	–	–	–	147,713	147,713	16,666	164,379
Other comprehensive income	–	–	–	–	–	46,416	–	46,416	(22,756)	23,660
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	46,416	147,713	194,129	(6,090)	188,039
Results application:										
Legal reserve (note 40)	–	–		13,929	–	(13,929)	–	–	–	–
Interests of the perpetual subordinated bonds (AT1)	–	–		–	–	(27,750)	–	(27,750)	–	(27,750)
Reversal of deferred tax assets related with expenses with the capital increase	–	–	–	–	–	(96)	–	(96)	–	(96)
Dividends (a)	–	–	–	–			–	–	(22,460)	(22,460)
Treasury shares (note 41)	–	–	–	–	27	–	–	27	–	27
Other reserves (note 42)	–	–	–	–	–	(399)	–	(399)	(430)	(829)
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	–	–	–	–	–	–	57,815	57,815	(28,753)	29,062
Other comprehensive income	–	–	–	–	–	(86,059)	–	(86,059)	(8,019)	(94,078)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(86,059)	57,815	(28,244)	(36,772)	(65,016)
Results application:										
Transfers for reserves and retained earnings	–	–	–	–	–	183,012	(183,012)	–	–	–
Interests of the perpetual subordinated bonds (AT1)	–	–		–	–	(9,250)	–	(9,250)	–	(9,250)
Dividends (a)	–	–	–	–	–	–	–	–	(16,331)	(16,331)
Treasury shares (note 41)	–	–	–	–	40	–	–	40	–	40
Other reserves (note 42)	–	–	–	–	–	6	–	6	45	51
BALANCE AS AT 31 MARCH 2021	4,725,000	16,471	400,000	254,464	–	730,106	57,815	6,183,856	1,111,908	7,295,764

(a) Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.

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. Sociedade Aberta (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 three-month periods ended on 31 March 2021 and 2020.

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). The 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 20 April 2021 by the Bank's Executive Committee 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 three-month period ended on 31 March 2021 were prepared in terms 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 2020.

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 2021. 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.

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 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 considered to be 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. 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".

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 2020. 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 would 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, as well as the accrual of interest from derivatives associated with financial instruments classified in this category. 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 of 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. This registration occurs after all the recovery actions developed by the Group prove to be fruitless. 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 detrimental 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 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 grade15
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 the 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, and 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).

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 (in each scenario considered in the ECL calculation) for a set of macroeconomic variables. These relationships were developed specifically based on the Bank's historical information on the behaviour of this parameter (PDpit) in different economic scenarios and differ by customer segment and risk grade.

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 valuable 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 31 March 2021, 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 qualify 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)

The Group adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. The Group did not adopt earlier any of the requirements of IFRS 16 in prior periods.

This standard establishes the new 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 new 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 recognise 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, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17.

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).

I. Recognition of income from services and commissions

Income from services and commissions is recognised according to the following criteria:

- in the moment it is received, as services are being provided, it is recognised in the income statement of the period to which it corresponds;
- when it results from a service, it is recognised as income when the referred service is concluded.

Income from services and commissions, that is an integral part of the effective interest rate of a financial instrument, is recognised in net interest income.

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 property

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 property 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

O1. 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.

O2. 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 three 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). The Group, for new employees and in accordance with the ACT, adopted this procedure as of 1 July 2009, date from which new employees have only the RGSS as their basic pension 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, the "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 the "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 are called the 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

At the end of 2019, the Bank started a negotiation process for the full revision of the Collective Labour Agreements' Clauses, with work continuing to take place during the first months of 2020, until they were interrupted in March, due to the constraints imposed by the pandemic. In June, negotiations with the Unions resumed, following the proposals received in the meantime from the Unions regarding the 2020 update of the Salary Tables and other clauses of pecuniary expression of the Collective Labour Agreements under negotiation, which led to the Bank formally presenting to the Unions, on 3 July, a counter-offer to revise them by 0.3%, in line with the variation registered in 2019 in the Consumer Price Index, according to official information from the National Statistical Institute.

Following the negotiation process developed in 2020 with several unions subscribing to the Collective Labour Agreements, the Bank agreed, on 30 July 2020, with the SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários, the SIB – Sindicato Independente da Banca and the SBN – Sindicato Bancários do Norte, meanwhile renamed to SBN – Sindicato dos Trabalhadores do Sector Financeiro de Portugal, the update of the Bank's Salary Tables and Contributions for SAMS in 2020 by 0.3%, and the increase in other clauses of pecuniary expression, such as lunch allowance and seniority supplements, among others. The agreed updates took effect on 1 January 2020, except for remunerations related to per diems and travel allowances, which will be updated after the operationalization of the agreed revisions.

Regarding the remaining unions subscribing to the Group's Collective Labour Agreements, i.e., the SBSI – Sindicato Bancários Sul e Ilhas, meanwhile renamed to Mais Sindicato do Sector Financeiro, and the SBC – Sindicato Bancários do Centro, during September, a platform of understanding was reached with them, embodied in an agreement in principle to the salary revision agreed with the other unions, which allowed its application to all the Bank's Employees in the wage payment for September 2020, regardless of their union affiliation. In September, negotiations were resumed with all the unions subscribing to the Group's Collective Labour Agreements for the conclusion of the full review of their respective Clauses, which are still ongoing.

The publication in the Labour and Employment Bulletin of the referred Agreements with the respective Unions is in progress.

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 31 December 2020, 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, for which an assessment of the performance of each employee is carried out on an annual basis, based on quantitative and qualitative criteria. 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 31 December 2020, a variable compensation plan with shares is in force for the members of the Executive Committee and for the employees considered key management members, resulting from the Remuneration Policies for the members of the management and supervisory bodies and for the employees, approved for the financial year of 2020 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.

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 annual assessment of the performance of each Employee, carried out using quantitative and qualitative criteria. 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 Employees with Key Functions, 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 Employees with Key Functions are not covered by Commercial Incentives Systems.

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 Employees with Key Functions 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 2018 until 31 December 2021, 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 Employees with Key Functions, 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 Employee with Key Function, 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, or different taxable entities that intend to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which deferred tax liabilities or assets are expected to be settled or recovered.

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 quarter of 2021 and in the financial year of 2020, the RETGS application was maintained.

T. Segmental reporting

The Group adopted IFRS 8 – Operating Segments for the purpose of disclosure 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.

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.

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".

Y. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require 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 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 2020's taxable income and in the estimation of 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.

In the projections of future taxable income, namely for the analysis of the recoverability of deferred tax assets carried out with reference to 31 December 2020, 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 taking into account 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 Bank 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); and, (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.

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.

Y8. Leases (IFRS 16)

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.

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)

	31 March 2021	31 March 2020
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	(1,748)	490
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	10,071	12,115
Loans and advances to customers	336,209	391,517
Debt securities	23,312	32,038
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	(233)	1,766
Financial assets not held for trading mandatorily at fair value through profit or loss	3,766	6,953
Financial assets designated at fair value through profit or loss	–	275
Interest on financial assets at fair value through other comprehensive income	18,487	33,993
Interest on hedging derivatives	13,179	20,422
Interest on other assets	1,024	858
	404,067	500,427
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	17,316	(3,188)
Resources from customers	(19,221)	(77,163)
Non subordinated debt securities issued	(4,075)	(5,019)
Subordinated debt	(15,904)	(18,890)
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	32	(264)
Financial liabilities at fair value through profit or loss		
Resources from customers	(161)	(460)
Non subordinated debt securities issued	23	(1,500)
Interest on hedging derivatives	(3,970)	(6,547)
Interest on leasing	(1,357)	(1,550)
Interest on other liabilities	(734)	(377)
	(28,051)	(114,958)
	376,016	385,469

During the first quarter of 2021, the balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 3,960,000 (31 March 2020: Euros 8,867,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

During the first quarter of 2021, the balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 6,047,000 (31 March 2020: Euros 9,622,000), as referred in note 20 and Euros 47,000 (31 March 2020: Euros 27,000), as referred in note 21, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

During the first quarter of 2021, the balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 671,000 and Euros 1,492,000, respectively (31 March 2020: Euros 1,050,000 and Euros 2,223,000, 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.

According to note 31, the balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions has recorded in the first quarter of 2021 a negative cost of Euros 19,008,000 associated with the TLTRO III operation.

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)

	31 March 2021	31 March 2020
Dividends from financial assets through other comprehensive income	30	56

This balance includes dividends and income from investment fund units received during the period.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2021	31 March 2020
Fees and commissions received		
Banking services provided	102,551	113,997
Management and maintenance of accounts	38,073	30,111
Bancassurance	30,354	32,672
Securities operations	18,804	19,905
Guarantees granted	10,904	13,391
Commitments to third parties	1,661	1,255
Insurance activity commissions	299	238
Fiduciary and trust activities	123	195
Other commissions	10,401	9,807
	213,170	221,571
Fees and commissions paid		
Banking services provided by third parties	(25,406)	(32,366)
Securities operations	(3,358)	(3,116)
Guarantees received	(357)	(2,012)
Insurance activity commissions	(242)	(260)
Other commissions	(5,861)	(3,990)
	(35,224)	(41,744)
	177,946	179,827

5. Net gains/(losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2021	31 March 2020
Net gains/(losses) from financial operations at fair value through profit or loss		
Net gains/(losses) from financial assets held for trading	65,009	(163,445)
Net gains/(losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(267)	(4,156)
Net gains/(losses) from financial assets and liabilities designated at fair value through profit or loss	(63,937)	161,622
	805	(5,979)
Net gains/(losses) from foreign exchange	20,304	65,020
Net gains/(losses) from hedge accounting	1,033	(3,711)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	(3,410)	(14,367)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	24,162	20,428
	42,894	61,391

The balance Net gains/(losses) from financial operations at fair value through profit or loss is comprised of:

(Thousands of euros)

	31 March 2021	31 March 2020
Net gains/(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	2,534	2,922
Derivative financial instruments	97,063	61,375
Other operations	249	476
	99,846	64,773
Losses		
Debt securities portfolio	(2,949)	(3,974)
Equity instruments	(81)	(94)
Derivative financial instruments	(31,667)	(223,955)
Other operations	(140)	(195)
	(34,837)	(228,218)
	65,009	(163,445)
Net gains/(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	9,146	6,836
Debt securities portfolio	2,620	2,276
Equity instruments	646	–
	12,412	9,112
Losses		
Loans and advances to customers	(8,247)	(9,519)
Debt securities portfolio	(4,432)	(3,749)
	(12,679)	(13,268)
	(267)	(4,156)

(continues)

(continuation)

(Thousands of euros)

	31 March 2021	31 March 2020
Net gains/(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	—	1,021
Debt securities issued		
Certificates and structured securities issued	—	263,032
Other debt securities issued	570	7,288
	570	271,341
Losses		
Debt securities portfolio	—	(490)
Resources from customers	(38)	—
Debt securities issued		
Certificates and structured securities issued	(63,751)	(109,138)
Other debt securities issued	(718)	(91)
	(64,507)	(109,719)
	(63,937)	161,622

In the balance Net gains/(losses) from financial assets and liabilities designated at fair value through profit or loss - Profits/(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)

	31 March 2021	31 March 2020
Net gains/(losses) from foreign exchange		
Gains	629,251	988,004
Losses	(608,947)	(922,984)
	20,304	65,020
Net gains/(losses) from hedge accounting		
Gains		
Hedging derivatives	72,429	21,705
Hedged items	2,250	21,079
	74,679	42,784
Losses		
Hedging derivatives	(9,174)	(35,729)
Hedged items	(64,472)	(10,766)
	(73,646)	(46,495)
	1,033	(3,711)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	124	1,900
Debt securities issued	34	361
Others	91	54
	249	2,315
Losses		
Credit sales	(3,185)	(16,273)
Debt securities issued	(215)	(256)
Others	(259)	(153)
	(3,659)	(16,682)
	(3,410)	(14,367)

The balance Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income is comprised of:

(Thousands of euros)

	31 March 2021	31 March 2020
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	24,565	55,072
Losses		
Debt securities portfolio	(403)	(34,644)
	24,162	20,428

During the first quarter of 2021, 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 14,947,000 (31 March 2020: Euros 49,359,000) related to gains resulting from the sale of Portuguese Treasury bonds.

6. Other operating income/(losses)

The amount of this account is comprised of

(Thousands of euros)

	31 March 2021	31 March 2020
Operating income		
Gains on leasing operations	1,353	1,380
Income from services provided	6,763	6,469
Rents	908	1,127
Sales of cheques and others	2,209	2,698
Other operating income	8,107	2,705
	19,340	14,379
Operating costs		
Donations and contributions	(1,111)	(1,180)
Contributions for Resolution Funds	(7,929)	(13,382)
Contributions to Deposit Guarantee Fund	(3,799)	(6,221)
Tax for the Polish banking sector	(16,527)	(16,711)
Taxes	(3,502)	(4,507)
Losses on financial leasing operations	(34)	(853)
Other operating costs	(10,898)	(9,998)
	(43,800)	(52,852)
	(24,460)	(38,473)

The balance Contributions for Resolution Funds corresponds on 31 March 2021 and 2020 to the mandatory contributions made by Bank Millennium, S.A to the Bank Guarantee Fund in Poland.

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2021	31 March 2020
Remunerations	117,565	131,445
Mandatory social security charges	25,378	26,742
Voluntary social security charges	2,447	2,846
Other staff costs	1,467	3,638
	146,857	164,671

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2021	31 March 2020
Water, electricity and fuel	2,938	3,991
Credit cards and mortgage	3,340	2,940
Communications	5,407	7,245
Maintenance and related services	3,848	5,203
Legal expenses	762	945
Travel, hotel and representation costs	478	2,166
Advisory services	5,155	2,671
Training costs	124	407
Information technology services	10,123	12,333
Consumables	775	1,245
Outsourcing and independent labour	19,480	18,129
Advertising	5,092	5,816
Rents and leases	5,538	6,689
Insurance	975	784
Transportation	2,047	2,335
Other specialised services	6,223	7,227
Other supplies and services	5,798	6,778
	78,103	86,904

The balance Rents and leases includes, in the first quarter of 2021, the amount of Euros 199,000 (31 March 2020: Euros 721,000) related to short-term lease contracts and the amount of Euros 715,000 (31 March 2020: Euros 584,000) related to lease contracts of low-value assets, as described in the accounting policy 1 H.

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2021	31 March 2020
Amortisations of intangible assets (note 28):		
Software	8,215	7,067
Other intangible assets	949	475
	9,164	7,542
Depreciations of other tangible assets (note 27):		
Properties	3,867	4,381
Equipment		
Computers	4,360	4,526
Security equipment	219	265
Installations	658	697
Machinery	326	228
Furniture	706	743
Motor vehicles	1,069	1,224
Other equipment	365	396
Right-of-use		
Real estate	13,564	14,704
Vehicles and equipment	59	79
	25,193	27,243
	34,357	34,785

10. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2021	31 March 2020
Loans and advances to credit institutions (note 19)		
Charge for the period	8	122
Reversals for the period	(75)	–
	(67)	122
Loans and advances to customers (note 20)		
Charge for the period	242,878	223,317
Reversals for the period	(125,784)	(129,565)
Recoveries of loans and interest charged-off	(6,075)	(7,724)
	111,019	86,028
Debt securities (note 21)		
Associated to credit operations		
Charge for the period	–	121
Reversals for the period	(20)	–
	(20)	121
Not associated to credit operations		
Charge for the period	694	709
Reversals for the period	(708)	(88)
	(14)	621
	(34)	742
	110,918	86,892

11. Impairment of financial assets at fair value through other comprehensive income

The detail of these balances is comprised of:

(Thousands of euros)

	31 March 2021	31 March 2020
Impairment of financial assets at fair value through other comprehensive income (note 22)		
Charge for the period	1,581	–
Reversals for the period	(150)	(735)
	1,431	(735)

12. Impairment of other assets

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2021	31 March 2020
Impairment of non-current assets held for sale (note 25)		
Charge for the period	6,425	11,709
Reversals for the period	(257)	(2,327)
	6,168	9,382
Impairment of goodwill of subsidiaries (note 28)		
Charge for the period	–	180
Impairment of other assets (note 30)		
Charge for the period	5,470	3,815
Reversals for the period	(3,479)	(2,008)
	1,991	1,807
	8,159	11,369

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	31 March 2021	31 March 2020
Provision for guarantees and other commitments (note 37)		
Charge for the period	9,779	14,138
Reversals for the period	(10,390)	(9,783)
	(611)	4,355
Other provisions for liabilities and charges (note 37)		
Charge for the period	123,344	99,990
Reversals for the period	(413)	(48)
	122,931	99,942
	122,320	104,297

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)

	31 March 2021	31 March 2020
Banco Millennium Atlântico, S.A. (note 24)		
Appropriation relating to the current period	470	393
Annulment of the gains arising from properties sold to Group entities	–	(93)
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (*)	(108)	1,143
	362	1,443
Banque BCP, S.A.S.	1,251	1,074
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	11,129	5,860
SIBS, S.G.P.S, S.A.	922	1,446
Unicre - Instituição Financeira de Crédito, S.A.	1,804	1,116
Other companies	(116)	(146)
	15,352	10,793

(*) 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 comprised of:

(Thousands of euros)

	31 March 2021	31 March 2020
Other assets	(1,040)	(4,463)

The balance Other assets includes gains arising from the sale of assets held by the Group and classified as non-current assets held for sale, which, in the first quarter of 2021, corresponds to a loss of Euros 576,000 (31 March 2020: loss of Euros 3,316,000).

16. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	31 March 2021	31 March 2020
Net income after income taxes	29,062	43,986
Non-controlling interests	28,753	(8,687)
Appropriated net income	57,815	35,299
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 39)	(9,250)	(9,250)
Adjusted net income	48,565	26,049
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):	0.013	0.007
Diluted earnings per share (Euros):	0.013	0.007

The Bank's share capital, as at 31 March 2021, 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 as at 31 March 2021 and 2020, so the diluted result is equivalent to the basic result.

17. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Cash	520,742	579,997
Central Banks		
Bank of Portugal	5,337,350	4,296,161
Central Banks abroad	648,459	427,706
	6,506,551	5,303,864

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.

18. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Credit institutions in Portugal	12,647	10,288
Credit institutions abroad	167,661	182,976
Amounts due for collection	89,164	69,131
	269,472	262,395

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.

19. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Loans and advances to Central Banks abroad	252,261	291,669
Loans and advances to credit institutions in Portugal		
Very short-term deposits	49,997	—
Loans	26,754	30,942
Term deposits to collateralise CIRS and IRS operations (*)	—	2,850
Other	628	811
	77,379	34,603
Loans and advances to credit institutions abroad		
Very short-term deposits	173,458	—
Term deposits	159,777	383,874
Loans	—	95
Term deposits to collateralise CIRS and IRS operations (*)	211,684	276,722
Other	18,228	28,426
	563,147	689,117
	892,787	1,015,389
Overdue loans - Over 90 days	2	2
	892,789	1,015,391
Impairment	(237)	(304)
	892,552	1,015,087

(*) 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 on Loans and advances to credit institutions are analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Balance at the beginning of the period	304	368
Impairment charge for the period (note 10)	8	1
Reversals for the period (note 10)	(75)	(65)
Balance at the end of the period	237	304

20. Loans and advances to customers

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Mortgage loans	27,128,512	26,827,615
Loans	17,230,686	17,113,707
Finance leases	3,910,183	3,921,747
Factoring operations	2,534,671	2,566,220
Current account credits	1,212,497	1,255,304
Overdrafts	967,594	885,449
Discounted bills	182,551	189,259
	53,166,694	52,759,301
Overdue loans - less than 90 days	119,835	118,767
Overdue loans - Over 90 days	1,174,516	1,279,269
	54,461,045	54,157,337
Loans impairment	(1,973,465)	(2,036,522)
	52,487,580	52,120,815

The balance Loans and advances to customers, as at 31 March 2021, is analysed as follows:

(Thousands of euros)

	31 March 2021				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	559,757	2	559,759	(1,906)	557,853
Asset-backed loans	30,539,864	597,605	31,137,469	(935,357)	30,202,112
Other guaranteed loans	5,714,733	110,520	5,825,253	(217,435)	5,607,818
Unsecured loans	7,391,390	370,603	7,761,993	(522,503)	7,239,490
Foreign loans	2,516,096	121,464	2,637,560	(109,087)	2,528,473
Factoring operations	2,534,671	11,180	2,545,851	(38,400)	2,507,451
Finance leases	3,910,183	82,977	3,993,160	(148,777)	3,844,383
	53,166,694	1,294,351	54,461,045	(1,973,465)	52,487,580

The balance Loans and advances to customers, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	31 December 2020				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	532,580	1	532,581	(1,939)	530,642
Asset-backed loans	30,389,932	607,836	30,997,768	(969,019)	30,028,749
Other guaranteed loans	5,527,794	149,256	5,677,050	(250,277)	5,426,773
Unsecured loans	7,317,673	405,931	7,723,604	(487,609)	7,235,995
Foreign loans	2,503,355	125,743	2,629,098	(127,900)	2,501,198
Factoring operations	2,566,220	22,587	2,588,807	(53,145)	2,535,662
Finance leases	3,921,747	86,682	4,008,429	(146,633)	3,861,796
	52,759,301	1,398,036	54,157,337	(2,036,522)	52,120,815

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Balance on 1 January	2,036,522	2,417,022
Charge for the period in net income interest (note 2)	6,047	34,335
Other transfers	5,528	7,097
Impairment charge for the period (note 10)	242,878	1,102,843
Reversals for the period (note 10)	(125,784)	(576,588)
Loans written-off	(186,977)	(899,133)
Exchange rate differences	(4,749)	(49,054)
Balance at the end of the period	1,973,465	2,036,522

The analysis of loans and advances to customers, as at 31 March 2021, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2021					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	408,369	6,031	414,400	(8,355)	406,045	0.76%
Fisheries	38,500	42	38,542	(2,702)	35,840	0.07%
Mining	79,512	2,250	81,762	(1,857)	79,905	0.15%
Food, beverage and tobacco	821,390	11,537	832,927	(20,806)	812,121	1.53%
Textiles	514,638	12,678	527,316	(27,552)	499,764	0.97%
Wood and cork	256,486	5,971	262,457	(10,242)	252,215	0.48%
Paper, printing and publishing	173,951	1,272	175,223	(3,609)	171,614	0.32%
Chemicals	807,241	23,841	831,082	(34,850)	796,232	1.53%
Machinery, equipment and basic metallurgical	1,422,033	25,567	1,447,600	(43,131)	1,404,469	2.66%
Electricity and gas	319,904	189	320,093	(1,868)	318,225	0.59%
Water	237,336	612	237,948	(17,444)	220,504	0.44%
Construction	1,565,917	45,972	1,611,889	(73,702)	1,538,187	2.96%
Retail business	1,692,657	35,020	1,727,677	(48,553)	1,679,124	3.17%
Wholesale business	2,170,132	45,617	2,215,749	(87,838)	2,127,911	4.07%
Restaurants and hotels	1,593,936	39,296	1,633,232	(137,289)	1,495,943	3.00%
Transports	1,185,723	17,155	1,202,878	(28,550)	1,174,328	2.21%
Post offices	19,911	339	20,250	(508)	19,742	0.04%
Telecommunications	410,795	3,464	414,259	(14,325)	399,934	0.76%
Services						
Financial intermediation	1,644,497	76,342	1,720,839	(179,725)	1,541,114	3.16%
Real estate activities	1,834,982	15,013	1,849,995	(83,625)	1,766,370	3.40%
Consulting, scientific and technical activities	929,200	16,877	946,077	(64,095)	881,982	1.74%
Administrative and support services activities	580,206	12,055	592,261	(72,210)	520,051	1.09%
Public sector	1,001,493	2	1,001,495	(3,232)	998,263	1.84%
Education	146,616	1,815	148,431	(7,230)	141,201	0.27%
Health and collective service activities	359,044	1,057	360,101	(9,712)	350,389	0.66%
Artistic, sports and recreational activities	337,297	40,540	377,837	(112,938)	264,899	0.69%
Other services	222,148	243,477	465,625	(246,706)	218,919	0.85%
Consumer loans	5,029,058	329,672	5,358,730	(358,886)	4,999,844	9.84%
Mortgage credit	26,536,374	171,935	26,708,309	(180,931)	26,527,378	49.04%
Other domestic activities	948	672	1,620	(65)	1,555	0.00%
Other international activities	826,400	108,041	934,441	(90,929)	843,512	1.72%
	53,166,694	1,294,351	54,461,045	(1,973,465)	52,487,580	100 %

The analysis of loans and advances to customers, as at 31 December 2020, by sector of activity, is as follows:

(Thousands of euros)

	31 December 2020					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	400,801	10,745	411,546	(10,026)	401,520	0.76%
Fisheries	32,684	37	32,721	(471)	32,250	0.06%
Mining	67,358	3,183	70,541	(2,347)	68,194	0.13%
Food, beverage and tobacco	802,531	11,533	814,064	(25,204)	788,860	1.50%
Textiles	464,250	11,553	475,803	(25,476)	450,327	0.88%
Wood and cork	254,338	7,064	261,402	(10,152)	251,250	0.48%
Paper, printing and publishing	188,993	1,290	190,283	(14,802)	175,481	0.35%
Chemicals	757,863	26,590	784,453	(36,147)	748,306	1.45%
Machinery, equipment and basic metallurgical	1,353,637	37,250	1,390,887	(52,218)	1,338,669	2.57%
Electricity and gas	315,464	218	315,682	(1,899)	313,783	0.58%
Water	229,535	590	230,125	(17,167)	212,958	0.42%
Construction	1,688,915	89,560	1,778,475	(139,292)	1,639,183	3.28%
Retail business	1,698,861	35,419	1,734,280	(50,156)	1,684,124	3.20%
Wholesale business	2,123,122	52,981	2,176,103	(99,976)	2,076,127	4.02%
Restaurants and hotels	1,367,548	41,264	1,408,812	(72,474)	1,336,338	2.60%
Transports	1,188,061	29,432	1,217,493	(46,022)	1,171,471	2.25%
Post offices	20,311	338	20,649	(490)	20,159	0.04%
Telecommunications	485,910	4,710	490,620	(20,206)	470,414	0.91%
Services						
Financial intermediation	1,643,196	86,865	1,730,061	(192,376)	1,537,685	3.19%
Real estate activities	1,829,513	18,684	1,848,197	(85,187)	1,763,010	3.41%
Consulting, scientific and technical activities	937,548	36,415	973,963	(81,482)	892,481	1.80%
Administrative and support services activities	599,543	13,112	612,655	(72,693)	539,962	1.13%
Public sector	994,296	1	994,297	(3,643)	990,654	1.84%
Education	142,028	1,718	143,746	(7,016)	136,730	0.27%
Health and collective service activities	365,092	1,215	366,307	(9,643)	356,664	0.68%
Artistic, sports and recreational activities	365,929	11,030	376,959	(102,056)	274,903	0.70%
Other services	226,772	243,426	470,198	(180,430)	289,768	0.87%
Consumer loans	5,075,357	336,475	5,411,832	(368,720)	5,043,112	9.99%
Mortgage credit	26,287,616	173,835	26,461,451	(188,524)	26,272,927	48.86%
Other domestic activities	1,020	620	1,640	(21,211)	(19,571)	0.00%
Other international activities	851,209	110,883	962,092	(99,016)	863,076	1.78%
	52,759,301	1,398,036	54,157,337	(2,036,522)	52,120,815	100 %

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. 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 outstanding amounts, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2021			31 December 2020		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	12,897	(2,643)	10,254	20,927	(4,045)	16,882
Fisheries	3,694	(1,568)	2,126	123	(41)	82
Mining	8,162	(351)	7,811	2,149	(337)	1,812
Food, beverage and tobacco	27,020	(7,376)	19,644	26,403	(8,238)	18,165
Textiles	15,932	(6,774)	9,158	16,297	(6,333)	9,964
Wood and cork	5,867	(1,253)	4,614	6,732	(1,412)	5,320
Paper, printing and publishing	4,586	(1,313)	3,273	16,006	(12,296)	3,710
Chemicals	16,318	(5,121)	11,197	21,960	(8,843)	13,117
Machinery, equipment and basic metallurgical	56,611	(11,719)	44,892	60,584	(12,710)	47,874
Electricity and gas	2,167	(51)	2,116	396	(31)	365
Water	49,858	(13,832)	36,026	49,711	(13,689)	36,022
Construction	113,713	(28,142)	85,571	237,988	(83,589)	154,399
Retail business	45,883	(17,456)	28,427	46,592	(16,983)	29,609
Wholesale business	81,675	(13,734)	67,941	91,949	(18,459)	73,490
Restaurants and hotels	156,030	(56,093)	99,937	76,538	(13,968)	62,570
Transports	18,593	(3,465)	15,128	13,327	(3,109)	10,218
Post offices	218	(109)	109	198	(97)	101
Telecommunications	9,514	(5,917)	3,597	15,406	(11,071)	4,335
Services						
Financial intermediation	142,936	(76,024)	66,912	156,677	(85,960)	70,717
Real estate activities	109,396	(47,679)	61,717	125,807	(44,921)	80,886
Consulting, scientific and technical activities	244,851	(46,049)	198,802	264,177	(63,332)	200,845
Administrative and support services activities	98,415	(59,299)	39,116	86,532	(59,016)	27,516
Public sector	56,277	(1,003)	55,274	50,120	(1,113)	49,007
Education	19,749	(4,861)	14,888	19,825	(4,775)	15,050
Health and collective service activities	25,592	(5,044)	20,548	25,388	(4,970)	20,418
Artistic, sports and recreational activities	156,997	(76,855)	80,142	152,110	(73,126)	78,984
Other services	260,095	(176,678)	83,417	255,108	(176,808)	78,300
Consumer loans	273,117	(83,886)	189,231	274,548	(82,768)	191,780
Mortgage credit	485,090	(54,363)	430,727	518,666	(54,732)	463,934
Other domestic activities	23	(1)	22	23	(1)	22
Other international activities	7,127	(4,898)	2,229	32,677	(26,061)	6,616
	2,508,403	(813,557)	1,694,846	2,664,944	(892,834)	1,772,110

The analysis of loans written-off, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Agriculture and forestry	1,634	443
Fisheries	8	359
Mining	832	111
Food, beverage and tobacco	3,650	9,097
Textiles	453	10,937
Wood and cork	85	146
Paper, printing and publishing	11,070	229
Chemicals	5,017	1,665
Machinery, equipment and basic metallurgical	12,685	3,718
Electricity and gas	27	23
Water	28	605
Construction	23,460	144,292
Retail business	4,081	15,287
Wholesale business	13,593	33,585
Restaurants and hotels	2,018	53,213
Transports	13,121	4,706
Post offices	24	94
Telecommunications	5,094	564
Services		
Financial intermediation	13,184	315,038
Real estate activities	4,781	43,068
Consulting, scientific and technical activities	21,676	120,673
Administrative and support services activities	3,606	9,771
Education	34	122
Health and collective service activities	105	466
Artistic, sports and recreational activities	4,214	(3,159)
Other services	100	63,213
Consumer loans	18,155	55,934
Mortgage credit	952	4,576
Other domestic activities	23,194	5,740
Other international activities	96	4,617
	186,977	899,133

According with the accounting policy described in note 1 C1.3, loans and advances to customers are written-off when there are no feasible expectations of recovering the loan amount and for collateralised loans, the write-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This write-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

The analysis of recovered loans and interest occurred during the first quarter of 2021 and 2020, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2021	31 March 2020
Agriculture and forestry	4	248
Food, beverage and tobacco	7	4
Textiles	3	13
Wood and cork	2	1
Paper, printing and publishing	1	–
Chemicals	16	16
Machinery, equipment and basic metallurgical	17	22
Water	–	1
Construction	322	183
Retail business	678	285
Wholesale business	80	172
Restaurants and hotels	74	36
Transports	23	49
Telecommunications	2	1
Services		
Financial intermediation	22	1,081
Real estate activities	33	7
Consulting, scientific and technical activities	17	1,439
Administrative and support services activities	6	9
Education	–	19
Health and collective service activities	1	1
Artistic, sports and recreational activities	–	1
Other services	7	9
Consumer loans	3,342	3,472
Mortgage credit	226	18
Other domestic activities	1,174	4
Other international activities	18	633
	6,075	7,724

21. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	215,282	214,421
Commercial paper	1,241,287	1,334,236
Foreign issuers		
Bonds	30,577	30,398
Commercial paper	27,069	28,160
	1,514,215	1,607,215
Overdue securities - over 90 days	40	1,761
	1,514,255	1,608,976
Impairment	(9,327)	(11,021)
	1,504,928	1,597,955
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	3,728,576	3,758,016
Foreign issuers	470,145	378,285
Bonds issued by other entities		
Portuguese issuers	152,752	178,405
Foreign issuers	99,392	100,833
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	330,833	226,383
	4,781,698	4,641,922
Impairment	(5,460)	(5,332)
	4,776,238	4,636,590
	6,281,166	6,234,545

(*) Includes the amount of Euros 6,652,000 (31 December 2020: Euros 28,794,000) related to adjustments resulting from the application of fair value hedge accounting.

As at 31 March 2021, the item Debt securities held not associated with credit operations - Bonds issued by other Portuguese entities includes the amount of Euros 139,166,000 (31 December 2020: Euros 139,085,000) 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)

	31 March 2021	31 December 2020
Debt securities held associated with credit operations		
Agriculture and forestry	4,877	4,877
Mining	10,930	27,646
Food, beverage and tobacco	75,059	85,174
Textiles	62,932	61,725
Wood and cork	3,889	6,438
Paper, printing and publishing	8,705	9,295
Chemicals	121,427	105,146
Machinery, equipment and basic metallurgical	52,039	54,108
Electricity and gas	191,159	198,291
Water	12,458	12,417
Construction	16,684	16,650
Retail business	53,821	48,377
Wholesale business	76,144	70,625
Restaurants and hotels	8,904	9,394
Transports	40,776	62,811
Telecommunications	5,578	5,572
Services		
Financial intermediation	112,850	88,292
Real estate activities	30,139	28,139
Consulting, scientific and technical activities	519,613	616,512
Administrative and support services activities	22,608	10,754
Artistic, sports and recreational activities	12,455	12,455
Other services	4,577	5,055
Other international activities	57,304	58,202
	1,504,928	1,597,955
Debt securities held not associated with credit operations		
Chemicals	–	25,578
Electricity and Gas	3,488	3,589
Water	39,417	39,394
Retailing	5,539	5,566
Transports (*)	99,562	99,504
Services		
Financial intermediation	420,861	317,847
Consulting, scientific and technical activities	13,366	13,483
	582,233	504,961
Government and Public securities	4,194,005	4,131,629
	4,776,238	4,636,590
	6,281,166	6,234,545

(*) Corresponds to securities from public sector companies

The changes occurred in Impairment of debt securities are analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Debt securities held associated with credit operations		
Balance at the beginning of the period	11,021	12,431
Charge for the period in net income interest (note 2)	47	54
Transfers	–	(7,756)
Charge for the period (note 10)	–	6,292
Reversals for the period (note 10)	(20)	–
Loans charged-off	(1,721)	–
Balance at the end of the period	9,327	11,021
Debt securities held not associated with credit operations		
Balance at the beginning of the period	5,332	2,100
Transfers	(11)	(57)
Charge for the period (note 10)	694	4,089
Reversals for the period (note 10)	(708)	(480)
Exchange rate differences	153	(320)
Balance at the end of the period	5,460	5,332

22. 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)

	31 March 2021	31 December 2020
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	594,918	486,276
Equity instruments	12,133	1,318
Trading derivatives	551,196	543,607
	1,158,247	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	351,898	354,309
Debt instruments	911,629	917,132
Equity instruments	43,914	44,026
	1,307,441	1,315,467
Financial assets at fair value through other comprehensive income		
Debt instruments	13,432,695	12,107,431
Equity instruments	34,123	32,961
	13,466,818	12,140,392
	15,932,506	14,487,060

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 March 2021, is analysed as follows:

(Thousands of euros)

	31 March 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	101	–	4,179,722	4,179,823
Foreign issuers	38,278	–	7,139,545	7,177,823
Bonds issued by other entities				
Portuguese issuers	5,805	16,810	730,234	752,849
Foreign issuers	42,514	–	825,535	868,049
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	508,220	–	6,004	514,224
Foreign issuers	–	–	551,655	551,655
Shares of foreign companies (a)	–	18,107	–	18,107
Investment fund units (b)	–	876,712	–	876,712
	594,918	911,629	13,432,695	14,939,242
Equity instruments				
Shares				
Portuguese companies	438	–	16,979	17,417
Foreign companies	60	43,914	17,142	61,116
Investment fund units	–	–	2	2
Other securities	11,635	–	–	11,635
	12,133	43,914	34,123	90,170
Trading derivatives	551,196	–	–	551,196
	1,158,247	955,543	13,466,818	15,580,608

(a) Under IFRS 9, these shares 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 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 2020, is analysed as follows:

(Thousands of euros)

	31 December 2020			
	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	101	—	3,602,910	3,603,011
Foreign issuers	59,078	—	6,893,507	6,952,585
Bonds issued by other entities				
Portuguese issuers	6,539	16,778	900,019	923,336
Foreign issuers	42,609	—	654,981	697,590
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	377,949	—	6,014	383,963
Foreign issuers	—	—	50,000	50,000
Shares of foreign companies (a)	—	17,952	—	17,952
Investment fund units (b)	—	882,402	—	882,402
	486,276	917,132	12,107,431	13,510,839
Equity instruments				
Shares				
Portuguese companies	438	—	16,522	16,960
Foreign companies	54	44,026	16,437	60,517
Investment fund units	—	—	2	2
Other securities	826	—	—	826
	1,318	44,026	32,961	78,305
Trading derivatives	543,607	—	—	543,607
	1,031,201	961,158	12,140,392	14,132,751

(a) Under IFRS 9, these shares 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 impairment movements, on balance sheet, of the financial assets at fair value through other comprehensive, that occurred during the period, are analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Balance at the beginning of the period	1,097	1,177
Transfers to fair value changes (note 42)	(1,430)	(10,360)
Impairment through profit and loss (note 11)	1,580	11,485
Reversals through profit and loss (note 11)	(150)	(1,125)
Exchange rate differences	—	(80)
Balance at the end of the period	1,097	1,097

As at 31 March 2021, the accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 6,652,000 and is recognised against the item Fair value reserves (31 December 2020: Euros 13,823,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 31 March 2021, is analysed as follows:

(Thousands of euros)

	31 March 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	4,083,686	9,166	76,833	4,169,685
Foreign issuers	7,075,412	8,919	55,214	7,139,545
Bonds issued by other entities				
Portuguese issuers	740,310	(16,081)	16,042	740,271
Foreign issuers	811,213	1,130	13,192	825,535
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	6,003	—	1	6,004
Foreign issuers	552,293	—	(638)	551,655
	13,268,917	3,134	160,644	13,432,695
Equity instruments				
Shares				
Portuguese companies	42,155	—	(25,176)	16,979
Foreign companies	28,230	—	(11,088)	17,142
Investment fund units	1	—	1	2
	70,386	—	(36,263)	34,123
	13,339,303	3,134	124,381	13,466,818

(a) Include interest accrued and accumulated impairment of 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 2020, is analysed as follows:

(Thousands of euros)

	31 December 2020			
	Amortised cost (a)	Fair value hedge adjustments (note 42)	Fair value adjustments (note 42)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,498,321	13,982	90,607	3,602,910
Foreign issuers	6,809,372	1,558	82,577	6,893,507
Bonds issued by other entities				
Portuguese issuers (*)	860,370	20,130	19,519	900,019
Foreign issuers	626,990	15,179	12,812	654,981
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	6,010	—	4	6,014
Foreign issuers	49,927	—	73	50,000
	11,850,990	50,849	205,592	12,107,431
Equity instruments				
Shares				
Portuguese companies	43,407	—	(26,885)	16,522
Foreign companies	27,919	—	(11,482)	16,437
Investment fund units	1	—	1	2
	71,327	—	(38,366)	32,961
	11,922,317	50,849	167,226	12,140,392

(a) Include interest accrued and accumulated impairment of 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)

	31 March 2021	31 December 2020
Public sector	16	25
Unsecured loans	344,051	347,188
	344,067	347,213
Overdue loans - less than 90 days	2,616	2,133
Overdue loans - Over 90 days	5,215	4,963
	351,898	354,309

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 March 2021, is as follows:

(Thousands of euros)

	31 March 2021			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Fisheries	1,639	–	–	1,639
Mining	–	15	–	15
Paper, printing and publishing	54,828	1	–	54,829
Chemicals	–	2	–	2
Machinery, equipment and basic metallurgical	4,062	445	–	4,507
Electricity and gas	26,604	–	–	26,604
Water	10,340	–	–	10,340
Construction	19,175	3	18,762	37,940
Retail business	31,615	2	–	31,617
Wholesale business	52,353	–	–	52,353
Restaurants and hotels	–	912	–	912
Transports	82,383	–	–	82,383
Telecommunications	975	2,771	–	3,746
Services				
Financial intermediation (*)	1,436,267	76,527	847,515	2,360,309
Real estate activities	–	–	15,493	15,493
Consulting, scientific and technical activities	416,359	136	–	416,495
Administrative and support services activities	14,319	9,367	–	23,686
Public sector	–	–	431	431
Artistic, sports and recreational activities	16,683	–	–	16,683
Other services	4,951	6,459	6,148	17,558
	2,172,553	96,640	888,349	3,157,542
Government and Public securities	11,871,870	–	–	11,871,870
	14,044,423	96,640	888,349	15,029,412

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 820,026,000, 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 2020, is as follows:

(Thousands of euros)

	31 December 2020			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Fisheries	1,639	–	–	1,639
Mining	–	10	–	10
Paper, printing and publishing	54,207	2	–	54,209
Chemicals	–	4	–	4
Machinery, equipment and basic metallurgical	4,062	448	–	4,510
Electricity and gas	16,239	–	–	16,239
Water	7,136	–	–	7,136
Construction	17,730	5	18,865	36,600
Retail business	–	2	–	2
Wholesale business	53,355	–	–	53,355
Restaurants and hotels	–	871	–	871
Transports	222,982	–	–	222,982
Telecommunications	–	2,771	–	2,771
Services				
Financial intermediation (*)	777,184	75,167	842,279	1,694,630
Real estate activities	–	–	15,528	15,528
Consulting, scientific and technical activities	446,502	138	–	446,640
Administrative and support services activities	10,370	9,404	–	19,774
Public sector	42,836	–	469	43,305
Artistic, sports and recreational activities	16,683	–	–	16,683
Other services	1	6,607	6,089	12,697
	1,670,926	95,429	883,230	2,649,585
Government and Public securities	10,939,559	–	–	10,939,559
	12,610,485	95,429	883,230	13,589,144

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 827,976,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 45.

23. Hedging derivatives

This balance is analysed, by hedging instruments, as follows:

(Thousands of euros)

	31 March 2021		31 December 2020	
	Assets	Liabilities	Assets	Liabilities
Swaps	106,521	222,884	91,249	285,766

24. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Portuguese credit institutions	43,818	40,114
Foreign credit institutions	148,448	139,095
Other Portuguese companies	290,831	287,285
Other foreign companies	21,407	21,024
	504,504	487,518
Impairment	(54,844)	(52,559)
	449,660	434,959

The movements occurred in Impairment of investments in associated companies are analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Balance at the beginning of the period	52,559	60,773
Impairment charge for the period (note 12)	–	4,735
Exchange rate differences	2,285	(12,949)
Balance at the end of the period	54,844	52,559

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	31 March 2021				31 December 2020
	Ownership on equity	Goodwill	Impairment of investments in associated companies	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	231,697	–	–	231,697	228,956
Banco Millennium Atlântico, S.A.	57,842	46,551	(32,276)	72,117	66,521
Banque BCP, S.A.S.	44,055	–	–	44,055	42,583
Cold River's Homestead, S.A.	18,971	–	(4,557)	14,414	14,530
SIBS, S.G.P.S, S.A.	39,802	–	–	39,802	38,881
Unicre - Instituição Financeira de Crédito, S.A.	36,382	7,436	–	43,818	40,114
Webspectator Corporation	89	18,011	(18,011)	89	86
Others	3,668	–	–	3,668	3,288
	432,506	71,998	(54,844)	449,660	434,959

These investments correspond to unquoted companies. According to the accounting policy described in note 1 B, these investments are measured at the equity method.

The Group's companies included in the consolidation perimeter are presented in note 52.

25. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021			31 December 2021		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	812,964	(142,310)	670,654	848,277	(146,372)	701,905
Assets belong to investments funds and real estate companies	306,819	(51,778)	255,041	309,547	(52,465)	257,082
Assets for own use (closed branches)	23,209	(5,166)	18,043	26,122	(6,654)	19,468
Equipment and other	36,480	(8,447)	28,033	38,131	(10,158)	27,973
Other assets	19,935	—	19,935	20,053	—	20,053
	1,199,407	(207,701)	991,706	1,242,130	(215,649)	1,026,481

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.

These assets are available for sale in a period less than one year and the Group has a strategy for its sale, according to the characteristic of each asset. 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 Bank 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.

The changes occurred in Impairment of non-current assets held for sale are analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Balance at the beginning of the period	215,649	263,891
Transfers	(767)	779
Charge for the period (note 12)	6,425	78,355
Reversals for the period (note 12)	(257)	(11,645)
Amounts charged-off	(14,035)	(113,941)
Exchange rate differences	686	(1,790)
Balance at the end of the period	207,701	215,649

26. Investment property

As at 31 March 2021, the balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 M), based on independent assessments and compliance with legal requirements.

27. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Real estate	728,342	725,639
Equipment:		
Computer equipment	329,877	330,853
Security equipment	70,170	69,812
Interior installations	145,991	144,693
Machinery	49,466	49,452
Furniture	85,366	84,962
Motor vehicles	29,265	29,448
Other equipment	30,395	30,886
Right of use		
Real estate	339,800	334,608
Vehicles and equipment	927	929
Work in progress	15,441	18,021
Other tangible assets	278	248
	1,825,318	1,819,551
Accumulated depreciation		
Relative to the current period (note 9)	(25,193)	(104,813)
Relative to the previous periods	(1,169,568)	(1,073,913)
	(1,194,761)	(1,178,726)
	630,557	640,825

As at 31 March 2021, the balance Real Estate includes the amount of Euros 117,666,000 (31 December 2020: Euros 118,532,000) related to real estate held by the Group's real estate investment funds.

The balance Right-of-use essentially corresponds to 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 during the first quarter of 2021 are analysed as follows:

(Thousands of euros)

	31 March 2021					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 March
Real estate	725,639	68	(4,903)	1,225	6,313	728,342
Equipment:						
Computer equipment	330,853	792	(5,547)	980	2,799	329,877
Security equipment	69,812	112	(203)	—	449	70,170
Interior installations	144,693	39	(472)	540	1,191	145,991
Machinery	49,452	182	(317)	345	(196)	49,466
Furniture	84,962	44	(454)	260	554	85,366
Motor vehicles	29,448	918	(1,788)	—	687	29,265
Other equipment	30,886	2	(749)	689	(433)	30,395
Right of use						
Real estate	334,608	8,769	(3,119)	3	(461)	339,800
Vehicles and equipment	929	15	—	—	(17)	927
Work in progress	18,021	1,181	(58)	(3,943)	240	15,441
Other tangible assets	248	—	—	—	30	278
	1,819,551	12,122	(17,610)	99	11,156	1,825,318
Accumulated depreciation						
Real estate	(431,312)	(3,867)	3,003	85	(1,185)	(433,276)
Equipment:						
Computer equipment	(291,414)	(4,360)	5,542	41	(2,220)	(292,411)
Security equipment	(65,662)	(219)	203	—	(383)	(66,061)
Interior installations	(128,864)	(658)	355	—	(756)	(129,923)
Machinery	(41,333)	(326)	254	15	158	(41,232)
Furniture	(77,162)	(706)	436	(25)	(373)	(77,830)
Motor vehicles	(17,215)	(1,069)	1,520	(105)	(466)	(17,335)
Other equipment	(23,586)	(365)	627	(13)	292	(23,045)
Right of use						
Real estate	(101,475)	(13,564)	1,980	—	162	(112,897)
Vehicles and equipment	(668)	(59)	—	—	12	(715)
Other tangible assets	(35)	—	—	—	(1)	(36)
	(1,178,726)	(25,193)	13,920	(2)	(4,760)	(1,194,761)
	640,825	(13,071)	(3,690)	97	6,396	630,557

The changes occurred in Other tangible assets during 2020 are analysed as follows:

(Thousands of euros)

	31 December 2020					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	762,085	2,442	(18,257)	2,415	(23,046)	725,639
Equipment:						
Computer equipment	330,524	11,871	(7,096)	5,331	(9,777)	330,853
Security equipment	71,268	294	(686)	–	(1,064)	69,812
Interior installations	145,298	929	(1,449)	2,767	(2,852)	144,693
Machinery	48,466	706	(465)	2,803	(2,058)	49,452
Furniture	85,951	898	(747)	195	(1,335)	84,962
Motor vehicles	31,820	3,036	(2,978)	–	(2,430)	29,448
Other equipment	32,072	9	(386)	1,255	(2,064)	30,886
Right of use						
Real estate	329,604	26,418	(10,127)	118	(11,405)	334,608
Vehicles and equipment	958	1	–	–	(30)	929
Work in progress	20,833	14,032	(37)	(14,938)	(1,869)	18,021
Other tangible assets	296	17	(1)	–	(64)	248
	1,859,175	60,653	(42,229)	(54)	(57,994)	1,819,551
Accumulated depreciation						
Real estate	(434,959)	(16,103)	10,719	78	8,953	(431,312)
Equipment:						
Computer equipment	(287,185)	(17,642)	6,468	(51)	6,996	(291,414)
Security equipment	(66,236)	(983)	686	–	871	(65,662)
Interior installations	(129,157)	(2,708)	1,275	–	1,726	(128,864)
Machinery	(41,233)	(1,238)	303	(781)	1,616	(41,333)
Furniture	(76,517)	(2,936)	676	774	841	(77,162)
Motor vehicles	(16,616)	(4,644)	2,575	(8)	1,478	(17,215)
Other equipment	(24,001)	(1,478)	359	(10)	1,544	(23,586)
Right of use						
Real estate	(53,428)	(56,761)	5,812	(14)	2,916	(101,475)
Vehicles and equipment	(365)	(320)	–	–	17	(668)
Other tangible assets	(36)	–	1	–	–	(35)
	(1,129,733)	(104,813)	28,874	(12)	26,958	(1,178,726)
	729,442	(44,160)	(13,355)	(66)	(31,036)	640,825

28. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	103,602	105,385
Euro Bank, S.A. (Poland) (*)	41,417	42,130
Others	14,289	14,260
	159,308	161,775
Impairment		
Others	(13,573)	(13,573)
	145,735	148,202
Intangible assets		
Software	193,977	201,918
Other intangible assets	66,637	67,777
	260,614	269,695
Accumulated amortisation		
Charge for the period (note 9)	(9,164)	(32,336)
Charge for the previous periods	(159,916)	(139,607)
	(169,080)	(171,943)
	91,534	97,752
	237,269	245,954

(*) Euro Bank, S.A was merged into Bank Millennium, S.A. in November 2019.

The changes occurred in Goodwill and intangible assets, during the first quarter of 2021, are analysed as follows:

(Thousands of euros)

	31 March 2021					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 March
Goodwill - Differences arising on consolidation	161,775	–	–	–	(2,467)	159,308
Impairment of goodwill	(13,573)	–	–	–	–	(13,573)
	148,202	–	–	–	(2,467)	145,735
Intangible assets						
Software	201,918	3,659	(12,114)	(103)	617	193,977
Other intangible assets	67,777	–	–	–	(1,140)	66,637
	269,695	3,659	(12,114)	(103)	(523)	260,614
Accumulated depreciation						
Software	(115,426)	(8,215)	11,299	80	(246)	(112,508)
Other intangible assets	(56,517)	(949)	–	(80)	974	(56,572)
	(171,943)	(9,164)	11,299	–	728	(169,080)
	97,752	(5,505)	(815)	(103)	205	91,534
	245,954	(5,505)	(815)	(103)	(2,262)	237,269

The changes occurred in Goodwill and intangible assets, during 2020, are analysed as follows:

(Thousands of euros)

	31 December 2020					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	165,904	180	(444)	–	(3,865)	161,775
Impairment of goodwill	(13,837)	(180)	444	–	–	(13,573)
	152,067	–	–	–	(3,865)	148,202
Intangible assets						
Software	189,031	44,505	(15,102)	(5,362)	(11,154)	201,918
Other intangible assets	67,214	–	–	5,226	(4,663)	67,777
	256,245	44,505	(15,102)	(136)	(15,817)	269,695
Accumulated depreciation						
Software	(108,687)	(29,100)	14,951	221	7,189	(115,426)
Other intangible assets	(56,995)	(3,236)	–	(221)	3,935	(56,517)
	(165,682)	(32,336)	14,951	–	11,124	(171,943)
	90,563	12,169	(151)	(136)	(4,693)	97,752
	242,630	12,169	(151)	(136)	(8,558)	245,954

29. Income tax

The deferred income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	31 March 2021			31 December 2020		
	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	836,876	–	836,876	836,909	–	836,909
	1,820,053	–	1,820,053	1,820,086	–	1,820,086
Deferred taxes depending on the future profits						
Impairment losses (b)	682,343	(50,303)	632,040	723,864	(50,303)	673,561
Tax losses carried forward	186,122	–	186,122	176,885	–	176,885
Employee benefits	54,795	(482)	54,313	55,268	(542)	54,726
Financial assets at fair value through other comprehensive income	35,505	(137,400)	(101,895)	38,000	(189,359)	(151,359)
Derivatives	–	(4,500)	(4,500)	–	(4,451)	(4,451)
Intangible assets	49	–	49	49	–	49
Other tangible assets	11,052	(4,204)	6,848	10,992	(4,081)	6,911
Others	69,815	(20,990)	48,825	68,885	(18,745)	50,140
	1,039,681	(217,879)	821,802	1,073,943	(267,481)	806,462
Total deferred taxes	2,859,734	(217,879)	2,641,855	2,894,029	(267,481)	2,626,548
Offset between deferred tax assets and deferred tax liabilities	(211,783)	211,783	–	(260,239)	260,239	–
Net deferred taxes	2,647,951	(6,096)	2,641,855	2,633,790	(7,242)	2,626,548

(a) Special Regime applicable to deferred tax assets

(b) The amounts of 2021 and 2020 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 31 March 2021, the balance deferred tax assets amounts to Euros 2,647,951,000, of which Euros 2,477,866,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 657,844,000 that depends on the existence of future profitable profits (not eligible under the special regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August), including:

- Euros 507,225,000 related to impairment losses; and

- Euros 156,019,000 resulting from tax losses carried forward from 2016, 2020 and 2021, which, taking into account the changes established in Law no. 27-A/2020, of July 24, within the scope of the Supplementary Budget for 2020, may be used until 2030, 2032 and 2033, 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 periods 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, until the competition 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 1,504,678,000 (31 December 2020: Euros 1,471,614,000).

- 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 as a whole. 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 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 expanded 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 when the deferred taxes are related to the same tax.

The current tax rate for Banco Comercial Português, S.A. is analysed as follows:

	31 March 2021	31 December 2020
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% (31 December 2020: 21%).

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 31.30% (31 December 2020: 31.30%). The income tax rate in the other main countries where the Group operates is 19% in Poland, 32% in Mozambique, 0% (exemption) in the Cayman Islands and 14% in Switzerland.

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.

In Poland, the term is 5 years, in Mozambique it is 5 years and in Switzerland it is 7 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 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	31 March 2021	31 December 2020
2021-2026	30,077	29,043
2030-2033	156,045	147,842
	186,122	176,885

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.

In the estimation of the taxable income for the year 2020 and in the estimation of taxable income by reference to 31 March 2021 it was 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 Bank's financial statements resulting from its application.

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Z.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 2021 and adjusted according to the strategic plan approved by the elected governing bodies, considering the macroeconomic and competitive environment.

To estimate taxable net income for the periods of 2021 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 2021 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2020, 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 2019-2021 submitted to the supervisory authority in March 2019, updated in June 2020 and also on the average reversal percentage observed in the last years of 2016 to 2020;

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.

-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 2020. 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 2020, 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 projections made reflect the effects of changes in the macroeconomic, competitive and legal/regulatory framework caused by the COVID-19 pandemic. The Group's strategic priorities remain unchanged, although the achievement of the projected financial results will necessarily suffer a time delay due, on the one hand, to the constraints on the development of activity imposed by the crisis and, on the other, to the impact that the same crisis will have on the credit and other asset portfolios, with immediate repercussions on profitability. To this extent, the projections assume, beyond the initial years of the crisis, a convergence towards medium/long-term metrics and trends consistent with commercial positioning and the ambitious capture of efficiency gains, to which the Group remains committed, with emphasis on:

- improvement in the net margin, reflecting an effort to increase credit, favouring certain segments, the focus on off-balance sheet resources while interest rates remain negative and the effect of the normalization of those rates in the last years of the projection horizon, such as results from the market interest rate curve;

- 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 FREs portfolios;

- capturing efficiency gains enhanced by digitalization, reflected in the control of operating costs, but implying in the short term an effort to adapt the Bank's structure.

The performed analyse allow the conclusion of total recoverability of the deferred tax assets recognized as at 31 December 2020. This analyse was not updated for March 2021.

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	31 March 2021	31 December 2020
2021-2025	119,673	119,874
2026	42,581	42,581
2027-2029	161,690	161,685
2030-2033	328,336	328,329
	652,280	652,469

The impact of income taxes in Net income and in other balances of the Group's equity, as at 31 March 2021, is analysed as follows:

(Thousands of euros)

	31 March 2021		
	Net income for the period	Reserves	Exchange differences
Deferred taxes Deferred taxes not depending on the future profits			
Employee benefits	(31)	(2)	–
	(31)	(2)	–
Deferred taxes depending on the future profits			
Impairment losses	(39,061)	–	(2,460)
Tax losses carried forward (a)	6,295	986	1,956
Employee benefits	368	(937)	156
Financial assets at fair value through other comprehensive income	–	50,947	(1,483)
Derivatives	–	–	(49)
Intangible assets	(1)	–	1
Other tangible assets	(81)	–	18
Others	(2,411)	39	1,057
	(34,891)	51,035	(804)
	(34,922)	51,033	(804)
Current taxes			
Current year	(24,022)	2	–
Correction of previous years	1,336	–	–
	(22,686)	2	–
	(57,608)	51,035	(804)

(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 the Group's equity, as at 31 March 2020, is analysed as follows:

(Thousands of euros)

	31 March 2020		
	Net income for the period	Reserves	Exchange differences
Deferred taxes Deferred taxes not depending on the future profits			
Employee benefits	—	—	—
	—	—	—
Deferred taxes depending on the future profits			
Impairment losses	(35,227)	—	(8,074)
Tax losses carried forward (a)	44	(63)	(591)
Employee benefits	620	(883)	(151)
Financial assets at fair value through other comprehensive income	—	12,717	(528)
Derivatives	—	—	1,057
Intangible assets	646	—	17
Other tangible assets	403	—	(106)
Others	(5,160)	(432)	(900)
	(38,674)	11,339	(9,276)
	(38,674)	11,339	(9,276)
Current taxes			
Current year	(27,139)	3	—
Correction of previous years	175	—	—
	(26,964)	3	—
	(65,638)	11,342	(9,276)

(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 reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	31 March 2021	31 March 2020
Net income/(loss) before income taxes	86,670	109,624
Current tax rate (%)	31.5%	31.5%
Expected tax	(27,301)	(34,532)
Non-deductible impairment and provisions (a)	(21,908)	(25,322)
Contribution to the banking sector (b)	(5,364)	(6,786)
Interests on other equity instruments (c)	2,914	—
Tax benefits	3,217	3,584
Correction of previous years	(4,190)	176
Effect of the difference between the tax rate and deferred tax	(8,154)	3,219
Effect of recognition/derecognition net of deferred taxes	(2,228)	(9,968)
Other corrections	793	943
Results of companies accounted by the equity method	4,836	3,400
Autonomous tax	(223)	(352)
Total	(57,608)	(65,638)
Effective rate (%)	66.47%	59.88%

(a) In 2021,includes the negative amount of Euros 18,382,000 (31 December 2020: negative amount of Euros 2,636,000) associated to the impact of the non-deductibility, for taxes purposes, of provisions for legal risk related to foreign currency-indexed mortgage loans by the polish subsidiary. In 2020 includes the negative amount of Euros 18,900,000 related to the impact of the non-deductibility for tax purposes of the allocation of additional provisions for other risks related to the effects of the COVID-19 pandemic.

(b) Relates to the Contribution to the banking sector in Poland.

(c) Relates to the impact of the deduction, for the purpose of calculating the taxable income, of interests paid related with the perpetual bond, subordinated debt representative, issued on 31 January 2019.

30. Other assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Deposit account applications	279,668	324,501
Associated companies	1,010	425
Subsidies receivables	11,144	9,750
Prepaid expenses	26,239	24,186
Debtors for futures and options transactions	129,387	281,991
Insurance activity	5,032	5,355
Debtors		
Residents		
Prosecution cases/agreements with the Bank	14,236	14,023
SIBS	3,838	4,832
Receivables from real estate, transfers of assets and other securities	86,519	105,003
Others	52,775	18,579
Non-residents	58,038	96,346
Dividends to receive	–	4,672
Interest and other amounts receivable	69,872	64,320
Amounts receivable on trading activity	39,291	498
Gold and other precious metals	3,757	3,743
Other financial investments	15,777	16,393
Other recoverable tax	28,817	28,817
Artistic patrimony	165	165
Reinsurance technical provision	11,326	21,071
Obligations with post-employment benefits	95,177	93,041
Capital supplies	241,028	239,735
Amounts due for collection	47,045	74,119
Amounts due from customers	20,608	21,278
Sundry assets	121,268	109,311
	1,362,017	1,562,154
Impairment of other assets	(249,955)	(265,342)
	1,112,062	1,296,812

The changes occurred in Impairment of other assets are analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Balance at the beginning of the period	265,342	247,916
Transfers	(4,713)	15,464
Charge for the year (note 12)	5,470	17,184
Reversals for the year (note 12)	(3,479)	(9,636)
Amounts charged-off	(12,704)	(5,381)
Exchange rate differences	39	(205)
Balance at the end of the period	249,955	265,342

31. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Resources and other financing from Central Banks		
Bank of Portugal	8,091,004	7,510,013
Central Banks abroad	96,904	94,713
	8,187,908	7,604,726
Resources from credit institutions in Portugal		
Sight deposits	37,110	97,151
Term Deposits	211,208	313,560
CIRS and IRS operations collateralised by deposits (*)	270	120
Other resources	—	229
	248,588	411,060
Resources from credit institutions abroad		
Very short-term deposits	6,056	—
Sight deposits	90,293	110,625
Term Deposits	146,640	216,818
Loans obtained	445,845	467,353
CIRS and IRS operations collateralised by deposits (*)	49,439	25,211
Sales operations with repurchase agreement	2,151	54,507
Other resources	9,286	8,459
	749,710	882,973
	9,186,206	8,898,759

(*) 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 characteristics of the financing and the nature of the respective lender, the Group accounts for the TLTRO III operation under IFRS9. The Group considers that the operation constitutes variable rate financing, indexed to variable rates administratively fixed by the ECB. Specifically for the period between 24 June 2020 and 23 June 2021, the Group has fulfilled the conditions required for application to the financing an interest rate corresponding to the average Deposity Rate Facility in effect in the period minus 0.50%, with a maximum of -1%. As a consequence, it recognizes in the financial statements, for the referred interest counting period, the rate of -1%. As at 31 March 2021, the balance Resources and other financing from Central Banks – Bank of Portugal includes a financing associated with this program in the amount of Euros 8.150,070,000 (31 December 2020: Euros 7,550,070,000).

The balance Resources from credit institutions - Resources from credit institutions abroad - Sales operations with repurchase agreement, corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

32. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Deposits from customers		
Repayable on demand	44,712,187	43,094,367
Term deposits	14,461,857	14,186,698
Saving accounts	5,467,330	5,278,672
Treasury bills and other assets sold under repurchase agreement	24,673	15,890
Cheques and orders to pay	466,099	364,994
Other	60,080	60,208
	65,192,226	63,000,829

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.

33. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Bonds	95,653	126,953
Covered bonds	998,157	997,765
Medium term notes (MTNs)	553,845	91,811
Securitisations	163,011	167,801
	1,810,666	1,384,330
Accruals	7,225	4,519
	1,817,891	1,388,849

34. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Non-Perpetual bonds	1,265,957	1,385,218
Accruals	12,763	19,954
	1,278,720	1,405,172

As at 31 March 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 Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	36
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	408
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	300,000	299,045	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	448,296	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1.79% +2.30%	150,901	150,901	56,067
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 1.79% + 2.30%	178,925	178,925	66,480
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	92,550	89,646	3,074
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,265,957	876,065
Accruals					12,763	—
					1,278,720	876,065

(*) 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).

As at 31 December 2020, 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 Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	5,573
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	3,241
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	2,158
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	300,000	299,016	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	449,688	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1.79% +2.30%	153,499	153,499	59,160
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 1.79% + 2.30%	182,006	182,005	70,147
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	92,268	87,866	4,517
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,385,218	894,796
Accruals					19,954	—
					1,405,172	894,796

(*) 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).

35. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Short selling securities	2,037	14,205
Trading derivatives		
Swaps	196,675	253,983
Options	484	159
Embedded derivatives	3,563	4,426
Forwards	6,411	6,078
	207,133	264,646
	209,170	278,851

36. Financial liabilities designated at fair value through profit or loss

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Deposits from customers	181,070	258,528
Debt securities at fair value through profit and loss		
Medium term notes (MTNs)	656,253	662,016
Accruals	3	1
	656,256	662,017
Certificates	762,014	678,860
	1,599,340	1,599,405

37. Provisions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Provision for guarantees and other commitments	103,151	103,830
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	7,900	5,774
Life insurance	2,206	2,020
For participation in profit and loss	108	104
Other technical provisions	17,156	25,921
Other provisions for liabilities and charges	423,053	306,150
	553,574	443,799

Changes in Provisions for guarantees and other commitments are analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Balance at the beginning of the period	103,830	116,560
Transfers	—	(14,885)
Charge for the year (note 13)	9,779	43,204
Reversals for the year (note 13)	(10,390)	(39,986)
Exchange rate differences	(68)	(1,063)
Balance at the end of the period	103,151	103,830

As at 31 December 2020, the balance Transfers included the amount of Euros 14,885,000 corresponding to provisions for guarantees and other commitments, which was transferred to loans impairment due the conversion of guarantees granted into loans and advances to customers.

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Balance at the beginning of the period	306,150	190,937
Transfers resulting from changes in the Group's structure	—	(50)
Transfers	60	41
Charge for the year (note 13)	123,344	238,181
Reversals for the year (note 13)	(413)	(3,107)
Amounts charged-off	(660)	(115,303)
Exchange rate differences	(5,428)	(4,549)
Balance at the end of the period	423,053	306,150

38. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Creditors:		
Associated companies	—	98
Suppliers	33,488	31,718
From factoring operations	39,332	40,045
For futures and options transactions	3,554	6,852
For direct insurance and reinsurance operations	5,362	12,636
Deposit account and other applications	51,487	38,701
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	14,255	14,481
Rents to pay	232,319	238,868
Other creditors		
Residents	26,525	30,691
Non-residents	60,061	55,953
Holidays, subsidies and other remuneration payable	44,507	54,645
Interests and other amounts payable	142,864	142,747
Operations to be settled - foreign, transfers and deposits	126,790	94,594
Amounts payable on trading activity	99,598	51,158
Other administrative costs payable	4,917	4,438
Deferred income	8,858	8,593
Loans insurance received and to amortised	77,137	79,322
Public sector	35,511	32,292
Other liabilities	187,004	165,820
	1,193,569	1,103,652

39. Share capital, Preference shares and Other equity instruments

The Bank's share capital, as at 31 March 2021, 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 31 March 2021, 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 31 March 2021, the balance Other equity instruments, in the amount of Euros 400,000,000 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 according with the 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.

40. 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 2019 financial year approved at the General Shareholders' Meeting held on 20 May 2020, the Bank increased its legal reserve in the amount of Euros 13,929,000. As at 31 March 2021, the Legal reserves amount to Euros 254,464,000 (31 December 2020: Euros 254,464,000).

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).

41. Treasury shares

This balance is analysed as follows:

	31 December 2020
	Banco Comercial Português, S.A. shares
Net book value (Euros '000)	40
Number of securities	323,738
Average book value (Euros)	0.12

As at 31 March 2021, Banco Comercial Português, S.A. does not hold treasury shares and did not purchase or sold own shares during the period. However, with reference to 31 December 2020, this balance included 323,738 shares owned by customers. Since for some of these customers there is evidence of impairment, the shares of the Bank owned by these customers were considered as treasury shares, and, in accordance with the accounting policies, deducted to equity.

The own shares held by the companies included in the consolidation perimeter are within the limits established by the Bank's by-laws and by the Commercial Companies Code.

42. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 22)		
Debt instruments (*)	160,644	205,592
Equity instruments	(36,263)	(38,366)
Of associated companies and other changes	36,429	42,685
Cash-flow hedge	148,743	265,487
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	473	593
	310,026	475,991
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(48,179)	(60,662)
Equity instruments	6,449	6,581
Cash-flow hedge	(47,517)	(83,698)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(148)	(186)
	(89,395)	(137,965)
	220,631	338,026
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(78,662)	(70,614)
BIM - Banco Internacional de Moçambique, S.A.	(193,632)	(229,851)
Banco Millennium Atlântico, S.A.	(167,522)	(172,450)
Others	2,375	2,403
	(437,441)	(470,512)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	37,431	37,611
Others	(3,965)	(3,965)
	33,466	33,646
Other reserves and retained earnings	913,450	741,237
	730,106	642,397

(*) 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.

43. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Fair value changes		
Debt instruments	18,941	29,268
Equity instruments	3,014	3,066
Cash-flow hedge	(7,774)	(4,860)
Other	8	10
	14,189	27,484
Deferred taxes		
Debt instruments	(3,689)	(5,543)
Equity instruments	(578)	(588)
Cash-flow hedge	1,477	923
	(2,790)	(5,208)
	11,399	22,276
Exchange differences arising on consolidation	(210,039)	(212,897)
Actuarial losses (net of taxes)	59	59
Other reserves and retained earnings	1,310,489	1,355,528
	1,111,908	1,164,966

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	31 March 2021	31 December 2020	31 March 2021	31 March 2020
Bank Millennium, S.A.	934,488	994,741	(34,216)	2,078
BIM - Banco Internacional de Moçambique, S.A. (*)	146,598	139,590	5,276	6,675
Other subsidiaries	30,822	30,635	187	(66)
	1,111,908	1,164,966	(28,753)	8,687

(*) Includes the non-controlling interests of BIM Group related to SIM - Seguradora International de Moçambique, S.A.R.L.

44. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	31 March 2021	31 December 2020
Guarantees granted		
Guarantees	3,935,241	3,958,676
Stand-by letter of credit	60,155	56,990
Open documentary credits	322,585	251,221
Bails and indemnities	136,802	137,135
	4,454,783	4,404,022
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	3,943	–
Irrevocable credit lines	5,051,002	4,955,454
Securities subscription	74,117	75,362
Other irrevocable commitments	121,373	117,175
Revocable commitments		
Revocable credit lines	5,429,157	5,327,914
Bank overdraft facilities	970,534	982,992
Other revocable commitments	140,459	170,206
	11,790,585	11,629,103
Guarantees received	27,626,823	27,133,779
Commitments from third parties	13,096,164	12,947,778
Securities and other items held for safekeeping	75,153,306	78,055,537
Securities and other items held under custody by the Securities Depository Authority	82,119,310	83,866,357
Other off-balance sheet accounts	127,295,722	125,337,843

45. Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) to 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 from 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 asset 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 holding 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. During the first quarter of 2021 and during 2020, no credits were sold to specialized funds in credit recovery. The amounts accumulated as at 31 March 2021 and 31 December 2020, related to these operations, are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains/(losses) obtained with the transfer
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 31 March 2021, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 March 2021			
	Senior securities	Junior securities		
	Participation units (note 22)	Capital supplies (note 30)	Supplementary capital contributions	Total
Fundo Recuperação Turismo FCR				
Gross value	277,869	33,249	–	311,118
Impairment and other fair value adjustments	(93,717)	(33,249)	–	(126,966)
	184,152	–	–	184,152
Fundo Reestruturação Empresarial FCR				
Gross value	60,963	–	33,280	94,243
Impairment and other fair value adjustments	(37,778)	–	(33,280)	(71,058)
	23,185	–	–	23,185
FLIT-PTREL				
Gross value	249,007	38,154	–	287,161
Impairment and other fair value adjustments	(24,898)	(38,154)	–	(63,052)
	224,109	–	–	224,109
Fundo Recuperação FCR				
Gross value	188,262	81,166	–	269,428
Impairment and other fair value adjustments	(109,985)	(81,166)	–	(191,151)
	78,277	–	–	78,277
Fundo Aquarius FCR				
Gross value	127,138	–	–	127,138
Impairment and other fair value adjustments	(11,012)	–	–	(11,012)
	116,126	–	–	116,126
Discovery Real Estate Fund				
Gross value	157,057	–	–	157,057
Impairment and other fair value adjustments	(4,194)	–	–	(4,194)
	152,863	–	–	152,863
Fundo Vega FCR				
Gross value	48,453	81,143	–	129,596
Impairment and other fair value adjustments	(7,139)	(81,143)	–	(88,282)
	41,314	–	–	41,314
Total Gross value	1,108,749	233,712	33,280	1,375,741
Total impairment and other fair value adjustments	(288,723)	(233,712)	(33,280)	(555,715)
	820,026	–	–	820,026

The supplementary capital contributions were initially recorded for the amount of Euros 33,280,000 and a negative fair value adjustment was made in the same amount.

As at 31 December 2020, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 December 2020			
	Senior securities	Junior securities		
	Participation units (note 22)	Capital supplies (note 30)	Supplementary capital contributions	Total
Fundo Recuperação Turismo FCR				
Gross value	277,351	33,134	–	310,485
Impairment and other fair value adjustments	(89,962)	(33,134)	–	(123,096)
	187,389	–	–	187,389
Fundo Reestruturação Empresarial FCR				
Gross value	65,609	–	33,280	98,889
Impairment and other fair value adjustments	(40,396)	–	(33,280)	(73,676)
	25,213	–	–	25,213
FLIT-PTREL				
Gross value	249,007	38,154	–	287,161
Impairment and other fair value adjustments	(24,898)	(38,154)	–	(63,052)
	224,109	–	–	224,109
Fundo Recuperação FCR				
Gross value	188,262	80,696	–	268,958
Impairment and other fair value adjustments	(106,978)	(80,696)	–	(187,674)
	81,284	–	–	81,284
Fundo Aquarius FCR				
Gross value	127,138	–	–	127,138
Impairment and other fair value adjustments	(11,012)	–	–	(11,012)
	116,126	–	–	116,126
Discovery Real Estate Fund				
Gross value	157,057	–	–	157,057
Impairment and other fair value adjustments	(4,193)	–	–	(4,193)
	152,864	–	–	152,864
Fundo Vega FCR				
Gross value	48,075	80,437	–	128,512
Impairment and other fair value adjustments	(7,084)	(80,437)	–	(87,521)
	40,991	–	–	40,991
Total Gross value	1,112,499	232,421	33,280	1,378,200
Total impairment and other fair value adjustments	(284,523)	(232,421)	(33,280)	(550,224)
	827,976	–	–	827,976

The supplementary capital contributions were initially recorded for the amount of Euros 33,280,000 and a negative fair value adjustment was made in the same amount.

46. Relevant events occurred during the first quarter of 2021

Issue of senior preferred debt securities

On 5 February 2021, Banco Comercial Português, S.A. has fixed the terms for a new issue of senior preferred debt securities, under its Euro Note Programme. The issue, in the amount of Euros 500 million, will have a tenor of 6 years, with the option of early redemption by the Bank at the end of year 5, an issue price of 99.879% and an annual interest rate of 1.125% during the first 5 years (corresponding to a spread of 1.55% over the 5-year mid-swap rate). The annual interest rate for the 6th year was set at 3-month Euribor plus a 1.55% spread. The transaction was placed with a very diversified group of European institutional investors.

Amendments of terms of the Covered Bonds

On 23 March 2021, Banco Comercial Português, SA (Bank) changed the conditions of the Covered Bonds with the ISIN PTBIPGOE0061, having changed the maturity date from 18 May 2021 to 18 October 2024 and the extended maturity date from 18 May 2022 to 18 October 2025. Regarding the Covered Bonds with the ISIN PTBCSFOE0024, the maturity date was changed from 29 July 2021 to 29 October 2025 and the extended maturity date from 29 July 2022 to 29 October 2026.

47. 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.

Segments 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 which 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 Treasury and Markets International Division), 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 customers with high net worth, based on a commitment to excellence and a personalized relationship with customers;

- Wealth Management Division, which provides advisory services and portfolio management for customers 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.

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, 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 31 March 2021, 31 December 2020 and 31 March 2020 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 31 March 2021. 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).

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 for which there is a statement of financial position.

As at 31 March 2021, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	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	113,694	188,611	302,305	66,589	3,428	31,745	404,067
Interest expense and similar charges	(1,429)	(18,622)	(20,051)	(4,063)	(531)	(3,406)	(28,051)
Net interest income	112,265	169,989	282,254	62,526	2,897	28,339	376,016
Commissions and other income	102,321	75,202	177,523	42,762	15,869	1,311	237,465
Commissions and other costs	(10,854)	(48,193)	(59,047)	(4,911)	(2,912)	(15,002)	(81,872)
Net commissions and other income [2]	91,467	27,009	118,476	37,851	12,957	(13,691)	155,593
Net gains arising from trading activity [3]	4,073	9,547	13,620	68	800	28,406	42,894
Share of profit of associates under the equity method	–	362	362	–	–	14,990	15,352
Gains/(losses) arising from the sale of subsidiaries and other assets	–	166	166	4	–	(1,210)	(1,040)
Net operating revenue	207,805	207,073	414,878	100,449	16,654	56,834	588,815
Operating expenses	117,904	101,989	219,893	27,238	11,463	723	259,317
Impairment for credit and financial assets [4]	(11,215)	(20,184)	(31,399)	(43,684)	(43)	(37,223)	(112,349)
Other impairments and provisions [5]	(15)	(120,328)	(120,343)	–	–	(10,136)	(130,479)
Net income/(loss) before income tax	78,671	(35,428)	43,243	29,527	5,148	8,752	86,670
Income tax	(23,534)	(20,327)	(43,861)	(9,041)	(1,440)	(3,266)	(57,608)
Net income/(loss) for the period	55,137	(55,755)	(618)	20,486	3,708	5,486	29,062
Non-controlling interests [6]	–	28,941	28,941	–	–	(188)	28,753
Net income/(loss) for the period attributable to Bank's Shareholders	55,137	(26,814)	28,323	20,486	3,708	5,298	57,815

[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), net gains from insurance activity 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 and advances of credit institutions, 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 fair value through other comprehensive income and at amortised cost not associated with credit operations).
[5] Includes impairment of non current assets held for sale, impairment of investments in associated companies, impairment of goodwill, impairment of other assets and other provisions.
[6] Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.

As at 31 March 2021, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

BALANCE SHEET							
Cash and Loans and advances to credit institutions	10,720,221	1,348,363	12,068,584	1,830,967	3,027,927	(9,258,903)	7,668,575
Loans and advances to customers [1]	23,698,225	16,768,477	40,466,702	11,765,108	648,588	1,464,008	54,344,406
Financial assets [2]	716,405	5,878,453	6,594,858	–	83,711	13,784,798	20,463,367
Other assets	54,463	751,486	805,949	5,963	13,175	5,264,444	6,089,531
Total Assets	35,189,314	24,746,779	59,936,093	13,602,038	3,773,401	11,254,347	88,565,879
Resources from other credit institutions [3]	405,129	196,667	601,796	3,123,264	973	5,460,173	9,186,206
Resources from customers [4]	32,221,124	20,703,439	52,924,563	9,156,683	3,145,893	146,157	65,373,296
Debt securities issued [5]	1,329,327	91,317	1,420,644	2,322	131,301	1,681,894	3,236,161
Other financial liabilities [6]	–	454,540	454,540	–	269	1,255,965	1,710,774
Other liabilities [7]	39,387	951,433	990,820	66,427	15,726	690,705	1,763,678
Total Liabilities	33,994,967	22,397,396	56,392,363	12,348,696	3,294,162	9,234,894	81,270,115
Total Equity	1,194,347	2,349,383	3,543,730	1,253,342	479,239	2,019,453	7,295,764
Total Liabilities and Equity	35,189,314	24,746,779	59,936,093	13,602,038	3,773,401	11,254,347	88,565,879
Number of employees	4,421	9,979	14,400	585	235	1,848	17,068

[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 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 31 March 2020, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	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	139,062	272,138	411,200	77,505	9,660	2,062	500,427
Interest expense and similar charges	(5,723)	(75,356)	(81,079)	(20,652)	(1,576)	(11,651)	(114,958)
Net interest income	133,339	196,782	330,121	56,853	8,084	(9,589)	385,469
Commissions and other income	104,969	76,633	181,602	43,699	15,683	1,661	242,645
Commissions and other costs	(11,709)	(60,029)	(71,738)	(7,171)	(2,192)	(16,927)	(98,028)
Net commissions and other income [2]	93,260	16,604	109,864	36,528	13,491	(15,266)	144,617
Net gains arising from trading activity [3]	1,602	15,072	16,674	93	1,030	43,594	61,391
Share of profit of associates under the equity method	—	1,444	1,444	—	—	9,349	10,793
Gains/(losses) arising from the sale of subsidiaries and other assets	8	(175)	(167)	—	—	(4,296)	(4,463)
Net operating revenue	228,209	229,727	457,936	93,474	22,605	23,792	597,807
Operating expenses	118,794	123,663	242,457	28,306	12,986	2,611	286,360
Impairment for credit and financial assets [4]	(8,455)	(27,809)	(36,264)	(38,679)	696	(11,910)	(86,157)
Other impairments and provisions [5]	(8)	(33,277)	(33,285)	—	—	(82,381)	(115,666)
Net income/(loss) before income tax	100,952	44,978	145,930	26,489	10,315	(73,110)	109,624
Income tax	(30,803)	(19,877)	(50,680)	(8,070)	(2,653)	(4,235)	(65,638)
Net income/(loss) for the period	70,149	25,101	95,250	18,419	7,662	(77,345)	43,986
Non-controlling interests [6]	—	(8,754)	(8,754)	—	—	67	(8,687)
Net income/(loss) for the period attributable to Bank's Shareholders	70,149	16,347	86,496	18,419	7,662	(77,278)	35,299

[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), net gains from insurance activity 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 and advances of credit institutions, 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 fair value through other comprehensive income and at amortised cost not associated with credit operations).
[5] Includes impairment of non current assets held for sale, impairment of investments in associated companies, impairment of goodwill, impairment of other assets and other provisions.
[6] Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.

As at 31 December 2020, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

BALANCE SHEET							
Cash and Loans and advances to credit institutions	10,506,127	1,208,961	11,715,088	1,445,196	2,995,837	(9,574,775)	6,581,346
Loans and advances to customers [1]	23,493,301	16,734,248	40,227,549	11,989,542	629,549	1,226,439	54,073,079
Financial assets [2]	720,892	4,876,098	5,596,990	—	64,838	13,198,762	18,860,590
Other assets	52,027	721,363	773,390	5,958	16,302	5,502,756	6,298,406
Total Assets	34,772,347	23,540,670	58,313,017	13,440,696	3,706,526	10,353,182	85,813,421
Resources from other credit institutions [3]	426,640	304,873	731,513	3,520,818	2	4,646,426	8,898,759
Resources from customers [4]	31,763,585	19,397,541	51,161,126	8,603,654	3,116,443	378,134	63,259,357
Debt securities issued [5]	1,316,912	122,483	1,439,395	1,430	93,592	1,195,309	2,729,726
Other financial liabilities [6]	—	536,722	536,722	—	218	1,432,849	1,969,789
Other liabilities [7]	45,055	732,758	777,813	68,905	17,280	705,522	1,569,520
Total Liabilities	33,552,192	21,094,377	54,646,569	12,194,807	3,227,535	8,358,240	78,427,151
Total Equity	1,220,155	2,446,293	3,666,448	1,245,889	478,991	1,994,942	7,386,270
Total Liabilities and Equity	34,772,347	23,540,670	58,313,017	13,440,696	3,706,526	10,353,182	85,813,421
Number of employees	4,447	10,236	14,683	583	232	1,837	17,335

[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 31 March 2021, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [(1)]	Consolidated
INCOME STATEMENT									
Interest and similar income	113,694	66,589	1,837	31,745	213,865	143,628	44,983	1,591	404,067
Interest expense and similar charges	(1,429)	(4,063)	(504)	(3,406)	(9,402)	(7,188)	(11,445)	(16)	(28,051)
Net interest income	112,265	62,526	1,333	28,339	204,463	136,440	33,538	1,575	376,016
Commissions and other income	102,321	42,762	7,597	1,311	153,991	61,979	13,223	8,272	237,465
Commissions and other costs	(10,854)	(4,911)	(434)	(15,002)	(31,201)	(43,597)	(4,596)	(2,478)	(81,872)
Net commissions and other income [(2)]	91,467	37,851	7,163	(13,691)	122,790	18,382	8,627	5,794	155,593
Net gains arising from trading activity [(3)]	4,073	68	42	28,406	32,589	7,050	2,497	758	42,894
Share of profit of associates under the equity method	–	–	–	14,990	14,990	–	–	362	15,352
Gains/(losses) arising from the sale of subsidiaries and other assets	–	4	–	(1,210)	(1,206)	140	26	–	(1,040)
Net operating revenue	207,805	100,449	8,538	56,834	373,626	162,012	44,688	8,489	588,815
Operating expenses	117,904	27,238	4,830	723	150,695	81,489	20,500	6,633	259,317
Impairment for credit and financial assets [(4)]	(11,215)	(43,684)	(47)	(37,223)	(92,169)	(16,006)	(4,178)	4	(112,349)
Other impairments and provisions [(5)]	(15)	–	–	(10,136)	(10,151)	(118,483)	1,355	(3,200)	(130,479)
Net income/(loss) before income tax	78,671	29,527	3,661	8,752	120,611	(53,966)	21,365	(1,340)	86,670
Income tax	(23,534)	(9,041)	(1,153)	(3,266)	(36,994)	(14,604)	(5,720)	(290)	(57,608)
Net income/(loss) for the period	55,137	20,486	2,508	5,486	83,617	(68,570)	15,645	(1,630)	29,062
Non-controlling interests [(6)]	–	–	–	(188)	(188)	34,217	(5,276)	–	28,753
Net income/(loss) for the period attributable to Bank's Shareholders	55,137	20,486	2,508	5,298	83,429	(34,353)	10,369	(1,630)	57,815

(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), net gains from insurance activity 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 and advances of credit institutions, 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, impairment of goodwill, impairment of other assets and other provisions.
(6) Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.

As at 31 March 2021, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

BALANCE SHEET									
Cash and Loans and advances to credit institutions	10,720,221	1,830,967	2,451,138	(9,258,903)	5,743,423	644,568	703,761	576,823	7,668,575
Loans and advances to customers [(1)]	23,698,225	11,765,108	280,176	1,464,008	37,207,517	16,234,958	533,519	368,412	54,344,406
Financial assets [(2)]	716,405	–	–	13,784,798	14,501,203	5,059,988	818,499	83,677	20,463,367
Other assets	54,463	5,963	1,247	5,264,444	5,326,117	488,972	190,397	84,045	6,089,531
Total Assets	35,189,314	13,602,038	2,732,561	11,254,347	62,778,260	22,428,486	2,246,176	1,112,957	88,565,879
Resources from other credit institutions [(3)]	405,129	3,123,264	–	5,460,173	8,988,566	180,113	4,280	13,247	9,186,206
Resources from customers [(4)]	32,221,124	9,156,683	2,524,441	146,157	44,048,405	19,025,310	1,678,129	621,452	65,373,296
Debt securities issued [(5)]	1,329,327	2,322	131,301	1,681,894	3,144,844	91,317	–	–	3,236,161
Other financial liabilities [(6)]	–	–	–	1,255,965	1,255,965	454,539	–	270	1,710,774
Other liabilities [(7)]	39,387	66,427	848	690,705	797,367	804,452	130,981	30,878	1,763,678
Total Liabilities	33,994,967	12,348,696	2,656,590	9,234,894	58,235,147	20,555,731	1,813,390	665,847	81,270,115
Equity and non-controlling interests	1,194,347	1,253,342	75,971	2,019,453	4,543,113	1,872,755	432,786	447,110	7,295,764
Total Liabilities, Equity and Non-controlling interests	35,189,314	13,602,038	2,732,561	11,254,347	62,778,260	22,428,486	2,246,176	1,112,957	88,565,879
Number of employees	4,421	585	150	1,848	7,004	7,392	2,587	85	17,068

(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 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 31 March 2020, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	139,062	77,505	7,420	2,062	226,049	213,137	59,001	2,240	500,427
Interest expense and similar charges	(5,723)	(20,652)	(1,545)	(11,651)	(39,571)	(57,886)	(17,365)	(136)	(114,958)
Net interest income	133,339	56,853	5,875	(9,589)	186,478	155,251	41,636	2,104	385,469
Commissions and other income	104,969	43,699	6,916	1,661	157,245	59,013	17,620	8,767	242,645
Commissions and other costs	(11,709)	(7,171)	(472)	(16,927)	(36,279)	(54,150)	(5,880)	(1,719)	(98,028)
Net commissions and other income [2]	93,260	36,528	6,444	(15,266)	120,966	4,863	11,740	7,048	144,617
Net gains arising from trading activity [3]	1,602	93	23	43,594	45,312	11,711	3,361	1,007	61,391
Share of profit of associates under the equity method	—	—	—	9,349	9,349	—	—	1,444	10,793
Gains/(losses) arising from the sale of subsidiaries and other assets	8	—	—	(4,296)	(4,288)	(253)	78	—	(4,463)
Net operating revenue	228,209	93,474	12,342	23,792	357,817	171,572	56,815	11,603	597,807
Operating expenses	118,794	28,306	5,879	2,611	155,590	98,658	24,927	7,185	286,360
Impairment for credit and financial assets [4]	(8,455)	(38,679)	864	(11,910)	(58,180)	(27,449)	(360)	(168)	(86,157)
Other impairments and provisions [5]	(8)	—	—	(82,381)	(82,389)	(27,591)	(5,686)	—	(115,666)
Net income/(loss) before income tax	100,952	26,489	7,327	(73,110)	61,658	17,874	25,842	4,250	109,624
Income tax	(30,803)	(8,070)	(2,308)	(4,235)	(45,416)	(13,709)	(6,218)	(295)	(65,638)
Net income/(loss) for the period	70,149	18,419	5,019	(77,345)	16,242	4,165	19,624	3,955	43,986
Non-controlling interests [6]	—	—	—	67	67	(2,078)	(6,676)	—	(8,687)
Net income/(loss) for the period attributable to Bank's Shareholders	70,149	18,419	5,019	(77,278)	16,309	2,087	12,948	3,955	35,299

[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), net gains from insurance activity 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 and advances of credit institutions, 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 fair value through other comprehensive income and at amortised cost not associated with credit operations).
[5] Includes impairment of non-current assets held for sale, impairment of investments in associated companies, impairment of goodwill, impairment of other assets and other provisions.
[6] Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.

As at 31 December 2020, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

BALANCE SHEET									
Cash and Loans and advances to credit institutions	10,506,127	1,445,196	2,368,614	(9,574,775)	4,745,162	471,914	737,012	627,258	6,581,346
Loans and advances to customers [1]	23,493,301	11,989,542	275,817	1,226,439	36,985,099	16,246,374	487,874	353,732	54,073,079
Financial assets [2]	720,892	—	—	13,198,762	13,919,654	4,249,321	626,811	64,804	18,860,590
Other assets	52,027	5,958	1,292	5,502,756	5,562,033	472,161	182,682	81,530	6,298,406
Total Assets	34,772,347	13,440,696	2,645,723	10,353,182	61,211,948	21,439,770	2,034,379	1,127,324	85,813,421
Resources from other credit institutions [3]	426,640	3,520,818	—	4,646,426	8,593,884	286,432	5,574	12,869	8,898,759
Resources from customers [4]	31,763,585	8,603,654	2,475,887	378,134	43,221,260	17,873,943	1,523,599	640,555	63,259,357
Debt securities issued [5]	1,316,912	1,430	93,592	1,195,309	2,607,243	122,483	—	—	2,729,726
Other financial liabilities [6]	—	—	—	1,432,849	1,432,849	536,722	—	218	1,969,789
Other liabilities [7]	45,055	68,905	1,084	705,522	820,566	626,687	93,271	28,996	1,569,520
Total Liabilities	33,552,192	12,194,807	2,570,563	8,358,240	56,675,802	19,446,267	1,622,444	682,638	78,427,151
Equity and non-controlling interests	1,220,155	1,245,889	75,160	1,994,942	4,536,146	1,993,503	411,935	444,686	7,386,270
Total Liabilities, Equity and Non-controlling interests	34,772,347	13,440,696	2,645,723	10,353,182	61,211,948	21,439,770	2,034,379	1,127,324	85,813,421
Number of employees	4,447	583	146	1,837	7,013	7,645	2,591	86	17,335

[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 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)

	31 March 2021	31 March 2020
Net contribution		
Retail banking in Portugal	55,137	70,149
Companies, Corporate and Investment banking	20,486	18,419
Private Banking	2,508	5,019
Foreign business (continuing operations)	(54,555)	27,744
Non-controlling interests [1]	28,941	(8,752)
	52,517	112,579
Amounts not allocated to segments		
Net interest income of the bond portfolio	5,191	(19,246)
Net interest income - TLTRO	19,008	2,533
Foreign exchange activity	10,975	49,493
Gains/(losses) arising from sales of subsidiaries and other assets	(1,210)	(4,296)
Equity accounted earnings	14,990	9,349
Impairment and other provisions [2]	(47,358)	(94,290)
Operational costs [3]	(723)	(2,612)
Gains on sale of Portuguese public debt	14,942	14,293
Loans sale	(3,061)	(14,373)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss [4]	(2,055)	(1,473)
Taxes [5]	(3,266)	(4,235)
Non-controlling interests [6]	(188)	66
Others [7]	(1,947)	(12,489)
Total not allocated to segments	5,298	(77,280)
Consolidated net income	57,815	35,299

(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 to restructuring costs recorded in the first quarter of 2021 and 2020.
(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 the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.
(7) Includes other operations not allocated previously namely funding for non-interest bearing assets and strategic financial investments, net commissions and other operating income/expenses and other income from financial operations.

48. 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. 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 non-controlling interests are only eligible up to the minimum amount between the subsidiary capital requirements and the contribution to the Group capital requirements. 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 Deposits Guarantee Fund and the Single Resolution Fund and the additional coverage for non-performing exposures, are also deducted, due to 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 non-controlling 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 non-controlling 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 already recorded on the balance sheet of 1 January 2014 and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, which period ends in 2023 and 2021, respectively.

With the IFRS9 introduction the Group has decided to gradually recognise the impacts, according to art.º 473º-A of 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 (Other Systemically Important Institutions) and capital conservation buffer, as following:

2021 Minimum Capital Requirements

		of which:				of which:		
BCP Consolidated	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***	**Fully implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	8.83%	4.50%	1.27%	3.06%	9.27%	4.50%	1.27%	3.50%
T1	10.75%	6.00%	1.69%	3.06%	11.19%	6.00%	1.69%	3.50%
Total	13.31%	8.00%	2.25%	3.06%	13.75%	8.00%	2.25%	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 the 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)

	31 March 2021	31 December 2020
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Ordinary own shares	—	(40)
Reserves and retained earnings	1,028,385	1,067,595
Non-controlling interests eligible to CET1	625,627	688,322
Regulatory adjustments to CET1	(783,611)	(840,058)
	5,611,872	5,657,290
Tier 1		
Equity Instruments	400,000	400,000
Non-controlling interests eligible to AT1	130,172	136,700
	6,142,044	6,193,990
Tier 2		
Subordinated debt	753,518	765,490
Non-controlling interests eligible to Tier 2	294,565	311,573
Other	(58,800)	(58,800)
	989,283	1,018,263
Total own funds	7,131,327	7,212,253
RWA - Risk weighted assets		
Credit risk	39,715,067	40,003,475
Market risk	2,107,287	2,322,058
Operational risk	4,014,374	4,014,374
CVA	66,775	73,141
	45,903,503	46,413,048
Capital ratios		
CET1	12.2%	12.2%
Tier 1	13.4%	13.3%
Tier 2	2.2%	2.2%
Total own funds	15.5%	15.5%

The amounts relative to 2020 and 2021 include the accumulated net income of the period.

49. 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 a 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, with an 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, there was an 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 these 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 in 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.

An action brought on 27 February 2019 and amended on 30 April 2020, at the London Court of Commerce, 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.

Regarding MAM, as far as BCP is aware, no lawsuit with the same purpose was brought by the Republic of Mozambique at the London Court of Commerce. However, it is expected that, in the context of ongoing legal proceedings, in which several creditors of MAM (including BCP) have filed, at the London Court of Commerce, 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.

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 31 March 2021, 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 BIM.

As at 31 March 2021, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 288,605,000, with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 193,632,000. BIM's contribution to consolidated net income for the first quarter of 2021, attributable to the shareholders of the Bank, amounts to Euros 10,369,000.

On this date, the subsidiary BIM's exposure to the State of Mozambique includes public debt securities denominated in metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of Euros 753,651,000 and Financial assets at fair value through other comprehensive income in the gross amount of Euros 64,136,000.

As at 31 March 2021, 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 Euros 264,105,000 (of which Euros 263,849,000 are denominated in metical and Euros 256,000 denominated in USD) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 101,992,000 denominated in USD and in the balance Guarantees granted revocable and irrevocable commitments, an amount of Euros 109,182,000 (of which Euros 1,754,000 are denominated in metical, Euros 104,039,000 denominated in USD, Euros 54,000 are denominated in euros and Euros 3,334,000 denominated in rands).

50. Contingent liabilities and other commitments

In accordance with accounting policy 1.V3, 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 the PCA seized documentation considered relevant for the investigation of an alleged exchange of sensitive commercial information between credit institutions in the Portuguese market.

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, in which the Bank is accused of participating in an exchange of commercially-sensitive information between other 14 banks related to retail credit products, namely mortgages, consumer, and small-and-medium enterprises credit products. The notification of a SO 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 PCA – for several months, the PCA denied the defendant's 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 SO. A non-confidential version of the Bank's defence 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.

On 23 October 2018, BCP was notified of the non-confidential versions of the oral hearings of the defendants Santander Totta and Unión de Créditos (which took place in December 2017). On 7 December 2018, the Bank requested the PCA to have access to the confidential version of these oral hearings.

On 9 September 2019, the PCA adopted its final decision on this proceeding, fining BCP in Euros 60 million for its alleged participation in a confidential information exchange system with its competitors in the mortgage, consumer and small and medium enterprises credit segments. The Bank considers that this decision contains serious factual and legal errors, having filed an appeal on 21 October 2019 before the Competition Court requesting the annulation of the decision and the suspensive effect of the appeal.

On 8 May 2020, BCP's appeal was admitted.

On 9 July 2020, BCP requested the Court to declare nullity of the PCA's condemnatory decision, due to the omission of an analysis of the economic and legal context in the terms required by the recent jurisprudence of the Court of Justice of the European Union. Subsequently, the Competition Court clarified that prior questions will not be known before the court hearing begins.

On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between PCA and the appellant banks, including BCP, regarding the dosimetry (i.e., 50% of the amount of the fine) and the modalities of the guarantees to be provided, in order for the appeal to have a suspensive effect.

On 21 December 2020, BCP submitted, and the Competition Court accepted, a bank guarantee in the maximum amount of Euros 30 million, issued by the bank itself as a way to satisfy the referred security deposit.

2. On 3 January 2018, Bank Millennium S.A. (Bank Millennium) was notified of the decision of President of the Office of Competition and Consumer Protection (UOKIK), in which the President of UOKIK found infringement by Bank Millennium of the rights of consumers. In the opinion of the President of UOKIK, the essence of the violation is that Bank Millennium informed consumers (regarding 78 agreements), in response to their complaints, that the court verdict stating the abusiveness of the loan agreements' clauses regarding exchange rates did not apply to them. According to the position of the President of UOKIK, the existence of clauses considered abusive by the court, during the abstract control of its lawfulness, is constitutive and effective for every agreement from the beginning.

As a result of the decision, Bank Millennium was obliged to:

1) send information about the UOKIK's decision to the 78 clients mentioned;
2) place information about the decision and the text of the decision on its website and on Twitter;
3) pay a fine amounting to PLN 20.7 million (Euros 4.46 million).

Bank Millennium filed an appeal within the statutory time limit.

On 7 January 2020, the court of first instance dismissed Bank Millennium's appeal in its entirety. Bank Millennium appealed against this judgment within the statutory deadline. The court presented the view that the judgment issued in the course of control of a contractual template (in the course of abstract control), recognizing the provisions of the template as abusive, determines the existence of provisions of similar nature in previously concluded agreements. Therefore, the information provided to consumers was incorrect and misleading.

According to Bank Millennium's assessment, the court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the President of UOKIK was published), nor should it impose penalties for these behaviours using current policy. This constitutes a significant argument against the validity of the judgment and supports the appeal which Bank Millennium submitted to the court of second instance. According to current estimates of the risk of losing this dispute, Bank Millennium has not created a provision related to this matter.

In addition, Bank Millennium, alongside other banks, takes part in a litigation brought by UOKIK, in which the President of UOKIK considers there were anti-competitive practices in the form of an agreement aimed at setting interchange fee rates charged on transactions made with Visa and Mastercard cards. On 29 December 2006, a fine was imposed on Bank Millennium in the amount of PLN 12.2 million (Euros 2.63 million). Bank Millennium, alongside the other banks, appealed this 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 same amount of the penalty imposed.

3. On 22 September 2020, Bank Millennium was notified of the decision from the Chairman of the Office for Protection of Competition and Consumers (OPCC), considering clauses that stipulated exchange rate setting principles, applied in the so-called anti-spread annex, as abusive, having forbidden their use.

A penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.26 million), the setting of which took into account two mitigating circumstances: Bank Millennium's cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of the provisions in question.

Bank Millennium was also requested, after the decision becomes final and binding, to inform consumers, by registered mail, that the said clauses were deemed to be abusive and, therefore, not binding upon them (without need to obtain the court's decision confirming this circumstance) and publish the decision on the case on Bank Millennium's website.

In the decision's justification, delivered in writing, the OPCC's Chairman stated that FX rates determined by Bank Millennium were discretely calculated by the bank (on the basis of a concept, not specified in any regulations, of an average interbank market rate). Moreover, the client had no precise knowledge of where to look for said rates since the provision referred to Reuters, without precisely defining the website where they could be located. Provisions relating to FX rates in Bank Millennium's tables were challenged since it failed to define when and how many times a day these tables were prepared and published.

In justification of the decision, the OPCC's Chairman also indicated that, in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC's Chairman deemed to be insufficient.

The decision is not final and binding. Bank Millennium appealed against the decision within the statutory term. Bank Millennium believes that the chances for it to win the case are positive.

4. 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 with another bank, and in the third one with another bank and card issuing organizations.

The total amount of the claims deduced in these cases is PLN 729,580,027 (Euros 157,277,750). The proceeding with the highest value was submitted by PKN Orlen, S.A., in which this plaintiff demands payment of PLN 635,681,381 (Euros 137,035,738). 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 during the years 2006-2014. In the other two cases, the charges are similar with those raised in the case brought by PKN Orlen, S.A., 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, it should be noted that Bank Millennium participates as an intervener in three other proceedings regarding the interchange fee. Other banks are the defendants. Plaintiffs in these cases also accuse the 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 during the years 2008-2014.

5. On 5 April 2016, Bank Millennium was notified of a case brought by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium, with the worth of the dispute of PLN 521.9 million (Euros 112.51 million), with statutory interest from 5 April 2016 until the day of payment.

The plaintiff filed the lawsuit on 23 October 2015 in the Regional Court in Warsaw; Bank Millennium was notified of the lawsuit only on 4 April 2016. According to the plaintiff, the fundamentals for the claim deduced in this lawsuit is the damage caused to its assets due to actions taken by Bank Millennium, consisting in the incorrect interpretation of the agreement for a working capital loan between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand.

In the lawsuit filed by EFWP-B, the plaintiff set its claim for the amount of PLN 250 million (Euros 53.89 million). On 5 September 2016 the Court of Appeal dismissed this claim. Bank Millennium requested for the total dismissal of this lawsuit, having presented to the Court, in order to support this request, the final decision rendered by the Wrocław Court of Appeal, decision which was favourable to Bank Millennium in the lawsuit filed by PCZ S.A. against Bank Millennium.

Currently, the court of first instance is conducting evidence proceedings.

6. On 19 January 2018, Bank Millennium received a lawsuit filed by First Data Polska S.A., requesting the payment of PLN 186.8 million (Euros 40.27 million). First Data Polska S.A. claims a share in an amount which Bank Millennium received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its lawsuit on an existing agreement with Bank Millennium related to co-operation in scope of acceptance and settlement of operations conducted using Visa cards. In accordance with the judgment issued on 13 June 2019, Bank Millennium won the case before the court of first instance. In the judgment of 10 March 2021, the Court of Appeal in Warsaw upheld the judgment of the first instance court, which dismissed the claim of First Data Polska S.A.. Bank Millennium has won the case. First Data Polska S.A. has the right to submit a cassation appeal to the Supreme Court.

7. On 3 December 2015, a class action against Bank Millennium was filed by a group of Bank Millennium's debtors (454 borrowers, who are party to 275 loan agreements), which 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 of the low-down payment insurance, pertaining to CHF-indexed mortgage loans, are unfair and, thus, not binding. The plaintiff extended the group in the court letter filed on 4 April 2018 and, consequently, the claims increased from PLN 3.5 million (Euros 0.75 million) to over PLN 5 million (Euros 1.08 million).

On 1 October 2018, the group's representative corrected the total amount of claims subject 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 1,589,011.80).

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.

As at 31 March 2021, there are also 387 individual court cases regarding loan-to-value (LTV) insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

8. On 13 August 2020, Bank Millennium received a lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands Bank Millennium and the insurance company TU Europa to be ordered to cease the following market practices that it considers to be unfair:

a) presenting the offered loan repayment insurance as protecting interests of the insured in a case where the insurance structure indicates that it protects Bank Millennium's interests;

b) use of clauses linking the value of insurance benefit with the amount of borrower's debt;

c) use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);

d) use of clauses excluding insurer's liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires Bank Millennium 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.

9. 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. Meanwhile, a head expert has already been appointed and the investigation is ongoing.

In October 2020, the experts requested an extension of the deadline for submitting the report by 90 days, stating that they would be collecting and analysing elements until the end of December 2020.

10. 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, Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF), which entailed, inter alia, namely by 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 to information posted on the Resolution Fund's website, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the 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 analyse 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 20 of the Resolution Fund's annual report of 2019, *"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"*.

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, the 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 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 Contingent Capital Agreement 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 State will provide additional capital in certain conditions and through different instruments (2). According to the press in May 2021, the amount of this recapitalization could reach Euros 1,6 billion, while it is not clear if this will be financed through the Resolution Fund or the Portuguese State.

(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 Contingent Capital Agreement 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 2019 Resolution Fund's annual report, the work carried out by the Verification Agent continues to be followed.

In its 2019 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 of 31 December 2019, amounted to approximately Euros 3 billion (book value, net of impairments), according to Novo Banco's 2019 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".

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".

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.

In November 2020, Novo Banco was held by Lone Star and the Resolution Fund, corresponding, respectively, to 75% and 25% of the share capital [(4)].

Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, having had the confirmation of the conversion of the deferred tax assets into tax credits by the Tax and Customs Authority for the tax period of 2015 and 2016 in exchange for conversion rights attributed to the State. If the Resolution Fund does not exercise its right to acquire the conversion rights attributed to the State, which expires in 2022, the State may become Novo Banco's shareholder up to a stake of 2.71% of Novo Banco's share capital, while diluting the Resolution Fund's shareholder position. According to the Resolution Fund's 2019 annual report, under the terms of the Sale and Subscription Agreement of 75% of the share capital of Novo Banco with Lone Star on 17 October 2017, the effect of the dilution associated with the Special Regime applicable to deferred tax assets shall exclusively affect the Resolution Fund's stake. It is estimated, according to note 21 of the Resolution Fund's 2019 annual report, although subject to certain assumptions, that the processes in progress for the conversion of deferred tax assets into tax credits with reference to 2017 and 2018 may correspond to about 7.6 percentage points. These effects may impact the shareholder position of the Resolution Fund in Novo Banco.

On 26 March 2021, the Resolution Fund issued a notice in relation to Novo Banco's 2020 earnings report, under which Novo Banco announced that it would be resorting to the contingent capital mechanism under the CCA. Novo Banco's request with respect to the payment under the CCA will amount to up to Euros 598 million. Under the CCA, procedures to verify the amount set out by Novo Banco would now be performed. Further, it is yet to be determined whether the impact on Novo Banco's accounts will be covered by the contingent capital mechanism. Such matters represent an amount which is greater than Euros 160 million. The CCA also sets out that the payment owed by the Resolution Fund be paid during the month of May, once the applicable procedures and requirements have been satisfied.

Furthermore, on 1 April 2021, the Resolution Fund announced that it has received the special audit report, which occurs following the audit concluded in August 2020. The Resolution Fund states that this report evidences, with reference to 31 December 2019, the amounts paid by the Resolution Fund were EUR 640 million lower than the losses registered in the assets comprised in the Contingent Capitalization Agreement.

On 3 May 2021, the Resolution Fund announced that the audit report conducted by the Court of Auditors ("Tribunal de Contas") - following the request of the Portuguese parliament of October 2020 to the operations and management of Novo Banco that were at the origin and led to the need to transfer funds from the Resolution Fund to Novo Banco - 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.

[(4)] In Novo Banco's earnings presentation on 13 November 2020, the Resolution Fund holds 25% of Novo Banco's capital while the remaining is held by Lone Star.

According to the Resolution Fund's 2019 annual report, note 21, *"to ensure that the Fund has, at maturity, the financial resources necessary to comply with this guarantee, if the principal debtor – Oitante - defaults, the Portuguese State counter-guarantees the referred bond issue. Until 31 December 2019, Oitante made partial early repayments of Euros 546,461 thousand, which reduces the amount of the guarantee provided by the Resolution Fund to Euros 199,539 thousand. Considering the early repayments, as well as information provided by Oitante's Board of Directors regarding 2019 exercise, it is envisaged that there are no relevant situations that could trigger the guarantee provided by the Resolution Fund". Also, according to the 2019 Resolution Fund's annual report, "at the date of approval of this report, the debt repaid since it was incurred is above 73%".*

Also, according to this source, "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).

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 Bank of 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 loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2019, 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, as described above);

- 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;

- 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, S.A., 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% (as defined in DGComp's agreement described above);

- 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 21 of the Resolution Fund's 2019 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*".

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 abovementioned 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 a timely fashion.

On 31 December 2019, the Resolution Fund's own resources had a negative equity of Euros 7,021 million, as opposed to Euros 6,114 million at the end of 2018, according to the latest 2019 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 RGICSF, 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*".

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. 32/2020, published on 18 December 2020, set the base rate for 2021 for the determination of periodic contributions to the Resolution Fund at 0.06%, unchanged from the rate in force in 2020.

During 2020, the Group made regular contributions to the Resolution Fund in the amount of Euros 15,138 thousand. The amount related to the contribution on the banking sector, registered during the financial year of 2020, was Euros 35,416 thousand. These contributions were recognized as a cost in the financial year of 2020, in accordance with IFRIC no. 21 – Levies.

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 total amount of the contribution attributable to the Group in the financial year of 2020 was Euros 22,808 thousand, of which the Group delivered Euros 19,394 thousand and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

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, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including "processo dos lesados do BES"; and (v) the guarantee provided to secure the bonds issued by Oitante (in this case, the trigger mentioned is not expected in accordance to the most recent information communicated by the Resolution Fund in its annual accounts).

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 2019 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 RGICSF, although no such contributions are expected, in particular after a review of the financing conditions of the Resolution Fund".*

The COVID-19 pandemic and its duration and effects create an additional context of uncertainty with respect to its impacts, in accordance with the opinion of Novo Banco's external auditor as per Novo Banco's financial accounts report for the first semester of 2020 and the opinion of the audit board of Banco de Portugal as per the 2019 Resolution Fund annual report.

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.

The State Budget for 2021 does not include any loan to the Resolution Fund, contrary to previous years. The press reported, circa October 2020, that (i) the Resolution Fund and banks are negotiating a syndicated loan, led by CGD, of Euros 275 million, the conditions of which will be identical to the financing already in place for the Resolution Fund, and, (ii) the Government maintains the commitments assumed under the Novo Banco sale agreement, but without materializing the means for that purpose.

As published by 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 EUR 475 million the direct financing of banks to the Resolution Fund and waiving a 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. This new funding benefits from a pari passu treatment with the fulfilment of the payment obligations arising from the other loan agreements granted by the banks to the Resolution Fund within the scope of Banco Espírito Santo, S. A.' resolution measures.

11. 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 order to request the claimants 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.

12. 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 20 May 2020, following the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2019 was approved, which includes an extraordinary distribution to each employee up to Euros 1,000 who, having not been fully compensated with the distribution of profits occurred in 2019, remains employed on the date of payment of the remuneration corresponding to June 2020, up to a maximum global amount of Euros 5,281,000.

13. 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, 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.

14. In 2013, Banco Comercial Português, S.A. filed a lawsuit against Mr. Jorge Jardim Gonçalves, his wife and Ocidental – Companhia de Seguros de Vida, S.A., requesting, essentially, that the following be recognized: (a) that the amount of the retirement instalments of the former director, to be paid by the Bank, couldn't exceed the highest fixed remuneration earned by the directors exercising functions in the Bank at any moment; (b) that the referred former director couldn't maintain, at the Bank's expenses, the benefits he had when still in active functions; and (c) that the wife of the former director couldn't benefit from a lifelong survivor's pension paid by the Bank in case of death of the former director, under conditions different from the ones foreseen for the majority of the Bank's employees.

On 27 January 2019, the court of first instance issued a sentence that: (i) rejected the request made by the Bank regarding the reduction of the pensions paid and to be paid to the first defendant Mr. Jorge Jardim Gonçalves, (ii) rejected the request for the nullity of the eventual future survivor's pension of the second defendant; (iii) partially accepted the counter-claim formulated by the defendant Mr. Jorge Jardim Gonçalves, sentencing the Bank to pay him the amount of 2,124,923.97 euros, as reimbursement of the expenses regarding the use of a car with driver and private security until June 2016, and also those that, on this regard, he had paid since that date or will pay in the future, in the amount that would come to be settled, expenses which would be part of his retirement packag, plus interest accounted at the legal rate of 4% per year since the date of the reimbursement request up to their effective and full payment.

The Bank appealed this sentence to the Tribunal da Relação de Lisboa (Lisbon Court of Appeal) and, on 5 March 2020, a judgment was issued by the Lisbon Court of Appeal which revoked the court of first instance's decision and upheld the Bank's legal action, determining the non-existence of the right of the defendant Mr. Jorge Jardim Gonçalves to receive the retirement supplements paid by Ocidental Vida, and condemning the defendant to return to the Bank the amounts received monthly in excess of the limits provided for in Article 402 (2) of the Commercial Companies Code, as from the date of retirement; as well as enacting the partial nullity of the insurance contracts for the capitalisation and lifelong pension policy, sentencing Ocidental Vida to return to the Bank the amounts paid by the latter to support the retirement supplements of Mr. Jorge Jardim Gonçalves, dismissing, as well, the counterclaim formulated by the defendant Mr. Jorge Jardim Gonçalves and absolving the Bank of that request.

From that decision of the Lisbon Court of Appeal in favour of the Bank, on 6 July 2020 the defendant Mr. Jorge Jardim Gonçalves filed an appeal with the Supreme Court of Justice. At that time, the court was suspended, determined by notice issued on 30 April 2020, following the death of the defendant Mrs. Maria Assunção Jardim Gonçalves.

The referred appeal presented to the Supreme Court of Justice was not judged;, however, in December 2020 the parties reached an agreement regarding the retirement pension due to Mr. Jorge Jardim Gonçalves, in terms similar to those agreed with other former administrators, hence it was decided to end that dispute, an agreement which was ratified by a final and unappealable sentence.

The reached agreement also allowed for the termination, in the same way, of another legal action that the Bank had established on 30 December 2019, also against Mr. Jorge Jardim Gonçalves, whose object was also directly and indirectly related to the respective retirement pension.

51. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Current provisions for legal risk

As at 31 March 2021, Bank Millennium had 6,258 loan agreements and, additionally, 558 loan agreements from former Euro Bank, S.A. (97% loan agreements before the court of first instance and 3% loan agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by Bank Millennium against clients, i.e., debt collection cases) concerning indexation clauses of FX-indexed mortgage loans, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 709.5 million (Euros 152.95 million) and CHF 49.2 million (Euros 44.48 million) [Bank Millennium portfolio: PLN 649.2 million (Euros 139.95 million) and CHF 48.2 million (Euros 43.58 million); former Euro Bank, S.A. portfolio: PLN 60.3 million (Euros 13 million) and CHF 1 million (Euros 0.9 million)]. The outstanding amount of the loan agreements under individual court cases, as at 31 March 2021, is PLN 2.099 million (Euros 452.49 million).

Until 31 March 2021, only 79 lawsuits had been definitively resolved (56 cases regarding claims submitted by clients against Bank Millennium and 23 cases regarding claims submitted by Bank Millennium against clients, i.e., debt collection cases).

The claims deduced by the clients in individual cases refer mainly to the declaration of nullity of the contract and the obligation to reimburse, due to the alleged abusive nature of the indexation clauses.

In addition, Bank Millennium is a party to a group proceeding (class action) which aims to determine Bank Millennium's liability towards the group members based on alleged unjust enrichment (undue benefit) in connection with FX-indexed mortgage loans. It is not a lawsuit requesting the payment of a certain amount of indemnity. The judgment that may be issued in this case, if unfavourable to Bank Millennium, will not grant per se any credit rights required by the group members of this class action. The number of loan agreements covered by these proceedings is 3,281. At the current stage, the composition of the group members if this class action has been established and confirmed by the court. On 11 August 2020, the claimant requested granting interim measures to secure the claims presented against Bank Millennium. In a decision of 18 August 2020, that request for granting interim measures was dismissed. On 26 October 2020, the claimant filed another application for granting interim measures to secure claims against Bank Millennium concerning two group members. By decision of 6 November 2020, the application was rejected. During the session occurred on 26 October 2020, the Court conducted a hearing of the parties' position and, afterwards, postponed the session without setting the next term. The outstanding amount of the loan agreements under the class action proceeding is PLN 971 million (Euros 209.32 million) as at 31 March 2021.

Bank Millennium remains open to negotiating agreements with its customers that put an end to that dispute. Bank Millennium is receptive to negotiate case-by-case favourable conditions for early repayment (partial or total) or the conversion of loans to PLN. On the other hand, Bank Millennium will continue to take all possible action to protect its interests in courts while, at the same time, being open to reaching settlements with customers in the court under reasonable conditions. Bank Millennium has already reached agreement with 137 borrowers who participated in that class action.

According to the Polish Bank Association (ZBP), data gathered from all banking institutions that granted FX-indexed mortgage loans show that vast majority of lawsuits have obtained a final decision in favour of creditor banks until the year of 2019. However, after the CJEU decision was issued on 3 October 2019, regarding Case C-260/18, this trend has adversely changed and most of those lawsuits have been decided against creditor banks.

Considering the increased legal risk related to FX-indexed mortgages, Bank Millennium created in the first quarter of 2021 a provision in the amount of PLN 512.3 million (Euros 110.44 million) and a provision in the amount of PLN 21.1 million (Euros 4.55 million) for former Euro Bank, S.A. portfolio [respectively, in 2020: PLN 677 million (Euros 145.94 million) and PLN 36.4 million (Euros 7.85 million)]. The methodology developed by Bank Millennium is based on the following main parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified (three-year) time horizon; (ii) the amount of Bank Millennium's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (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. 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.

As at 31 March 2021, Bank Millennium’s balance sheet value of provisions set aside for FX-indexed mortgages legal risk regarding Bank Millennium’s portfolio reached PLN 1.432,5 million (Euros 308.81 million) and PLN 57.5 million (Euros 12.40 million) regarding former Euro Bank, S.A.’s portfolio. Legal risk from former Euro Bank, S.A.’s portfolio is fully covered by an Indemnity Agreement established with Société Générale.

Bank Millennium analysed 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 45 million (Euros 9.7 million)
Change in the probability of winning a case	The probability of Bank Millennium winning a case is lower by 1 p.p	PLN 26 million (Euros 5.6 million)

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, responding to the request for a preliminary ruling from District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU regarding the interpretation of European Union Law, is binding to the national judge who proceeded with the preliminary ruling, and this interpretation must be accepted by the other community judges who rule on the application of the same rules.

The referred judgment was based on the interpretation of Article 6 of Directive 93/13, concluding that it must be the following: (i) the national court can declare nullable a loan agreement if the removal of abusive terms detected compromises the subject matter of the agreement; (ii) the effects on the consumer's situation resulting from the annulment of the agreement must be assessed in the light of the existing or foreseeable circumstances at the time of the decision of the dispute, and the will of the consumer is decisive as to whether they wish to maintain the agreement; (iii) Article 6 prevents the integration of gaps in the contract caused by the removal of unfair terms from it solely on the basis of national legislation of a general nature or established customs; and, (iv) Article 6 precludes the maintenance of unfair terms in the contract which, at the time of the decision of the dispute, are objectively favourable to the consumer, in the absence of an express manifestation to that effect by the latter. It can be inferred from this decision that the CJEU considered doubtful the possibility of a loan agreement remaining in force in PLN while interest is calculated in accordance with LIBOR.

The CJEU's judgment applies only to situations where the national court has previously found the contract terms to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a certain contract term can be qualified as abusive in the specific circumstances of the lawsuit. It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be judged by the national courts within the framework of the disputes considered, which could possibly result in the emergence of new legal interpretations relevant for the assessment of the risks associated with the subject matter of these proceedings. This circumstance justifies the need for constant accompaniment of these matters. Further requests for clarification and ruling addressed to the CJEU and the Supreme Court of Poland with potential impact on the outcome of the court cases have already been and may still be filed.

On 29 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., in which the 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 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) article 6(1) and Article 7(1) of Directive 93/13 must be interpreted as meaning that, first, they do not preclude the national court from removing 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 that directive 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. Second, those provisions 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, which it is for that court to determine;

iii) the consequences of a judicial finding that a term of 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) it is for the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, to 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 7 May 2021, the Supreme Court, composed of seven 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 of Poland), 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 be binding, the consumer and the lender may apply for separate claims for reimbursement of all amounts paid to the other part under the loan agreement (art. 410 § 1 in relation to art. 405 of the Civil Code of Poland). The lender may demand the reimbursement of outstanding amounts from the moment the loan agreement becomes permanently ineffective.

In this context, taking into consideration the recent unfavourable evolution to creditors of the court verdicts regarding FX-indexed mortgage loans, and if such a trend continues, Bank Millennium will have to regularly review the provisions allocated to court litigations and it may need to constitute new provisions reinforcements.

The annulment of Bank Millennium's loan agreements currently subject to those lawsuits can reach a cost, before tax, of up to PLN 2.676 million (Euros 576.87 million).

2. Events that may impact the provision for legal risk

On 29 January 2021, a set of questions was published addressed by the First President of the Supreme Court to the Civil Chamber of the Supreme Court, which 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 was requested to respond to certain requirements related to FX-indexed mortgage agreements: (i) is it permissible to replace - through legal or customary provisions - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of the impossibility of determining the exchange rate of a foreign currency in the indexed/ denominated loan agreement - is it possible to keep the agreement in force in its remaining scope; as well as, (iii) if, in case of invalidity of the CHF loan agreement, the theory of equity would be applicable (i.e., does a single claim arise which is equal to the difference between value of claims of bank and the customer), or the theory of two conditions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court was also requested to comment on (iv) the determination of the moment from which the limitation period should start counting in case of a claim being filed by a lending bank for repayment of borrowed amounts and, (v) whether banks and consumers may receive remuneration on their pecuniary claims on the other party arising from the contract. The date of the Supreme Court meeting was scheduled for 11 May 2021. Verdicts have been postponed with no deadline established yet, since the Supreme Court asked for further opinions. Bank Millennium will assess in due time the implications of the potential decisions of the Supreme Court on the level of provisions constituted for the legal risk. Given the Group's inability to predict the results of that Supreme Court decision, this matter was not considered in the determination of the provision.

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority (PFSA), proposed a sectoral solution to address the sector risks related to FX-indexed mortgages. The solution would consist in banks offering to their clients a possibility of concluding liability settlement agreements based on which a client would conclude with the bank a settlement as if the loan had been, from the very beginning, a PLN-indexed loan, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loans.

Following that public announcement, the idea has been the subject of consultations between banks under the auspices of the PFSA and Polish Bank Association. Banks are assessing the conditions under which such a solution could be implemented and the consequent impacts.

In the view of Bank Millennium's Management Board, important aspects to be taken into consideration when deciding on potential implementation of such program are: a) the favourable opinion or, at least, non-objection from important public institutions; b) support from the National Bank of Poland (NBP) for 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; and e) capital consequences, including regulatory adjustments in the level of capital requirements associated with FX-indexed mortgage loans.

At the time of publishing the Group's Consolidated Report, neither its Management Board nor any other corporate body of Bank Millennium or of the Bank has taken any decision regarding the implementation of such a program. For this reason, the potential effects of this matter were not reflected in the determination of the provision. If, or when, a recommendation regarding the program is be ready, Bank Millennium's Management Board will submit it to the Supervisory Board and General Shareholders' meeting, taking into consideration the relevance of such decision and its implications.

As disclosed in the Annual Financial Consolidated Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31 December 2020, published on 22 February 2021, according to preliminary calculations, implementation of a solution whereby loans would be voluntarily converted to PLN as if they had been a PLN loan from the very beginning, 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 current portfolio would be converted) with a pre-tax impact between PLN 4.100 million (Euros 883.85 million) to PLN 5.100 million (Euros 1.099,42 million) (non-audited data). The impacts can significantly change in case of variation of the exchange rate and other various 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 the Pillar 2 buffer. The above mentioned impact would be substantially higher than the estimated impact of PLN 500 million (Euros 107.79 million) to PLN 600 million (Euros 129.34 million) (non-audited data) in the scenario of replacing the exchange rate applied in the contracts by the average NBP exchange rate. Finally, it should be mentioned that Bank Millennium, as at 31 March 2021, maintained additional own funds for the coverage of additional capital requirements related to FX-indexed mortgage portfolio risks (Pillar II buffer), in the amount of 3.41 p.p. (3.36 p.p. at the BCP Group level), part of which is allocated to operational/legal risk.

Due to the complexity and uncertainty regarding the final verdict of these lawsuits, as well as the possible implementation of the solution suggested by the Chairman of PFSA still under analysis, as well as the uncertainty of the awaited decisions of the Supreme Court, it is difficult to accurately estimate the potential impacts of such outcomes and their influence on the date of publication of the Group's financial statements.

52. List of subsidiary and associated companies of Banco Comercial Português Group

As at 31 March 2021, 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	101,000,000	EUR	Banking	100 %	100 %	100 %
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1 %	50.1 %	50.1 %
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100 %	100 %	100 %
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100 %	100 %	100 %
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100 %	100 %	100 %
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100 %	100 %	100 %
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100 %	100 %	100 %
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100 %	100 %	—
BCP Finance Company	George Town	31,000,785	EUR	Financial	100 %	100 %	—
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7 %	66.7 %	—
Millennium Bank Hipoteczny S.A.	Warsaw	40,000,000	PLN	Banking	100 %	50.1 %	—
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100 %	100 %	—
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	62,746,173	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	30,300,000	EUR	Real-estate management	100 %	100 %	100 %
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,750	EUR	Services	96.4 %	95.9 %	88.2 %
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100 %	100 %	100 %
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100 %	50.1 %	—
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100 %	50.1 %	—
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100 %	50.1 %	—
Piast Expert Sp. z o.o (in liquidation)	Tychy	100,000	PLN	Marketing services	100 %	50 %	—

Subsidiary companies	Head office	Share capital	Currency	Sector of activity	Group		Bank
					% economic interests	% effective held	% direct held
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	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 %	—
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9 %	99.9 %	99.9 %
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100 %	100 %	100 %
Setelote - Aldeamentos Turísticos S.A.	Oeiras	400,000	EUR	Real-estate company	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 %	—

As at 31 March 2021, 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	Sector of activity	Group		Bank
					% economic interests	% effective held	% direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	76,159,329	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo de Investimento Imobiliário Imorenda	Oeiras	90,295,185	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 Stone Capital	Oeiras	3,336,555,200	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	4,307,377	EUR	Real-estate investment fund	100 %	100 %	100 %
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Real-estate investment fund	100 %	100 %	100 %

Investment funds	Head office	Participation units	Currency	Sector of activity	Group % economic interests	Group % effective held	Bank % direct held
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	17,725,960	EUR	Real-estate investment fund	100 %	100 %	100 %
DP Invest - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,860,000	EUR	Real-estate investment fund	54 %	54 %	54 %
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	63.3 %	63.3 %	63.3 %
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 operation regarding mortgage loans which were 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 are fully consolidated, following the application of IFRS 10.

As at 31 March 2021, the Special Purpose Entities included in the consolidated accounts under the full consolidation method are as follows:

Special Purpose Entities	Head office	Share capital	Currency	Sector of activity	Group % economic interests	Group % effective held	Bank % direct held
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4 %	82.4 %	82.4 %

As at 31 March 2021, the Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Sector of activity	Group % economic interests	Group % effective held	Bank % direct held
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	295,000,000	MZN	Insurance	92.0 %	61.4 %	—

As at 31 March 2021, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

Associated companies	Head office	Share capital	Currency	Sector of activity	Group		Bank
					% 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	173,380,354	EUR	Banking	19.8 %	19.8 %	19.8 %
Beiranave Estaleiros Navais Beira SARL	Beira	2,849,640	MZN	Naval shipyards	22.8 %	14 %	—
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50 %	50 %	50 %
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20 %	12.3 %	—
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 %	—
Science4you S.A.	Oporto	517,296	EUR	Production and trade of scientific toys	28.2 %	28.2 %	—
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 %	0.53 %
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1 %	25.1 %	25.1 %

As at 31 March 2021, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

Associated companies	Head office	Share capital	Currency	Sector of activity	Group		Bank
					% economic interests	% effective held	% direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	EUR	Holding company	49 %	49 %	49 %
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49 %	49 %	—
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49 %	49 %	—

53. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 Z), there were no facts or events subsequent to 31 March 2021 and until the approval of the financial statements that requires additional judgments, disclosures or records.

Q1 2021 Report & Accounts

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Banco Comercial Português, S.A.,
Company open to public investment

Registered Office:
Praça D. João I, 28
4000-295 Porto

Share Capital:
Euros 4.725.000.000.00

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