Report & Accounts

9M'20

Millennium
bcp

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

First nine months of 2020 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 Q1 2020 Report Accounts is a translation of the "Relatório e Contas do 1º Trimestre de 2020" document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the "Relatório e Contas de 2018" prevails.

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

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Information on the BCP Group

BCP in first nine months of 2020

- **Core net income of the Group** reached **835.2 million euros** in the first nine months of 2020 (862.7 million euros, excluding the impact of specific items), up 1.0% from the same period of the previous year.

- **Net earnings of the Group** of **146.3 million euros** in the first nine months of 2020, influenced by the significant reinforcement of impairment, in a context of COVID-19 pandemic.

- **Operating costs under control**. One of the most efficient banks in the Eurozone with a cost to core income of 48%, on a comparable basis.

- **Estimated Fully implemented Core Equity Tier 1 ratio and Total capital ratio** at **12.4%** and **15.7%**, with organic capital generation.

- **High liquidity levels**, comfortably above regulatory requirements.

- **Performing loans up by 2.4 billion euros** and **total customer funds up by 3.1 billion euros** from September 2019. **NPE down** 0.9 billion euros, of which **1.0 million euros in Portugal**, with **comfortable NPE coverage**.

- **Growing Customer base**, especially **mobile Customers.**

- Defined priorities in response to the pandemic allowed **fast adaptation** to the context and led to an **uneventful transition** after the confinement.

Main highlights (1)

Euro million

	30 Sep. 20	30 Sep. 19	Change 20/19
BALANCE SHEET			
Total assets	86,017	81,359	5.7%
Loans to customers (net)	53,870	52,123	3.4%
Total customer funds	83,284	80,166	3.9%
Balance sheet customer funds	64,494	61,296	5.2%
Deposits and other resources from customers	62,997	59,559	5.8%
Loans to customers (net) / Deposits and other resources from customers (2)	85.5%	87.5%	
Loans to customers (net) / Balance sheet customer funds	83.5%	85.0%	
RESULTS			
Net interest income	1,149.6	1,153.0	-0.3%
Net operating revenues	1,687.8	1,740.6	-3.0%
Operating costs	832.4	844.9	-1.5%
Operating costs excluding specific items (3)	805.0	805.6	-0.1%
Loan impairment charges (net of recoveries)	374.2	299.0	25.2%
Other impairment and provisions	176.4	78.1	126.0%
Income taxes	122.4	174.0	-29.7%
Net income	146.3	270.3	-45.9%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.7%	3.0%	
Return on average assets (ROA)	0.3%	0.6%	
Income before tax and non-controlling interests / Average net assets (2)	0.5%	0.9%	
Return on average equity (ROE)	3.4%	6.0%	
Income before tax and non-controlling interests / Average equity (2)	5.8%	9.9%	
Net interest margin	2.0%	2.2%	
Cost to income (2)	49.3%	48.5%	
Cost to income (2) (3)	47.7%	46.3%	
Cost to income (Portugal activity) (2) (3)	47.6%	47.0%	
Staff costs / Net operating revenues (2) (3)	27.4%	26.6%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	89	73	
Non-Performing Exposures / Loans to customers	6.5%	8.4%	
Total impairment (balance sheet) / NPE	62.2%	55.1%	
Restructured loans / Loans to customers	5.2%	5.9%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	243%	223%	
Net Stable Funding Ratio (NSFR)	140%	138%	
CAPITAL (4)			
Common equity tier I phased-in ratio	12.4%	12.3%	
Common equity tier I fully implemented ratio	12.4%	12.3%	
total fully implemented ratio	15.7%	15.7%	
BRANCHES			
Portugal activity	489	526	-7.0%
International activity	927	1,029	-9.9%
EMPLOYEES			
Portugal activity	7,152	7,259	-1.5%
International activity (5)	10,708	11,464	-6.6%

Notes:

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at "Alternative Performance Measures" chapter, being reconciled with the accounting values published in the consolidated financial statements. From 31 May 2019, financial statements of the Group reflect the consolidation of Euro Bank S.A., the entity acquired by Bank Millennium S.A.

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

(3) Excludes specific items: negative impact of 27.5 million euros in the first nine months of 2020, of which 15.8 million euros related to restructuring costs and compensation for temporary salary cuts, both recognized as staff costs in the activity in Portugal and 11.7 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (6.9 million euros as staff costs, 4.4 million euros as other administrative costs and 0.4 million euros as depreciation). In the first nine months of 2019, the impact was also negative, in the amount of 39.4 million euros, of which 24.4 million euros related to restructuring costs and compensation for temporary salary cuts, both recognized as staff costs in the activity in Portugal and 14.9 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized as other administrative costs by the Polish subsidiary, that also recorded immaterial amounts in staff costs and depreciations. In the profitability and efficiency indicators, the specific items included in the net operating revenues, of non-material amount, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary are also not considered.

(4) As of 30 September 2020 and 30 September 2019, capital ratios include the positive cumulative net income of each period. Ratios as of 30 September 2020 are estimated and non-audited.

(5) Of which, in Poland: 7,997 employees as at 30 September 2020 (corresponding to 7,846 FTE - Full-time equivalent) and 8,710 employees as at 30 September 2019 (corresponding to 8,564 FTE - Full-time equivalent).

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 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 with the EC a Restructuring Plan, 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 aiming 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.

BCP has announced in January 2017 a 1.3bn euros 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 dividend ban, risk of potential sale of core businesses and tail risk of conversion. This transaction was designed to strengthening the balance sheet through the improvement of 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..

Approval of the merger of Bank Millennium S.A. with Euro Bank S.A., on 27 August 2019, on the Extraordi-nary General Meeting of Bank Millennium S.A., in which 216 Shareholders participated, representing 78.53% shares in the Bank's shareholders' equity. The completion of the integration of Euro Bank 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 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 60% of the Group's NPEs since 2013 (from 13.7 billion euros to 3.7 billion euros in September 2020). 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 of vowel of the Audit Committee; Prof. Cidália Lopes was appointed Chairman of the Audit Committee, who was elected on May 30, 2018 as a member of this Committee, and Mr. Nuno Alves was elected a member of the RWB, filling a vacancy in this social body. At the General Shareholders' Meeting held on May 20, 2020, the elected members of the Board of the General Meeting of Shareholders of Banco Comercial Português, S.A., were re-appointment of for the four-year term of office 2020/2023 (Chairman: Pedro Rebelo de Sousa and Vice-Chairman: Octávio Castelo Paulo).

The General Meeting is the highest governing body of the company, representing the entirety of the 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 memorandum 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 September 2020, the Board of Directors was composed of 17 members, of which 6 are executive and 11 are non-executive, of whom 5 are 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.

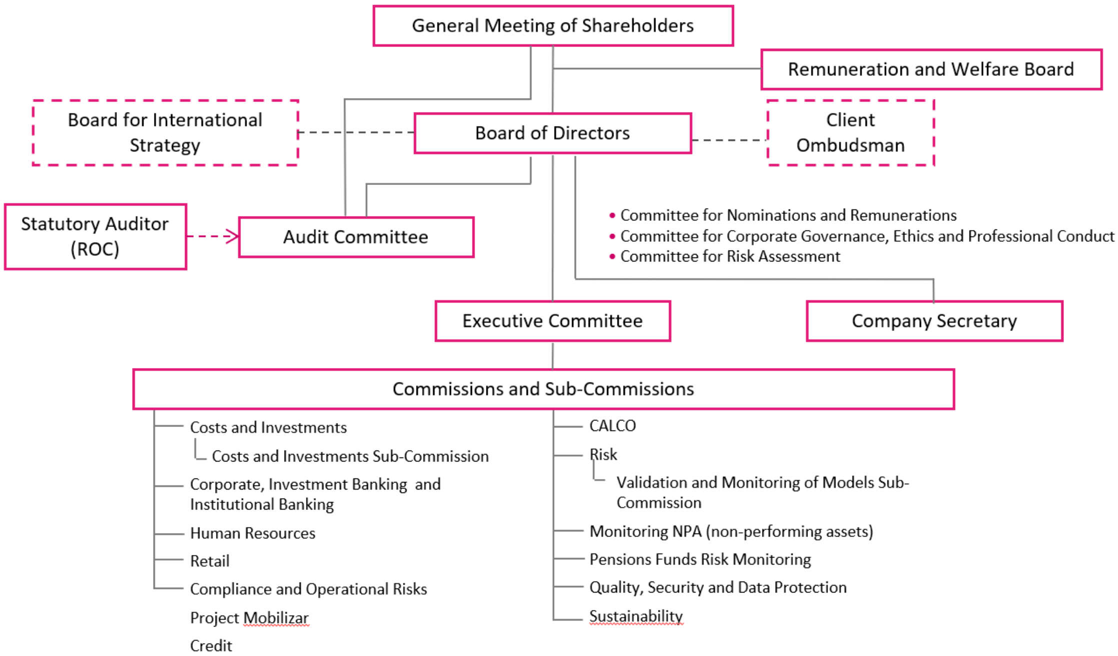
The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

The supervision of the company is made by an Audit Committee elected by the General Meeting of Shareholders and composed of 3 to 5 members, elected together with most of the remaining directors. The lists proposed for the BD should indicate the members to be part of the Audit Committee and indicate the respective Chairperson.

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.

Coporate 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 Magalhães 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	•			•				•
Cidália Maria Mota Lopes (Audit Comittee President)	•		•					
Fernando da Costa Lima**	•		•					
João Nuno de Oliveira Jorge Palma	•	•						
José Manuel Alves Elias da Costa (CNR President)	•					•	•	•
José Miguel Bensliman Schorcht da Silva Pessanha	•	•						
Lingjiang Xu (CCGEPC President)	•					•	•	
Maria José Henriques Barreto de Matos de Campos	•	•						
Miguel de Campos Pereira de Bragança	•	•						
Rui Manuel da Silva Teixeira	•	•						
Teófilo César Ferreira da Fonseca (CRA President)	•						•	•
Wan Sin Long	•		•					•
Xiao Xu Gu (Julia Gu)	•							
António Vitor Martins Monteiro					•			
Nuno Maria Pestana de Almeida Alves				•				

* Chairman and Vice-chairman to be nominated.
** Pending authorization from BdP/ECB to exercise the respective functions

Main events in the first nine months of 2020

The Bank has supported the economy during the first nine months of 2020, marked by the effects of the COVID-19 pandemic, and is prepared to support the Portuguese economy in the energy transition process and in the green recovery in a post-pandemic scenario.

In the context of the actual COVID-19 pandemic situation, we must point out some initiatives carried out by Millennium bcp to support the economy and the community:

- Launch of solutions for individuals and companies promoted by the Portuguese Government and APB;
- Participation in the donor conference, being part of the Portuguese contribution to the EU's effort to find a vaccine and treatment for COVID-19;
- Support to the NHS through initiatives such as the "United for Survival" campaign, the conversion of Curry Cabral Hospital and the construction of the Lisbon Hospital Contingency Structure, among others;
- Integration into the Portugal #EntraEmCena movement, which brings together artists and public and private companies, in support of Culture;
- Miillennium bcp Foundation supports the Food Emergency Network of the Food Bank against Hunger, reinforcing its annual contribution;
- Millennium Festival ao Largo, this year at the National Palace of Ajuda, complying with security rules while taking the best of classical music and ballet to the public.

Other events:

On **April 3**, Fitch Ratings affirmed BCP's Long-Term Rating of 'BB' ("IDR" - Issue Default Rating) and its Intrinsic Rating of 'bb' ("VR" - Viability Rating), and revised the Outlook to Negative from Positive, reflecting the uncertainty related to the coronavirus crisis. Assigned a 'BB-' rating to the Bank's senior non-preferred debt and a 'B+' rating to its tier 2 debt, according to Fitch's new rating methodology for banks. Assigned a 'BB+'/ 'B' rating to the Bank's deposits, one notch above the Long-Term IDR, reflecting the view of Fitch Ratings that depositors enjoy a superior level of protection.

On **April 8**, Standard & Poor's affirmed the long-term rating of the Bank at 'BB' ("ICR" - Issuer Credit Rating) and its intrinsic rating at 'bb' ("SACP" - Stand-Alone Credit Profile), and has revised the long-term outlook to Stable from Positive, based on the uncertainty related to the coronavirus outbreak.

On **April 21**, BCP changed the conditions related to the issue of Covered Bonds with ISIN PTBCQLOE0036, namely the amount, from 2,000,000,000 euros to 4,000,000,000 euros, aiming to increase the assets portfolio eligible for discount with the ECB.

On **May 20**, completion, exclusively through electronic means, with 61.31% of the share capital represented, of the Annual General Meeting of Shareholders of BCP, SA, with the following resolutions being worth mentioning:

Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2019, including the Corporate Governance Report;

Approval of the proposal for the appropriation of profit regarding the 2019 financial year;

Approval of the remuneration policy of Members of Management and Supervisory Bodies;

Re-appointment of the elected members of the Board of the General Meeting of Shareholders of Banco Comercial Português, S.A., for the four-year term of office 2020/2023 (Chairman: Pedro Miguel Duarte Rebelo de Sousa and Vice-Chairman: Octávio Manuel de Castro Castelo Paulo).

On **May 28**, DBRS affirmed the ratings of BCP and has revised the trend to Negative from Stable, based on the uncertainty related to the coronavirus outbreak.

On **9 September**, the Bank has informed that has decided not to continue 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 Contingent Capitalisation Mechanism of Novo Banco.

MAIN AWARDS

Millennium bcp: Clearest information; most recommended bank; leader in Customer satisfaction, in quality of service and in product quality; leader in Customer satisfaction with digital channels, in all assessed items (Basef Banca, September 2020)

Millennium bcp: Marketeer award, "Banking" category (4th year in a row)

Millennium bcp: Quickest process in mortgage loans (ComparaJá.pt, mortgage credit barometer)

ActivoBank: "5 estrelas 2020" award, "Digital Banking" category

ActivoBank: Best commercial bank, Best consumer digital bank and Best mobile banking app in Portugal

Millennium bim: Best bank award 2020 in Mozambique (11th year in a row)

Millennium bim: Best digital bank award 2020 in Mozambique

Millennium bim: Best trade finance provider 2020 in Mozambique

Millennium bim: Best private bank award 2020 in Mozambique

Millennium bim: Most Innovative Banking Services in Mozambique

Bank Millennium: now part of the WIG-ESG index of the Warsaw Stock Exchange for socially responsible companies, ranking 4th

Bank Millennium: Best digital bank award 2020 in Poland

Bank Millennium: European Customer Centricity Award, "Complaints" category, attributed to the "Embrace the Problem" project

Bank Millennium: Most recommended bank and leader in Customer satisfaction ("*Customer satisfaction monitor of retail banks ARC Rynek i Opinia*")

Bank Millennium: Best trade finance provider 2020 in Poland

Bank Millennium: Best online banking, best mobile banking and best remote account opening process in Poland ("Institutions of the year 2020" ranking)

Bank Millennium: CSR Golden Leaf Award of the "Polytika" magazine for the implementation of the strictest corporate social responsibility standards

Bank Millennium: : 6th in the Responsible Companies ranking, 3rd in Banking, Finance and Insurance

Bank Millennium: : 1st in the "Growth Star" category, 2nd in the "Customer Relationship" category and 3rd for overall achievement in the main category and in the "Star of Innovation" category ("Stars of Banking" Dziennik Gazetę Prawną/PwC)

Bank Millennium: winner in the "digital" and in the "people's choice" categories of the "TOP CDR Technologically Responsible Company" award

Bank Millennium: 1st in the "Fin-Tech Innovation" category for the Autopay service, and 2nd in the "Mortgage Loan" category

Millennium bcp
Best consumer digital bank award 2020 in Portugal; Best corporate/ Institutional information security and fraud management in Western Europe

Millennium bcp
Main bank for companies; most appropriate products; most efficient; closest to Customers

ActivoBank
Consumer choice 2020, "Digital banks" category

BCP SHARES

The first nine months of 2020 were marked by significant declines in the main capital markets. The Euro Stoxx 600 Banks index depreciated 42.3%.

The dissemination of the Coronavirus worldwide was declared a pandemic by the World Health Organization, with economic and social impacts. European governments have imposed lock downs, restricting the movement of people and halted economic activity in some sectors. Economic activity was negatively affected. Central banks acted with measures of economic support, with cuts in interest rates and stimulus packages. Several measures to support the economy were launched by Governments at the European level, namely, in Portugal, credit lines were launched with State guarantee, moratoriums for companies and private individuals and support for families affected by the crisis, with part of the lay- charges borne by the State and also in cases where people had to be stay home in quarantine. More recently and before expected a second wave of the pandemic surge, affecting the European economies, with most of States launching new restrictive measures and partial lockdowns, and in same cases even more strict confinement.

BCP SHARE'S INDICATORS

	Units	9M20	9M19
ADJUSTED PRICES			
Maximum price	(€)	0.2108	0.2889
Average price	(€)	0.1226	0.2375
Minimum price	(€)	0.0792	0.1771
Closing price	(€)	0.0803	0.1906
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group	(M€)	6,284	6,406
Shareholder's Equity attributable to ordinary shares (1)	(M€)	6,284	6,406
VALUE PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	0.011	0.022
Book value (4)	(€)	0.389	0.397
MARKET INDICATORS			
Closing price to book value	(PBV)	0.19	0.45
Market capitalisation (closing price)	(M€)	1,214	2,881
LIQUIDITY			
Turnover	(M€)	1,255	2,053
Average daily turnover	(M€)	6.5	10.7
Volume (3)	(M)	10,803	8,780
Average daily volume (3)	(M)	56.3	46.0
Capital rotation (5)	(%)	71.5%	58.1%

(1) Shareholder's Equity attributable to the group minus Preferred shares
(2) Considering the average number of shares outstanding
(3) Ajusted by the share capital increase completed in February 2017
(4) Considering the average number of shares minus the number of treasury shares in portfolio
(5) Total number of shares traded divided by the average number of shares issued in the period

BCP shares closed 9M 2020 having depreciated 60.4%, which compares to a 42.3% decrease of the European banks index.

BCP's share performance reflected the uncertainties related to the appearance, spread and potential social and economic impacts of the Covid-19 pandemic. Additionally, it also reflected specific factors associated with the Bank's Polish operation, such as, the uncertainty associated with the foreign currency loans.

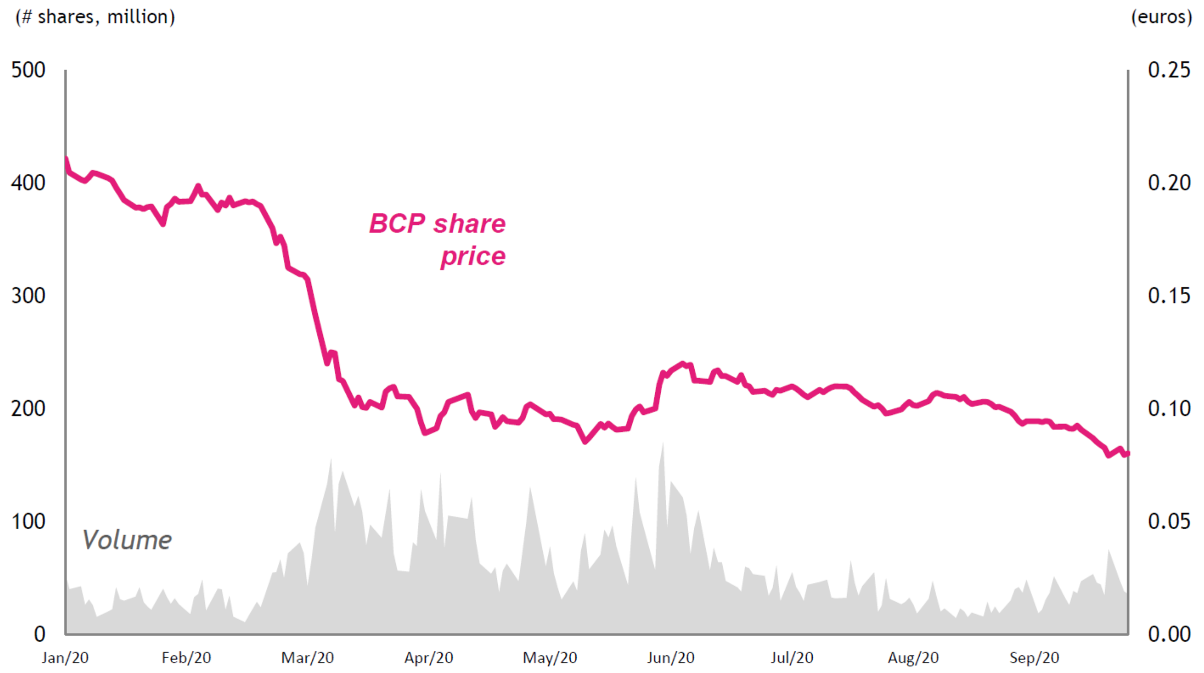
Positive impacts:

- Announcement of 2019 results which, despite extraordinary items, increased when compared to the previous year. Announcement of Q1 2020 results, with praise to the level of transparency and the additional information disclosed about Covid-19: actions taken, support to the economy and potential impacts;
- Announcement of economic stimulus plans by several European governments, with BCP obtaining a market share, in credit lines with state guarantee granted to companies, higher than its natural market share;
- Announcement, by the ECB, of support measures to banks, mainly focused on easing capital and liquidity requirements, limiting the recognition of provisions and increased flexibility in consolidation processes' rules.

Negative impacts:

- Downward revision - by several entities - of macroeconomic projections for the Eurozone;
- Increase in trade tensions between the USA and China;
- Downward revision of BCP's rating outlook, to Negative, by Fitch, and downward revision, by DBRS, of BCP's rating trend.

The current average price target of €0.14 represents a 74% potential appreciation, compared to the BCP share's closing price at September 30, 2020.



Source: Euronext, Thomson Reuters

Qualified Holdings

On 30 June 2020, the following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A.:

		30 June 2020	
Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.à r.l., sociedade detida pela Fosun International Holdings Ltd (Grupo Fosun)	4,384,384,503	29.01%	29.01%
TOTAL DO GRUPO FOSUN	**4,384,384,503**	**29.01%**	**29.01%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, diretamente	2,946,353,914	19.49%	19.49%
TOTAL DO GRUPO SONANGOL	**2,946,353,914**	**19.49%**	**19.49%**
BlackRock*	423,574,988	2.80%	2.80%
TOTAL DO GRUPO BLACKROCK	**423,574,988**	**2.80%**	**2.80%**
Fundo de Pensões do Grupo EDP **	311,616,144	2.06%	2.06%
TOTAL DO GRUPO EDP	**311,616,144**	**2.06%**	**2.06%**
TOTAL DE PARTICIPAÇÕES QUALIFICADAS	**7,828,468,475**	**51.80%**	**51.80%**

* In accordance with the announcement on November 26, 2020 (last information available).

** Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

The voting rights referred to above are the result of the direct and indirect stakes of Shareholders in the share capital of Banco Comercial Português. No other imputation of voting rights foreseen in article 20 of the Securities Code was communicated or calculated.

Business Model

Economic environment

The International Monetary Fund (IMF) revised upwards its 2020 world GDP forecast from -5.2% to -4.4% due to an improvement in the projection for the set of the advanced economies, in particular the US and The European Union, whose pace of activity contraction in the second quarter turned out to be less deep than expected. However, the IMF has warned that these forecasts are subject to an atypical high level of uncertainty stemming from the unpredictability of the pandemic evolution, the impact of the restrictions on the productive capacity and the financial condition of firms.

In the Euro Area there was a clear improvement of the activity indicators during the third quarter, which was more pronounced in Central and Northern Europe, where the pandemic is turning out less intense and tourism assumes a less relevant weight than in the Southern countries. With the aim of accelerating the economic recovery the European leaders approved in July an extraordinary package of funds named NextGeneration EU, amounting to 750 billion euros distributed into subsidies and loans, that will be deployed from 2021 to 2023 and that will be financed by the issuance of European debt. On the monetary policy domain, the European Central Bank (ECB) has not produced any meaningful change, but the concerns voiced by some of its officials with the Euro's appreciation suggests the possibility of intensification of the degree of accommodation of the monetary conditions in the near future.

The growth of the USA in 2020 should outperform the remaining main advanced economies, in a context in which the decisive action of the fiscal and monetary policy authorities made possible the increase of the disposable income of households and the reduction of the debt servicing costs of firms, which translated into a quick recovery of consumption and investment throughout the third quarter of the current year. This benign evolution led the Federal Reserve (Fed) to raise its American GDP growth estimate from -6.5% to -3.7%. Notwithstanding, the Fed hinted that it will likely maintain its key interest rate around 0% until 2023.

The dissipation of more extreme risks regarding the pandemic combined with the global recovery impetus and the extraordinary impulse of the economic policy at the world scale favored the appreciation of the asset classes of greater risk, like equities and corporate credit. The sovereign debt of the periphery of the Euro Area also performed well, with the respective yields reducing to values around the historical lows, development that benefited from the fall of the Euribor interest rates to levels very close to the ECB deposit rate (-0.50%). The progressive improvement of the market sentiment led to a depreciation of the US Dollar, namely against the Euro. The possibility of accumulation of inflationary pressures stemming from the considerable expansionary stance of the monetary and fiscal policies in the main economic blocs was reflected in the appreciation of the precious metals and some cryptocurrencies.

The Portuguese economy recorded a contraction of 9.4% in the first half of the year due to the restrictive measures imposed to fight the pandemic, which have had a particularly adverse impact over the exporting activities, private consumption and, to a lesser degree, investment. From June onwards the gradual lifting of the health restrictions together with an unprecedented program of fiscal and monetary policy measures propelled the recovery of the indicators of economic activity. However, the persistence of elevated risks of worsening of the pandemic has strongly hindered the tourism activities, whose weight in the Portuguese economy assumes particular relevance. In this context, the IMF downgraded the outlook for the Portuguese GDP growth in 2020 from 8% to 10%, which contrasts with the upward revision of Bank of Portugal from 9.5% to 8.1%.

In Poland, after the strong fall of GDP in the second quarter, economic activity has been expanding at a good pace, benefiting from a vast set of fiscal and monetary stimulus policies as well as the solidity and diversity of its productive structure. The IMF foresees a moderate recession of the Polish economy in 2020 (-3.6%), followed by a strong recovery in 2021, with GDP growth estimated to reach 4.6%. Notwithstanding the relatively benign economic situation in Poland, the worsening of the pandemic at the global level has penalized the Zloty performance.

In Mozambique, the GDP recorded a contraction of 3.3% in the second quarter, which determined a downward revision of the IMF forecasts for the whole year, from 1.4% to -0.5%. In this context, the depreciation trajectory of the Metical intensified in the third quarter. In Angola, the deterioration of the economic and financial conditions led to a reduction of the credit rating of the Angolan sovereign debt by two of the main rating agencies and to an increase of the amount of the IMF's financial assistance program to a total of de 4.5 billion US Dollars.

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. 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, consumer credit, 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 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 update of technology, information safety and promotion of new work forms.

The activity in the domestic market focuses on Retail Banking, which is segmented in order to best serve Customer interests, both through a value proposition based on innovation and speed targeted at Mass-market Customers, and through the innovation and personalised 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 September 2020, Millennium bcp was the largest Portuguese privately-owned bank on business volumes with a relevant position in the countries where it operates.

On 30 September 2020, operations in Portugal accounted for 70% 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 17.7% and 17.8% of loans to customers and customer deposits, respectively, in August 2020.

At the end of September 2020, Millennium bcp is also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 5.7 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 1.3 million Active Customers and is the reference bank in this country, with 18.9% of loans and advances to Customers and 23.9% of deposits, on 30 September 2020. 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 on a modern multi-channel infrastructure, on a reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and on a sound risk management and control. On 30 September 2020, Bank Millennium had a market share of 5.9% in loans to customers and of 5.7% in deposits.

The Group has an operation in Switzerland since 2003, through a private banking platform offering personalised quality services to the Group's high net worth Customers, comprising asset management solutions based on a 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 is also operating in the East since 1993, but it was only in 2010 that the activity of the existing branch in Macau was expanded, 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 9 representation offices (1 in the United Kingdom, 3 in Switzerland, 2 in Brazil, 1 in Venezuela, 1 in China, in Guangzhou, and 1 in South Africa), 5 commercial protocols (Canada, USA, Spain, 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 Bank in Portugal to introduce specific innovative concepts and products, including direct marketing methods, layouts based on Customer profiles, salary accounts, simpler branches ("NovaRede"), telephone banking services, through Banco 7, which later became the first online banking services platform, health insurance (Médis) and direct insurance, and a website dedicated to individual Customers and corporate banking. The Bank was also a pioneer in the launching of a new Internet Banking concept, based on the ActivoBank platform, which provides a simplified service to the Customer, including the opening of a current account using Mobile Banking solutions.

Digital banking

In the first half of 2020, the Bank defined three leverages to accelerate digital business: the growth in the number of digital active Customers, with particular focus on Mobile, the migration of transactions to digital, and the growth in digital sales, supported by leaner processes designed to meet Customer needs.

For Individual Customers, the growth trend of the digital Customer base continued, with Mobile Customers representing 46% of total Customers at the end of September 2020. The growth of the App channel users contributed significantly to the growth of mobile Customers (compared to the same period of the previous year). The number of Mobile Customers, in the period from July to September 2020 versus July to September 2019, increased 31% over the previous year and represented already 38% of total Active Customers. Noteworthy is the 69% growth in Logins, 68% in digital sales, 73% in payments and 90% in transfers. 45% of Customers are already exclusive users of the App, which represents an increase of 13 p.p. year-on-year.

The digital channels recorded strong growth, with emphasis on the increase in the interaction of Customers with the Bank: contacts via mobile increased by 88% compared to the period from July to September 2019.

Sustainability of the business model

The resilience of the business model is primarily based on the Bank's concentration on retail banking, more stable and less volatile by nature. Millennium bcp implemented successfully an operational recovery in its core market, reinforcing its financial and capital position, despite of the challenging environment in the banking sector in the Portuguese market. The Bank implemented a restructuring program based on a reduction of operating costs by circa of 40% in Portugal since 2011 and a more than 60% reduction in the Group's NPE since 2013 (from 13.7 billion euros to 3.7 billion euros in September 2020).

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 continues to be to improve the quality of its credit portfolio, reduce the stock of NPE to circa of 3 billion euros to be reached after the economic impact of the pandemic and, simultaneously, decrease the cost of risk.

Financial Information

Results and Balance Sheet

The first nine months of 2020 were marked by the impacts caused by COVID-19 pandemic, forcing most of the countries to adopt exceptional measures, with a great impact on the lives of people and companies. Millennium bcp showed, since the beginning, an enormous capacity for resilience and adaptability to the challenges and risks arising from the pandemic, ensuring business continuity in a new and unexpected event and defining the priorities that allowed a favourable reaction of the Bank to the evolution of the crisis. Thus, Millennium bcp adapted business models and processes in order to continue to support the economy, by intensifying its commercial activity, defending, at the same time, the quality of the balance sheet, liquidity and solvency of the Bank. The Bank thus remained at the forefront in supporting companies and families, becoming the market leader in the COVID-19 lines and approving more than 100,000 moratoriums applied to families. The adaptation of risk management models to the new context should be emphasized, including predictive models to assess the risk associated to the moratoria regime. The Group will continue to continuously assess the situation, in order to adapt itself to the evolution that the pandemic may assume, always bearing in mind the protection of employees and customers as well as the reinforcement of the social support. In this context, mention should be made of the fortnightly meeting of the crisis management office which, in addition to the executive committee, includes multidisciplinary specialists, with emphasis on medical skills, aiming to incorporate in the procedures of the Bank, possible advances that may occur in the scientific area of protection and fighting the pandemic.

On 31 May 2019, Bank Millennium, S.A., a subsidiary owned 50.1% by Banco Comercial Português, S.A., has completed the acquisition of 99.787% stake in Euro Bank S.A. from SG Financial Services Holdings, a subsidiary fully held by Société Générale, S.A. From this date, financial statements of the Group reflect the consolidation of Euro Bank S.A. On the settlement date of the transaction, the acquisition method set out in IFRS 3 - Business Combinations establishes that the acquired assets and the liabilities assumed shall be recognized based on their fair value at the acquisition date. In accordance with IFRS 3, the effective settlement to be completed no later than one year from the control acquisition date has already happened, with no material impact on the financial statements of the Group.

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 **core net income** of Millennium bcp reached 835.2 million euros in the first nine months 2020 (862.7 million euros, excluding the impact of specific items), 1.0% above the 827.1 million euros achieved in the same period of the previous year, an evolution that occurred, it is worth noting, in a particularly adverse economic environment.

The consolidated core net income was boosted by both the performance of the activity in Portugal, that evolved from 464.6 million euros in the first nine months of 2019 to 468.2 million euros in the same period of 2020, and the growth showed by the international activity, from 362.5 million euros in the first nine months of 2019, to 367.0 million euros in the same period of the current year.

The evolution of the core net income in the international activity was determined by the higher contribution from the activity of the Polish subsidiary, influenced by the impact of the integration and consolidation of Euro Bank S.A. in May 2019, although it was partially mitigated by the contribution of the operation in Mozambique, with core net income in the first nine months of 2020 lower than that achieved in the same period of the previous year.

The consolidated **net income** of Millennium bcp stood at 146.3 million euros in the first nine months of 2020 compared to 270.3 million euros reached in the same period of the previous year, with this evolution being strongly influenced by the impact resulting from the pandemic caused by COVID-19. The impact of the current extraordinary situation was felt above all in the additional provisions for credit risk, both in the activity in Portugal and in the international activity and also in the revaluation of corporate restructuring funds in the activity in Portugal. The performance of the consolidated net income of Millennium bcp was also influenced by the reinforcement of the extraordinary provisions booked for foreign exchange mortgage legal risk in the Polish subsidiary which amounted to 67.2 million euros in the first nine months of 2020. To the evolution of the consolidated net income also contributed the gain of 13.5 million euros, recognized in February of 2019, following the sale of the Planfipsa Group, reflected as discontinued operations.

In the activity in Portugal[1], net income stood at 91.9 million euros at the end of the third quarter of 2020, with this evolution from the 125.5 million euros recorded in the same period of 2019, largely affected by a particularly adverse context driven by an unfavorable economic situation due to the impacts associated with the pandemic caused by COVID-19. Additional impairment for credit risks and the revaluation of corporate restructuring funds, stand out among the main negative impacts. In addition, the evolution of net income in the activity in Portugal was also influenced by the performance of other net operating income, since in the first nine months of 2019 the sale of properties generated significant gains, which were not repeated in 2020. On the other way, net income in the activity in Portugal benefited from the savings in operating costs and from the increase in equity accounted earnings together with a lower tax burden.

In the international activity, net income stood at 54.4 million euros in the first nine months of 2020, which compares to 131.4 million euros recorded in the same period of the previous year. This evolution was determined by the performance of the Polish subsidiary, influenced, on one hand by the impact of the acquisition of Euro Bank S.A. and on the other hand by the reinforcement of impairments and provisions, namely the provision for legal risk associated with the mortgage loans granted in foreign exchange in the amount of 67.2 million euros and by impairments for credit risk arising from the COVID-19 pandemic. In addition, impairments were also recorded, in the total amount of 16.6 million euros, for the investment in the participation in Banco Millennium Atlântico to face the risks of this operation which, together with the operation in Mozambique was affected by the impacts of the pandemic caused by COVID-19, that penalized the contribution of these to net income.

Net interest income reached 1,149.6 million euros in the first nine months of 2020, remained in line with 1,153.0 million euros recorded in the same period of 2019. This evolution incorporates, however, two distinct realities, since the favourable performance of the international activity was totally absorbed by the lower contribution from the activity in Portugal.

Net interest income in the activity in Portugal, totaled 591.2 million euros in the first nine months of 2020, standing 1.5% below the 600.1 million euros posted in the same period of the previous year. This evolution was mainly due

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[1] Not considering income arising from operations accounted as discontinued operations, amounting to 13.4 million euros recorded in the first nine months of 2019.

to the reduction in the income generated by the securities portfolio, namely by the Portuguese public debt portfolio, since the reduction in the portfolio of Portuguese Treasury securities in the last quarter of 2019, due to the disposals made, penalized the net interest income of the current year, with the new securities acquired this year being insufficient to offset the loss of income verified, due to lower implicit yields. In addition, securities disposals already made in 2020 continued to widen the gap between the income generated by the current securities portfolio and the existing portfolio in the previous year.

Net interest income in the activity in Portugal was also affected by the lower income from the liquidity surplus in credit institutions and by the higher costs of subordinated debt issues, influenced by the impact of the issue, in the amount of 450 million euros, placed in the market in September 2019. On the other way, it should also be noted the positive impact of the additional funding obtained from the European Central Bank, namely with the participation in the new targeted longer-term refinancing operation (TLTRO III), that the Bank decided to increase to 7,550 million euros in the second quarter of 2020 benefiting from a negative interest rate.

The unfavorable context of historically low rates continued to strongly affect the commercial business. Therefore there was a reduction on the income generated by the performing loan portfolio, despite the increase in the volume of loans, reflecting both the promotion of commercial initiatives to support families and companies with sustainable business plans, and the impact of loans granted under the credit lines guaranteed by the Portuguese State following the pandemic caused by COVID-19. The high rate of reduction of non-performing exposures in last year also contributed negatively to the performance of net interest income, that conversely, benefited from the reduction in costs incurred with customer resources, namely with regard to time deposits.

In the international activity, net interest income increased 1.0% from 552.8 million euros recorded in the first nine months of 2019, reaching 558.4 million euros in the same period of 2020. The Polish subsidiary, influenced by the impact of the integration of Euro Bank S.A. commercial business, was the main responsible for this favorable evolution, which was partially offset by the performance of the subsidiary in Mozambique.

Net interest margin of the Group, in the first nine months of 2020, stood at 2.0%, below the 2.2% recorded in the same period of the previous year. In the activity in Portugal, net interest margin still constrained by the negative interest rates context and by the greater weight of products with lower rates in credit production in the special context of the pandemic, mainly influenced by the credit lines with guarantee of the Portuguese State, evolved from 1.7% in the first nine months of 2019 to 1.5% in the same period of 2020. In the international activity, net interest margin also showed a slight decrease compared to the 3.2% posted in the same period of 2019, standing at 2.9% in the same period of the current year, starting to reflect the drop in the remuneration of the Polish subsidiary asset portfolios, following the successive cuts in the reference interest rates by the Polish Central Bank during the second quarter of 2020, which have not yet been offset by the repricing of the deposits portfolio.

AVERAGE BALANCES

Euro million

	30 Set. 20		30 Set. 19	
	Amount	Yield %	Amount	Yield %
Deposits in banks	5,067	0.6	3,696	1.1
Financial assets	17,204	1.2	15,627	1.7
Loans and advances to customers	53,214	2.9	50,134	3.2
INTEREST EARNING ASSETS	**75,485**	**2.4**	**69,457**	**2.8**
Non-interest earning assets	9,024		9,529	
	84,509		**78,987**	
Amounts owed to credit institutions	7,946	-0.3	7,260	0.2
Deposits and other resources from customers	62,432	0.3	57,571	0.5
Debt issued	3,122	1.0	3,241	1.2
Subordinated debt	1,468	4.8	1,275	4.4
INTEREST BEARING LIABILITIES	**74,967**	**0.4**	**69,347**	**0.6**
Non-interest bearing liabilities	2,111		2,067	
Shareholders' equity and non-controlling interests	7,431		7,573	
	84,509		**78,987**	
Net interest margin		2.0		2.2

Note: Interest related to hedge derivatives was allocated, in September 2020 and 2019, 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, totalled 59.0 million euros in the first nine months of 2020 showing a very favourable evolution from 39.7 million euros posted in the same period of the previous year, due to the higher contribution from the activity in Portugal.

The increase of 20.6 million euros obtained in the activity in Portugal was mainly due to the greater contribution generated by Millennium Ageas, as a result of the evaluation of liabilities of local insurance contracts following the alignment with the assumptions considered by Ageas Group.

In the international activity, equity accounted earnings together with dividends from equity instruments showed a 1.3 reduction, determined by the lower appropriation of results generated by Banco Millennium Atlântico, mainly reflecting the macroeconomic context in Angola, characterized by a situation of economic recession, as well as the effect of the devaluation of the kwanza.

Net commissions[2] totaled 518.1 million euros in the first nine months of 2020, in line with the amount reached in the same period of the previous year, with the good performance of the international activity being totally absorbed by the reduction in the activity in Portugal.

In the activity in Portugal, the 8.7 million euros growth showed by market related commissions was not enough to offset the reduction observed in commissions related to the banking business, which went from 313.7 million euros in the first nine months of 2019, to 300.7 million euros in the same period of the current year, leading the global amount of net commissions to stay 1.2% below the 356.9 million euros achieved in the first nine months of 2019, totaling 352.5 million euros until September 2020.

It should be noted that the performance of commissions related to the banking business in the activity in Portugal, as of the second half of March 2020, was penalized not only by the impact of the pandemic caused by COVID-19, but also 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 not only in commissions related to transfers and cards, but also in commissions related to credit and guarantees. Commissions from management and maintenance of accounts, despite the negative impacts of the current context, showed a favorable evolution, as a result of the change in the commercial policy implemented in 2019.

On the other hand, market related commissions, in the activity in Portugal, benefited from the increase in commissions raised by investment banking operations, as well as commissions related to stock exchange operations and asset management, in this case mainly associated with the distribution of investment funds.

In the international activity, net commissions increased 2.1% from 162.2 million euros achieved in the first nine months of 2019, reaching 165.6 million euros in the same period of 2020. This evolution was mainly due to the rise of banking commissions in the Polish subsidiary, influenced by the impact of the acquisition of Euro Bank S.A. In the specific case of bancassurance commissions, there was an increase in commissions on insurance sold to Bank Millennium customers, mainly associated with personal and mortgage operations.

On the other hand, market related commissions in the international activity in the first nine months of 2020 were lower than those recorded in the same period of the previous year, mainly due to the performance of the Polish subsidiary which was partially offset by the increase recorded by the Swiss subsidiary through brokerage activity and the growth of assets under management.

Net trading income amounted to 104.8 million euros in the first nine months of 2020, below the 119.1 million euros reached in the same period of the previous year, with this evolution being mainly determined by the performance of the international activity.

Net trading income, in the activity in Portugal, totaled 46.8 million euros in the first nine months of 2020, compared to 48.0 million euros recognized in the same period of the previous year. This evolution was influenced not only by the revaluation of corporate restructuring funds, since the determination of the value of the underlying assets started to incorporate assumptions consistent with the effects caused by the pandemic associated with COVID-19, but also by the lower gains with Portuguese public debt securities which fell 12.7 million euros from the amount recognized in the first nine months of 2019. Conversely, net trading income benefited from the gains from foreign exchange operations namely those recognized in the first quarter of 2020, following the devaluation of the zloty, and also from the lower costs incurred with the sale of credits compared to those recorded in the same period of the previous year.

In the international activity, net trading income stood at 58.0 million euros in the first nine months of 2020, below the 71.1 million euros reached in the same period of the previous year, mainly due to the performance of the Polish subsidiary. The evolution of net trading income in the Polish subsidiary was influenced by the income, in the amount of 10.5 million euros, recognized in September 2019, from the revaluation of PSP - Polish Payment Standard shares following the agreement for the entry of Mastercard in the capital of that entity. In addition, net trading income in the Polish operation reflect both the lower results arising from foreign exchange operations in the first nine months of 2020, and the negative impact associated with the revaluation of the loan portfolio mandatorily classified at fair value through profit or loss. Conversely, the favorable evolution associated with the gains recognized with the sale of securities classified at fair value through other comprehensive income allowed to offset the previously mentioned negative impacts.

[2] In 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.

Other net operating income[3;4], which, among others, includes the costs associated with mandatory contributions as well as with the resolution and the deposit guarantee funds, evolved from a negative amount of 90.3 million euros in the first nine months of 2019 to an also negative amount of 143.7 million euros in the same period of 2020. This evolution was due to the performance of both the activity in Portugal and the international activity.

In the activity in Portugal, other net operating income totaled a negative amount of 72.3 million euros in the first nine months of 2020, compared to an also negative amount of 37.8 million euros in the same period of 2019. This performance was mainly due to the reduction in results from the sale of non-current assets held for sale, influenced by significant gains from the sale of foreclosed properties recorded in the first nine months of 2019, that were not repeated in 2020. At the same time, the evolution of other net operating income was also penalized by the introduction, in 2020, of the additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to the impact of the actual crisis caused by COVID-19 pandemic, which in the particular case of Millennium BCP amounted to 5.9 million euros. On the other hand, costs incurred with the remaining mandatory contributions, in the activity in Portugal, showed a 3.6% reduction compared to the 66.6 million euros posted in the first nine months of 2019, totaling 64.2 million euros in the same period of 2020.

The mandatory contributions of the Polish subsidiary increased from the 67.1 million euros posted in the first nine months of 2019, to 78.9 million euros in the first nine months of 2020, being the main cause for the evolution of other net operating income in the international activity, which went from a negative amount of 52.5 million euros in the first nine months of 2019 to an also negative amount of 71.4 million euros in the same period of the current year. The performance of other net operating income in the international activity was also influenced, albeit to a lesser extent, by the lower contribution from the operation in Mozambique, caused by the reduction of the gains from the sale of other assets that had been recognized in the first nine months of 2019.

OTHER NET INCOME

Euro million

	9M20	9M19	Chg. 20/19
DIVIDENDS FROM EQUITY INSTRUMENTS	4.8	0.7	>200%
NET COMMISSIONS	518.1	519.1	-0.2%
Banking commissions	421.9	431.0	-2.1%
Market related commissions	96.2	88.1	9.2%
NET TRADING INCOME	104.8	119.1	-12.0%
OTHER NET OPERATING INCOME	(143.7)	(90.3)	-59.2%
EQUITY ACCOUNTED EARNINGS	54.2	39.0	39.1%
TOTAL OTHER NET INCOME	538.2	587.7	-8.4%
Other net income / Net operating revenues	31.9%	33.8%	

[3] 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. In the first nine months of 2019, the above mentioned reclassifications totaled 2.4 million euros.

[4] The amount of other net operating income includes costs arising from the acquisition, merger and integration of Euro Bank S.A. recognized at the Polish subsidiary, that besides considered as specific items, represents an immaterial amount.

Operating costs[5], not considering the effect of specific items[6] totaled 805.0 million euros in the first nine months of 2020, in line with the 805.6 million euros recorded in the first nine months of the previous year. This evolution incorporates two opposite impacts, since the increase in the international activity almost entirely absorbed the favourable performance of the activity in Portugal, supported by control and reduction of the recurrent operating costs.

In the activity in Portugal, the reduction of operating costs, excluding the effect of the specific items mentioned above, from 468.0 million euros in the first nine months of 2019 to 459.7 million euros in the same period of 2020, was mainly due to the savings in other administrative costs and also, although to a lesser extent to the decrease recorded by staff costs, partially offset by the increase in depreciations.

In the international activity, operating costs, excluding the effect of the specific items mentioned above, stood at 345.3 million euros in the first nine months of 2020, standing 2.3% above the 337.6 million euros posted in the same period of 2019. This evolution was mainly due to the performance of the Polish subsidiary influenced simultaneously by the impact caused by the consolidation of Euro Bank S.A., which was felt in the evolution of staff costs, other administrative costs and depreciation. It should be noted that, as a result of the synergies obtained after the merger with Euro Bank S.A., operating costs of the operation in Poland, in the first nine months of 2020, incorporate savings, in the amount of 25.0 million euros, more than doubling the costs recognized in the period with the integration of the acquired Bank. The contribution of the operation in Mozambique, concerning operating costs, recorded a favourable evolution, boosted by the reduction in other administrative costs and by the devaluation of the Metical.

Staff costs, not considering the effect of specific items (22.7 million euros in the first nine months of 2020 and 24.5 million euros in the same period of 2019), stood slightly below the amount recorded in the first nine months of 2019, totaling 461.7 million euros till the end of the third quarter of the current year. This evolution, however, incorporates two opposite impacts, as the savings obtained in the activity in Portugal were almost fully absorbed by the increase in costs in the international activity.

The favourable performance of staff costs in the activity in Portugal resulted in a 1.2% reduction from the 277.4 million euros posted in in the first nine months of 2019, totaling 273.9 million euros in the same period of 2020. These amounts do not include the specific items abovementioned, that totaled 15.8 million euros in the first nine months of 2020 and 24.4 million euros in the same period of 2019, related to restructuring costs and the compensation for temporary salary cuts.

The favorable evolution of staff costs, in the activity in Portugal, was influenced by the number of employees, which, in net terms, decreased from 7,259 employees at the end of September 2019, to 7,152 employees as at 30 September 2020, despite the hiring of employees mainly with adequate skills to reinforce digital areas, during this period.

In the international activity, excluding the impact of specific items related to costs with the acquisition, merger and integration of Euro Bank S.A., fully recognized by the Polish subsidiary, in the amount of 6.9 million euros in the first nine months of 2020 (immaterial by the end of September 2019), staff costs totaled 187.8 million euros till September 2020, standing 0.9% above the 186.2 million euros recorded in the first nine months of 2019. This increase was mainly due to the performance of the Polish subsidiary, influenced by the inclusion of 2,425 employees from Euro Bank S.A., in May 2019. However, it should be noted that the total number of employees has been progressively decreasing since the end of 2019, exceeding the goal initially defined by Bank Millennium of reducing the staff by 260 FTE - full time equivalent. Thus, as at 30 September 2020 the Polish subsidiary had 7,997 employees (7,846 FTE

[5] 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. In the first nine months of 2019, the above mentioned reclassifications totaled 2.4 million euros.

[6] Negative impact of 27.4 million euros in the first nine months of 2020, of which 15.8 million euros related to restructuring costs and compensation for temporary salary cuts, both recognized as staff costs in the activity in Portugal and 11.7 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (6.9 million euros as staff costs, 4.4 million euros as other administrative costs and 0.4 million euros as depreciation). In the first nine months of 2019, the impact was also negative, in the amount of 39.4 million euros, of which 24.4 million euros related to restructuring costs and compensation for temporary salary cuts, both recognized as staff costs in the activity in Portugal and 14.9 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized as other administrative costs by the Polish subsidiary, that also recorded immaterial amounts as staff costs and depreciation.

- full-time equivalent) compared to 8,710 employees (8,564 FTE - full-time equivalent) as at 30 September 2019.

The total number of employees assigned to international activity as at 30 September 2020 was 10,708 employees, compared to 11,464 employees in the same date of the previous year, reflecting mostly the evolution of Bank Millennium.

Other administrative costs, not considering the impact of specific items, showed a 4.7% reduction from the 252.2 million euros accounted in the first nine months of 2019, totaling 240.4 million euros in the first nine months of the current year. The already mentioned specific items were fully recognized by the Polish subsidiary and are related to costs arising from the acquisition, merger and integration of Euro Bank S.A., in the amount of 4.4 million euros in the first nine months of 2020 and 14.9 million euros in the same period of 2019. The favourable evolution of other administrative costs was mainly determined by the reduction in the activity in Portugal and, on a smaller scale, by the savings obtained in the international activity, namely in the operation in Mozambique.

In the activity in Portugal, other administrative costs showed a reduction of 10.7 million euros, which represents a reduction of 7.7% from the 139.5 million euros accounted in the first nine months of 2019, totaling 128.8 million euros in the same period of 2020.

The spread of the pandemic associated with COVID-19, despite implying an increase in costs associated with the purchase of protective material, cleaning services and relocation of facilities, also allowed savings by suspending or postponing projects and travels. Thus, we must point out the savings in costs associated with advisory services, but also the reductions recorded under items such as travel, hotel and representation costs, advertising, water, electricity and fuel and legal expenses. Additionally, the evolution of other administrative costs also reflects the disciplined management of costs, together with the resizing of the branch network from 526 on 30 September 2019 to 489 as at 30 September 2020.

In the international activity, other administrative costs, excluding the impact of the specific items above mentioned, amounted to 111.6 million euros in the first nine months of 2020, standing 1.0% below the 112.7 million euros recorded in the same period of the previous year. This evolution was mainly due to the performance of the subsidiary in Mozambique, partially offset by the increase in the Polish subsidiary. It should be noted however that the performance of the Polish subsidiary was strongly influenced by the impact of the acquisition of Euro Bank S.A., since other administrative costs recorded up to September 2020 incorporate costs related to a period greater than those recorded in the previous year, which only consider the new entity as of May 2019. On the other way, the ongoing restructuring measures allowed to obtain a set of synergies that materialized in savings, in the amount of 10.4 million euros till the end of the third quarter of 2020, which include the reduction in the number of branches, which evolved from the 833 branches existing at the end of September 2019, to 726 branches on the same date of 2020.

Depreciations totaled 102.9 million euros in the first nine months of 2020, compared to 89.8 million euros posted in the same period of the previous year, due to the performance of both the activity in Portugal and the international activity. The amounts mentioned above do not include the specific items recognized by Bank Millennium, S.A. related to the acquisition of Euro Bank S.A. (0.4 million euros in the first nine months of 2020 and an immaterial amount in the same period of 2019).

In the activity in Portugal, depreciations evolved from 51.2 million euros accounted in the first nine months of 2019, to 57.0 million euros in the same period of 2020, mostly reflecting the investment in software and IT equipment, and confirming the commitment of the Bank to technological innovation and the ongoing digital transformation.

In the international activity depreciations, excluding the specific items above mentioned, reached 45.9 million euros in the first nine months of 2020, standing above the 38.6 million euros recognized in the same period of 2019. Although the subsidiary in Mozambique recorded an increase compared to the first nine months of 2019, the Polish subsidiary was the main responsible for the evolution of depreciation in international activity, influenced by the impact arising from the acquisition of Euro Bank S.A.

OPERATING COSTS

Euro million

	9M20	9M19	Chg. 20/19
Staff costs	461.7	463.6	-0.4%
Other administrative costs	240.4	252.2	-4.7%
Depreciations	102.9	89.8	14.6%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	**805.0**	**805.6**	**-0.1%**
OPERATING COSTS	**832.4**	**844.9**	**-1.5%**
Of which (1):			
Portugal activity	459.7	468.0	-1.8%
Foreign activity	345.3	337.6	2.3%

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) totaled 374.2 million euros in the first nine months of 2020, showing an higher amount than the 299.0 million euros recognized in the same period of the previous year, due to the evolution of the international activity, but above all the activity in Portugal. The context of economic crisis caused by the COVID-19 pandemic, strongly influenced the evolution of loans impairment, since the associated risks led to the reinforcement of the impairment to the credit portfolio.

In the activity in Portugal, impairment for loan losses (net of recoveries) reached 260.4 million euros in the first nine months of 2020, influenced by the constitution of additional impairments following the revision of the credit risk parameters of the impairment models, carried out at the end of the first half of 2020, to reflect the new macroeconomic scenario dictated by the risks associated with the COVID-19 pandemic.

In the international activity, the constitution of impairments to deal with the additional credit risk following the actual context of economic crisis, is the main justification for the 21.1 million euros increase in loans impairment, which increased from 92.7 million euros in the first nine months of 2019 to 113.8 million euros in the same period of the current year. The performance of impairments in the Polish subsidiary was influenced not only by the amount of impairment recognized to deal with the pandemic caused by COVID-19, but also by the effect of the impairment that had been booked, in June 2019, to face the risks implicit in the acquired loan portfolio resulting from the consolidation of Euro Bank S.A. In the subsidiary in Mozambique, loans impairment evolved favourably, standing below the amount recorded in the first nine months of 2019, despite the constitution of impairments for credit risk associated to COVID-19 pandemic.

The extraordinary reinforcement of loan impairments associated with COVID-19 pandemic conditioned naturally the evolution of the cost of risk (net) of the Group, which in the first nine months of the year stood at 89 basis points, compared to 73 basis points in the same period of the previous year. In the activity in Portugal, the cost of risk stood, at 90 basis points at the end of the third quarter of 2020 that compares to 74 basis points in the same period of 2019. The cost of risk in the international activity, evolved from 72 basis points in the first nine months of 2019, to 88 basis points in the same period of 2020.

Other impairments and provisions reached, on consolidated terms, 176.4 million euros in the first nine months of 2020, which compares to 78.1 million euros accounted in the same period of 2019, determined by the performance of the international activity.

In the activity in Portugal, other impairment and provisions totaled 72.3 million euros in the first nine months of 2020, above the 68.3 million euros recognized in the same period of the previous year. However, this evolution incorporates two different impacts, since the impact of the lower level of provisioning required for non-current assets held for sale and other risks and charges was fully absorbed by the reinforcement of impairment to other financial assets that essentially reflect the impact of the revision of credit risk parameters in the valuation of debt instruments.

In the international activity, there was an increase of 94.3 million euros from the first nine months of 2019, which led other impairment and provisions amounted to 104.1 million euros at the end of the third quarter of 2020. This increase was essentially due to the activity of the Polish subsidiary, reflecting on one hand the reinforcement of the extraordinary provision in the amount of 67.2 million euros booked for foreign exchange mortgage legal risk and on the other hand, additional charges to cover the return of commissions to customers who early repaid their consumer credit operations, following a decision taken by the Court of Justice of the European Union. Additionally, in the financial year 2020, impairments in the amount of 16.6 million euros were recorded for the investment in the participation in Banco Millennium Atlântico, to cover the risks inherent to the context in which Angolan operation develops its activity.

Income tax (current and deferred) amounted to 122.4 million euros in the first nine months of 2020, which compares to 174.0 million euros obtained in the same period of 2019.

The recognized taxes include, in the first nine months of 2020, current tax of 87.0 million euros (75.2 million euros in the first nine months of 2019) and deferred tax of 35.5 million euros (98.8 million euros in the first nine months of 2019).

The increase in the current tax expense in the first nine months of 2020 results from higher mandatory contributions to the banking sector and additional provisions for liabilities and charges, non-deductible for tax purposes. The deferred tax expense in the first nine months of 2019 resulted essentially from the write-off of deferred tax assets related to tax losses due to the maintenance of the low interest rates regime and actuarial losses from pension fund.

BALANCE SHEET

Total assets of the consolidate balance sheet of Millennium bcp showed a 5.7% increase from the 81,359 million euros posted in 30 September 2019, achieving 86,017 million euros at the end of the third quarter of 2020. This growth was driven by the performance of the activity in Portugal, since total assets of the international activity was in line with the amount posted as at 30 September 2019.

In the activity in Portugal, total assets increased 8.6% from the 55,493 million euros recorded at the end of September 2019, totaling 60,257 million euros in the same date of the current year. This evolution was mainly due to the increases in securities portfolio, with the reinforcement of eligible assets, namely Portuguese public debt portfolio and loans to customers portfolio (net). Cash and deposits at central banks and other assets also shown an increase from the amounts posted in September 2019. Inversely, despite with a lesser magnitude, the most significant reductions resulted from the decrease in non-current assets held for sale, namely in the portfolio of real estate properties received as payment and in loans and advances to credit institutions.

In the international activity, total assets amounted to 25,760 million euros as at 30 September 2020, in line with the 25,866 million euros reached in the same date of the previous year. However, it is worth noting that this evolution is influenced by foreign exchange rates, given that the growth in total assets of the Polish and Mozambican subsidiaries was offset by the devaluation of the respective currencies against the Euro, especially the Mozambican metical.

Consolidated **loans to customers** (gross) of Millennium bcp, as defined in the glossary, amounted to 56,147 million euros on 30 September 2020, showing a 2.7% growth compared to the 54,658 million euros recorded at the same date of the previous year, mainly due to the performance of the activity in Portugal, also benefiting from the growth in the international activity, albeit in a lesser extent.

In the activity in Portugal, the good performance of loans to customers (gross) was reflected in an 3.6% increase from the 37,203 million euros posted at the end of September 2019, reaching 38,558 million euros as at 30 September 2020. This growth was largely due to the credit granted under the credit lines launched by the Government to face the impacts caused by the pandemic associated to COVID-19, reflected in the increase of the presence of the Bank in the market segment of SMEs and companies. It should also be noted that the net growth of the loan portfolio was possible despite the reduction of 990 million euros in NPE, resulting from the success of the divestment strategy in this type of assets, carried out by the Bank in recent years and that was more than offset by the growth of 2,345 million euros recorded by the performing loan portfolio.

In the international activity, loans to customers (gross) stood 0.8% above the amount recorded at the end of September 2019, reaching 17,589 million euros on 30 September 2020, following the evolution of the Polish subsidiary, which only reflects part of the portfolio growth expressed in local currency, due to the effect of the devaluation of the Zloty against the euro in this period.

Consolidated loans to customers (gross) maintained a balanced level of diversification, with loans to individuals and loans to companies representing, respectively 56.9% and 43.1% of the total portfolio as at 30 September 2020 (57.6% and 42.4% at the same date of 2019).

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Sep. 20	30 Sep. 19	Chg. 20/19
INDIVIDUALS	**31,948**	**31,496**	**1.4%**
Mortgage	26,136	25,632	2.0%
Personal loans	5,812	5,865	-0.9%
COMPANIES	**24,198**	**23,161**	**4.5%**
Services	8,570	8,690	-1.4%
Commerce	4,037	3,521	14.6%
Construction	1,733	1,878	-7.7%
Others	9,859	9,072	8.7%
TOTAL	**56,147**	**54,658**	**2.7%**
Of which:			
Portugal activity	38,558	37,203	3.6%
International activity	17,589	17,455	0.8%

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

The improvement in the quality of the loan portfolio can be seen in the favorable evolution of the respective indicators, namely the NPE ratio as a percentage of the total loan portfolio, which declined from 8.4% as at 30 September 2019 to 6.5% at the same date of 2020, essentially reflecting the performance of the domestic loan portfolio, whose NPE ratio showed a reduction from 9.9% to 7.0%.

At the same time, it should also be noted the generalized increase in the coverage by impairments in the activity in Portugal, namely the reinforcement in the coverage of NPL by more than 90 days, from 98.8% at the end of September 2019 to 117.4% as at 30 September 2020, and the reinforcement in the coverage of NPE, which stood at 62.2% at the end of the third quarter of 2020, compared to 55.1% at the same date of the previous year.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	30 Sep. 20	30 Sep. 19	Chg. 20/19	30 Sep. 20	30 Sep. 19	Chg. 20/19
STOCK (M€)						
Loans to customers (gross)	56,147	54,658	2.7%	38,558	37,203	3.6%
Overdue loans > 90 days	1,376	1,595	-13.7%	939	1,200	-21.7%
Overdue loans	1,497	1,751	-14.5%	957	1,231	-22.2%
Restructured loans	2,913	3,243	-10.2%	2,408	2,697	-10.7%
Non-performing loans (NPL) > 90 days	1,939	2,566	-24.4%	1,348	2,019	-33.2%
Non-performing exposures (NPE)	3,663	4,602	-20.4%	2,701	3,691	-26.8%
Loans impairment (Balance sheet)	2,277	2,534	-10.2%	1,646	1,996	-17.5%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	2.5%	2.9%		2.4%	3.2%	
Overdue loans / Loans to customers (gross)	2.7%	3.2%		2.5%	3.3%	
Restructured loans / Loans to customers (gross)	5.2%	5.9%		6.2%	7.2%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	3.5%	4.7%		3.5%	5.4%	
Non-performing exposures (NPE) / Loans to customers (gross)	6.5%	8.4%		7.0%	9.9%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	165.5%	158.9%		175.3%	166.4%	
Coverage of overdue loans	152.1%	144.8%		171.9%	162.1%	
Coverage of Non-performing loans (NPL) > 90 days	117.4%	98.8%		122.1%	98.9%	
Coverage of Non-performing exposures (NPE)	62.2%	55.1%		60.9%	54.1%	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	4.5%	5.8%		4.9%	6.9%	

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

Total customer funds amounted to 83,284 million euros as at 30 September 2020, showing an increase of 3.9% from 80,166 million euros recorded in the same date of the previous year.

The evolution of total customer funds was due to the increase in deposits and other resources from customers in both the activity in Portugal and the international activity, with an increase of 3,438 million euros on consolidated terms.

On the other hand, off-balance sheet customer funds remained in line with the amount recorded on 30 September 2019 in both the activity in Portugal and the international activity totaling 18,790 million euros on consolidated terms at the end of September of the current year.

In the activity in Portugal, total customer funds amounted to 58,842 million euros as at 30 September 2020, standing 4.7% above the 56,177 million euros recorded at the same date of the previous year. The growth of 2,665 million euros in total customer funds was determined by the performance of deposits and other resources from customers, which grew 2,911 million euros from September 2019, reaffirming the maintenance of the weight of customer deposits in the assets financing structure. Off-balance sheet customer funds shown a slightly decrease from the amounts reached on 30 September 2019, totaling 15,600 million euros on the same date of 2020, with the increase of assets placed with customers together with assets under management being fully absorbed by the reduction in insurance products (savings and investment).

In the international activity, total customer funds shown an increase of 1.9%, from 23,989 million euros on 30 September 2019 to 24,442 million euros at the end of the third quarter of 2020, also determined by the performance of balance sheet customer funds, namely by deposits and other resources from customers, which grew 527million euros in the same period, mainly due to the activity of the Polish subsidiary. Off-balance sheet customer funds in the international activity did not change materially compared to the amounts obtained in September 2019.

On 30 September 2020, balance sheet customer funds and deposits and other resources from customers, on a consolidated basis, represented 77% and 76%, respectively of total customer funds, with its weight increasing slightly compared to the same date of the previous year (76% and 74%, respectively).

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 86% on 30 September 2020, with the same ratio, considering on-balance sheet customers' funds, standing at 84%. Both ratios show values below those obtained at the same date of the previous year (88% and 85%, respectively).

TOTAL CUSTOMER FUNDS

Euro million

	30 Sep. 20	30 Sep. 19	Chg. 20/19
BALANCE SHEET CUSTOMER FUNDS	**64,494**	**61,296**	**5.2%**
Deposits and other resources from customers	62,997	59,559	5.8%
Debt securities	1,498	1,738	-13.8%
OFF-BALANCE SHEET CUSTOMER FUNDS	**18,790**	**18,870**	**-0.4%**
Assets under management	5,733	5,549	3.3%
Assets placed with customers	4,738	3,955	19.8%
Insurance products (savings and investment)	8,319	9,366	-11.2%
TOTAL	**83,284**	**80,166**	**3.9%**
Of which:			
Portugal activity	58,842	56,177	4.7%
International activity	24,442	23,989	1.9%

The **securities portfolio** of the Group, as defined in the glossary, showed an increase of 18.9% from the 16,625 million euros recorded at the end of the third quarter of 2019, reaching 19,759 million euros as at 30 September 2020, increasing its weight in total assets from 20.4% to 23.0% in the same period.

The performance of the securities portfolio of the group was due to the growth of the portfolios of both the activity in Portugal and the Polish activity, mainly reflecting the increase in the Portuguese and Polish sovereign debt portfolio.

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	Includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) Excludes the Specialized Credit and Real Estate Division from the commercial network, which started to be considered in the segment Other.
(**) 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 Portuguese subsidiaries were recalculated, 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 2020 and 2019, respectively.

The information presented below was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 30 September 2020.

RETAIL

Million euros

RETAIL BANKING	30 Sep. 20	30 Sep. 19	Chg. 20/19
PROFIT AND LOSS ACCOUNT			
Net interest income	378	345	9.7%
Other net income	286	296	-3.6%
	664	641	3.6%
Operating costs	350	355	-1.4%
Impairment	45	13	>200%
Income before tax	269	273	-1.5%
Income taxes	82	84	-2.4%
Income after tax	187	189	-1.1%
SUMMARY OF INDICATORS			
Allocated capital	1,235	1,116	10.6%
Return on allocated capital	20.2%	22.6%	
Risk weighted assets	10,014	9,212	8.7%
Cost to income ratio	52.7%	55.4%	
Loans to Customers (net of impairment charges)	23,273	21,733	7.1%
Balance sheet Customer funds	32,610	29,708	9.8%

Notes:

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

Income

As at 30 September 2020, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 187 million, showing a 1.1% decrease compared to Euros 189 million in the same period of 2019, penalized mainly by the impairments recorded in the first nine months of 2020. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income went up to Euros 378 million as at 30 September 2020, growing 9.7% compared to the previous year (Euros 345 million), positively influenced by the higher income arising from the internal placements of the excess of liquidity, by the higher return on the loan portfolio, in particular through the increase of the existing volumes and by the continuous decrease in costs associated to term deposits.
- Other net income fell from Euros 296 million at the end of September 2019 to Euros 286 million at the end of September of 2020, showing a 3.6% decrease, due to lower banking commissions, namely transfers commissions and cards, which were penalized not only by the impacts directly linked to the COVID-19 pandemic, but also by the support initiatives implemented by the Bank, namely some exemptions granted to deal with this particular situation.
- Operating costs dropped 1.4% from the amounts recognized in the same period of the previous year, enhanced, on the one hand, by the progressive reduction in the number of employees and, on the other hand, by the reduction in other administrative expenses.
- Impairment charges amounted to Euros 45 million by the end of September 2020, considerably higher when compared to Euros 13 million recorded in September 2019, reflecting the downgrade of the credit risk parameters considered in the impairment calculation model, following the update of the macroeconomic scenario, which now incorporates the impacts of the COVID-19 pandemic.
- In September 2020, loans to customers (net) totalled Euros 23,273 million, 7.1% up from the position at the end of September 2019 (Euros 21,733 million), while balance sheet customer funds increased by 9.8% in the same period, amounting to Euros 32,610 million by the end of September 2020 (Euros 29,708 million at the end of September of the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING	30 Sep. 20	30 Sep. 19	Chg. 20/19
PROFIT AND LOSS ACCOUNT			
Net interest income	188	207	-9.3%
Other net income	105	103	1.9%
	293	310	-5.6%
Operating costs	94	101	-7.0%
Impairment	198	211	-6.6%
Income before tax	1	(2)	
Income taxes	(1)	(1)	
Income after tax	2	(1)	
SUMMARY OF INDICATORS			
Allocated capital	1,274	1,190	7.0%
Return on allocated capital	0.2%	-0.1%	
Risk weighted assets	11,106	10,569	5.1%
Cost to income ratio	31.9%	32.4%	
Loans to Customers (net of impairment charges)	12,927	12,267	5.4%
Balance sheet Customer funds	8,111	7,938	2.2%

Notes:

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

Income

Companies, Corporate and Investment Banking segment in Portugal went up from a loss of Euro 1 million in the first nine months of 2019 to a profit of Euro 2 million in September 2020. The performance of this segment remains constrained by the progressive implementation of the Bank's 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. The performance of this segment in 2020 is explained by the following changes:

- Net interest income stood at Euros 188 million as at 30 September 2020, 9.3% below the amount attained in the previous year (Euros 207 million), penalized mostly by the income arising from the loan portfolio, highly constrained by lower average interest rates. Despite the reinforcement of the credit portfolio with the new loans granted under the credit lines to support the economy during the pandemic, the return 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 105 million in September 2020, being 1.9% higher compared to the amount achieved in September 2019, which is mainly explained by the increase in commissions.
- Operating costs totalled Euros 94 million by the end of September 2020, 7.0% down in comparison with the previous year, mainly due to the fact of the Specialized Credit and Real Estate Division has ceased to be considered as a commercial network and is now included as part of the segment Other.
- Impairments showed a 6.6% drop, decreasing from Euros 211 million in September 2019 to Euros 198 million in September 2020. This evolution results from two opposite effects, since that, on the one hand, it incorporates additional impairments charges following the worsening of credit risk parameters arising from the update of the macroeconomic scenario embedded in the impairment calculation model and, on the other, reflects a reduction in impairments related to loans allocated to recovery areas, as a result of the provisioning effort made in the previous year.
- As at September 2020, loans to customers (net) totalled Euros 12,927 million, 5.4% higher compared to the existing position in September 2019 (Euros 12,267 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 8,111 million, 2.2% above the amount recorded in September 2019.

PRIVATE BANKING

Million euros

PRIVATE BANKING	30 Sep. 20	30 Sep. 19	Chg. 20/19
PROFIT AND LOSS ACCOUNT			
Net interest income	11	5	98.5%
Other net income	19	19	2.8%
	30	24	24.4%
Operating costs	16	15	9.6%
Impairment	(2)	(2)	-2.0%
Income before tax	16	11	40.2%
Income taxes	5	3	40.2%
Income after tax	11	8	40.2%
SUMMARY OF INDICATORS			
Allocated capital	73	67	8.7%
Return on allocated capital	19.8%	15.4%	
Risk weighted assets	612	576	6.3%
Cost to income ratio	52.7%	59.9%	
Loans to Customers (net of impairment charges)	273	262	4.2%
Balance sheet Customer funds	2,408	2,210	9.0%

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 11 million in September 2020, reaching a 40.2% growth compared to the net profit posted in the same period of 2019 (Euros 8 million), mainly due to the favourable performance 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 30 million in September 2020, 24.4% up from the previous year (Euros 24 million). This increment is mainly explained by the favourable performance of net interest income, but also, to a lesser extent, by the evolution of other net income. Net interest income totalled Euros 11 million in September 2020, comparing to Euros 5 million in the first nine months of 2019, mostly benefiting from the higher income arising from the internal placements of the excess of liquidity, but also from the lower costs incurred with term deposits. Other net income amounted to Euros 19 million in September 2020, reflecting an increase of 2.8% compared to the same period of the previous year, due to the higher volume of commissions raised with stock exchange operations and with the management of customer portfolios, as well as with the placement of investment funds.
- Operating costs amounted to Euros 16 million in September 2020, above the operating costs recorded in the first nine months of 2019 (Euros 15 million).
- Impairments impacted positively the profit and loss account, although slightly less than in the first nine months of 2019, with reversals in September 2020 being 2.0% lower than the reversals recorded in September 2019.
- Loans to customers (net) amounted to Euros 273 million by the end of September 2020, showing an increase of 4.2% compared to figures accounted in the same period of the previous year (Euros 262 million), while balance sheet customer funds grew 9.0% during the same period, from Euros 2,210 million in September 2019 to Euros 2,408 million in September 2020, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Million euros

FOREIGN BUSINESS	30 Sep. 20	30 Sep. 19	Chg. 20/19
PROFIT AND LOSS ACCOUNT			
Net interest income	558	553	1.0%
Other net income (*)	163	192	-15.6%
	721	745	-3.3%
Operating costs	357	353	1.3%
Impairment	218	102	112.6%
Income before tax	146	290	-49.7%
Income taxes	56	71	-21.1%
Income after income tax	90	219	-58.9%
SUMMARY OF INDICATORS			
Allocated capital (**)	2,957	2,986	-1.0%
Return on allocated capital	4.1%	9.8%	
Risk weighted assets	15,648	15,615	0.2%
Cost to income ratio	49.5%	47.3%	
Loans to Customers (net of impairment charges)	16,958	16,916	0.2%
Balance sheet Customer funds	21,252	20,782	2.3%

(*) 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, stood at Euros 90 million in September 2020, reflecting a 58.9% decrease compared to Euros 219 million achieved in September 2019. This evolution is mostly explained by the impairment performance and, although to a lesser extent, by the increase in the operating costs.

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

- Net interest margin stood at Euros 558 million in September 2020, which compares to Euros 553 million achieved in September 2019. Excluding the impact arising from the foreign exchange effects, the increase would have been 5.6%, reflecting mainly the positive performance of the subsidiary in Poland, partly mitigated by the evolution observed in the subsidiaries in Mozambique and Switzerland.
- Other net income decreased 15.6%. Excluding foreign exchange effects, other net income decreased 10.5%, determined by the performance of the subsidiary in Poland, which was penalized by the increase in mandatory contributions and by the lower level of net of trading income, and also by the performance of the Mozambican subsidiary, whose results in 2019 had been influenced by relevant gains from the sale of other assets. It should be noted that these effects were partially mitigated by the increase in commissions generated mainly by the activity of the Polish subsidiary.
- Operating costs amounted to Euros 357 million as at 30 September 2020, 1.3% up from September 2019. Excluding foreign exchange effects, operating costs would have risen 5.2%, mainly influenced by the operation in Poland, namely by the costs associated with the acquisition, merger and integration of Euro Bank S.A., and also, although with less relevance, by the operation in Mozambique.
- Impairment charges at the end of the first nine months of 2020 presented a substantial increase compared to figures reported in the same period of 2019, reflecting mainly: (i) the impact of the additional provision related to risks from COVID-19 pandemic, recorded both by the Polish and Mozambican subsidiaries; (ii) the additional extraordinary provision for legal proceeding related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary; (iii) the additional charges to cover the return of commissions to customers who early repaid their consumer credit operations, following a decision taken by the Court of Justice of the European Union; and (iv) the impairment for the investment in participation in Banco Millennium Atlântico to face the risks in which that operation develops its activity.
- Loans to customers (net) stood at Euros 16,958 million at the end of September 2020, similar to the amount attained as at 30 September 2019 (Euros 16.916 million). Excluding foreign exchange effects, the loan portfolio increased 4.4%, explained by the growth achieved by the Polish subsidiary. The Foreign business' balance sheet

customer funds increased 2.3% from Euros 20,782 million reported as at 30 September 2019 to Euros 21,252 million as at 30 September 2020. Excluding the foreign exchange effects, balance sheet customer funds increased 7,2%, mainly driven by the performance of the subsidiaries in Poland and Mozambique.

Liquidity management

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 243% at the end of September 2020, 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 (223%), with 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 30 September 2020 to stand at 140% (138% as at 30 September 2019).

The financing policy of the Bank was adjusted in the wake of the COVID-19 pandemic, whose negative effects on the economy and in particular on the banking sector, not yet fully known, led supervisors and central banks to take a wide range of mitigation measures promptly. Regarding the ECB, these measures were announced throughout the month of April, involving the provision of additional liquidity to the banking system through the creation of “Targeted longer-term refinancing operations III” (“TLTRO III”) and the reduction of haircuts transversal to all types of assets eligible for discount with the ECB. Although the monitoring on a daily basis of all liquidity indicators has shown since the beginning of the crisis, both at BCP and its subsidiaries, a total stability of the deposit base and liquidity buffers, BCP decided, in a prudent management perspective, to undertake an additional 1.5 billion euros in April at the ECB using “main refinancing operations” (MRO) with a 3-month term, thus raising its exposure to the central bank from 4.0 billion euros (TLTRO II) to 5.5 billion euros, and in June, at the maturity date of the TLTRO II and the MROs mentioned above, to take 7.6 billion euros in TLTRO III. The additional liquidity thus obtained was applied to the early repayment of EIB (European Investment Bank) long-term loans in the amount of 750 million euros, still in June, and to reinforce by approximately 1.3 billion euros the portfolio of assets eligible for discount at the ECB plus the liquidity held in the Bank of Portugal during the third quarter of 2020.

After these operations and compared to the same month in 2019, net financing from the ECB increased by 3.0 billion euros, to 4.9 billion euros. To this liquidity was added up to the liquidity generated by the reduction of the commercial gap in Portugal, around 2.2 billion euros with the funds being used mainly to reinforce the securities portfolio in Portugal (2.8 billion euros, of which 2.4 billion euros in sovereign debt), in liquidity deposited with Banco de Portugal (increase of 689 million euros, to 2.8 billion euros) and the repayment of long-term loans from the EIB, in the amount of 903 million euros (including the aforementioned early repayment of long-term loans in the amount of 750 million euros).

Also in the context of prudent liquidity management, the collateral pool eligible for discount at the ECB was reinforced at the end of April by an issue of own covered bonds in the amount of 1.7 billion euros after haircuts which, jointly with the collateral easing measures determined by the ECB, contributed to rise the balance of assets eligible for discount at the ECB to 22.5 billion euros after haircuts, 4.1 billion euros more than in the same period of 2019. At the same period, the liquidity buffer with the Central Bank increased by 1.1 billion euros, to 17.6 billion euros.

Since the beginning of the COVID-19 crisis, and similarly to BCP, all available indicators demonstrate the resilience of the liquidity positions of Bank Millennium (Poland) and BIM (Mozambique), supported by the stability of the respective deposit bases and the solidity of their liquidity buffers with the respective central banks, which showed a growth of 0.7 billion euros (to 5.1 billion euros) in Bank Millennium (Poland) and a slight decrease of 28 million euros (to 802 million euros) in BIM (Mozambique). The liquidity cushion of the main operations of the Group kept at historically high levels all the liquidity risk appetite metrics defined centrally by the parent company and adopted across all the Group's entities to monitor that risk.

Capital

The estimated CET1 ratio as at 30 September 2020 stood at 12.4% phased-in and fully implemented, +9 and +10 basis points, respectively, compared to the 12.3% ratio both phased-in and fully implemented recorded in the same date of 2019.

The CET1 fully implemented ratio evolution was mainly determined by the organic generation of capital that partially offset the general rise of the risk weighted assets.

The capital ratios estimated for the end of the third quarter of 2020 are above the minimum ratios defined under the scope of the SREP (Supervisory Review and Evaluation Process) for the year 2020 (CET1: 8.828%, T1: 10.750% and Total: 13.313%).

SOLVENCY RATIOS

Euro million

	30 Sep. 20	30 Sep. 19
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,703	5,503
Tier 1	6,234	6,007
Total Capital	**7,260**	**7,057**
Risk weighted assets	**46,138**	**44,879**
Solvency ratios		
CET1	12.4%	12.3%
Tier 1	13.5%	13.4%
Total capital	15.7%	15.7%
PHASED-IN		
CET1	12.4%	12.3%

Note: The capital ratios of September 2020 are estimated including the non-audited positive accumulated net income.

The capital ratios of September 2019 include the positive accumulated net income, non-audited.

Strategy

Strategic Plan

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 70% since 2013 (from Euros 13.7 to Euros 3.7 billion in September 2020). 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 now 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 emerges 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 aspire to capture the full potential of ActivoBank's simple and value-based offer and assess potential internationalization options.

Growth in international footprint, with the objective of capitalizing on the opportunities offered by the high-growth intrinsics 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 volume with a sound risk profile.

		9M 2019	9M 2020	Steady state* (original plan)
Franchise growth	Active Customers	5.1 million	5.7 million	>6 million
	Digital Customers	58%	63%	>60%
	Mobile Customers	39%	46%	>45%
Value creation	Cost to income	49% (46% excluding non-usual costs)	49% (48% excluding non-usual costs)	≈40%
	RoE	6.0%	3.4%	≈10%
	CET1	12.3%	12.4%	≈12%
	Loans-to-deposits	88%	86%	<100%
	Dividend payout	--		≈40%
Asset quality	NPE stock	€4.6 billion	€3.7 billion	≈€3 billion Down ≈60% from 2017
	Cost of risk	73bp	89bp	<50bp

NPE include loans to Customers only.

*To be achieved after the economic impact of the current pandemic.

Regulatory information

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal (1)			International activity		
	Set. 20	Set. 19	Change 20/19	Set. 20	Set. 19	Change 20/19	Set. 20	Set. 19	Change 20/19
INCOME STATEMENT									
Net interest income	1,149.6	1,153.0	-0.3%	591.2	600.1	-1.5%	558.4	552.8	1.0%
Dividends from equity instruments	4.8	0.7	>200%	4.0	–	>200%	0.8	0.7	9.0%
Net fees and commission income	518.1	519.1	-0.2%	352.5	356.9	-1.2%	165.6	162.2	2.1%
Net trading income	104.8	119.1	-12.0%	46.8	48.0	-2.5%	58.0	71.1	-18.5%
Other net operating income	(143.7)	(90.3)	-59.2%	(72.3)	(37.8)	-91.2%	(71.4)	(52.5)	-36.1%
Equity accounted earnings	54.2	39.0	39.1%	44.5	27.9	59.7%	9.7	11.1	-12.7%
Net operating revenues	**1,687.8**	**1,740.6**	**-3.0%**	**966.7**	**995.1**	**-2.9%**	**721.1**	**745.5**	**-3.3%**
Staff costs	484.4	488.0	-0.7%	289.7	301.8	-4.0%	194.7	186.2	4.6%
Other administrative costs	244.8	267.1	-8.3%	128.8	139.5	-7.7%	116.0	127.6	-9.1%
Depreciation	103.2	89.8	14.9%	57.0	51.2	11.4%	46.2	38.7	19.6%
Operating costs	**832.4**	**844.9**	**-1.5%**	**475.5**	**492.4**	**-3.4%**	**357.0**	**352.5**	**1.3%**
Operating costs excluding specific items	805.0	805.6	-0.1%	459.7	468.0	-1.8%	345.3	337.6	2.3%
Profit before impairment and provisions	**855.3**	**895.7**	**-4.5%**	**491.2**	**502.6**	**-2.3%**	**364.1**	**393.0**	**-7.4%**
Loans impairment (net of recoveries)	374.2	299.0	25.2%	260.4	206.3	26.2%	113.8	92.7	22.8%
Other impairment and provisions	176.4	78.1	126.0%	72.3	68.3	5.9%	104.1	9.8	>200%
Profit before income tax	**304.7**	**518.6**	**-41.2%**	**158.4**	**228.0**	**-30.5%**	**146.2**	**290.6**	**-49.7%**
Income tax	122.4	174.0	-29.7%	66.4	103.0	-35.5%	56.0	71.1	-21.1%
Current	87.0	75.2	15.6%	10.4	(6.6)	>200%	76.6	81.9	-6.4%
Deferred	35.5	98.8	-64.1%	56.0	109.6	-48.9%	(20.6)	(10.8)	-90.1%
Income after income tax from continuing operations	**182.2**	**344.5**	**-47.1%**	**92.0**	**125.0**	**-26.4%**	**90.2**	**219.5**	**-58.9%**
Income arising from discontinued operations	–	13.4	**-100.0%**	–	–	**-**	–	–	**-**
Non-controlling interests	35.9	87.6	-59.0%	0.1	(0.4)	131.8%	35.8	88.1	-59.3%
Net income	**146.3**	**270.3**	**-45.9%**	**91.9**	**125.5**	**-26.7%**	**54.4**	**131.4**	**-58.6%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	86,017	81,359	5.7%	60,257	55,493	8.6%	25,760	25,866	-0.4%
Total customer funds	**83,284**	**80,166**	**3.9%**	**58,842**	**56,177**	**4.7%**	**24,442**	**23,989**	**1.9%**
Balance sheet customer funds	**64,494**	**61,296**	**5.2%**	**43,242**	**40,515**	**6.7%**	**21,252**	**20,782**	**2.3%**
Deposits and other resources from customers	62,997	59,559	5.8%	41,834	38,923	7.5%	21,162	20,635	2.6%
Debt securities	1,498	1,738	-13.8%	1,408	1,592	-11.5%	90	146	-38.5%
Off-balance sheet customer funds	**18,790**	**18,870**	**-0.4%**	**15,600**	**15,662**	**-0.4%**	**3,190**	**3,207**	**-0.5%**
Assets under management	5,733	5,549	3.3%	3,469	3,253	6.6%	2,265	2,296	-1.4%
Assets placed with customers	4,738	3,955	19.8%	4,233	3,508	20.7%	505	447	12.9%
Insurance products (savings and investment)	8,319	9,366	-11.2%	7,898	8,902	-11.3%	421	464	-9.3%
Loans to customers (gross)	**56,147**	**54,658**	**2.7%**	**38,558**	**37,203**	**3.6%**	**17,589**	**17,455**	**0.8%**
Individuals	**31,948**	**31,496**	**1.4%**	**19,413**	**19,339**	**0.4%**	**12,535**	**12,157**	**3.1%**
Mortgage	26,136	25,632	2.0%	17,346	17,253	0.5%	8,790	8,378	4.9%
Personal Loans	5,812	5,865	-0.9%	2,067	2,086	-0.9%	3,746	3,779	-0.9%
Companies	**24,198**	**23,161**	**4.5%**	**19,145**	**17,864**	**7.2%**	**5,054**	**5,298**	**-4.6%**
CREDIT QUALITY									
Total overdue loans	1,497	1,751	-14.5%	957	1,231	-22.2%	539	520	3.8%
Overdue loans by more than 90 days	1,376	1,595	-13.7%	939	1,200	-21.7%	437	395	10.6%
Overdue loans by more than 90 days / Loans to customers	2.5%	2.9%		2.4%	3.2%		2.5%	2.3%	
Total impairment (balance sheet)	2,277	2,534	-10.2%	1,646	1,996	-17.5%	631	538	17.2%
Total impairment (balance sheet) / Loans to customers	4.1%	4.6%		4.3%	5.4%		3.6%	3.1%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	165.5%	158.9%		175.3%	166.4%		144.4%	136.3%	
Non-Performing Exposures	3,663	4,602	-20.4%	2,701	3,691	-26.8%	962	911	5.5%
Non-Performing Exposures / Loans to customers	6.5%	8.4%		7.0%	9.9%		5.5%	5.2%	
Restructured loans	2,913	3,243	-10.2%	2,408	2,697	-10.7%	505	546	-7.6%
Restructured loans / Loans to customers	5.2%	5.9%		6.2%	7.2%		2.9%	3.1%	
Cost of risk (net of recoveries, in b.p.)	89	73		90	74		88	72	
Total impairment (balance sheet) / NPE	62.2%	55.1%		60.9%	54.1%		65.6%	59.1%	

(1) Not considering income arising from operations accounted as discontinued operations, in the amount of 13.4 million euros in the first nine months of 2019.

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

(Thousands of euros)

	30 September 2020	30 September 2019
Interest and similar income	1,392,059	1,477,773
Interest expense and similar charges	(242,463)	(324,816)
NET INTEREST INCOME	1,149,596	1,152,957
Dividends from equity instruments	4,750	734
Net fees and commissions income	518,091	519,092
Net gains / (losses) from financial operations at fair value through profit or loss	(40,128)	(2,560)
Net gains / (losses) from foreign exchange	84,547	65,022
Net gains / (losses) from hedge accounting operations	(4,011)	(4,720)
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(14,958)	(23,402)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	79,321	84,764
Net gains / (losses) from insurance activity	7,978	8,439
Other operating income / (losses)	(147,333)	(122,945)
TOTAL OPERATING INCOME	1,637,853	1,677,381
Staff costs	484,407	488,030
Other administrative costs	244,805	269,475
Amortisations and depreciations	103,234	89,815
TOTAL OPERATING EXPENSES	832,446	847,320
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	805,407	830,061
Impairment for financial assets at amortised cost	(377,368)	(299,907)
Impairment for financial assets at fair value		
through other comprehensive income	(13,552)	(327)
Impairment for other assets	(50,371)	(51,256)
Other provisions	(109,381)	(25,609)
NET OPERATING INCOME	254,735	452,962
Share of profit of associates under the equity method	54,236	39,002
Gains / (losses) arising from sales of subsidiaries and other assets	(4,307)	26,611
NET INCOME BEFORE INCOME TAXES	304,664	518,575
Income taxes		
Current	(86,966)	(75,247)
Deferred	(35,468)	(98,791)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	182,230	344,537
Income arising from discontinued or discontinuing operations	-	13,412
NET INCOME AFTER INCOME TAXES	182,230	357,949
Net income for the period attributable to:		
Bank's Shareholders	146,292	270,318
Non-controlling interests	35,938	87,631
NET INCOME FOR THE PERIOD	182,230	357,949
Earnings per share (in Euros)		
Basic	0.011	0.022
Diluted	0.011	0.022

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2020 AND 2019 AND 31 DECEMBER 2019

(Thousands of euros)

	30 September 2020	31 December 2019	30 September 2019
ASSETS			
Cash and deposits at Central Banks	3,843,817	5,166,551	3,766,327
Loans and advances to credit institutions repayable on demand	238,986	320,857	286,278
Financial assets at amortised cost			
Loans and advances to credit institutions	845,082	892,995	978,114
Loans and advances to customers	51,629,768	49,847,829	49,418,839
Debt securities	6,167,104	3,185,876	3,676,592
Financial assets at fair value through profit or loss			
Financial assets held for trading	1,782,616	878,334	930,767
Financial assets not held for trading mandatorily at fair value through profit or loss	1,326,297	1,405,513	1,420,438
Financial assets designated at fair value through profit or loss	-	31,496	31,550
Financial assets at fair value through other comprehensive income	13,289,274	13,216,701	13,972,254
Hedging derivatives	138,844	45,141	267,659
Investments in associated companies	428,963	400,391	429,173
Non-current assets held for sale	1,181,388	1,279,841	1,422,860
Investment property	12,578	13,291	10,011
Other tangible assets	647,296	729,442	723,099
Goodwill and intangible assets	235,924	242,630	219,907
Current tax assets	11,546	26,738	25,234
Deferred tax assets	2,624,868	2,720,648	2,720,442
Other assets	1,612,744	1,239,134	1,059,579
TOTAL ASSETS	86,017,095	81,643,408	81,359,123
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	9,071,694	6,366,958	6,502,817
Resources from customers	62,419,063	59,127,005	57,621,785
Non subordinated debt securities issued	1,419,971	1,594,724	1,751,765
Subordinated debt	1,419,473	1,577,706	1,685,663
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	350,622	343,933	333,089
Financial liabilities at fair value through profit or loss	1,882,970	3,201,309	3,379,088
Hedging derivatives	260,460	229,923	324,139
Provisions	356,502	345,312	332,409
Current tax liabilities	12,019	21,990	8,705
Deferred tax liabilities	9,515	11,069	11,355
Other liabilities	1,335,472	1,442,225	1,772,820
TOTAL LIABILITIES	78,537,761	74,262,154	73,723,635
EQUITY			
Share capital	4,725,000	4,725,000	4,725,000
Share premium	16,471	16,471	16,471
Other equity instruments	400,000	400,000	402,922
Legal and statutory reserves	254,464	240,535	240,535
Treasury shares	(749)	(102)	(97)
Reserves and retained earnings	742,602	435,823	750,603
Net income for the period attributable to Bank's Shareholders	146,292	302,003	270,318
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,284,080	6,119,730	6,405,752
Non-controlling interests	1,195,254	1,261,524	1,229,736
TOTAL EQUITY	7,479,334	7,381,254	7,635,488
TOTAL LIABILITIES AND EQUITY	86,017,095	81,643,408	81,359,123

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

		30 Sep. 20	30 Sep. 19
Loans to customers (net) (1)		53,870	52,123
Balance sheet customer funds (2)		64,494	61,296
	(1) / (2)	**83.5%**	**85.0%**

2) on average assets (ROA)

Relevance of the indicator: allows measurement of the capacity of the Group to generate results with the volume of available assets.

Euro million

	9M20	9M19
Net income (1)	146	270
Non-controlling interests (2)	36	88
Average total assets (3)	84,509	78,987
[(1) + (2), annualised] / (3)	**0.3%**	**0.6%**

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

	9M20	9M19
Net income (1)	146	270
Average equity (2)	5,809	5,990
[(1), annualised] / (2)	**3.4%**	**6.0%**

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

	9M20	9M19
Operating costs (1)	832	845
of which: specific items (2)	27	39
Net operating revenues (3)*	1,688	1,741
[(1) - (2)] / (3)	**47.7%**	**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, in the amount of 0.1 million euros in the first nine months of 2020 and of an immaterial amount in the same period of 2019.

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 (net of reversals and recoveries of credit and interest) recognized in the period and the stock of loans to customers at the end of that period.

Euro million

	9M20	9M19
Loans to customers at amortised cost, before impairment (1)	55,773	54,313
Loan impairment charges (net of recoveries) (2)	374	299
[(2), annualised] / (1)	**89**	**73**

6) Non-performing exposures (NPE) / Loans to customers (gross)

Relevance of the indicator: allows the assessment of the level of credit risk to which the Group is exposed based on the proportion of the NPE loan portfolio in the loans-to-customers portfolio (gross).

Euro million

		30 Sep. 20	30 Sep. 19
Non-Performing Exposures (1)		3,663	4,602
Loans to customers (gross) (2)		56,147	54,658
	(1) / (2)	**6.5%**	**8.4%**

7) Coverage of non-performing exposures (NPE) by balance sheet impairment

Relevance of the indicator: it allows the assessment of the level of coverage of the NPE portfolio by balance sheet impairment.

Euro million

		30 Sep. 20	30 Sep. 19
Non-Performing Exposures (1)		3,663	4,602
Loans impairments (balance sheet) (2)		2,277	2,534
	(2) / (1)	**62.2%**	**55.1%**

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

Loans to customers

Euro million

	30 Sep. 20	30 Sep. 19
Loans to customers at amortised cost (accounting Balance Sheet)	51,630	49,419
Debt instruments at amortised cost associated to credit operations	1,890	2,376
Balance sheet amount of loans to customers at fair value through profit or loss	350	328
Loan to customers (net) considering management criteria	**53,870**	**52,123**
Balance sheet impairment related to loans to customers at amortised cost	2,231	2,505
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	21	12
Fair value adjustments related to loans to customers at fair value through profit or loss	24	17
Loan to customers (gross) considering management criteria	**56,147**	**54,658**

Loans impairment (P&L)

Euro million

	9M20	9M19
Impairment of financial assets at amortised cost (accounting P&L) (1)	377	300
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	0	-1
Impairment of financial assets at amortised cost not associated with credit operations (3)	3	1
Loans impairment considering management criteria (1)-(2)-(3)	**374**	**299**

Balance sheet customer funds

Euro million

	30 Sep. 20	30 Sep. 19
Financial liabilities at fair value through profit or loss (accounting Balance sheet) (1)	1,883	3,379
Debt securities at fair value through profit or loss and certificates (2)	1,305	1,442
Customer deposits at fair value through profit or loss considering management criteria (3) = (1) - (2)	**577**	**1,937**
Resources from customers at amortised cost (accounting Balance sheet) (4)	62,419	57,622
Deposits and other resources from customers considering management criteria (5) = (3) + (4)	**62,997**	**59,559**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet) (6)	1,420	1,752
Debt securities at fair value through profit or loss and certificates (7)	1,305	1,442
Non subordinated debt securities placed with institucional customers (8)	1,228	1,456
Debt securities placed with customers considering management criteria (9) = (6) - (7) - (8)	**1,498**	**1,738**
Balance sheet customer funds considering management criteria (10) = (5) + (9)	**64,494**	**61,296**

Securities portfolio

Euro million

	30 Sep. 20	30 Sep. 19
Debt instruments at amortised cost (accounting Balance sheet) (1)	6,167	3,677
Debt instruments at amortised cost associated to credit operations net of impairment (2)	1,890	2,376
Debt instruments at amortised cost considering management criteria (3) = (1) - (2)	**4,277**	**1,301**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet) (4)	1,326	1,420
Balance sheet amount of loans to customers at fair value through profit or loss (5)	350	328
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (6) = (4) - (5)	**976**	**1,092**
Financial assets held for trading (accounting Balance sheet) (7)	1,783	931
of which: trading derivatives (8)	566	702
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (9)	0	32
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (10)	13,289	13,972
Securities portfolio considering management criteria (12) = (3) + (6) + (7) - (8) + (9) + (10)	**19,759**	**16,625**

Glossary and alternative performance measures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net commissions - net fees and commissions income.

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

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

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

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

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

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

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

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

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

Other net operating income – 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.

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

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

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

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

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

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

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

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

Accounts and Notes to the Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

(Thousands of euros)

	Notes	30 September 2020	30 September 2019
Interest and similar income	2	1,392,059	1,477,773
Interest expense and similar charges	2	(242,463)	(324,816)
NET INTEREST INCOME		1,149,596	1,152,957
Dividends from equity instruments	3	4,750	734
Net fees and commissions income	4	518,091	519,092
Net gains / (losses) from financial operations at fair value through profit or loss	5	(40,128)	(2,560)
Net gains / (losses) from foreign exchange	5	84,547	65,022
Net gains / (losses) from hedge accounting operations	5	(4,011)	(4,720)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(14,958)	(23,402)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	79,321	84,764
Net gains / (losses) from insurance activity		7,978	8,439
Other operating income / (losses)	6	(147,333)	(122,945)
TOTAL OPERATING INCOME		1,637,853	1,677,381
Staff costs	7	484,407	488,030
Other administrative costs	8	244,805	269,475
Amortisations and depreciations	9	103,234	89,815
TOTAL OPERATING EXPENSES		832,446	847,320
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		805,407	830,061
Impairment for financial assets at amortised cost	10	(377,368)	(299,907)
Impairment for financial assets at fair value through other comprehensive income	11	(13,552)	(327)
Impairment for other assets	12	(50,371)	(51,256)
Other provisions	13	(109,381)	(25,609)
NET OPERATING INCOME		254,735	452,962
Share of profit of associates under the equity method	14	54,236	39,002
Gains / (losses) arising from sales of subsidiaries and other assets	15	(4,307)	26,611
NET INCOME BEFORE INCOME TAXES		304,664	518,575
Income taxes			
Current	30	(86,966)	(75,247)
Deferred	30	(35,468)	(98,791)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		182,230	344,537
Income arising from discontinued or discontinuing operations	16	-	13,412
NET INCOME AFTER INCOME TAXES		182,230	357,949
Net income for the period attributable to:			
Bank's Shareholders		146,292	270,318
Non-controlling interests	44	35,938	87,631
NET INCOME FOR THE PERIOD		182,230	357,949
Earnings per share (in Euros)			
Basic	17	0.011	0.022
Diluted	17	0.011	0.022

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS PERIOD BETWEEN 1 JULY AND 30 SEPTEMBER 2020 AND 2019

(Thousands of euros)

	Third quarter 2020	Third quarter 2019
Interest income	931,280	524,918
Interest expense	(155,291)	(112,034)
NET INTEREST INCOME	775,989	412,884
Dividends from equity instruments	1,318	59
Net fees and commissions income	352,738	176,908
Net gains / (losses) from financial operations at fair value through profit or loss	8,297	(1,189)
Net gains / (losses) from foreign exchange	74,475	34,704
Net gains / (losses) from hedge accounting operations	(4,284)	(528)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(18,127)	(13,572)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	66,201	4,152
Net gains / (losses) from insurance activity	5,142	2,972
Other operating income / (losses)	(65,858)	(17,333)
TOTAL OPERATING INCOME	1,195,891	599,057
Staff costs	319,736	163,788
Other administrative costs	157,901	102,493
Amortizations and depreciations	68,449	32,858
TOTAL OPERATING EXPENSES	546,086	299,139
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	649,805	299,918
Impairment for financial assets at amortised cost	(290,476)	(99,881)
Impairment for financial assets at fair value through other comprehensive income	(14,287)	(188)
Impairment for other assets	(39,002)	(10,255)
Other provisions	(5,084)	(23,651)
NET OPERATING INCOME	300,956	165,943
Share of profit of associates under the equity method	43,443	17,811
Gains / (losses) from sales of subsidiaries and other assets	156	1,905
NET INCOME BEFORE INCOME TAXES	344,555	185,659
Income taxes		
Current	(60,002)	(27,810)
Deferred	3,206	(25,140)
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	287,759	132,709
Income arising from discontinued or discontinuing operations	-	(1)
NET INCOME AFTER INCOME TAXES	287,759	132,708
Net income for the period attributable to:		
Bank's Shareholders	260,508	100,539
Non-controlling interests	27,251	32,169
NET INCOME FOR THE PERIOD	287,759	132,708

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

(Thousands of euros)

	30 September 2020		
		Attributable to	
	Continuing operations	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	182,230	146,292	35,938
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)			
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the period	169,763	138,883	30,880
Reclassification of (gains) / losses to profit or loss	(79,321)	(70,337)	(8,984)
Cash flows hedging			
Gains / (losses) for the period	123,154	124,917	(1,763)
Other comprehensive income from investments in associates and others	9,395	9,463	(68)
Exchange differences arising on consolidation	(210,013)	(115,817)	(94,196)
IAS 29 application			
Effect on equity of Banco Millennium Atlântico, S.A.	(1,497)	(1,497)	-
Fiscal impact	(62,500)	(58,666)	(3,834)
	(51,019)	26,946	(77,965)
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 43)	(8,302)	(8,100)	(202)
Changes in own credit risk of financial liabilities at			
fair value through profit or loss (note 43)	640	640	-
Actuarial gains / (losses) for the period			
BCP Group Pensions Fund	19,506	19,506	-
Pension Fund - other associated companies	(1,609)	(1,609)	-
Fiscal impact	3,156	3,118	38
	13,391	13,555	(164)
Other comprehensive income / (loss) for the period	(37,628)	40,501	(78,129)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	144,602	186,793	(42,191)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

(Thousands of euros)

	30 September 2019				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	344,537	13,412	357,949	270,318	87,631
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	218,588	-	218,588	217,002	1,586
Reclassification of (gains) / losses to profit or loss	(84,764)	-	(84,764)	(78,163)	(6,601)
Cash flows hedging					
Gains / (losses) for the period	238,052	-	238,052	233,048	5,004
Other comprehensive income from investments in associates and others	7,232	-	7,232	7,179	53
Exchange differences arising on consolidation	(21,586)	-	(21,586)	(11,762)	(9,824)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 43)	(2,235)	-	(2,235)	(2,235)	-
Fiscal impact	(117,728)	-	(117,728)	(117,730)	2
	237,559	-	237,559	247,339	(9,780)
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 43)	(10,816)	-	(10,816)	(11,105)	289
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	(2,971)	-	(2,971)	(2,971)	-
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund	(211,332)	-	(211,332)	(211,332)	-
Pension Fund - other associated companies	(3,246)	-	(3,246)	(3,246)	-
Fiscal impact	(5,914)	-	(5,914)	(5,859)	(55)
	(234,279)	-	(234,279)	(234,513)	234
Other comprehensive income / (loss) for the period	3,280	-	3,280	12,826	(9,546)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	347,817	13,412	361,229	283,144	78,085

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 PERIOD BETWEEN 1 JULY AND 30 SEPTEMBER 2020 AND 2019

(Thousands of euros)

	Third quarter 2020		
		Attributable to	
	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	83,440	70,334	13,106
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT			
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the period	73,583	74,849	(1,266)
Reclassification of (gains) / losses to profit or loss	(45,773)	(42,425)	(3,348)
Cash flows hedging			
Gains / (losses) for the period	11,871	12,783	(912)
Other comprehensive income from investments in associates and others	2,627	2,674	(47)
Exchange differences arising on consolidation	(71,362)	(41,111)	(30,251)
IAS 29 application			
Effect on equity of Banco Millennium Atlântico, S.A (note 43)	(269)	(269)	-
Fiscal impact	(14,275)	(15,296)	1,021
	(43,598)	(8,795)	(34,803)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the period	(3,486)	(3,427)	(59)
Changes in own credit risk of financial liabilities at fair value through profit or loss	(348)	(348)	-
Fiscal impact	1,563	1,552	11
	(2,271)	(2,223)	(48)
Other comprehensive income / (loss) for the period	(45,869)	(11,018)	(34,851)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	37,571	59,316	(21,745)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	Third quarter 2019				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME / (LOSS) FOR THE PERIOD	132,709	(1)	132,708	100,539	32,169
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	16,061	-	16,061	13,217	2,844
Reclassification of (gains) / losses to profit or loss	(4,152)	-	(4,152)	(2,939)	(1,213)
Cash flows hedging					
Gains / (losses) for the period	74,767	-	74,767	74,176	591
Other comprehensive income from investments in associates and others	(4,615)	-	(4,615)	(4,602)	(13)
Exchange differences arising on consolidation	(26,075)	-	(26,075)	(5,065)	(21,010)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 43)	524	-	524	524	-
Fiscal impact	(27,017)	-	(27,017)	(26,595)	(422)
	29,493	-	29,493	48,716	(19,223)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(1,912)	-	(1,912)	(1,863)	(49)
Changes in own credit risk of financial liabilities at fair value through profit or loss	(2,580)	-	(2,580)	(2,580)	-
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund	(53,705)	-	(53,705)	(53,705)	-
Pension Fund - other associated companies	(39)	-	(39)	(19)	(20)
Fiscal impact	(17,616)	-	(17,616)	(17,629)	13
	(75,852)	-	(75,852)	(75,796)	(56)
Other comprehensive income / (loss) for the period	(46,359)	-	(46,359)	(27,080)	(19,279)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	86,350	(1)	86,349	73,459	12,890

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2020 AND 31 DECEMBER 2019

(Thousands of euros)

	Notes	30 September 2020	31 December 2019
ASSETS			
Cash and deposits at Central Banks	18	3,843,817	5,166,551
Loans and advances to credit institutions repayable on demand	19	238,986	320,857
Financial assets at amortised cost			
Loans and advances to credit institutions	20	845,082	892,995
Loans and advances to customers	21	51,629,768	49,847,829
Debt securities	22	6,167,104	3,185,876
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	1,782,616	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss	23	1,326,297	1,405,513
Financial assets designated at fair value through profit or loss	23	-	31,496
Financial assets at fair value through other comprehensive income	23	13,289,274	13,216,701
Hedging derivatives	24	138,844	45,141
Investments in associated companies	25	428,963	400,391
Non-current assets held for sale	26	1,181,388	1,279,841
Investment property	27	12,578	13,291
Other tangible assets	28	647,296	729,442
Goodwill and intangible assets	29	235,924	242,630
Current tax assets		11,546	26,738
Deferred tax assets	30	2,624,868	2,720,648
Other assets	31	1,612,744	1,239,134
TOTAL ASSETS		86,017,095	81,643,408
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	9,071,694	6,366,958
Resources from customers	33	62,419,063	59,127,005
Non subordinated debt securities issued	34	1,419,971	1,594,724
Subordinated debt	35	1,419,473	1,577,706
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	350,622	343,933
Financial liabilities at fair value through profit or loss	37	1,882,970	3,201,309
Hedging derivatives	24	260,460	229,923
Provisions	38	356,502	345,312
Current tax liabilities		12,019	21,990
Deferred tax liabilities	30	9,515	11,069
Other liabilities	39	1,335,472	1,442,225
TOTAL LIABILITIES		78,537,761	74,262,154
EQUITY			
Share capital	40	4,725,000	4,725,000
Share premium	40	16,471	16,471
Other equity instruments	40	400,000	400,000
Legal and statutory reserves	41	254,464	240,535
Treasury shares	42	(749)	(102)
Reserves and retained earnings	43	742,602	435,823
Net income for the period attributable to Bank's Shareholders		146,292	302,003
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,284,080	6,119,730
Non-controlling interests	44	1,195,254	1,261,524
TOTAL EQUITY		7,479,334	7,381,254
TOTAL LIABILITIES AND EQUITY		86,017,095	81,643,408

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

(Thousands of euros)

	30 September 2020	30 September 2019
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,172,092	1,283,972
Commissions received	655,526	663,061
Fees received from services rendered	45,760	82,982
Interests paid	(180,040)	(297,141)
Commissions paid	(113,848)	(128,370)
Recoveries on loans previously written off	16,819	16,178
Net earned insurance premiums	11,667	14,018
Claims incurred of insurance activity	(4,941)	(4,703)
Payments (cash) to suppliers and employees (*)	(936,846)	(932,391)
Income taxes (paid) / received	(66,815)	(42,274)
	599,374	655,332
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	189,045	(87,543)
Deposits held with purpose of monetary control	(141,322)	-
Loans and advances to customers receivable / (granted)	(2,041,283)	(1,274,587)
Short term trading securities	(929,834)	149,405
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(42,004)	(125,663)
Deposits from credit institutions with agreed maturity date	2,713,862	(2,004,833)
Loans and advances to customers repayable on demand	4,429,668	3,521,231
Deposits from customers with agreed maturity date	(2,294,409)	(1,075,558)
	2,483,097	(242,216)
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of investments held in associated companies	20	13
Dividends received	7,193	10,939
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	118,885	209,020
Sale of financial assets at fair value through other comprehensive income and at amortised cost	17,521,338	16,487,305
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(37,416,778)	(39,716,579)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	16,296,430	23,364,818
Acquisition of tangible and intangible assets	(41,789)	(69,585)
Sale of tangible and intangible assets	9,206	13,392
Decrease / (increase) in other sundry assets	498,055	(204,721)
	(3,007,440)	94,602
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Acquisition of investments in subsidiaries which does not results loss control	-	75,373
Issuance of subordinated debt	-	641,884
Reimbursement of subordinated debt	(165,108)	(57,950)
Issuance of debt securities	13	440,189
Reimbursement of debt securities	(231,966)	(141,729)
Issuance of commercial paper and other securities	17,679	178,254
Reimbursement of commercial paper and other securities	(224,178)	(112,969)
Issue of Perpetual Subordinated Bonds (Additional Tier 1)	-	396,325
Dividends paid to shareholders of the Bank	-	(30,228)
Dividends paid to non-controlling interests	(22,974)	(15,502)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(27,750)	(18,500)
Increase / (decrease) in other sundry liabilities and non-controlling interests (**)	(15,965)	(213,888)
	(670,249)	1,141,259
Exchange differences effect on cash and equivalents	(210,013)	(21,586)
Net changes in cash and equivalents	(1,404,605)	972,059
Cash (note 18)	636,048	566,202
Deposits at Central Banks (note 18)	4,530,503	2,187,637
Loans and advances to credit institutions repayable on demand (note 19)	320,857	326,707
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,487,408	3,080,546
Cash (note 18)	498,322	553,739
Deposits at Central Banks (note 18)	3,345,495	3,212,588
Loans and advances to credit institutions repayable on demand (note 19)	238,986	286,278
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	4,082,803	4,052,605

(*) As at 30 September 2020, this balance includes the amount of Euros 1,580,000 (30 September 2019: Euros 1,939,000) related to short-term lease contracts and the amount of Euros 1,828,000 (30 September 2019: Euros 1,346,000) related to lease contracts of low value assets.
(**) As at 30 September 2020, this balance includes the amount of Euros 50,229,000 (30 September 2019: Euros 41,388,000) 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 NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

(Thousands of euros)

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the year attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non--controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	-	2,922	264,608	(74)	470,481	301,065	5,780,473	1,183,433	6,963,906
Net income for the period	-	-	-	-	-	-	-	270,318	270,318	87,631	357,949
Other comprehensive income	-	-	-	-	-	-	12,826	-	12,826	(9,546)	3,280
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	12,826	270,318	283,144	78,085	361,229
Results application:											
Statutory reserve (note 41)	-	-	-	-	(30,000)	-	30,000	-	-	-	-
Legal reserve (note 41)	-	-	-	-	5,927	-	(5,927)	-	-	-	-
Transfers for reserves and retained earnings	-	-	-	-	-	-	270,837	(270,837)	-	-	-
Dividends payed	-	-	-	-	-	-	-	(30,228)	(30,228)	-	(30,228)
Issue of perpetual subordinated bonds (Additional Tier 1) (note 40)	-	-	-	400,000	-	-	-	-	400,000	-	400,000
Interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	(18,500)	-	(18,500)	-	(18,500)
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	(3,675)	-	(3,675)	-	(3,675)
Reversal of deferred tax assets related with expenses with the capital increase	-	-	-	-	-	-	(4,685)	-	(4,685)	-	(4,685)
Sale of subsidiaries	-	-	-	-	-	-	-	-	-	(16,295)	(16,295)
Dividends from other equity instruments	-	-	-	-	-	-	(74)	-	(74)	-	(74)
Dividends (a)	-	-	-	-	-	-	-	-	-	(15,502)	(15,502)
Treasury shares	-	-	-	-	-	(23)	-	-	(23)	-	(23)
Other reserves	-	-	-	-	-	-	(680)	-	(680)	15	(665)
BALANCE AS AT 30 SEPTEMBER 2019	4,725,000	16,471	-	402,922	240,535	(97)	750,603	270,318	6,405,752	1,229,736	7,635,488
Net income for the period	-	-	-	-	-	-	-	31,685	31,685	11,766	43,451
Other comprehensive income	-	-	-	-	-	-	(305,852)	-	(305,852)	20,773	(285,079)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(305,852)	31,685	(274,167)	32,539	(241,628)
Interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	(9,250)	-	(9,250)	-	(9,250)
Taxes with interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	19	-	19	-	19
Reimbursed of perpetual subordinated debt securities	-	-	-	(2,922)	-	-	-	-	(2,922)	-	(2,922)
Reversal of deferred tax assets related with expenses with the capital increase	-	-	-	-	-	-	1,033	-	1,033	-	1,033
Taxes on costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	2	-	2	-	2
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(404)	(404)
Dividends from other equity instruments	-	-	-	-	-	-	(74)	-	(74)	-	(74)
Treasury shares	-	-	-	-	-	(5)	-	-	(5)	-	(5)
Other reserves	-	-	-	-	-	-	(658)	-	(658)	(347)	(1,005)
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	-	-	-	-	-	-	-	146,292	146,292	35,938	182,230
Other comprehensive income	-	-	-	-	-	-	40,501	-	40,501	(78,129)	(37,628)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	40,501	146,292	186,793	(42,191)	144,602
Results application:											
Legal reserve (note 41)	-	-	-	-	13,929	-	(13,929)	-	-	-	-
Transfers for reserves and retained earnings	-	-	-	-	-	-	302,003	(302,003)	-	-	-
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	-	-	-	-	-	-	(27,750)	-	(27,750)	-	(27,750)
Taxes with interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	5,828	-	5,828	-	5,828
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(1,080)	(1,080)
Dividends (a)	-	-	-	-	-	-	-	-	-	(22,974)	(22,974)
Treasury shares (note 42)	-	-	-	-	-	(647)	-	-	(647)	-	(647)
Other reserves (note 43)	-	-	-	-	-	-	126	-	126	(25)	101
BALANCE AS AT 30 SEPTEMBER 2020	4,725,000	16,471	-	400,000	254,464	(749)	742,602	146,292	6,284,080	1,195,254	7,479,334

(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 nine-month period ended on 30 September 2020 and 2019.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The interim condensed consolidated financial statements and the accompanying notes were approved on 29 October 2020 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 nine-month period ended on 30 September 2020 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 2019.

These interim condensed consolidated financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2020. 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 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.Z.

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 revaluated 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 year 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 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 highest between the assets value in use and the market value deducted of 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 does not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, is not recognised additional goodwill resulting from this transaction. 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 does 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 at 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 ruling at 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 ruling at the dates of the transactions, and it is used 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 2019. 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 until 31 December 2018 as a hyperinflationary economy. This classification is no longer applicable since 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:

i) “Financial assets at amortised cost”;
ii) “Financial assets at fair value through other comprehensive income”; or,
iii) “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 for 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.

It is not allowed the reclassification of investments in equity instruments measured at fair value through other comprehensive income, 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 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 for 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 for 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

Until 31 December 2019, customers who met at least one of the following criteria were considered to be in default:

a) Customers that are in default or with a limit exceeded for more than 90 days above the materiality applicable;
b) Customers subjected to individual analysis of impairment, for which the amount of impairment represents more than 20% of total exposure;
c) Customers submitted to the individual analysis of impairment and for which impairment value exceeds Euros 5 million;
d) Clients declared insolvent;
e) Customers that are subject to judicial recovery, excluding guarantors;
f) Customers with restructured operations caused by financial difficulties, for which it was registered, at the time of restructuring, an economic loss over Euros 5 million or 20% of total exposure;
g) Customers with restructured operations caused by financial difficulties, due for more than 45 days above the customer applicable materiality considering all its credit operations;
h) Customers that register a recurrence of restructured operations due to financial difficulties within a 24 months period since default resulting from a previous restructuring. If the previous restructuring did not result in default, the 24 months period count begins at the date of the previous restructuring;
i) Customers for which a part or the entirety of their exposure was sold with a loss greater than 20% or Euros 5 million (excluding sales that result from a decision regarding balance sheet management and not from a disposal of problematic loans);
j) Customers for which takes place a new sale with loss, regardless of the amount, within a period of 24 months since the trigger resulting from the previous sale;
k) Guarantors of operations overdue for more than 90 days above the defined materiality, as long as the respective guarantee has been activated;
l) Cross default at the BCP Group level;
m) Customers with restructured operations at a lower interest rate than the refinancing rate of the European Central Bank (unproductive credit).

Until 31 December 2019, it was considered as having objective signs of impairment (i.e., impaired):

i) Customers in default, i.e., marked as grade 15 on the Bank's Rating Master Scale;
ii) Customers that, when submitted to a questionnaire for analysis of financial difficulties evidence, are considered with objective signs of impairment;
iii) Customers whose contracts' values, that are due for more than 90 days, represent more than 20% of their total exposure in the balance sheet;
iv) The Non-Retail customers with one or more contracts overdue for more than 90 days and whose total overdue amount exceeds Euros 500;
v) The Retail customers contracts overdue for more than 90 days and in which the overdue amount exceeds Euros 200;
vi) Contracts restructured due to financial difficulties that are overdue for more than 30 days and in which the overdue amount exceeds Euros 200.

As of 1 January 2020, 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, since 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, since 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, since a group member has a risk grade 14
	Groups or customers with an exposure over Euros 5 million, since a member of the group has a restructured loan and a risk grade 13
	Groups or customers with an exposure over Euros 10 million, since 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, not being considered customers with exposure below this limit for the purpose of determining the exposure referred 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:

- have impairment as a result of the latest individual analysis;
- according to recent information, 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 customers' management and of the Credit Department, the latter in respect to the customers managed by the Commercial Networks.

The assessment of existence of impairment losses in individual terms is determined through an analysis of the total credit exposure on a case-by-case basis. For each loan considered individually significant, the Group assessed, at each balance sheet date, the existence of objective evidence of impairment. In the assessment of impairment losses in individual terms, the following factors were considered:

- total exposure of each customer towards the Group and the existence of overdue loans;
- viability of the customer's business and its capacity to generate enough cash flows to service debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to each loan;
- significant deterioration of the customer's rating;
- the customer's available assets in liquidation or insolvency situations;
- the existence of preferential creditors;
- the amount and expected recovery term.

6. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.

7. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the customer's liabilities.

8. The recovery estimation referred to in the previous point should be influenced by future prospects (forward-looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty regarding the expected recovery estimation are identified.

9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

- for Going Concern strategies (i.e., the estimation is based on the cash flows of the business), the possibility of applying the 2 additional macroeconomic scenarios (optimistic and pessimistic) should be analysed in a global way, to ascertain if there is the risk of a skewed view of the expected losses from the consideration of only one scenario;
- for Gone Concern strategies (i.e., the recovery estimation is based on the realization of the collateral), the impact of the macroeconomic scenario on collaterals should be analysed, for example, to what extent the projected real estate index allows anticipate significant changes to 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 a 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, which is 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 of 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 anticipated 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.

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 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 products 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 to 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 are different 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 are classified the issued liabilities with the purpose of repurchasing in the near term, the ones 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

As at 30 September 2020, the Group has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4), which portfolios 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 the control of the assets and liabilities of Magellan Mortgage no.3, being this Special Purpose Entity (SPE) consolidated in the Group's financial statements, in accordance with the accounting policy referred 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 December 2018, the Group had three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.2, no.3 and no.4), having occurred in October 2019 the liquidation of the operation Magellan Mortgages no.2 and the consequent incorporation of its credits in BCP and BII.

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 loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies.

Caravela SME no.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies).

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying, this way, the protection for the total portfolio referred. 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, the 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 total collateral the responsibilities in the presence of the Group, in accordance of 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 instruments' 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 it is intention 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 been 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 the sale to 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 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)

As described in note 1.A, 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 focusses 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 contracts with term, that date is considered as the end of lease date, while for contracts without term, or with renewable terms, it is assessed the date in which the contract is enforceable, as well as eventual economic penalties associated with the lease contract. In the evaluation of enforceability, it is considered the particular clauses of the contracts, 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).

If the initial lease is a short-term lease, the sublease shall be classified as an operating lease.

I. Lease transactions (IAS 17)

Until 31 December 2018, and in accordance with IAS 17, the lease transactions were classified as financial whenever their terms transferred substantially all the risks and rewards associated with the ownership of the property to the lessee. The remaining leases were classified as operational. The classification of the leases was done according to the substance and not the form of the contract.

I1. Finance lease transactions

At the lessee's perspective, finance lease transactions were recorded at the beginning as an asset and liability at fair value of the leased asset, which was equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases were recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals were a combination of the financial income and amortisation of the capital outstanding. Recognition of the financial result reflected a constant periodical return rate over the remaining net investment of the lessor.

Assets received arising from the resolution of leasing contracts and complying with the definition of assets held for sale classified in this category, were measured in accordance with the accounting policy defined in note 1.G.

I2. Operational leases

At the lessee's perspective, the Group had various operating leases for properties and vehicles. The payments under these leases were recognised in Other administrative costs during the life of the contract, and neither the asset nor the liability associated with the contract was evidenced in its balance sheet.

J. 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.

K. 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.

L. 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.

M. 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.

N. 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.

O. 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.

P. 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 are included the items "Cash and deposits at Central Banks" and "Loans and advances to credit institutions".

Q. 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.

R. 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.

S. Employee benefits

S1. Defined benefit plans

The Group has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the terms of the two collective labour agreements approved. These benefits are estimated in the pension's plans 'Plano ACT' and 'Plano ACTQ' of the Pension Plan of BCP Group.

Until 2011, along with the benefits provided in two planes above, the Group had assumed the responsibility, if certain conditions were verified in each year, of assigning complementary benefits to the Group's employees hired before 21 September 2006 (Complementary Plan). The Group at the end of 2012 decided to extinguish (cut) the benefit of old age Complementary Plan. As at 14 December 2012, the Instituto de Seguros de Portugal (ISP - Portuguese Insurance Institute) formally approved this change to the benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Group also proceeded to the settlement of the related liability.

From 1 January 2011, Bank's 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 as 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 employees, 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, was established an agreement 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 represented the Group's employees, which introduced changes in the Social Security chapter and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT has already been published by the Ministry of Labour in Bulletin of Labour and Employment on 15 February 2017 and their effects were recorded in the financial statements of 31 December 2016, for employees associated with these two unions.

The negotiation with" Sindicato dos Bancários do Norte (SBN)", which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labour and Employment, with the effects of this new ACT recorded in the financial statements as at 31December 2017, for employees associates of SBN.

The most relevant changes occurred in the ACT were the change in the retirement age (presumed disability), that changed 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 the SAMS and, lastly, it was introduced a new benefit called the End of Career Premium, that replaces the Seniority Premium.

These changes described above 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's (extra-fund liabilities). The pension fund has a part exclusively affected to the financing of these liabilities, which in the scope of the fund are called Additional Complement. The End of Career Premium also became the responsibility of the pension fund under the basic pension plan.

The Group's net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimation. The responsibilities with past service are calculated using the Projected Unit Credit method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the ASF.

The Group's net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

The income/cost of interests 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, mentioned before. On this basis, the income/cost net of interests 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 (experience 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 contributions 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.

S2. Revision of the salary tables for employees in service and pensions in payment

The Bank established, in September 2019, an agreement with the trade unions regarding the review of salary tables and other pecuniary clauses for 2018 and 2019, with reference to 1 January 2018 and 1 January 2019, respectively. This agreement established, for 2018, the increase in the base salary of 0.75% until level 6 and of 0,50% for the levels from 7 until 20 (similar increase for 2019), as well as the increase in other pecuniary clauses, such as lunch allowance, diuturnities, among others.

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 update 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 meetings held meanwhile with the unions, the Bank agreed, on 30 July 2020, with SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários, SIB – Sindicato Independente da Banca and 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 0.30%, and the increase in other clauses of pecuniary expression, such as lunch allowance, diuturnities, among others. The agreed updates will take effect on 1 January 2020, except for remunerations related to subsistence and travel allowances, which will be updated after the operationalization of the agreed updates.

Regarding the remaining unions subscribing to the Group's Collective Labour Agreements, i.e., SBSI – Sindicato Bancários Sul e Ilhas, meanwhile renamed to Mais Sindicato do Sector Financeiro, and SBC – Sindicato Bancários do Centro, during September, a platform of understanding was reached with them, embodied in an agreement in principle to the salary update agreed with the other unions, which allowed its application to all the Bank's employees in the salary processing of 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.

S3. Defined contribution plan

For the defined contribution plans, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

As at 30 September 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.

S4. 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.

S5. Share-based compensation plan

As at 30 September 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 key management members, approved by the Nomination and Remuneration Committee and, in the case of members of the Executive Committee, by the Remuneration and Welfare Board, for 2018 and for the following years, with the changes that may be approved in each financial year.

As defined in the referred remuneration policy, 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, which is proposed for the Remuneration and Welfare Board's approval by the Nomination and Remuneration Committee. The payment of the amount of the variable remuneration attributed is subject to a deferral period for 50% of its value, being the amounts paid in 2019 and following years, relating to the deferred portion, 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 quotation value defined in accordance with the approved remuneration policy on the date of the respective payment.

For employees considered key management members, and in accordance with accounting policy S4, the payment of the value of the variable remuneration attributed, approved by the Nomination and Remuneration Committee as proposed by the Executive Committee, is subject to a deferral period for 50% of its value, being the amounts paid in 2019 made 100% in cash and in the following years, regarding the deferred part, paid 100% in BCP shares. The number of BCP shares to be attributed results from their valuation at a price defined in accordance with the approved remuneration policy.

Employees considered key management members are not covered by commercial incentive 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 key management members are subject to reduction and reversal mechanisms, to be applied in case of verification of extremely significant events, duly identified, in which the covered people have had a direct participation.

For the members of the Executive Committee, a long-term variable remuneration system is also foreseen, for 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 total variable remuneration to be attributed, each year, to each member of the Executive Committee and to the employees considered key management members, regarding the proportion between its amount and the annual fixed remuneration, is limited to the limits provided in the respective remuneration policy.

T. 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 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 nine months of 2020 and in the financial year of 2019, the RETGS application was maintained.

U. Segmental reporting

The Group adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating and geographic segments. A business segment is a Group's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance; and, (iii) for which separate financial information is available.

The Group controls its activity through the following major operating segments:

Portugal activity:

- Retail Banking, also including ActivoBank;
- Companies, Corporate and Investment Banking;
- Private Banking;
- Other.

"Other (Portugal activity)" includes all activity not allocated to other business lines, namely centralized management of financial holdings, corporate activities and insurance activity.

Foreign activity:

- Poland;
- Mozambique;
- Other.

"Other (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.

V. Provisions, Contingent liabilities and Contingent assets

V1. 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.

V2. Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

V3. 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.

W. 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.

X. Insurance contracts

X1. 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.

X2. 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 in 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.

X3. 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.

X4. 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.

X5. 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.

Y. 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".

Z. 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 condensed interim financial statements, considering the context of uncertainly that results from the impact of Covid -19 in the current economic scope (note 54). 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.

Z1. 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.

Z2. 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.

Z3. 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 2019’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 30 June 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.

In 2018, the Group adopted IFRS 9 - Financial Instruments. Since it was not created a transitional regime that established the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the application of IRC Code’s general rules.

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.

Z4. Non-current assets held for sale (real estate) valuation

The valuation of these assets, and consequently the impairment losses, is supported by valuations carried out by independent experts, which incorporate several assumptions, namely on the evolution of the real estate market, better use of the real estate, and when applicable, expectations regarding the development of real estate projects, and also considers the Bank's intentions 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.

Z5. 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.

Z6. Financial instruments – IFRS 9

Z6.1. 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 test 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.

Z6.2. 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.

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. The probability of default 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.

Z6.3. 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.

Z7. 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.

AA. Subsequent events

The Group analyses events occurred after the balance sheet date, i.e., favourable and/or unfavourable events that occur between the balance sheet date and the date the financial statements were authorized for issue. In this context, two types of events can be identified:

i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and,
ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurred after the date of the financial statements that are not considered as adjustable events, if significant, are disclosed in the notes to the consolidated financial statements.

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2020	30 September 2019
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	84	296
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	23,213	31,661
Loans and advances to customers	1,109,436	1,109,317
Debt securities	94,168	114,471
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	2,713	7,304
Financial assets not held for trading mandatorily at fair value through profit or loss	12,537	19,469
Financial assets designated at fair value through profit or loss	569	841
Interest on financial assets at fair value through other comprehensive income	97,566	114,918
Interest on hedging derivatives	49,290	74,976
Interest on other assets	2,483	4,520
	1,392,059	1,477,773
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	15,674	(14,890)
Resources from customers	(163,631)	(220,041)
Non subordinated debt securities issued	(12,661)	(12,720)
Subordinated debt	(53,428)	(42,826)
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	(767)	(2,103)
Financial liabilities at fair value through profit or loss		
Resources from customers	(2,178)	(3,170)
Non subordinated debt securities issued	(2,274)	(1,473)
Interest on hedging derivatives	(16,871)	(21,957)
Interest on leasing	(4,446)	(4,455)
Interest on other liabilities	(1,881)	(1,181)
	(242,463)	(324,816)
	1,149,596	1,152,957

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 22,014,000 (30 September 2019: Euros 28,687,000) relating to commissions and other income accounted for in accordance with the effective interest rate method, as referred to in the accounting policy described in Note 1 C3.

The balance Interest on non-subordinated debt securities issued and Interest on subordinated liabilities include the amounts of Euros 2,940,000 and Euros 5,486,000, respectively (30 September 2019: Euros 4,381,000 and Euros 9,485,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 26,922,000 (30 September 2019: Euros 26,701,000), as referred in note 21 and Euros 40,000 (30 September 2019: Euros 107,000), as referred in note 22, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

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 and note 52.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2020	30 September 2019
Dividends from financial assets held for trading	4	6
Dividends from financial assets through other comprehensive income	4,746	728
	4,750	734

The balances Dividends from financial assets through other comprehensive income include 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)

	30 September 2020	30 September 2019
Fees and commissions received		
Banking services provided	304,753	323,989
Management and maintenance of accounts	101,120	87,996
Bancassurance	95,760	87,983
Securities operations	59,182	56,232
Guarantees granted	36,037	40,299
Commitments to third parties	3,321	3,239
Insurance activity commissions	619	734
Fiduciary and trust activities	407	497
Other commissions	31,902	35,595
	633,101	636,564
Fees and commissions paid		
Banking services provided by third parties	(91,247)	(93,646)
Securities operations	(9,234)	(8,097)
Guarantees received	(2,815)	(3,405)
Insurance activity commissions	(697)	(848)
Other commissions	(11,017)	(11,476)
	(115,010)	(117,472)
	518,091	519,092

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2020	30 September 2019
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	(28,631)	138,050
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(71,504)	(4,232)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	60,007	(136,378)
	(40,128)	(2,560)
Net gains / (losses) from foreign exchange	84,547	65,022
Net gains / (losses) from hedge accounting	(4,011)	(4,720)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(14,958)	(23,402)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	79,321	84,764
	104,771	119,104

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

(Thousands of euros)

	30 September 2020	30 September 2019
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	7,938	4,636
Equity instruments	37	232
Derivative financial instruments	281,111	363,014
Other operations	1,520	753
	290,606	368,635
Losses		
Debt securities portfolio	(4,236)	(4,933)
Equity instruments	(259)	(1,357)
Derivative financial instruments	(313,890)	(223,897)
Other operations	(852)	(398)
	(319,237)	(230,585)
	(28,631)	138,050
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	21,625	17,772
Debt securities portfolio	2,721	25,852
Equity instruments	17,101	10,475
	41,447	54,099
Losses		
Loans and advances to customers	(28,892)	(20,775)
Debt securities portfolio	(84,059)	(37,556)
	(112,951)	(58,331)
	(71,504)	(4,232)

(continues)

(continuation)

(Thousands of euros)

	30 September 2020	30 September 2019
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	479	171
Debt securities issued		
Certificates and structured securities issued	81,759	25,672
Other debt securities issued	2,013	1,575
	84,251	27,418
Losses		
Debt securities portfolio	(874)	(1,390)
Resources from customers	(46)	(4,084)
Debt securities issued		
Certificates and structured securities issued	(23,097)	(146,554)
Other debt securities issued	(227)	(11,768)
	(24,244)	(163,796)
	60,007	(136,378)

The balances Net gains / (losses) from foreign exchange, Net gains / (losses) from hedge accounting and Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost, are presented as follows:

(Thousands of euros)

	30 September 2020	30 September 2019
Net gains / (losses) from foreign exchange		
Gains	1,589,057	869,669
Losses	(1,504,510)	(804,647)
	84,547	65,022
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	35,859	31,592
Hedged items	57,007	131,736
	92,866	163,328
Losses		
Hedging derivatives	(87,558)	(156,286)
Hedged items	(9,319)	(11,762)
	(96,877)	(168,048)
	(4,011)	(4,720)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	5,683	2,342
Debt securities portfolio	-	1,316
Debt securities issued	1,927	494
Others	225	3,878
	7,835	8,030
Losses		
Credit sales	(20,811)	(29,564)
Debt securities issued	(1,395)	(1,118)
Others	(587)	(750)
	(22,793)	(31,432)
	(14,958)	(23,402)

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

(Thousands of euros)

	30 September 2020	30 September 2019
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	114,281	92,024
Losses		
Debt securities portfolio	(34,960)	(7,260)
	79,321	84,764

For the nine months period ended 30 September 2020, 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 79,544,000 (30 September 2019: Euros 59,305,000) 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)

	30 September 2020	30 September 2019
Operating income		
Gains on leasing operations	2,658	2,575
Income from services provided	17,524	18,482
Rents	2,822	3,661
Sales of cheques and others	7,032	8,230
Other operating income	15,549	18,240
	45,585	51,188
Operating costs		
Donations and contributions	(3,581)	(3,526)
Contribution over the banking sector	(35,425)	(31,818)
Contributions for Resolution Funds	(28,298)	(33,027)
Contribution for the Single Resolution Fund	(19,394)	(18,747)
Contributions to Deposit Guarantee Fund	(18,747)	(8,675)
Tax for the Polish banking sector	(47,222)	(41,632)
Taxes	(14,273)	(14,579)
Losses on financial leasing operations	(367)	(57)
Other operating costs	(25,611)	(22,072)
	(192,918)	(174,133)
	(147,333)	(122,945)

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2020	30 September 2019
Remunerations	383,314	386,498
Other mandatory social security charges	82,199	81,366
Voluntary social security charges	8,765	9,375
Other staff costs	10,129	10,791
	484,407	488,030

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2020	30 September 2019
Water, electricity and fuel	11,046	12,774
Credit cards and mortgage	5,004	3,831
Communications	20,025	19,434
Maintenance and related services	13,109	13,760
Legal expenses	2,267	3,638
Travel, hotel and representation costs	3,227	7,068
Advisory services	11,863	18,935
Training costs	892	1,999
Information technology services	34,355	37,482
Consumables	3,022	3,850
Outsourcing and independent labour	56,191	56,769
Advertising	15,901	20,963
Rents and leases	19,014	18,259
Insurance	2,661	2,728
Transportation	6,799	7,470
Other specialised services	20,195	23,285
Other supplies and services	19,234	17,230
	244,805	269,475

At 30 September 2020, the balance Rents and leases includes the amount of Euros 1,580,000 (30 September 2019: Euros 1,939,000) related to short-term lease contracts, and the amount of Euros 1,828,000 (30 September 2019: Euros 1,346.000) related to lease contracts of low value assets, as described in accounting policy 1 H and in note 52.

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2020	30 September 2019
Amortisations of intangible assets (note 29):		
Software	21,302	15,465
Other intangible assets	2,402	1,129
	23,704	16,594
Depreciations of other tangible assets (note 28):		
Properties	12,325	12,990
Equipment		
Computers	13,392	11,288
Security equipment	756	914
Installations	2,048	1,935
Machinery	898	681
Furniture	2,206	1,921
Motor vehicles	3,548	3,855
Other equipment	1,100	1,313
Right-of-use		
Real estate	43,016	38,048
Vehicles and equipment	241	276
	79,530	73,221
	103,234	89,815

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2020	30 September 2019
Loans and advances to credit institutions (note 20)		
Charge for the period	56	5
Reversals for the period	(13)	(589)
	43	(584)
Loans and advances to customers (note 21)		
Charge for the period	809,941	670,791
Reversals for the period	(427,913)	(356,359)
Recoveries of loans and interest charged-off	(16,819)	(16,179)
	365,209	298,253
Debt securities (note 22)		
Associated to credit operations		
Charge for the period	9,024	1,420
Reversals for the period	-	(650)
	9,024	770
Not associated to credit operations		
Charge for the period	3,422	1,581
Reversals for the period	(330)	(113)
	3,092	1,468
	12,116	2,238
	377,368	299,907

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

(Thousands of euros)

	30 September 2020	30 September 2019
Impairment for financial assets at fair value through other comprehensive income (note 23)		
Charge for the period	14,676	1,054
Reversals for the period	(1,124)	(727)
	13,552	327

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2020	30 September 2019
Impairment for investments in associated companies (note 25)		
Charge for the period	3,826	-
Impairment for non-current assets held for sale (note 26)		
Charge for the period	50,260	60,164
Reversals for the period	(9,519)	(13,103)
	40,741	47,061
Impairment for goodwill of subsidiaries (note 29)		
Charge for the period	180	-
Impairment for other assets (note 31)		
Charge for the period	13,242	8,568
Reversals for the period	(7,618)	(4,373)
	5,624	4,195
	50,371	51,256

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	30 September 2020	30 September 2019
Provision for guarantees and other commitments (note 38)		
Charge for the period	32,592	35,928
Reversals for the period	(28,571)	(32,390)
	4,021	3,538
Other provisions for liabilities and charges (note 38)		
Charge for the period	108,040	21,184
Reversals for the period	(2,680)	887
	105,360	22,071
	109,381	25,609

14. Share of profit / (loss) of associates under the equity method

The main contributions of the investments accounted for under the equity method are analysed as follows:

(Thousands of euros)

	30 September 2020	30 September 2019
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current period	5,600	12,513
Appropriation relating to the previous period	(27)	78
Reverse of the gains arising from properties sold to Group entities	6,067	-
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (*)	(1,935)	(1,477)
	9,705	11,114
Banque BCP, S.A.S.	1,712	3,059
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	37,910	19,379
SIBS, S.G.P.S, S.A.	4,760	4,426
Unicre - Instituição Financeira de Crédito, S.A.	666	1,385
Other companies	(517)	(361)
	54,236	39,002

(*) 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 from 1 January 2019.

15. Gains / (losses) arising from sales of subsidiaries and other assets

This balance is comprised of:

(Thousands of euros)

	30 September 2020	30 September 2019
Gains arising on sale of associated company Mundotêxtil - Indústrias Têxteis, S.A.	-	147
Losses arising on sale of Projepolka SA	(3)	-
Losses arising on sale of Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	-	(276)
Losses arising on liquidation of Imábida - Imobiliária da Arrábida, S.A..	-	(96)
Other assets	(4,304)	26,836
	(4,307)	26,611

The balance Other assets includes gains arising from the sale of assets held by the Group, classified as non-current assets held for sale which, for the nine months period ended 30 September 2020, corresponds to a loss of Euros 3,481,000 (30 September 2019: gain of Euros 26,111,000).

16. Income / (loss) arising from discontinued or discontinuing operations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2020	30 September 2019
Gain arising on sale of Planfipsa Group	-	13,454
Gains/(losses) arising from the sale of Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	(42)
	-	13,412

Under the scope of the sale of Planfipsa Group occurred in February 2019 and in accordance with IFRS 5, this operation was considered as a discontinuing operation, during the 2nd semester of 2018, and the impact on results is shown in a separate item of the income statement Income / (loss) arising from discontinued or discontinuing operations.

The disposal of 51% held in Planfipsa S.G.P.S. S.A. and of a set of loans granted by Banco Comercial Português, S.A. to the entity, originated a gain of Euros 13,454,000 (gain of Euros 18,186,000, before taxes and a tax cost of Euros 4,732,000).

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	30 September 2020	30 September 2019
Continuing operations		
Net income after income taxes from continuing operations	182,230	344,537
Non-controlling interests	(35,938)	(87,631)
Appropriated net income	146,292	256,906
Dividends from other equity instruments	-	(74)
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	(27,750)	(18,500)
Tax related to interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	5,828	-
Adjusted net income	124,370	238,332
Discontinued or discontinuing operations (note 16)		
Appropriated net income	-	13,412
Adjusted net income	124,370	251,744
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.011	0.021
from discontinued or discontinuing operations	0.000	0.001
	0.011	0.022
Diluted earnings per share (Euros):		
from continuing operations	0.011	0.021
from discontinued or discontinuing operations	0.000	0.001
	0.011	0.022

The Bank's share capital, as at 30 September 2020, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry without nominal value, fully subscribed and paid up.

There were not identified another dilution effects of the earnings per share as at 30 September 2020 and 2019, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Cash	498,322	636,048
Central Banks		
Bank of Portugal	2,799,709	3,658,202
Central Banks abroad	545,786	872,301
	3,843,817	5,166,551

The balance Central Banks includes deposits at Central Banks of the countries where the Group operates to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

In addition, from the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which the balance with the Central Bank in excess of the minimum cash reserves, up to an estimated maximum of 6 times of the reserves, is remunerated at the central bank's lending rate instead of the deposit rate.

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Credit institutions in Portugal	9,740	9,427
Credit institutions abroad	147,317	220,718
Amounts due for collection	81,929	90,712
	238,986	320,857

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions. These balances were settled in the first days of the following month.

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Loans and advances to Central Banks abroad	141,322	-
Loans and advances to credit institutions in Portugal		
Short-term applications	49,971	-
Loans	30,890	36,655
Term deposits to collateralise CIRS and IRS operations (*)	1,700	430
Other	7,476	5,598
	90,037	42,683
Loans and advances to credit institutions abroad		
Very short-term deposits	49,682	342,090
Term deposits	253,784	220,426
Term deposits to collateralise CIRS and IRS operations (*)	295,932	252,584
Other	14,734	35,580
	614,132	850,680
	845,491	893,363
Overdue loans - Over 90 days	2	-
	845,493	893,363
Impairment for loans and advances to credit institutions	(411)	(368)
	845,082	892,995

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

(Thousands of euros)

	30 September 2020	31 December 2019
Balance on 1 January	368	1,853
Impairment charge for the period (note 10)	56	55
Reversals for the period (note 10)	(13)	(867)
Loans charged-off	-	(673)
Balance at the end of the period	411	368

21. Loans and advances to customers

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

(Thousands of euros)

	30 September 2020	31 December 2019
Mortgage loans	26,408,836	25,968,814
Loans	16,866,379	14,783,169
Finance leases	3,895,936	4,144,376
Factoring operations	2,483,990	2,566,627
Current account credits	1,483,727	1,734,948
Overdrafts	1,045,799	1,215,941
Discounted bills	201,714	265,385
	52,386,381	50,679,260
Overdue loans - less than 90 days	116,877	115,707
Overdue loans - Over 90 days	1,357,960	1,469,884
	53,861,218	52,264,851
Impairment for credit risk	(2,231,450)	(2,417,022)
	51,629,768	49,847,829

The balance Loans and advances to customers, as at 30 September 2020, is analysed as follows:

(Thousands of euros)

	30 September 2020				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	596,430	1	596,431	(2,421)	594,010
Asset-backed loans	30,055,915	648,832	30,704,747	(1,151,533)	29,553,214
Other guaranteed loans	5,412,430	185,905	5,598,335	(259,928)	5,338,407
Unsecured loans	7,808,579	411,562	8,220,141	(503,719)	7,716,422
Foreign loans	2,133,101	119,208	2,252,309	(140,795)	2,111,514
Factoring operations	2,483,990	27,325	2,511,315	(51,145)	2,460,170
Finance leases	3,895,936	82,004	3,977,940	(121,909)	3,856,031
	52,386,381	1,474,837	53,861,218	(2,231,450)	51,629,768

The balances Asset-backed loans and Other guaranteed loans follow the subsequent types of guarantees considered:

- Asset-backed loans: Financial collaterals, physical collaterals (movable or immovable) and amounts receivable (income consignment);
- Other guaranteed loans: First-demand guarantees issued by banks or other entities and personal guarantees.

The balance Loans and advances to customers, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	31 December 2019				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	588,970	10	588,980	(1,493)	587,487
Asset-backed loans	29,895,043	838,734	30,733,777	(1,412,285)	29,321,492
Other guaranteed loans	3,672,218	166,487	3,838,705	(252,711)	3,585,994
Unsecured loans	7,700,118	338,697	8,038,815	(400,468)	7,638,347
Foreign loans	2,111,908	125,073	2,236,981	(193,148)	2,043,833
Factoring operations	2,566,627	25,150	2,591,777	(42,805)	2,548,972
Finance leases	4,144,376	91,440	4,235,816	(114,112)	4,121,704
	50,679,260	1,585,591	52,264,851	(2,417,022)	49,847,829

The analysis of loans and advances to customers, as at 30 September 2020, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2020					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	400,883	8,593	409,476	(9,150)	400,326	0.76%
Fisheries	39,626	48	39,674	(751)	38,923	0.07%
Mining	65,757	3,067	68,824	(2,319)	66,505	0.13%
Food, beverage and tobacco	788,802	11,550	800,352	(23,002)	777,350	1.49%
Textiles	482,979	11,847	494,826	(24,010)	470,816	0.92%
Wood and cork	245,172	6,374	251,546	(7,689)	243,857	0.47%
Paper, printing and publishing	185,410	1,461	186,871	(14,331)	172,540	0.35%
Chemicals	795,652	25,127	820,779	(32,429)	788,350	1.52%
Machinery, equipment and basic metallurgical	1,379,078	38,770	1,417,848	(52,808)	1,365,040	2.63%
Electricity and gas	319,377	223	319,600	(2,863)	316,737	0.59%
Water	229,701	693	230,394	(11,103)	219,291	0.43%
Construction	1,621,304	94,363	1,715,667	(116,246)	1,599,421	3.19%
Retail business	1,606,627	33,590	1,640,217	(52,093)	1,588,124	3.05%
Wholesale business	2,195,129	63,581	2,258,710	(129,447)	2,129,263	4.19%
Restaurants and hotels	1,389,770	42,653	1,432,423	(101,046)	1,331,377	2.66%
Transports	1,207,817	29,550	1,237,367	(43,542)	1,193,825	2.30%
Post offices	10,757	320	11,077	(432)	10,645	0.02%
Telecommunications	459,239	5,007	464,246	(20,002)	444,244	0.86%
Services						
Financial intermediation	1,416,848	77,281	1,494,129	(287,552)	1,206,577	2.77%
Real estate activities	1,773,555	22,319	1,795,874	(95,726)	1,700,148	3.33%
Consulting, scientific and technical activities	1,123,650	42,926	1,166,576	(112,488)	1,054,088	2.17%
Administrative and support services activities	622,237	14,229	636,466	(85,998)	550,468	1.18%
Public sector	1,082,174	1	1,082,175	(4,437)	1,077,738	2.01%
Education	141,353	1,631	142,984	(6,802)	136,182	0.27%
Health and collective service activities	335,591	1,262	336,853	(9,330)	327,523	0.63%
Artistic, sports and recreational activities	334,902	9,484	344,386	(82,189)	262,197	0.64%
Other services	242,470	284,548	527,018	(271,423)	255,595	0.98%
Consumer loans	5,092,646	349,205	5,441,851	(363,179)	5,078,672	10.10%
Mortgage credit	25,958,940	176,966	26,135,906	(164,426)	25,971,480	48.53%
Other domestic activities	1,131	571	1,702	(49)	1,653	0.00%
Other international activities	837,804	117,597	955,401	(104,588)	850,813	1.77%
	52,386,381	1,474,837	53,861,218	(2,231,450)	51,629,768	100%

The analysis of loans and advances to customers, as at 31 December 2019, by sector of activity, is as follows:

(Thousands of euros)

	31 December 2019					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	328,520	7,599	336,119	(7,419)	328,700	0.64%
Fisheries	35,528	29	35,557	(679)	34,878	0.07%
Mining	54,611	1,397	56,008	(4,561)	51,447	0.11%
Food, beverage and tobacco	712,184	15,386	727,570	(24,840)	702,730	1.39%
Textiles	375,226	9,020	384,246	(18,807)	365,439	0.74%
Wood and cork	231,876	3,501	235,377	(5,075)	230,302	0.45%
Paper, printing and publishing	167,395	1,194	168,589	(14,416)	154,173	0.32%
Chemicals	718,269	23,210	741,479	(26,820)	714,659	1.42%
Machinery, equipment and basic metallurgical	1,224,725	31,448	1,256,173	(37,769)	1,218,404	2.40%
Electricity and gas	313,776	223	313,999	(2,550)	311,449	0.60%
Water	189,455	618	190,073	(9,504)	180,569	0.36%
Construction	1,525,891	163,138	1,689,029	(252,391)	1,436,638	3.23%
Retail business	1,197,223	37,489	1,234,712	(54,633)	1,180,079	2.36%
Wholesale business	2,057,044	50,408	2,107,452	(99,968)	2,007,484	4.03%
Restaurants and hotels	1,144,155	40,227	1,184,382	(87,325)	1,097,057	2.27%
Transports	1,250,810	25,826	1,276,636	(39,739)	1,236,897	2.44%
Post offices	10,583	254	10,837	(346)	10,491	0.02%
Telecommunications	354,129	3,959	358,088	(6,853)	351,235	0.69%
Services						
Financial intermediation	1,658,167	134,789	1,792,956	(494,251)	1,298,705	3.43%
Real estate activities	1,584,251	98,840	1,683,091	(110,495)	1,572,596	3.22%
Consulting, scientific and technical activities	1,096,394	24,594	1,120,988	(177,341)	943,647	2.15%
Administrative and support services activities	539,047	14,236	553,283	(75,801)	477,482	1.06%
Public sector	1,042,143	10	1,042,153	(3,729)	1,038,424	1.99%
Education	125,432	1,338	126,770	(6,389)	120,381	0.24%
Health and collective service activities	296,830	1,281	298,111	(4,256)	293,855	0.57%
Artistic, sports and recreational activities	272,838	1,230	274,068	(66,816)	207,252	0.52%
Other services	207,012	271,206	478,218	(207,350)	270,868	0.92%
Consumer loans	5,354,681	294,117	5,648,798	(316,423)	5,332,375	10.81%
Mortgage credit	25,686,880	206,666	25,893,546	(168,039)	25,725,507	49.54%
Other domestic activities	1,155	374	1,529	(82)	1,447	0.00%
Other international activities	923,030	121,984	1,045,014	(92,355)	952,659	2.00%
	50,679,260	1,585,591	52,264,851	(2,417,022)	49,847,829	100%

The Outstanding loans related to finance leases contracts are analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Amount of future minimum payments	4,369,802	4,649,569
Interest not yet due	(473,866)	(505,193)
Present value	3,895,936	4,144,376

Regarding operational leasing, the Group does not present relevant contracts as lessee.

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 restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2020			31 December 2019		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	18,748	(3,398)	15,350	14,391	(3,012)	11,379
Fisheries	6,148	(393)	5,755	6,134	(454)	5,680
Mining	2,785	(585)	2,200	5,558	(3,317)	2,241
Food, beverage and tobacco	30,148	(8,679)	21,469	25,290	(7,448)	17,842
Textiles	15,229	(5,746)	9,483	14,010	(4,287)	9,723
Wood and cork	7,434	(1,428)	6,006	7,978	(1,694)	6,284
Paper, printing and publishing	16,149	(11,745)	4,404	16,449	(12,222)	4,227
Chemicals	23,963	(9,045)	14,918	23,386	(5,095)	18,291
Machinery, equipment and basic metallurgical	65,034	(14,425)	50,609	54,949	(11,038)	43,911
Electricity and gas	398	(32)	366	454	(32)	422
Water	51,161	(8,184)	42,977	51,694	(7,116)	44,578
Construction	242,819	(64,143)	178,676	245,348	(148,041)	97,307
Retail business	46,989	(16,991)	29,998	61,569	(23,761)	37,808
Wholesale business	100,166	(17,086)	83,080	105,965	(13,463)	92,502
Restaurants and hotels	92,054	(22,567)	69,487	101,525	(20,402)	81,123
Transports	18,422	(3,350)	15,072	13,118	(2,691)	10,427
Post offices	204	(66)	138	236	(61)	175
Telecommunications	16,074	(11,184)	4,890	18,059	(1,219)	16,840
Services						
Financial intermediation	275,619	(179,699)	95,920	533,238	(340,993)	192,245
Real estate activities	163,450	(58,591)	104,859	157,808	(43,027)	114,781
Consulting, scientific and technical activities	298,296	(86,851)	211,445	166,498	(93,427)	73,071
Administrative and support services activities	88,193	(68,154)	20,039	83,319	(61,457)	21,862
Public sector	54,253	(1,199)	53,054	67,157	(1,309)	65,848
Education	19,885	(4,805)	15,080	20,057	(4,724)	15,333
Health and collective service activities	24,339	(5,478)	18,861	10,537	(1,156)	9,381
Artistic, sports and recreational activities	125,906	(53,906)	72,000	90,159	(40,616)	49,543
Other services	244,087	(176,730)	67,357	245,150	(177,061)	68,089
Consumer loans	278,199	(79,921)	198,278	301,820	(76,808)	225,012
Mortgage credit	3,351,789	(398,130)	2,953,659	604,597	(45,234)	559,363
Other domestic activities	22	(1)	21	22	(1)	21
Other international activities	41,564	(31,739)	9,825	36,531	(24,491)	12,040
	5,719,527	(1,344,251)	4,375,276	3,083,006	(1,175,657)	1,907,349

The changes occurred in impairment for credit risks are analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Balance on 1 January	2,417,022	2,851,906
Charge for the period in net income interest (note 2)	26,922	51,504
Other transfers	(4,712)	72,421
Impairment charge for the period (note 10)	809,941	924,248
Reversals for the period (note 10)	(427,913)	(510,585)
Loans charged-off	(551,850)	(979,451)
Exchange rate differences	(37,960)	6,979
Balance at the end of the period	2,231,450	2,417,022

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

(Thousands of euros)

	30 September 2020	31 December 2019
Agriculture and forestry	218	4,360
Fisheries	-	4
Mining	11	4,414
Food, beverage and tobacco	7,936	14,190
Textiles	3,831	7,418
Wood and cork	136	3,304
Paper, printing and publishing	66	6,823
Chemicals	1,527	30,947
Machinery, equipment and basic metallurgical	3,358	25,843
Electricity and gas	13	506
Water	50	619
Construction	136,520	282,889
Retail business	12,025	75,990
Wholesale business	6,878	37,281
Restaurants and hotels	15,810	13,128
Transports	3,227	11,546
Post offices	42	243
Telecommunications	132	17,956
Services		
Financial intermediation	220,772	21,154
Real estate activities	36,554	62,175
Consulting, scientific and technical activities	68,981	178,745
Administrative and support services activities	963	6,353
Education	19	603
Health and collective service activities	(19)	1,215
Artistic, sports and recreational activities	(3,443)	3,651
Other services	2,478	4,833
Consumer loans	29,605	149,500
Mortgage credit	3,008	9,059
Other domestic activities	160	2,561
Other international activities	992	2,141
	551,850	979,451

The analysis of recovered loans and interest occurred during the nine months periods ended 30 September 2020 and 2019 by sector of activity, is as follows:

(Thousands of euros)

	30 September 2020	30 September 2019
Agriculture and forestry	267	70
Mining	7	-
Food, beverage and tobacco	44	207
Textiles	17	384
Wood and cork	4	4
Paper, printing and publishing	-	292
Chemicals	424	504
Machinery, equipment and basic metallurgical	45	113
Electricity and gas	-	8
Water	1	3
Construction	611	1,561
Retail business	443	1,350
Wholesale business	494	633
Restaurants and hotels	169	598
Transports	139	2,832
Post offices	11	10
Telecommunications	3	3
Services		
Financial intermediation	1,095	750
Real estate activities	62	432
Consulting, scientific and technical activities	1,361	12
Administrative and support services activities	22	86
Education	35	-
Health and collective service activities	1	2
Artistic, sports and recreational activities	10	257
Other services	16	454
Consumer loans	11,289	5,314
Mortgage credit	205	98
Other domestic activities	12	195
Other international activities	32	7
	16,819	16,179

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	143,881	155,567
Commercial paper	1,703,814	1,871,985
Foreign issuers		
Bonds	31,582	32,356
Commercial paper	30,577	25,233
	1,909,854	2,085,141
Overdue securities - over 90 days	1,799	1,799
	1,911,653	2,086,940
Impairment	(21,495)	(12,431)
	1,890,158	2,074,509
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	3,425,524	137,330
Foreign issuers	332,852	301,988
Bonds issued by other entities		
Portuguese issuers	178,050	178,069
Foreign issuers	103,555	50,854
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	241,871	445,226
	4,281,852	1,113,467
Impairment	(4,906)	(2,100)
	4,276,946	1,111,367
	6,167,104	3,185,876

(*) As at 30 September 2020 includes the amount of Euros 25,357,000 (31 December 2019: Euros 856,000) related to adjustments resulting from the application of fair value hedge accounting.

As at 30 September 2020, the balance Debt securities held not associated with credit operations - Bonds issued by other Portuguese entities includes the amount of Euros 139,001,000 (31 December 2019: Euros 138,752,000) related to public sector companies.

The analysis of debt securities portfolio, net of impairment, by sector of activity, is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Debt securities held associated with credit operations		
Agriculture and forestry	4,879	-
Mining	22,697	17,493
Food, beverage and tobacco	92,775	83,063
Textiles	69,213	67,201
Wood and cork	7,828	8,017
Paper, printing and publishing	9,107	10,305
Chemicals	90,509	151,612
Machinery, equipment and basic metallurgical	77,486	76,345
Electricity and gas	197,444	184,911
Water	14,932	14,956
Construction	17,099	12,135
Retail business	84,306	73,243
Wholesale business	51,832	70,554
Restaurants and hotels	9,395	7,506
Transports	42,176	35,948
Telecommunications	6,187	6,444
Services		
Financial intermediation	218,660	222,846
Real estate activities	23,035	23,919
Consulting, scientific and technical activities	750,371	923,513
Administrative and support services activities	20,340	16,924
Health and collective service activities	4,988	4,999
Artistic, sports and recreational activities	7,966	-
Other services	5,082	5,084
Other international activities	61,851	57,491
	1,890,158	2,074,509
Debt securities held not associated with credit operations		
Chemicals	25,401	25,609
Electricity and gas	3,581	-
Water	39,361	39,324
Retail business	5,557	-
Transports (*)	99,494	99,402
Services		
Financial intermediation	94,416	495,666
Real estate activities	241,633	-
Consulting, scientific and technical activities	13,352	13,550
	522,795	673,551
Government and Public securities	3,754,151	437,816
	4,276,946	1,111,367
	6,167,104	3,185,876

(*) Corresponds to securities from public sector companies

The changes occurred in impairment for debt securities are analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Debt securities held associated with credit operations		
Balance on 1 January	12,431	39,921
Charge for the period in net income interest (note 2)	40	120
Charge for the period (note 10)	9,024	1,717
Reversals for the period (note 10)	-	(907)
Loans charged-off	-	(28,420)
Balance at the end of the period	21,495	12,431
Debt securities held not associated with credit operations		
Balance on 1 January	2,100	1,788
Other transfers	(91)	-
Charge for the period (note 10)	3,422	1,161
Reversals for the period (note 10)	(330)	(246)
Loans charged-off	-	(620)
Exchange rate differences	(195)	17
Balance at the end of the period	4,906	2,100

23. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The balances Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,213,784	255,313
Equity instruments	2,969	3,109
Trading derivatives	565,863	619,912
	1,782,616	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	350,078	352,367
Debt instruments	944,822	1,037,480
Equity instruments	31,397	15,666
	1,326,297	1,405,513
Financial assets designated at fair value through profit or loss		
Debt instruments	-	31,496
Financial assets at fair value through other comprehensive income		
Debt instruments	13,253,313	13,179,281
Equity instruments	35,961	37,420
	13,289,274	13,216,701
	16,398,187	15,532,044

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 30 September 2020, is analysed as follows:

(Thousands of euros)

	30 September 2020				
	At fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated 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	-	-	3,580,527	3,580,628
Foreign issuers	71,638	-	-	8,056,421	8,128,059
Bonds issued by other entities					
Portuguese issuers	3,029	16,747	-	888,300	908,076
Foreign issuers	42,634	-	-	627,847	670,481
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	1,046,306	-	-	6,021	1,052,327
Foreign issuers	50,076	-	-	94,197	144,273
Shares of foreign companies (a)	-	23,580	-	-	23,580
Investment fund units (b)	-	904,495	-	-	904,495
	1,213,784	944,822	-	13,253,313	15,411,919
Equity instruments					
Shares					
Portuguese companies	2,458	-	-	17,540	19,998
Foreign companies	57	31,397	-	18,417	49,871
Investment fund units	-	-	-	4	4
Other securities	454	-	-	-	454
	2,969	31,397	-	35,961	70,327
Trading derivatives	565,863	-	-	-	565,863
	1,782,616	976,219	-	13,289,274	16,048,109

(a) Under IFRS 9, these shares were considered as debt instruments because they not fall within the definition of SPPI.
(b) Under IFRS 9, these participation units were considered as debt instruments because they 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 2019, is analysed as follows:

(Thousands of euros)

	31 December 2019				
	At fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	3,180	-	31,496	4,425,302	4,459,978
Foreign issuers	205,805	-	-	5,398,404	5,604,209
Bonds issued by other entities					
Portuguese issuers	3,043	16,778	-	802,268	822,089
Foreign issuers	43,285	-	-	314,991	358,276
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	-	-	-	1,922,991	1,922,991
Foreign issuers	-	-	-	315,325	315,325
Shares of foreign companies (a)	-	37,375	-	-	37,375
Investment fund units (b)	-	983,327	-	-	983,327
	255,313	1,037,480	31,496	13,179,281	14,503,570
Equity instruments					
Shares					
Portuguese companies	2,515	-	-	19,163	21,678
Foreign companies	49	15,666	-	18,254	33,969
Investment fund units	-	-	-	3	3
Other securities	545	-	-	-	545
	3,109	15,666	-	37,420	56,195
Trading derivatives	619,912	-	-	-	619,912
	878,334	1,053,146	31,496	13,216,701	15,179,677

(a) Under IFRS 9, these shares were considered as debt instruments because they not fall within the definition of SPPI.
(b) Under IFRS 9, these participation units were considered as debt instruments because they not fall within the definition of equity instruments.

The portfolio of financial assets at fair value through other comprehensive income, as at 30 September 2020, is analysed as follows:

(Thousands of euros)

	30 September 2020			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,499,475	11,983	69,069	3,580,527
Foreign issuers	7,992,113	1,216	63,092	8,056,421
Bonds issued by other entities				
Portuguese issuers	856,753	20,257	11,290	888,300
Foreign issuers	608,191	15,836	3,820	627,847
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	6,017	-	4	6,021
Foreign issuers	94,077	-	120	94,197
	13,056,626	49,292	147,395	13,253,313
Equity instruments				
Shares				
Portuguese companies	46,873	-	(29,333)	17,540
Foreign companies	27,971	-	(9,554)	18,417
Investment fund units	2	-	2	4
	74,846	-	(38,885)	35,961
	13,131,472	49,292	108,510	13,289,274

(a) Include interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	31 December 2019			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	4,292,930	93,586	38,786	4,425,302
Foreign issuers	5,384,433	(744)	14,715	5,398,404
Bonds issued by other entities				
Portuguese issuers (*)	764,470	17,875	19,923	802,268
Foreign issuers	303,954	6,026	5,011	314,991
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	1,922,666	-	325	1,922,991
Foreign issuers	315,235	-	90	315,325
	12,983,688	116,743	78,850	13,179,281
Equity instruments				
Shares				
Portuguese companies	50,476	-	(31,313)	19,163
Foreign companies	20,855	-	(2,601)	18,254
Investment fund units	2	-	1	3
	71,333	-	(33,913)	37,420
	13,055,021	116,743	44,937	13,216,701

(a) Include interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The balance Financial assets not held for trading mandatorily at fair value through profit or loss - Loans to customers at fair value is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Public sector	22	27
Asset-backed loans	6	8
Unsecured loans	343,077	346,558
	343,105	346,593
Overdue loans - less than 90 days	2,009	1,717
Overdue loans - Over 90 days	4,964	4,057
	350,078	352,367

The balance Loans to customers at fair value correspond essentially to consumer loans.

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 30 September 2020 is as follows:

(Thousands of euros)

	30 September 2020				
	Bonds and Treasury bills	Shares	Other Financial Assets	Overdue Securities	Total
Fisheries	719	-	-	-	719
Mining	-	8	-	-	8
Paper, printing and publishing	52,223	2	-	-	52,225
Chemicals	-	3	-	-	3
Machinery, equipment and basic metallurgical	2,609	2,473	-	-	5,082
Electricity and gas	16,008	-	-	-	16,008
Water	7,101	-	-	-	7,101
Construction	17,337	6	22,967	-	40,310
Retail business	-	2	-	-	2
Wholesale business	51,695	-	-	-	51,695
Restaurants and hotels	-	2,405	-	-	2,405
Transports	227,936	-	-	-	227,936
Telecommunications	-	2,771	-	-	2,771
Services					
Financial intermediation (*)	782,053	69,790	856,440	-	1,708,283
Real estate activities	-	-	18,736	-	18,736
Consulting, scientific and technical activities	433,592	153	-	-	433,745
Administrative and support services activities	10,158	9,161	-	-	19,319
Public sector	42,506	-	454	-	42,960
Artistic, sports and recreational activities	16,683	-	-	-	16,683
Other services	1	6,675	6,356	-	13,032
	1,660,621	93,449	904,953	-	2,659,023
Government and Public securities	12,823,223	-	-	-	12,823,223
	14,483,844	93,449	904,953	-	15,482,246

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 849,693,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 46.

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 2019 is as follows:

(Thousands of euros)

	31 December 2019				
	Bonds and Treasury bills	Shares	Other Financial Assets	Overdue Securities	Total
Fisheries	680	-	-	-	680
Mining	-	7	-	-	7
Paper, printing and publishing	51,735	2	-	-	51,737
Chemicals	-	4	-	-	4
Machinery, equipment and basic metallurgical	2,363	2,518	-	-	4,881
Electricity and gas	9,410	-	-	-	9,410
Water	7,000	-	-	-	7,000
Construction	17,611	16	23,252	-	40,879
Retail business	-	6	-	-	6
Wholesale business	200,367	162	-	-	200,529
Restaurants and hotels	-	9,357	-	-	9,357
Transports	297,236	-	-	-	297,236
Telecommunications	-	4,686	-	-	4,686
Services					
Financial intermediation (*)	753,341	59,314	933,445	-	1,746,100
Real estate activities	-	-	19,749	-	19,749
Consulting, scientific and technical activities	129,301	140	-	-	129,441
Administrative and support services activities	9,961	9,391	-	-	19,352
Public sector	-	-	544	-	544
Artistic, sports and recreational activities	16,683	-	-	-	16,683
Other services	2	7,412	6,885	-	14,299
Other international activities	-	7	-	-	7
	1,495,690	93,022	983,875	-	2,572,587
Government and Public securities	11,987,178	-	-	-	11,987,178
	13,482,868	93,022	983,875	-	14,559,765

(*) The balance Other financial assets includes restructuring funds, in the amount of Euros 924,489,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 46.

24. Hedging derivatives

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

(Thousands of euros)

	30 September 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Swaps	138,844	260,460	45,141	229,923

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Portuguese credit institutions	39,234	37,959
Foreign credit institutions	146,298	172,432
Other Portuguese companies	276,237	228,897
Other foreign companies	21,271	21,876
	483,040	461,164
Impairment	(54,077)	(60,773)
	428,963	400,391

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	30 September 2020				31 December 2019
	Ownership on equity	Goodwill	Impairment for investments in associated companies	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	218,562	-	-	218,562	174,348
Banco Millennium Atlântico, S.A.	57,723	46,755	(32,418)	72,060	93,044
Banque BCP, S.A.S.	41,820	-	-	41,820	40,274
Cold River's Homestead, S.A.	18,708	-	(3,648)	15,060	15,522
SIBS, S.G.P.S, S.A.	38,484	-	-	38,484	34,815
Unicre - Instituição Financeira de Crédito, S.A.	31,798	7,436	-	39,234	37,959
Webspectator Corporation	90	18,011	(18,011)	90	94
Others	3,653	-	-	3,653	4,335
	410,838	72,202	(54,077)	428,963	400,391

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 55.

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020			31 December 2019		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	970,829	(176,074)	794,755	1,072,391	(191,105)	881,286
Assets belong to investments funds and real estate companies	365,696	(55,399)	310,297	371,417	(54,579)	316,838
Assets for own use (closed branches)	31,689	(7,277)	24,412	30,778	(7,333)	23,445
Equipment and other	41,099	(10,266)	30,833	45,113	(10,874)	34,239
Other assets	21,091	-	21,091	24,033	-	24,033
	1,430,404	(249,016)	1,181,388	1,543,732	(263,891)	1,279,841

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.

27. Investment property

As at 30 September 2020, the balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N), based on independent assessments and compliance with legal requirements.

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Real estate	732,289	762,085
Equipment:		
Computer equipment	332,594	330,524
Security equipment	70,155	71,268
Interior installations	145,113	145,298
Machinery	49,440	48,466
Furniture	85,285	85,951
Motor vehicles	29,466	31,820
Other equipment	31,213	32,072
Right of use		
Real estate	327,610	329,604
Vehicles and equipment	933	958
Work in progress	12,124	20,833
Other tangible assets	265	296
	1,816,487	1,859,175
Accumulated depreciation		
Relative to the current period (note 9)	(79,529)	(101,184)
Relative to the previous periods	(1,089,662)	(1,028,549)
	(1,169,191)	(1,129,733)
	647,296	729,442

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 and note 52.

The changes occurred in Other tangible assets during the nine months period ended 30 September 2020 are analysed as follows:

(Thousands of euros)

	30 September 2020					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 30 September
Real estate	762,085	772	(14,955)	2,123	(17,736)	732,289
Equipment:						
Computer equipment	330,524	7,664	(2,587)	4,469	(7,476)	332,594
Security equipment	71,268	209	(551)	-	(771)	70,155
Interior installations	145,298	507	(1,003)	2,376	(2,065)	145,113
Machinery	48,466	266	(176)	2,657	(1,773)	49,440
Furniture	85,951	743	(487)	47	(969)	85,285
Motor vehicles	31,820	2,049	(2,561)	-	(1,842)	29,466
Other equipment	32,072	9	(208)	1,218	(1,878)	31,213
Right of use						
Real estate	329,604	13,769	(6,182)	107	(9,688)	327,610
Vehicles and equipment	958	1	-	-	(26)	933
Work in progress	20,833	5,703	(37)	(12,996)	(1,379)	12,124
Other tangible assets	296	29	(1)	(11)	(48)	265
	1,859,175	31,721	(28,748)	(10)	(45,651)	1,816,487
Accumulated depreciation						
Real estate	(434,959)	(12,325)	8,627	(11)	7,228	(431,440)
Equipment:						
Computer equipment	(287,185)	(13,392)	2,272	-	5,241	(293,064)
Security equipment	(66,236)	(756)	551	-	629	(65,812)
Interior installations	(129,157)	(2,048)	953	-	1,244	(129,008)
Machinery	(41,233)	(898)	141	(638)	1,399	(41,229)
Furniture	(76,517)	(2,206)	450	652	602	(77,019)
Motor vehicles	(16,616)	(3,548)	2,257	-	1,093	(16,814)
Other equipment	(24,001)	(1,100)	185	-	1,389	(23,527)
Right of use						
Real estate	(53,428)	(43,016)	3,430	(14)	2,375	(90,653)
Vehicles and equipment	(365)	(241)	-	-	15	(591)
Other tangible assets	(36)	-	1	-	1	(34)
	(1,129,733)	(79,530)	18,867	(11)	21,216	(1,169,191)
	729,442	(47,809)	(9,881)	(21)	(24,435)	647,296

The changes occurred in Other tangible assets during 2019 are analysed as follows:

(Thousands of euros)

	31 December 2019						
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Acquisition of Euro Bank	Transfers	Exchange differences	Balance on 31 December
Real estate	780,726	410	(20,359)	3,749	(3,788)	1,347	762,085
Equipment:							
Computer equipment	306,699	16,560	(8,090)	5,340	9,489	526	330,524
Security equipment	71,703	920	(1,243)	-	(139)	27	71,268
Interior installations	143,114	1,464	(928)	-	1,579	69	145,298
Machinery	45,871	679	(874)	944	1,570	276	48,466
Furniture	84,363	2,740	(2,745)	-	1,559	34	85,951
Motor vehicles	32,948	7,202	(9,166)	573	145	118	31,820
Other equipment	32,663	19	(629)	361	(646)	304	32,072
Right of use							
Real estate	248,753	64,477	(12,148)	18,378	8,785	1,359	329,604
Vehicles and equipment	663	2	(5)	-	284	14	958
Work in progress	21,719	25,592	(214)	356	(26,830)	210	20,833
Other tangible assets	236	46	-	-	14	-	296
	1,769,458	120,111	(56,401)	29,701	(7,978)	4,284	1,859,175
Accumulated depreciation							
Real estate	(431,078)	(17,859)	11,042	-	3,738	(802)	(434,959)
Equipment:							
Computer equipment	(278,202)	(15,441)	7,832	-	(1,003)	(371)	(287,185)
Security equipment	(66,409)	(1,191)	1,234	-	150	(20)	(66,236)
Interior installations	(127,455)	(2,641)	867	-	108	(36)	(129,157)
Machinery	(41,873)	(948)	848	-	962	(222)	(41,233)
Furniture	(75,600)	(2,609)	2,723	-	(1,012)	(19)	(76,517)
Motor vehicles	(14,294)	(5,178)	2,824	-	98	(66)	(16,616)
Other equipment	(23,819)	(1,720)	617	-	1,141	(220)	(24,001)
Right of use							
Real estate	-	(53,236)	53	-	-	(245)	(53,428)
Vehicles and equipment	-	(361)	1	-	-	(5)	(365)
Other tangible assets	(36)	-	-	-	-	-	(36)
	(1,058,766)	(101,184)	28,041	-	4,182	(2,006)	(1,129,733)
	710,692	18,927	(28,360)	29,701	(3,796)	2,278	729,442

(*) The balance on 1 January of Right of use corresponds to the IFRS 16 adjustment, as detailed in note 52.

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	106,034	113,032
Euro Bank, S.A. (Poland) (*)	42,389	38,280
Others	14,723	14,592
	163,146	165,904
Impairment		
Others	(14,017)	(13,837)
	(14,017)	(13,837)
	149,129	152,067
Intangible assets		
Software	187,527	189,031
Other intangible assets	64,185	67,214
	251,712	256,245
Accumulated amortisation		
Charge for the period (note 9)	(23,705)	(23,601)
Charge for the previous periods	(141,212)	(142,081)
	(164,917)	(165,682)
	86,795	90,563
	235,924	242,630

(*) The operation is detailed in note 53.

The changes occurred in Goodwill and intangible assets during the nine months period ended 30 September 2020 are analysed as follows:

(Thousands of euros)

	30 September 2020					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 30 September
Goodwill - Differences arising on consolidation	165,904	6,788	-	-	(9,546)	163,146
Impairment for goodwill	(13,837)	(180)	-	-	-	(14,017)
	152,067	6,608	-	-	(9,546)	149,129
Intangible assets						
Software	189,031	23,841	(15,098)	(1,154)	(9,093)	187,527
Other intangible assets	67,214	(3)	(1)	1,157	(4,182)	64,185
	256,245	23,838	(15,099)	3	(13,275)	251,712
Accumulated depreciation						
Software	(108,690)	(21,302)	14,947	167	5,948	(108,930)
Other intangible assets	(56,992)	(2,402)	-	(167)	3,574	(55,987)
	(165,682)	(23,704)	14,947	-	9,522	(164,917)
	90,563	134	(152)	3	(3,753)	86,795
	242,630	6,742	(152)	3	(13,299)	235,924

The changes occurred in Goodwill and intangible assets during 2019 are analysed as follows:

(Thousands of euros)

	31 December 2019						
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Acquisition of Euro Bank	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	170,493	38,576	(44,608)	-	-	1,443	165,904
Impairment for goodwill	(54,137)	(559)	40,859	-	-	-	(13,837)
	116,356	38,017	(3,749)	-	-	1,443	152,067
Intangible assets							
Software	142,229	45,082	(5,476)	8,542	(2,499)	1,153	189,031
Other intangible assets	56,765	5,001	(622)	2,910	2,464	696	67,214
	198,994	50,083	(6,098)	11,452	(35)	1,849	256,245
Accumulated depreciation:							
Software	(87,126)	(21,525)	45	-	690	(774)	(108,690)
Other intangible assets	(53,829)	(2,076)	196	-	(690)	(593)	(56,992)
	(140,955)	(23,601)	241	-	-	(1,367)	(165,682)
	58,039	26,482	(5,857)	11,452	(35)	482	90,563
	174,395	64,499	(9,606)	11,452	(35)	1,925	242,630

30. Income tax

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

(Thousands of euros)

	30 September 2020			31 December 2019		
	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	836,909	-	836,909	836,911	-	836,911
	1,820,086	-	1,820,086	1,820,088	-	1,820,088
Deferred taxes depending on the future profits						
Impairment losses (b)	758,812	(50,303)	708,509	822,822	(50,303)	772,519
Tax losses carried forward	154,103	-	154,103	120,295	-	120,295
Employee benefits	45,529	(856)	44,673	47,919	(811)	47,108
Financial assets at fair value through other comprehensive income	37,097	(173,657)	(136,560)	59,379	(140,103)	(80,724)
Derivatives	-	(4,286)	(4,286)	-	(5,640)	(5,640)
Intangible assets	49	-	49	49	(663)	(614)
Other tangible assets	11,552	(4,100)	7,452	11,199	(4,171)	7,028
Others	42,700	(21,373)	21,327	46,711	(17,192)	29,519
	1,049,842	(254,575)	795,267	1,108,374	(218,883)	889,491
Total deferred taxes	2,869,928	(254,575)	2,615,353	2,928,462	(218,883)	2,709,579
Offset between deferred tax assets and deferred tax liabilities	(245,060)	245,060	-	(207,814)	207,814	-
Net deferred taxes	2,624,868	(9,515)	2,615,353	2,720,648	(11,069)	2,709,579

(a) Special Regime applicable to deferred tax assets
(b) The amounts of 2020 and 2019 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

As at 30 September 2020, the balance deferred tax assets amounts to Euros 2,624,868,000, of which Euros 2,482,892,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 662,839,000 that depends of the existence of future profitable profits (deferred tax assets not eligible under the special regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August), including:
- Euros 601,518,000 related to impairment losses; and
- Euros 130,677,000 resulting from tax losses carried forward from 2016 and 2020 , which, taking into account the changes established in Law 27-A/2020, of 24 July, under the 2020 Supplementary Budget, may be used until 2030 and 2032, respectively.

Special regime applicable to deferred tax assets

The Extraordinary General Meeting of the Bank that took place on 15 October 2014 approved the Bank's accession to the Special Regime approved by Law No. 61/2014, of 26 August, applicable to deferred tax assets that resulted from not deduction of expenses and negative equity variations with impairment losses on credits and post-employment or long-term employee benefits.

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after January 1, 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 1,448,154,000 (31 December 2019: Euros 1,391,087,000);
- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In situations of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity capital, and a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights attributable to the State of equivalent value, rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or an entity based in Portugal within the same prudential consolidation perimeter) or reimbursed by the State. Pursuant to the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law No. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by Ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the Ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. Law No. 98/2019, of 4 September, establishes a deadline for the acquisition of the referred rights of the State by the shareholders, after which the Management Board of the issuing bank is obliged to promote the record of the capital increase by the amount resulting from the exercise of the conversion rights. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 3 years after the confirmation date of the conversion of the deferred tax asset into tax credit by the Portuguese Tax and Customs Authority. The issuing bank shall deposit in favor 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:

	30 September 2020	31 December 2019
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 (a)	9%	9%

The deferred tax rate related to the Bank's tax losses is 21% (31 December 2019: 21%).

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 31.30% (31 December 2019: 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.

Following the changes provided for in Law no. 27-A/2020, of July 24, under the Supplementary Budget for 2020, the deadline for carrying forward 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 determined in 2020 and 2021 have a reporting period of 12 years, which can be deducted until 2032 and 2033, respectively. The limit for the deduction of tax losses is increased from 70% to 80% when the difference results from the deduction of tax losses determined in the tax periods of 2020 and 2021.

The reporting period for tax losses in Poland and Mozambique is 5 years and in Switzerland 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	30 September 2020	31 December 2019
2020-2025	23,403	10,306
2028-2029 (a)	-	109,989
2030-2032 (a)	130,700	-
	154,103	120,295

(a) The evolution from 2019 to 2020 reflects, in Portugal, the suspension in 2020 and 2021 of the counting of the period for deduction of tax losses in effect on January 1, 2020, provided for in Law No. 27-A/2020 of July 24, as part of the Supplementary Budget for 2020.

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 calculation of taxable income for 2019 and in the estimation of taxable income by reference to 30 September 2020 it was considered the maintenance of the tax rules in force until 2018, since the option to apply the new regime was not exercised.

In 2018, the Group adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the Bank's interpretation of the application of IRC Code's general rules.

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 2020 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 2020 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 2020 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2019, 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) The reversals of impairment not accepted for tax purposes were estimated based on the Non Performing Assets 2019-2021 Reduction Plan submitted to the supervisory entity in March 2019, updated to June 30, 2020, and also based on the average percentage reversal observed in the years from 2016 to 2019;
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 taking into account 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 2019. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated based on the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2019, 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, favoring 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 analysis of recoverability of deferred tax assets with reference to 30 June 2020 allows us to conclude that all the deferred tax assets recognized are recoverable.

In accordance with these assessments, the amount of unrecognised deferred tax related to tax losses, by expiry year, is as follows:

(Thousands of euros)

Tax losses carried forward	30 September 2020	31 December 2019
2021-2025	146,774	182,872
2026	42,570	213,521
2027-2029	214,901	408,679
2030-2032	408,744	-
	812,989	805,072

(a) The evolution from 2019 to 2020 reflects, in Portugal, the suspension in 2020 and 2021 of the period for deduction of tax losses in force in 1 of January 2020, provided for in Law No. 27-A/2020 of 24 July 2020, as part of the Supplementary Budget for 2020.

The impact of income taxes in Net income and in other balances of Group's equity, as at 30 September 2020, is analysed as follows:

(Thousands of euros)

	30 September 2020		
	Net income for the period	Reserves	Exchange differences
Deferred taxes			
Deferred taxes not depending on the future profits			
Employee benefits	-	(2)	-
	-	(2)	-
Deferred taxes depending on the future profits			
Impairment losses	(58,042)	-	(5,968)
Tax losses carried forward (a)	26,834	9,153	(2,179)
Employee benefits	(139)	(2,586)	290
Financial assets at fair value through other comprehensive income	-	(59,990)	4,154
Derivatives	-	-	1,354
Intangible assets	635	-	28
Other tangible assets	519	-	(95)
Others	(5,275)	(226)	(2,691)
	(35,468)	(53,649)	(5,107)
	(35,468)	(53,651)	(5,107)
Current taxes			
Current period	(87,099)	135	-
Correction of previous periods	133	-	-
	(86,966)	135	-
	(122,434)	(53,516)	(5,107)

(a) The tax on reserves refers to realities recognised in reserves considered for taxable income purposes.

The impact of income taxes in Net income / (loss) and in other balances of Group's equity, as at 30 September 2019, is analysed as follows:

(Thousands of euros)

	30 September 2019				
	Net income for the period	Reserves	Exchange differences	Euro Bank	Discontinuing operations (b)
Deferred taxes					
Deferred taxes not depending on the future profits					
Impairment losses	(1,032)	-	-	-	-
Employee benefits	(4)	-	-	-	-
	(1,036)	-	-	-	-
Deferred taxes depending on the future profits					
Impairment losses	1,015	-	(2,301)	41,538	-
Tax losses carried forward (a)	(66,392)	(36,943)	390	-	(4,732)
Employee benefits	(24,758)	21,921	(78)	511	-
Financial assets at fair value through other comprehensive income	-	(119,390)	1,042	-	-
Derivatives	-	-	474	-	-
Intangible assets	51	-	14	(710)	-
Other tangible assets	474	-	(17)	130	-
Others	(8,145)	5,604	13	(10,758)	-
	(97,755)	(128,808)	(463)	30,711	(4,732)
	(98,791)	(128,808)	(463)	30,711	(4,732)
Current taxes					
Current period	(89,862)	481	-	639	-
Correction of previous period	14,615	-	-	-	-
	(75,247)	481	-	639	-
	(174,038)	(128,327)	(463)	31,350	(4,732)

(a) The tax on reserves and retained earnings refers to realities recognised in reserves and retained earnings considered for taxable net income purposes.
(b) It concerns the sale of the Planfipsa Group.

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

(Thousands of euros)

	30 September 2020	30 September 2019
Net income / (loss) before income taxes	304,664	518,575
Current tax rate (%)	31.5%	31.5%
Expected tax	(95,969)	(163,351)
Tax benefits	10,163	10,193
Correction of previous periods	2,812	13,245
Effect of recognition / derecognition net of deferred taxes	(7,926)	(17,181)
Other corrections	(4,238)	(2,776)
Non-deductible impairment and provisions	(17,378)	(2,919)
Results of companies accounted by the equity method	17,084	12,751
Autonomous tax	(825)	(1,216)
Contribution to the banking sector	(26,157)	(22,784)
Total	(122,434)	(174,038)
Effective rate (%)	40.19%	33.56%

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Deposit account applications	266,891	468,123
Associated companies	1,145	631
Subsidies receivables	8,046	9,429
Prepaid expenses	27,498	25,757
Debtors for futures and options transactions	155,559	98,965
Insurance activity	7,092	5,882
Debtors		
Residents		
Prosecution cases / agreements with the Bank	14,383	14,832
SIBS	4,120	6,183
Receivables from real estate, transfers of assets and other securities	86,911	40,361
Others	33,798	18,575
Non-residents	28,649	31,832
Interest and other amounts receivable	55,749	55,628
Amounts receivable on trading activity	502,300	7,256
Gold and other precious metals	3,771	3,769
Other recoverable tax	16,096	20,473
Artistic patrimony	28,817	28,818
Capital supplementary contributions	165	165
Reinsurance technical provision	12,567	16,604
Obligations with post-employment benefits	33,879	10,529
Capital supplies	238,334	238,449
Amounts due for collection	46,969	74,469
Amounts due from customers	200,423	225,073
Sundry assets	104,183	85,247
	1,877,345	1,487,050
Impairment for other assets	(264,601)	(247,916)
	1,612,744	1,239,134

The changes occurred in impairment for other assets are analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Balance on 1 January	247,916	285,141
Transfers	16,051	3,442
Charge for the period (note 12)	13,242	14,107
Reversals for the period (note 12)	(7,618)	(7,606)
Amounts charged-off	(4,660)	(47,173)
Exchange rate differences	(330)	5
Balance at the end of the period	264,601	247,916

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Resources and other financing from Central Banks		
Bank of Portugal	7,529,307	3,940,496
Central Banks abroad	110,911	109,508
	7,640,218	4,050,004
Resources from credit institutions in Portugal		
Very short-term deposits	4,263	-
Sight deposits	44,481	112,244
Term Deposits	253,330	92,471
Loans obtained	-	1,771
CIRS and IRS operations collateralised by deposits (*)	420	1,060
	302,494	207,546
Resources from credit institutions abroad		
Very short-term deposits	15,928	640
Sight deposits	89,924	109,004
Term Deposits	169,879	169,413
Loans obtained	774,597	1,784,671
CIRS and IRS operations collateralised by deposits (*)	30,641	18,484
Sales operations with repurchase agreement	27,267	21,335
Other resources	20,746	5,861
	1,128,982	2,109,408
	9,071,694	6,366,958

(*) 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.

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.

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Deposits from customers		
Repayable on demand	41,512,922	37,083,367
Term deposits	15,169,657	17,329,381
Saving accounts	5,086,640	4,276,990
Treasury bills and other assets sold under repurchase agreement	89,308	21,963
Cheques and orders to pay	500,449	355,077
Others	60,087	60,227
	62,419,063	59,127,005

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the Portuguese fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Bonds	149,607	309,804
Covered bonds	997,370	995,976
Medium term notes (MTNs)	98,323	99,119
Securitisations	171,802	184,631
	1,417,102	1,589,530
Accruals	2,869	5,194
	1,419,971	1,594,724

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Bonds		
Non Perpetual	1,384,969	1,540,201
Perpetual	-	22,035
	1,384,969	1,562,236
Accruals	34,504	15,470
	1,419,473	1,577,706

As at 30 September 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	11,273
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	6,446
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	3,908
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	300,000	298,935	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	448,981	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	154,444	154,444	56,387
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 2,30%	183,126	183,126	66,859
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	92,177	86,339	6,367
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,384,969	901,240
Accruals					34,504	-
					1,419,473	901,240

(*) 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 per cent. during the first 5.5 years (corresponding to a spread of 4.231 per cent over the 5.5 year mid-swap rate, for the remaining 5 years, will be applied over the mid swaps rate in force at the beginning of that period).

As at 31 December 2019, 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	28,373
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	16,061
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	9,158
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	14,042	101
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,210	741
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	51,611	2,635
BCP Subord 2 Ser abr 2020-Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,325	1,417
BCP Subordinadas jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,668	2,654
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (ii)	300,000	298,742	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (iii)	450,000	441,390	450,000
Bank Millennium						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	164,636	164,636	55,948
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 2,30%	195,211	195,211	66,339
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	96,000	86,222	10,563
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,540,201	943,990
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	-
					22,035	-
Accruals					15,470	-
					1,577,706	943,990

(*) 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:

Date of exercise of the next call option - Dates of the next call options are the dates provided in the Issues Terms and Conditions.

(i) June 2020.

Interest rate

(ii) 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%; (iii) Annual interest rate of 3.871 per cent. during the first 5.5 years (corresponding to a spread of 4.231 per cent over the 5.5 year mid-swap rate, for the remaining 5 years, will be applied over the mid swaps rate in force at the beginning of that period).

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Short selling securities	8,176	47,572
Trading derivatives (note 23):		
Swaps	328,112	274,506
Options	2,030	1,386
Embedded derivatives	5,808	14,983
Forwards	6,496	5,486
	342,446	296,361
	350,622	343,933

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

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Deposits from customers	577,478	1,720,134
Debt securities at fair value through profit and loss		
Bonds	-	262
Medium term notes (MTNs)	665,730	734,722
	665,730	734,984
Accruals	8	801
	665,738	735,785
Certificates	639,754	745,390
	1,882,970	3,201,309

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Provision for guarantees and other commitments	104,683	116,560
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	6,489	7,346
Life insurance	2,382	3,400
For participation in profit and loss	116	216
Other technical provisions	21,015	26,853
Other provisions for liabilities and charges	221,817	190,937
	356,502	345,312

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

(Thousands of euros)

	30 September 2020	31 December 2019
Balance on 1 January	116,560	187,710
Transfers resulting from changes in the Group's structure (Euro Bank acquisition)	-	172
Transfers	(14,885)	(67,072)
Charge for the period (note 13)	32,592	36,230
Reversals for the period (note 13)	(28,571)	(40,618)
Exchange rate differences	(1,013)	138
Balance at the end of the period	104,683	116,560

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

(Thousands of euros)

	30 September 2020	31 December 2019
Balance on 1 January	190,937	136,483
Transfers	41	2,447
Charge for the period (note 13)	108,040	65,239
Reversals for the period (note 13)	(2,680)	(3,367)
Amounts charged-off	(70,001)	(10,627)
Exchange rate differences	(4,520)	762
Balance at the end of the period	221,817	190,937

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Creditors:		
Associated companies	2	190
Suppliers	25,762	44,627
From factoring operations	34,257	35,948
For futures and options transactions	6,583	11,039
For direct insurance and reinsurance operations	5,267	3,350
Deposit account and other applications	41,531	60,339
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	14,121	15,014
Rents to pay	242,233	281,072
Other creditors		
Residents	28,253	29,774
Non-residents	47,567	61,564
Negative equity in associated companies	278	278
Holidays, subsidies and other remuneration payable	68,179	59,420
Interests and other amounts payable	135,300	151,170
Operations to be settled - foreign, transfers and deposits	295,199	288,281
Amounts payable on trading activity	82,365	89,003
Other administrative costs payable	3,915	5,153
Deferred income	9,447	10,846
Loans insurance received and to amortised	78,589	74,712
Public sector	31,651	38,037
Other liabilities	184,973	182,408
	1,335,472	1,442,225

40. Share capital, Preference shares and Other equity instruments

The Bank's share capital, as at 30 September 2020, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry without nominal value, fully subscribed and paid up.

As at 30 September 2020, the share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 30 September 2020, the balance Other equity instruments, in the amount of Euros 400,000,000 (31 December 2019: 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.

In December 2019, the Bank reimbursed 2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each, in the amount of Euros 2,922,000.

41. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. Such reserve is not normally distributable. In accordance with the proposal for the appropriation of net income for the 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. Thus, as at 30 September 2020, the Legal reserves amount to Euros 254,464,000 (31 December 2019: Euros 240,535,000).

In accordance with current Portuguese legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20 percent of their net annual profits depending on the nature of their economic activity and are recorded in Other reserves and retained earnings in the Bank's consolidated financial statements (note 43).

Under the appropriation of net income for the 2018 financial year, in 2019 the Bank distributed the Statutory reserves in the amount of Euros 30,000,000.

42. Treasury shares

This balance is analysed as follows:

	30 September 2020			31 December 2019		
	Net book value (Euros '000)	Number of securities	Average book value (Euros)	Net book value (Euros '000)	Number of securities	Average book value (Euros)
Banco Comercial Português, S.A. shares	26	323,738	0.08	65	323,738	0.20
Other treasury stock	723			37		
Total	749			102		

As at 30 September 2020, Banco Comercial Português, S.A. does not hold treasury shares and did not purchased or sold own shares during the period. However, this balance includes 323,738 shares (31 December 2019: 323,738 shares) owned by clients. Since for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients 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 "Código das Sociedades Comerciais".

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	147,396	78,850
Equity instruments	(38,886)	(33,913)
Of associated companies and other changes	38,668	29,205
Cash-flow hedge	278,247	153,330
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	772	132
	426,197	227,604
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(42,063)	(22,725)
Equity instruments	6,008	3,797
Cash-flow hedge	(87,727)	(48,398)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(241)	(41)
	(124,023)	(67,367)
	302,174	160,237
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(67,726)	(33,084)
BIM - Banco International de Moçambique, S.A.	(208,251)	(150,976)
Banco Millennium Atlântico, S.A.	(167,294)	(143,476)
Others	2,446	2,528
	(440,825)	(325,008)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	41,845	43,342
Others	(3,965)	(3,965)
	37,880	39,377
Other reserves and retained earnings	843,373	561,217
	742,602	435,823

(*) Includes the effects arising from the application of hedge accounting.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Fair value changes		
Debt instruments	32,434	10,538
Equity instruments	3,135	3,337
Cash-flow hedge	(5,049)	(3,286)
Other	(30)	38
	30,490	10,627
Deferred taxes		
Debt instruments	(6,163)	(1,994)
Equity instruments	(596)	(634)
Cash-flow hedge	959	624
	(5,800)	(2,004)
	24,690	8,623
Exchange differences arising on consolidation	(196,110)	(101,914)
Actuarial losses (net of taxes)	178	178
Other reserves and retained earnings	1,366,496	1,354,637
	1,195,254	1,261,524

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	30 September 2020	31 December 2019	30 September 2020	30 September 2019
Bank Millennium, S.A.	1,015,660	1,049,395	14,866	61,997
BIM - Banco International de Moçambique, SA (*)	148,687	180,278	20,936	26,062
Other subsidiaries	30,907	31,851	136	(428)
	1,195,254	1,261,524	35,938	87,631

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

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	30 September 2020	31 December 2019
Guarantees granted		
Guarantees	3,965,192	4,298,837
Stand-by letter of credit	59,249	52,447
Open documentary credits	196,608	237,828
Bails and indemnities	137,340	137,695
	4,358,389	4,726,807
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	33,056	-
Irrevocable credit lines	5,032,285	3,999,502
Securities subscription	78,289	83,842
Other irrevocable commitments	116,483	115,247
Revocable commitments		
Revocable credit lines	5,189,394	4,897,405
Bank overdraft facilities	900,431	566,525
Other revocable commitments	171,237	108,905
	11,521,175	9,771,426
Guarantees received	27,889,587	27,225,242
Commitments from third parties	12,816,977	10,262,135
Securities and other items held for safekeeping	69,677,669	69,128,000
Securities and other items held under custody by the Securities Depository Authority	74,040,759	67,072,528
Other off balance sheet accounts	122,740,090	126,060,542

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 38).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore, the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk are limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1 C. The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

46. Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the Fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the value of the transfer of credits. These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus it related interest. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available Net assets value (NAV), as disclosed by the Management companies and audited at year end, still being analysed by the Bank;
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IFRS 9 3.2 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards. Considering that it does not hold control and does not exercise significant influence on the funds or companies' management, the Group performed, under the scope of IAS IFRS 9 3.2, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets. During the nine months period ended 30 September 2020 and the financial year of 2019, no credits were sold to specialized funds in credit recovery.

The amounts accumulated as at 30 September 2020 and 31 December 2019, related to these operations, are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

The activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

As at 30 September 2020, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	30 September 2020			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	277,351	33,017	-	310,368
Impairment and other fair value adjustments	(87,418)	(33,017)	-	(120,435)
	189,933	-	-	189,933
Fundo Reestruturação Empresarial FCR				
Gross value	88,402	-	33,280	121,682
Impairment and other fair value adjustments	(46,605)	-	(33,280)	(79,885)
	41,797	-	-	41,797
FLIT-PTREL				
Gross value	248,010	38,154	-	286,164
Impairment and other fair value adjustments	(23,619)	(38,154)	-	(61,773)
	224,391	-	-	224,391
Fundo Recuperação FCR				
Gross value	188,002	80,184	-	268,186
Impairment and other fair value adjustments	(106,266)	(80,184)	-	(186,450)
	81,736	-	-	81,736
Fundo Aquarius FCR				
Gross value	127,138	-	-	127,138
Impairment and other fair value adjustments	(10,634)	-	-	(10,634)
	116,504	-	-	116,504
Discovery Real Estate Fund				
Gross value	157,057	-	-	157,057
Impairment and other fair value adjustments	(2,174)	-	-	(2,174)
	154,883	-	-	154,883
Fundo Vega FCR				
Gross value	48,075	79,666	-	127,741
Impairment and other fair value adjustments	(7,626)	(79,666)	-	(87,292)
	40,449	-	-	40,449
Total Gross value	1,134,035	231,021	33,280	1,398,336
Total impairment and other fair value adjustments	(284,342)	(231,021)	(33,280)	(548,643)
	849,693	-	-	849,693

(*) Corresponds to supplementary capital contributions initially recorded for Euros 33,280,000 and was made a negative fair value adjustment of the same amount.

The book value of these assets resulted from the last communication by the respective Management Company relating the Global Net Asset Value (NAV) of the Fund which, as at 30 September 2020, corresponds to the final NAV with reference to 30 June 2020, also reflecting the capital calls that occurred in the third quarter of the year, with the exception of the FCR Recovery Fund whose book value as at 30 September 2020 was based on the estimated NAV communicated by the Management Company with reference to 30 September 2020. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Limited Audit Reports available (with reference to 30 June 2020 for 5 funds), includes a related emphasis such as the impacts and uncertainties of Covid -19 (for 4 funds), a limitation reserve whose potential negative impact was considered in the valuation reflected in the consolidated accounts as of 31 December 2019 and the latest Audit reports available with reference to 31 December 2019 and to 30 June 2020 for 2 funds, which include an emphasis related to Covid -19 impacts and uncertainties (for 1 fund) and without reservations; (ii) the funds are subject to supervision by the competent authorities.

As at 30 September 2020, as a result of the consideration of the final NAVs as at 30 June 2020, the Bank recognised a positive impact of Euros 2,400,000, as compared to 30 June 2020, under the balance Gains / (losses) in financial operations at fair value through profit or loss. It should be noted that as a result of consideration of the NAV estimates as at 30 June 2020, the Bank had recognised in the first semester of 2020, a negative impact of Euro 67,500,000 on this balance.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

As at 31 December 2019, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 December 2019			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	276,247	32,669	-	308,916
Impairment and other fair value adjustments	(51,360)	(32,669)	-	(84,029)
	224,887	-	-	224,887
Fundo Reestruturação Empresarial FCR				
Gross value	88,402	-	33,280	121,682
Impairment and other fair value adjustments	(44,698)	-	(33,280)	(77,978)
	43,704	-	-	43,704
FLIT-PTREL				
Gross value	247,354	38,154	-	285,508
Impairment and other fair value adjustments	(7,587)	(38,154)	-	(45,741)
	239,767	-	-	239,767
Fundo Recuperação FCR				
Gross value	187,741	82,947	-	270,688
Impairment and other fair value adjustments	(101,496)	(82,947)	-	(184,443)
	86,245	-	-	86,245
Fundo Aquarius FCR				
Gross value	139,147	-	-	139,147
Impairment and other fair value adjustments	(9,153)	-	-	(9,153)
	129,994	-	-	129,994
Discovery Real Estate Fund				
Gross value	155,328	-	-	155,328
Impairment and other fair value adjustments	2,149	-	-	2,149
	157,477	-	-	157,477
Fundo Vega FCR				
Gross value	48,076	77,366	-	125,442
Impairment and other fair value adjustments	(5,661)	(77,366)	-	(83,027)
	42,415	-	-	42,415
Total Gross value	1,142,295	231,136	33,280	1,406,711
Total impairment and other fair value adjustments	(217,806)	(231,136)	(33,280)	(482,222)
	924,489	-	-	924,489

(*) Corresponds to supplementary capital contributions initially recorded for Euros 33,280,000 and it was made a negative fair value adjustment of the same amount.

The book value of these assets resulted from the last communication by the respective management company of the NAV of the Fund which, as at 31 December 2019, corresponds to the NAV at that date. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Audit Reports available (with reference to 31 December 2018 for 2 funds and Limited Revision Report with reference to 30 June 2019 for 5 funds), do not present any reservations except for Fundo de Reestruturação Empresarial whose Limited Review Report of 30 June 2019 includes a reserve by scope limitation whose potential negative impact was considered in the valuation reflected in the consolidated accounts as at 31 December 2019; (ii) the funds are subject to supervision by the competent authorities.

47. Relevant events occurred during the nine months period ended 30 September 2020

Covid - 19

Covid-19 has affected a large number of countries, infecting thousands of people worldwide. Available data suggests their numbers will continue to rise. Given the trend and pace of developments globally, and particularly in some Euro-zone economies, it is too early to make a reliable projection of the total impacts that could materialise. However, international and multilateral organisations, as well as rating agencies, have revised down their projections for the growth of the European and World economies in 2020.

In this context, the Bank adopted a set of pre-established initiatives designed to protect human lives and maintain business activity, which include those recommended by the health authorities, work from home, the segregation of primary and back-up staff for various tasks, in an effort to maximise organizational resilience.

Depending on how long these disruptive impacts persist, and on their intensity, the Group´s activity and profitability will suffer to a greater or a lesser extent. Based on all available data, including the capital and liquidity situation, as well as the value of the assets, in management´s opinion, the going concern basis which underlies these financial statements continues to apply. The description of this relevant event is presented in note 54.

Banco Comercial Português, S.A. informs about resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded on 20 May 2020, exclusively through electronic means, with 61.31% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One – Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2019, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profit regarding the 2019 financial year;

Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

Item Four – Approval of the remuneration policy of Members of Management and Supervisory Bodies;

Item Five – Approval of the acquisition and sale of own shares and bonds;

Item Six – Re-appointment of the elected members of the Board of the General Meeting of Shareholders of Banco Comercial Português, S.A., for the four-year term of office 2020/2023.

Appropriation of profits for the 2019 financial year

In accordance with the Companies Code, and with the Bank’s articles of association, was deliberated in the Annual General Meeting of Shareholders of 20 May 2020, that the year-end results amounting to Euros 139,296,016.59, be applied as follows:

a) For the reinforcement of legal reserve, Euros 13,929,601.66;
b) to be distributed to employees Euros 5,281,000.00;
c) Euros 120,085,414.93, that is, the remaining, to Retained Earnings.

Rating evaluation

Long-term issuer rating reaffirmed by Fitch Ratings at BB and its intrinsic rating at bb, the long-term outlook was reviewed from positive to negative, based on the uncertainty associated with the coronavirus.

It was attributed the BB- rating to the Bank's senior non-preferred debt and the B + rating to Tier 2 debt, according to its new bank rating methodology.

It was assigned the BB + / B rating to deposits, a level above the long-term IDR, reflecting its view of a higher level of protection for depositors.

Long-term issuer rating reaffirmed by Standard & Poor's at BB and its intrinsic rating at bb, the long-term outlook was revised from positive to stable, based on the uncertainty associated with the coronavirus.

Amend of the terms and conditions of the Covered Bonds

On April 21, Banco Comercial Português, SA changed the conditions relating to the issue of Mortgage Bonds with ISIN PTBCQLOE0036, namely the amount of said issue from Euros 2,000,000,000 to Euros 4,000,000,000, with the objective of increasing the portfolio of assets eligible for discount with the ECB.

Decision of not to continue the legal proceeding before the General Court of the European Union regarding its approval of the Contingent Capitalisation Mechanism of Novo Banco.

Banco Comercial Português, S.A. ("BCP") informs that it has decided not to continue 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 Contingent Capitalisation Mechanism ("MCC") of Novo Banco.

Two factors were particularly important in this decision:

- Firstly, the recognition that the goal of preserving the stability of the national financial system, especially relevant in the current pandemic, is of crucial importance, with the risk that such stability may be affected by a decision by European bodies that indirectly could challenge the sale process of Novo Banco, unlike the position held by BCP, which has always only challenged the MCC;

- Secondly, as there is now greater evidence and public awareness that the current model for compensating losses of Novo Banco, through the MCC supported by the National Resolution Fund, places Portuguese banks - those that support most the recovery of Portugal's economy - in a disadvantage and in an unsustainable position vis-à-vis financial institutions not based but operating in Portugal, BCP maintains the legitimate expectation that a funding model for the National Resolution Fund will be found which, without penalising Portuguese taxpayers, ensures a fair competition and safeguards the competitiveness of the financial institutions operating in the Portuguese market.

48. 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 that accompanies and manages the responsibilities of customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and
- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies, Corporate and Investment Banking segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than 2.5 million euros, 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;
- 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 1 million euros);
- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for the purposes of geographical segments, comprises the Private Banking network in Portugal and the provision of advisory services and the asset management activity provided by the Wealth Management Division. 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 30 September 2020, 31 December 2019 and 30 September 2019 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Commissions and other net income, as well as operating costs calculated for each business area, are based on the amounts accounted for directly in the respective cost centres, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. In this case, the allocation is based on the application of pre-defined criteria related to the level of activity of each business area.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 30 September 2020. 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 on which is lodged a statement of financial position.

As at 30 September 2020, the net contribution of the major business segments, for the income statement and balance sheet, 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	390,399	711,149	1,101,548	225,679	19,913	44,919	1,392,059
Interest expense and similar charges	(12,453)	(158,236)	(170,689)	(37,940)	(3,623)	(30,211)	(242,463)
Net interest income	377,946	552,913	930,859	187,739	16,290	14,708	1,149,596
Commissions and other income	302,688	213,917	516,605	122,339	44,888	12,483	696,315
Commissions and other costs	(31,156)	(139,666)	(170,822)	(17,189)	(6,640)	(118,178)	(312,829)
Net commissions and other income (2)	271,532	74,251	345,783	105,150	38,248	(105,695)	383,486
Net gains arising from trading activity (3)	14,465	55,594	70,059	203	2,540	31,969	104,771
Share of profit of associates under the equity method	-	9,706	9,706	-	-	44,530	54,236
Gains / (losses) arising from the sale of subsidiaries and other assets	8	1,662	1,670	-	-	(5,977)	(4,307)
Net operating revenue	663,951	694,126	1,358,077	293,092	57,078	(20,465)	1,687,782
Operating expenses	350,170	336,620	686,790	93,604	36,293	15,759	832,446
Impairment for credit and financial assets (4)	(44,943)	(113,920)	(158,863)	(198,223)	1,412	(35,246)	(390,920)
Other impairments and provisions (5)	(4)	(103,961)	(103,965)	(2)	-	(55,785)	(159,752)
Net income / (loss) before income tax	268,834	139,625	408,459	1,263	22,197	(127,255)	304,664
Income tax	(82,313)	(55,197)	(137,510)	395	(5,757)	20,438	(122,434)
Net income / (loss) for the period	186,521	84,428	270,949	1,658	16,440	(106,817)	182,230
Non-controlling interests (6)	-	(35,802)	(35,802)	-	-	(136)	(35,938)
Net income / (loss) for the period attributable to Bank's Shareholders	186,521	48,626	235,147	1,658	16,440	(106,953)	146,292

(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, investments in associated companies, goodwill, other assets and provisions.
(6) Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.

As at 30 September 2020, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Retail in Portugal	Foreign business (1)	Total	Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
BALANCE SHEET							
Cash and Loans and advances to credit institutions	10,218,842	1,163,397	11,382,239	1,255,361	2,788,632	(10,498,347)	4,927,885
Loans and advances to customers (1)	23,272,543	16,575,595	39,848,138	12,926,950	655,370	439,546	53,870,004
Financial assets (2)	717,070	6,261,276	6,978,346	-	65,570	13,419,983	20,463,899
Other assets	182,244	706,320	888,564	42,450	27,408	5,796,885	6,755,307
Total Assets	34,390,699	24,706,588	59,097,287	14,224,761	3,536,980	9,158,067	86,017,095
Resources from other credit institutions (3)	488,423	311,899	800,322	4,760,367	31	3,510,974	9,071,694
Resources from customers (4)	31,312,027	20,526,327	51,838,354	8,109,417	2,955,500	93,271	62,996,542
Debt securities issued (5)	1,297,583	145,379	1,442,962	1,285	87,955	1,193,260	2,725,462
Other financial liabilities (6)	-	518,271	518,271	-	192	1,512,092	2,030,555
Other liabilities (7)	52,429	686,211	738,640	65,063	16,783	893,022	1,713,508
Total Liabilities	33,150,462	22,188,087	55,338,549	12,936,132	3,060,461	7,202,619	78,537,761
Equity and non-controlling interests	1,240,237	2,518,501	3,758,738	1,288,629	476,519	1,955,448	7,479,334
Total Liabilities, Equity and Non-controlling interests	34,390,699	24,706,588	59,097,287	14,224,761	3,536,980	9,158,067	86,017,095
Number of employees	4,540	10,623	15,163	594	235	1,868	17,860

(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, assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 September 2019, 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	364,576	753,157	1,117,733	242,688	18,705	98,647	1,477,773
Interest expense and similar charges	(20,040)	(207,962)	(228,002)	(35,703)	(5,804)	(55,307)	(324,816)
Net interest income	344,536	545,195	889,731	206,985	12,901	43,340	1,152,957
Commissions and other income	314,463	212,523	526,986	123,333	42,228	9,412	701,959
Commissions and other costs	(31,763)	(125,111)	(156,874)	(20,283)	(5,384)	(114,098)	(296,639)
Net commissions and other income [2]	282,700	87,412	370,112	103,050	36,844	(104,686)	405,320
Net gains arising from trading activity [3]	13,853	68,110	81,963	348	3,376	33,417	119,104
Share of profit of associates under the equity method	-	11,114	11,114	-	-	27,888	39,002
Gains / (losses) arising from the sale of subsidiaries and other assets	-	4,670	4,670	-	-	21,941	26,611
Net operating revenue	641,089	716,501	1,357,590	310,383	53,121	21,900	1,742,994
Operating expenses	355,137	332,641	687,778	100,694	34,413	24,435	847,320
Impairment for credit and financial assets [4]	(12,964)	(93,186)	(106,150)	(212,159)	1,780	16,295	(300,234)
Other impairments and provisions [5]	1	(9,606)	(9,605)	15	-	(67,275)	(76,865)
Net income / (loss) before income tax	272,989	281,068	554,057	(2,455)	20,488	(53,515)	518,575
Income tax	(84,364)	(69,212)	(153,576)	1,527	(5,310)	(16,679)	(174,038)
Income / (loss) after income tax from continuing operations	188,625	211,856	400,481	(928)	15,178	(70,194)	344,537
Income / (loss) arising from discontinued operations	-	-	-	-	-	13,412	13,412
Net income / (loss) for the period	188,625	211,856	400,481	(928)	15,178	(56,782)	357,949
Non-controlling interests [6]	-	(88,059)	(88,059)	-	-	428	(87,631)
Net income / (loss) for the period attributable to Bank's Shareholders	188,625	123,797	312,422	(928)	15,178	(56,354)	270,318

(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, investments in associated companies, goodwill, other assets and provisions.
(6) Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.

As at 31 December 2019, 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	9,488,042	1,425,056	10,913,098	1,678,262	2,706,079	(8,917,036)	6,380,403
Loans and advances to customers [1]	22,028,660	17,065,043	39,093,703	11,971,158	645,486	564,358	52,274,705
Financial assets [2]	384,926	6,220,579	6,605,505	-	5,389	9,725,291	16,336,185
Other assets	197,446	778,715	976,161	49,208	25,060	5,601,686	6,652,115
Total Assets	32,099,074	25,489,393	57,588,467	13,698,628	3,382,014	6,974,299	81,643,408
Resources from other credit institutions [3]	616,186	443,268	1,059,454	4,413,047	512	893,945	6,366,958
Resources from customers [4]	28,855,517	20,842,418	49,697,935	7,882,707	2,793,225	473,273	60,847,140
Debt securities issued [5]	1,399,948	278,290	1,678,238	1,797	94,973	1,300,890	3,075,898
Other financial liabilities [6]	-	546,892	546,892	-	67	1,604,603	2,151,562
Other liabilities [7]	46,786	688,540	735,326	67,409	18,811	999,050	1,820,596
Total Liabilities	30,918,437	22,799,408	53,717,845	12,364,960	2,907,588	5,271,761	74,262,154
Equity and non-controlling interests	1,180,637	2,689,985	3,870,622	1,333,668	474,426	1,702,538	7,381,254
Total Liabilities, Equity and Non-controlling interests	32,099,074	25,489,393	57,588,467	13,698,628	3,382,014	6,974,299	81,643,408
Number of employees	4,635	11,295	15,930	597	230	1,828	18,585

(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), assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 September 2020, the net contribution of the major geographic segments, for the income statement and balance sheet, 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	390,399	225,679	14,447	44,919	675,444	548,986	162,163	5,466	1,392,059
Interest expense and similar charges	(12,453)	(37,940)	(3,538)	(30,211)	(84,142)	(113,614)	(44,498)	(209)	(242,463)
Net interest income	377,946	187,739	10,909	14,708	591,302	435,372	117,665	5,257	1,149,596
Commissions and other income	302,688	122,339	20,376	12,483	457,886	174,261	39,656	24,512	696,315
Commissions and other costs	(31,156)	(17,189)	(1,208)	(118,178)	(167,731)	(128,973)	(10,693)	(5,432)	(312,829)
Net commissions and other income (2)	271,532	105,150	19,168	(105,695)	290,155	45,288	28,963	19,080	383,486
Net gains arising from trading activity (3)	14,465	203	154	31,969	46,791	45,278	10,316	2,386	104,771
Share of profit of associates under the equity method	-	-	-	44,530	44,530	-	-	9,706	54,236
Gains / (losses) arising from the sale of subsidiaries and other assets	8	-	-	(5,977)	(5,969)	1,565	97	-	(4,307)
Net operating revenue	663,951	293,092	30,231	(20,465)	966,809	527,503	157,041	36,429	1,687,782
Operating expenses	350,170	93,604	15,945	15,759	475,478	267,519	68,906	20,543	832,446
Impairment for credit and financial assets (4)	(44,943)	(198,223)	1,436	(35,246)	(276,976)	(103,294)	(10,626)	(24)	(390,920)
Other impairments and provisions (5)	(4)	(2)	-	(55,785)	(55,791)	(85,912)	(1,423)	(16,626)	(159,752)
Net income / (loss) before income tax	268,834	1,263	15,722	(127,255)	158,564	70,778	76,086	(764)	304,664
Income tax	(82,313)	395	(4,953)	20,438	(66,433)	(40,987)	(14,249)	(765)	(122,434)
Net income / (loss) for the period	186,521	1,658	10,769	(106,817)	92,131	29,791	61,837	(1,529)	182,230
Non-controlling interests (6)	-	-	-	(136)	(136)	(14,866)	(20,936)	-	(35,938)
Net income / (loss) for the period attributable to Bank's Shareholders	186,521	1,658	10,769	(106,953)	91,995	14,925	40,901	(1,529)	146,292

(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, investments in associated companies, goodwill, other assets and provisions.
(6) Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.

As at 30 September 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	10,218,842	1,255,361	2,198,821	(10,498,347)	3,174,677	454,155	709,241	589,812	4,927,885
Loans and advances to customers (1)	23,272,543	12,926,950	272,870	439,546	36,911,909	16,021,679	553,915	382,501	53,870,004
Financial assets (2)	717,070	-	-	13,419,983	14,137,053	5,634,296	626,980	65,570	20,463,899
Other assets	182,244	42,450	11,673	5,796,885	6,033,252	448,867	185,394	87,794	6,755,307
Total Assets	34,390,699	14,224,761	2,483,364	9,158,067	60,256,891	22,558,997	2,075,530	1,125,677	86,017,095
Resources from other credit institutions (3)	488,423	4,760,367	-	3,510,974	8,759,764	271,140	26,295	14,495	9,071,694
Resources from customers (4)	31,312,027	8,109,417	2,319,728	93,271	41,834,443	19,013,638	1,512,689	635,772	62,996,542
Debt securities issued (5)	1,297,583	1,285	87,955	1,193,260	2,580,083	145,379	-	-	2,725,462
Other financial liabilities (6)	-	-	-	1,512,092	1,512,092	518,271	-	192	2,030,555
Other liabilities (7)	52,429	65,063	1,342	893,022	1,011,856	575,868	97,543	28,241	1,713,508
Total Liabilities	33,150,462	12,936,132	2,409,025	7,202,619	55,698,238	20,524,296	1,636,527	678,700	78,537,761
Equity and non-controlling interests	1,240,237	1,288,629	74,339	1,955,448	4,558,653	2,034,701	439,003	446,977	7,479,334
Total Liabilities, Equity and Non-controlling interests	34,390,699	14,224,761	2,483,364	9,158,067	60,256,891	22,558,997	2,075,530	1,125,677	86,017,095
Number of employees	4,540	594	150	1,868	7,152	7,997	2,626	85	17,860

(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 , assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 September 2019, 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	364,576	242,688	11,175	98,647	717,086	565,083	188,074	7,530	1,477,773
Interest expense and similar charges	(20,040)	(35,703)	(5,679)	(55,307)	(116,729)	(159,111)	(48,632)	(344)	(324,816)
Net interest income	344,536	206,985	5,496	43,340	600,357	405,972	139,442	7,186	1,152,957
Commissions and other income	314,463	123,333	19,619	9,412	466,827	168,757	43,766	22,609	701,959
Commissions and other costs	(31,763)	(20,283)	(1,185)	(114,098)	(167,329)	(112,532)	(12,579)	(4,199)	(296,639)
Net commissions and other income [2]	282,700	103,050	18,434	(104,686)	299,498	56,225	31,187	18,410	405,320
Net gains arising from trading activity [3]	13,853	348	368	33,417	47,986	57,276	10,834	3,008	119,104
Share of profit of associates under the equity method	-	-	-	27,888	27,888	-	-	11,114	39,002
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	-	21,941	21,941	(1,007)	5,677	-	26,611
Net operating revenue	641,089	310,383	24,298	21,900	997,670	518,466	187,140	39,718	1,742,994
Operating expenses	355,137	100,694	14,547	24,435	494,813	259,800	72,514	20,193	847,320
Impairment for credit and financial assets [4]	(12,964)	(212,159)	1,464	16,295	(207,364)	(79,018)	(14,169)	317	(300,234)
Other impairments and provisions [5]	1	15	-	(67,275)	(67,259)	(8,365)	(1,241)	-	(76,865)
Net income / (loss) before income tax	272,989	(2,455)	11,215	(53,515)	228,234	171,283	99,216	19,842	518,575
Income tax	(84,364)	1,527	(3,533)	(16,679)	(103,049)	(47,040)	(22,241)	(1,708)	(174,038)
Income / (loss) after income tax from continuing operations	188,625	(928)	7,682	(70,194)	125,185	124,243	76,975	18,134	344,537
Income arising from discontinued operations	-	-	-	13,412	13,412	-	-	-	13,412
Net income / (loss) for the period	188,625	(928)	7,682	(56,782)	138,597	124,243	76,975	18,134	357,949
Non-controlling interests [6]	-	-	-	428	428	(61,997)	(26,061)	(1)	(87,631)
Net income / (loss) for the period attributable to Bank's Shareholders	188,625	(928)	7,682	(56,354)	139,025	62,246	50,914	18,133	270,318

(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, investments in associated companies, goodwill, other assets and provisions.
(6) Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.

As at 31 December 2019, the net contribution of the major geographic segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	9,488,042	1,678,262	2,075,021	(8,917,036)	4,324,289	724,030	701,026	631,058	6,380,403
Loans and advances to customers [1]	22,028,660	11,971,158	273,602	564,358	34,837,778	16,432,968	632,075	371,884	52,274,705
Financial assets [2]	384,926	-	-	9,725,291	10,110,217	5,436,994	783,585	5,389	16,336,185
Other assets	197,446	49,208	13,234	5,601,686	5,861,574	468,044	217,627	104,870	6,652,115
Total Assets	32,099,074	13,698,628	2,361,857	6,974,299	55,133,858	23,062,036	2,334,313	1,113,201	81,643,408
Resources from other credit institutions [3]	616,186	4,413,047	-	893,945	5,923,178	392,671	12,192	38,917	6,366,958
Resources from customers [4]	28,855,517	7,882,707	2,193,470	473,273	39,404,967	19,157,713	1,684,705	599,755	60,847,140
Debt securities issued [5]	1,399,948	1,797	94,973	1,300,890	2,797,608	278,290	-	-	3,075,898
Other financial liabilities [6]	-	-	-	1,604,603	1,604,603	546,892	-	67	2,151,562
Other liabilities [7]	46,786	67,409	1,060	999,050	1,114,305	583,474	105,066	17,751	1,820,596
Total Liabilities	30,918,437	12,364,960	2,289,503	5,271,761	50,844,661	20,959,040	1,801,963	656,490	74,262,154
Equity and non-controlling interests	1,180,637	1,333,668	72,354	1,702,538	4,289,197	2,102,996	532,350	456,711	7,381,254
Total Liabilities, Equity and Non-controlling interests	32,099,074	13,698,628	2,361,857	6,974,299	55,133,858	23,062,036	2,334,313	1,113,201	81,643,408
Number of employees	4,635	597	144	1,828	7,204	8,615	2,680	86	18,585

(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), assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.

Reconciliation of net income of reportable segments with the net income attributable to shareholders

(Thousands of euros)

	30 September 2020	30 September 2019
Net contribution		
Retail banking in Portugal	186,521	188,625
Companies, Corporate and Investment banking	1,658	(928)
Private Banking	10,769	7,682
Foreign business (continuing operations)	90,099	219,352
Non-controlling interests (1)	(35,802)	(88,059)
	253,245	326,672
Amounts not allocated to segments		
Net interest income of the bond portfolio	(18,565)	11,798
Foreign exchange activity	44,991	19,086
Gains / (losses) arising from sales of subsidiaries and other assets	(5,977)	21,941
Equity accounted earnings	44,530	27,888
Impairment and other provisions (2)	(91,030)	(50,980)
Operational costs (3)	(15,759)	(24,435)
Gains on sale of Portuguese public debt	45,845	58,498
Mandatory contributions	(70,052)	(66,627)
Loans sale	(15,129)	(27,304)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	(68,533)	(16,460)
Taxes (5)	20,438	(16,678)
Income from discontinued operations	-	13,412
Non-controlling interests (6)	(136)	428
Others (7)	22,424	(6,921)
Total not allocated to segments	(106,953)	(56,354)
Consolidated net income	146,292	270,318

(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 revenues/costs related restructuring costs.
(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) It 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.

49. 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).

Own funds include Tier 1 capital (tier 1) and Tier 2 capital (tier 2). Tier 1 comprises Tier 1 core capital (common equity tier 1 - CET1) and additional Tier 1 capital.

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 and goodwill and other intangible assets. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value as well as the irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund , are also deducted.

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt that are compliant with the issue conditions established in the Regulation and minority interests related to minimum level 1 additional capital requirements, of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for the deferred tax 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 artº 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 and capital conservation buffer, as following:

2020 Minimum Capital Requirements

BCP Consolidated	Phased-in	of which: Pilar 1	Pilar 2	*Buffers*	Fully implemented	of which: 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 trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

The own funds and the capital requirements determined according to the CRD IV/CRR (phased-in) methodologies previously referred, are the following:

(Thousands of euros)

	30 September 2020	31 December 2019
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Ordinary own shares	(749)	(102)
Reserves and retained earnings	1,132,303	926,877
Minority interests eligible to CET1	668,368	711,470
Regulatory adjustments to CET1	(825,404)	(871,226)
	5,715,989	5,508,490
Tier 1		
Capital Instruments	400,000	400,000
Minority interests eligible to AT1	132,211	103,949
	6,248,200	6,012,439
Tier 2		
Subordinated debt	777,995	821,704
Minority interests eligible to CET1	299,527	260,886
Other	(58,800)	(58,800)
	1,018,722	1,023,790
Total own funds	7,266,922	7,036,229
RWA - Risk weighted assets		
Credit risk	40,171,895	39,558,388
Market risk	1,928,528	1,301,134
Operational risk	4,058,072	4,058,072
CVA	76,711	113,884
	46,235,206	45,031,478
Capital ratios		
CET1	12.4%	12.2%
Tier 1	13.5%	13.4%
Tier 2	2.2%	2.3%
	15.7%	15.6%

The 30 September of 2020 and 31 December 2019 amounts include the accumulated net income.

50. Mozambique's sovereign debt

Following a period of deceleration in economic activity and increase of inflation, reduction of Republic of Mozambique rating, depreciation of metical and decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate since December 2015, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue a strict liquidity management, emphasis on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, existing debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique and the terms of reference for an external audit were agreed.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information. In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsibility of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique. Additionally, on 3 June 2019, the Constitutional Council of the Republic of Mozambique issued a Judgment, within the framework of a successive abstract review of constitutionality, declaring the nullity of the acts inherent to the loan contracted by the entity that originated this debt, and the respective sovereign guarantee granted by the Government in 2013. 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.

As at 30 September 2020, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 292,751,000, with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 208,251,000. BIM's contribution to consolidated net income for the nine months period ended 30 September 2020, attributable to the shareholders of the Bank, amounts to Euros 40,901,000.

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 536,211,000 and Financial assets at fair value through other comprehensive income in the gross amount of Euros 90,154,000.

As at 30 September 2020, 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 270,011,000 (of which Euros 269,583,000 are denominated in metical and Euros 428,000 denominated in USD) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 158,138,000 denominated in USD and in the balance Guarantees granted revocable and irrevocable commitments, an amount of Euros 58,438,000 (of which Euros 161,000 are denominated in euros, Euros 1,648,000 are denominated in metical, Euros 56,297,000 denominated in USD and Euros 332,000 denominated in Rands).

According to public information provided by IMF, there are credits granted in default to Mozambican companies, non-state, guaranteed by the Mozambican State. The ongoing dialogue between the Government of Mozambique, IMF and creditors has the objective of finding a solution to the debt guaranteed by the State of Mozambique that had not previously been disclosed to the IMF referred to above. Nevertheless, the Ministry of Economy and Finance of the Republic of Mozambique has presented in November 2018 new proposals regarding this matter, a solution has not yet been approved to change the current Group's expectations reflected in the financial statements as at 30 September 2020, regarding the capacity of the Government of Mozambique and public companies to repay their debts and the development of the activity of its subsidiary Banco Internacional de Moçambique (BIM).

51. 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 documentation was seized to investigate allegations of a commercially sensitive information exchange between credit institutions in the Portuguese banking 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 a commercially sensitive information exchange between other 14 banks related to retail credit products, namely mortgage, 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 hearing 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.

In May 2018, the PCA refused the Bank's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018 the PCA notified the Bank of its intention to refuse the application for confidential treatment of some of the information included in the Bank's defence, restating its arguments. The Bank submitted a non-confidential revised version of its reply but reaffirmed that it is not the Bank that must protect the confidential information of the co-defendants. On 25 January 2019, the PCA granted the Bank a 10-business day period to provide summaries for the co-defendants' confidential information. On 4 February 2019, the Bank filed an appeal before the Competition Court and, on 11 February 2019, submitted a reply to the PCA (although restated its opposition to the PCA's request).

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.

By request of 8 June 2020, BCP invoked the unconstitutionality of the rule that determines the devolutive effect of the appeals, gathering elements with the objective of demonstrating the considerable loss in the provisional and early payment of the fine, and offered to provide a security deposit (with indication of the respective percentage of the fine that corresponds to the security deposit proposed). A decision regarding the effect of BCP's appeal (and security deposit) is awaited. 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. The Court's position on this request is awaited.

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 abusiveness of agreements' clauses determined by the court, in the course of abstract control, 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 referred 78 clients;
2) place information about the decision and the decision itself on its website and on Twitter;
3) pay a fine amounting to PLN 20.7 million (Euros 4.57 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 the 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 the 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 up by UOKIK, in which the President of UOKIK recognizes anti-competitive practices through an agreement aimed at jointly setting interchange fee rates charged on transactions made with Visa and Mastercard cards. On 29 December 2009, it was imposed a fine on Bank Millennium in the amount of PLN 12.2 million (Euros 2.69 million). The case is currently pending. Bank Millennium has created a provision in the same amount of the penalty imposed.

3. On 22 September 2020, Bank Millennium received decision from the Chairman of the Office for Protection of Competition and Consumers (OPCC), recognising clauses stipulating principles of currency exchange, applied in the so-called anti-spread annex, as abusive, and prohibited the use thereof.

A penalty was imposed upon Bank Millennium in the amount of PLN 10,464,213 (Euros 2,308,758), which takes account of two mitigating circumstances: cooperation with the Office for Protection of Competition and Consumers and discontinuation of use of the provisions in question.

Bank Millennium was also requested to, after the decision becomes final and binding, inform consumers, by registered mail, of the effect 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 in 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 determined at its' discretion (on the basis of a concept, not specified in any regulations, of average interbank market rate). Moreover, the client had no precise knowledge of where to look for the said rates since the provision referred to Reuters, without precisely defining the relevant site. 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 will file an appeal against the said 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 and severally with another bank, and in the third one with another bank and card organizations.

The total amount of the claims submitted in these cases is PLN 729,580,027 (Euros 160,969,912). The proceeding with the highest value of the submitted claim is brought by PKN Orlen, S.A., in which the plaintiff demands payment of PLN 635,681,381 (Euros 140,252,710). 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, we point out that Bank Millennium participates as a side intervener in three other proceedings regarding the interchange fee. Other banks are the defendant. 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 up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium, worth of the dispute of PLN 521.9 million (Euros 115.15 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; the lawsuit was presented to Bank Millennium on 4 April 2016. According to the plaintiff, the basis of the claim is damage caused to their assets due to actions taken by Bank Millennium, consisting in the wrong 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 case brought by EFWP-B, the plaintiff set the claim in the amount of PLN 250 million (Euros 55.16 million). The petition was dismissed on 5 September 2016, with legal validity by the Appeal Court. Bank Millennium is requesting complete dismissal of the lawsuit, stating disagreement with the charges raised in the claim. Supporting the position of Bank Millennium, Bank Millennium's attorney submitted a binding copy of the final verdict of Wrocław Court of Appeal, which was favourable to Bank Millennium, issued in the same legal state of the action brought 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 petition by First Data Polska S.A., requesting the payment of PLN 186.8 million (Euros 41.21 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. Bank Millennium did not accept the claim and filed the response to the lawsuit petition within the legal deadline. In accordance with the judgment issued on 13 June 2019, Bank Millennium won the case before the court of first instance. The case is currently awaiting verdict before the court of second instance. According to current estimates of the risk of losing the dispute, Bank Millennium has not created a specific provision related to this matter.

7. Regarding mortgage loans indexed to swiss francs (CHF) granted by Bank Millennium, there are risks related to verdicts issued by polish courts in individual lawsuits against banks (including Bank Millennium) raised by borrowers of FX-indexed mortgage loans.

Vast majority of verdicts in lawsuits concerning Bank Millennium have been favourable to the Bank so far. However, it should be noted that there is a significant risk that such favourable verdicts may change, as a result of which pending lawsuits' verdicts may not be taken in accordance with Bank Millennium's expectation.

If such risk materializes, it may have a significant negative impact on Bank Millennium. Among other factors which are relevant for the assessment of risk related to disputes concerning CHF-indexed mortgage loans, the judgment of the Court of Justice of the European Union (CJEU) on Case C-260/18 should be considered.

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, in connection with the preliminary questions formulated by the District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU, combined with the interpretation of European Union Law, is binding on domestic courts.

The referred judgment was based on the interpretation of Article 6 of Directive 93/13, of the European Union, to formulate the answers to the preliminary questions. In the light of the subject matter in question, Article 6 of Directive 93/13 must be interpreted as following: (i) the national court may, based on national law, conclude that a loan agreement cannot continue to exist if the removal of terms that alter the nature of the main subject matter of the agreement occurs; (ii) the effects on the consumer's situation resulting from the cancellation of the contract as a whole must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose, and that the will of the consumer is decisive as to whether he wishes to maintain the contract and avoid those effects; (iii) Article 6 precludes the filling of gaps in the contract caused by the removal of abusive terms from it based on national law (even if the non-filling of those gaps would result in the contract annulment to the detriment of the consumer), which provides that the effects expressed in the content of a legal act are to be supplemented, in particular, by principles arising from equality rules or established customs; and, (iv) Article 6 precludes the maintenance of abusive terms in the contract (even if their removal would result in the contract annulment to the detriment of the consumer), if the consumer has not consented to the maintenance of such terms.

CJEU's judgment concerns only the 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 particular contract term can be identified as abusive in the circumstances of the lawsuit.

It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be further examined by the national courts within the framework of the disputes considered, which could possibly result in the emergence of further interpretations relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis 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 may also be filed.

As of 30 September 2020, Bank Millennium had 4,195 loan agreements and, additionally, 437 loan agreements from former Euro Bank, S.A. (98% of loan agreements before the court of first instance and 2% loan agreements before the court of second instance) under individual ongoing litigations (excluding 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 481.9 million (Euros 106.32 million) and CHF 26.1 million (Euros 24.22 million) [Bank Millennium portfolio: PLN 434.9 million (Euros 95.95 million) and CHF 25.3 million (Euros 23,48 million); former Euro Bank, S.A. portfolio: PLN 47.1 million (Euros 10.39 million) and CHF 0.8 million (Euros 0.74 million)]. Out of 4,195 loan agreements in ongoing individual cases, 26 are also part of class actions.

Until 30 September 2020, only 51 cases had been finally resolved. The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract or the payment for reimbursement of allegedly undue performance, due to the abusive nature of indexation clauses. The pushy advertising campaign observed in the public domais affects the number of court disputes.

On 21 October 2014, a class action was presented to Bank Millennium, in which a group of Bank Millennium's borrowers, represented by the Municipal Consumer Ombudsman in Olsztyn, seek the ascertainment that Bank Millennium is liable for unjust enrichment in connection with the CHF-indexed mortgage loans. The members of the group claim that Bank Millennium unduly collected excessive amounts from them for the repayment of loans. This is not a payment dispute. The judgment in these proceedings will not grant any amounts to the group members. The number of loan agreements covered by these proceedings is 3,281. At the current stage, the composition of the group has been established and confirmed by the court. The proceedings entered the phase of reviewing the case on the merits. On 11 August 2020, the claimant requested granting interim measures to secure the claims against Bank Millennium. In a decision of 18 August 2020, the request for granting interim measures was dismissed. The court's decision dismissing the request for interim measures with a justification has not yet been presented to the claimant's counsel. During the session of 26 October 2020, the Court conducted a hearing of parties' position and afterwards postponed the session without setting the next term.

According to the Polish Bank Association (ZBP), data gathered from all banks with FX-indexed mortgage loans shows that vast majority of disputes were resolved in favour of the banks until the year of 2019. However, after the CJEU judgment regarding Case C-260/18 issued on 3 October 2019, the proportion has adversely changed and majority of court cases have been lost by banks.

Considering the increased legal risk related to FX-indexed mortgages, Bank Millennium created in the year of 2019 a provision in the amount of PLN 223 million (Euros 49.2 million) and in the first three quarters of 2020 a provision in the amount of PLN 298 million (Euros 65.75 million) for legal risk. 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.

Bank Millennium undertakes a number of actions at different levels towards different stakeholders in order to mitigate legal and litigation risk regarding the FX-indexed mortgage loans portfolio. Bank Millennium is open 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 actions to protect its interests in courts while, at the same time, being open to find settlement with customers in the court under reasonable conditions.

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

Finally, it should be mentioned that Bank Millennium, as at 30 September 2020, has to maintain additional own funds for the coverage of additional capital requirements related to the FX-indexed mortgage portfolio risks (Pillar II FX buffer) in the amount of 4.87 p.p. at the Group level, part of which is allocated to operational/legal risk.

8. On 3 December 2015, a class action against Bank Millennium was filed by a group of Bank Millennium's debtors (454 borrowers 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 0.77 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 0.77 million) to over PLN 5 million (Euros 1.1 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 1,626,314.52).

By the resolution of 1 April 2020, the court established the composition of the group as per request of the plaintiff. Bank Millennium submitted an appeal against the resolution on 14 July 2020. The appeal has not yet been decided.

As at 30 September 2020, there are also 455 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).

9. 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 discontinue performing unfair market practices involving, as follows:

a) presenting the offered loan repayment insurance as protecting interests of the insured in case when insurance structure indicates that it protects Bank Millennium's interests;
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 be ordered to publish, on its website, information on use of unfair market practices. The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive, it may constitute grounds for future claims to be filed by individual clients.

10. On 1 October 2015, a set of entities connected to a group with past due loans to the Bank amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against the Bank, after receiving the Bank's notice for mandatory payment, a lawsuit aiming 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 proven and that must be proven. Currently, the Bank is waiting for the designation of an expert, requested by the plaintiffs, and each one of the parties must, afterwards, indicate an expert and the court shall indicate a third expert.

11. 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), 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 the Bank of 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.

Within this context, 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, Bank of 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. This list details that the total of the acknowledge 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, there being no guaranteed or privileged claims. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined with 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 make it impossible to use case law in their evaluation, as well as a reliable estimate of the associated contingent financial impact. (...) The Board of Directors supported by lawyers opinion, which sponsored these actions, and in the 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, Bank of Portugal communicated the sale of Novo Banco, where it states the following: *"Banco of 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 include a Contingent Capital Agreement, under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are to be 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 Bank of 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 Banco Espírito Santo.

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 (*) that revealed significant uncertainties regarding adequacy in provisioning (**):

(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 (*) (**) (***);

(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 (**);

(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 (**).

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 to clarify 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 agreement on the Contingent Capital Agreement with Novo Banco"*.

(*) Exact value not disclosed by the European Commission for confidentiality reasons
(**) As referred to in the respective European Commission Decision
(***) 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%

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 contingent capitalization agreement 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 the 2019 Resolution Fund's annual report, "in 24 May 2019, the Fund paid Novo Banco Euros 791,695 million, with reference to 2017, under the Contingent Capital Agreement signed in the process of the sale of Novo Banco. The Resolution Fund used its available financial resources from banking contributions (direct or indirect) complemented by a State loan of Euros 430 million. The Resolution Fund paid to Novo Banco on 6 May 2019 the calculated value relative to the 2018 exercise, of Euros 1,149 million under the Contingent Capital Agreement signed in the process of the sale of Novo Banco. For this purpose, the Resolution Fund used its own resources from banking contributions (direct or indirect) and also resorted to a State loan of Euros 850 million".

Regarding payments to be made in 2020 under the Contingent Capital Agreement, the following reference is made in the Resolution Fund's 2019 annual report: "Novo Banco's 2019 annual accounts, as publicly presented by its Executive Board of Directors on 28 February 2020, include the quantification of the liability arising from the Contingent Capital Agreement, of Euros 1,037 million. In this context, and without prejudice to the verification procedures to be carried out prior to disbursement by the Resolution Fund, a provision was made by that amount for 2019."

According to a notice issued by the Resolution Fund on 4 June 2020, the payment made by the Resolution Fund to Novo Banco in May 2020 of Euro 1,035 million, results from the execution of the 2017 agreements, under the process of the sale of the 75% stake of the Resolution Fund in Novo Banco, complying with all the procedures and limits defined therein.

In the same notice, the Resolution Fund also clarifies that the "Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the Contingent Capital Agreement, of the effects of Novo Bank's decision to waiver 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 Contingent Capital Agreement, 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 Contingent Capital Agreement. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of Euros 3,890 million".

Thus, considering the payments already made and the amount of the provision recorded in 2019, the remaining amount that may still be used amounts to Euros 912 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, in writing, of all the clarifications on its decision to deduct from the amount calculated under the Contingent Capital Agreement, the amount related to the variable remuneration attributed to the members of the Executive Board of Directors of Novo Banco".

Following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the Contingent Capitalisation Agreement, a special audit determined by the Government was carried out. According to a statement by the Resolution Fund on 3 September, 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 Banco Espírito Santo, S.A., and resulting impairment charges and provisions. Regarding the exercise of the powers of the Resolution Fund under the Contingent Capitalisation Agreement, the audit results reflect the adequacy of the principles and the adopted criteria.

As at 30 June 2020, Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively (****).

(****) In a statement of 3 September 2020, the Resolution Fund identifies itself as the holder of 25% of Novo Banco's capital.

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, 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 of the share capital of Novo Banco. These effects may impact the shareholder position of the Resolution Fund in Novo Banco.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Bank of Portugal announced that Banif was "at risk of insolvency or insolvent" 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 mutual contract given by the State.

According to the Resolution Fund's 2019 annual report, note 21, *"to ensure that the Fund has, at due date, 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 prepayments of Euros 546,461 thousand, which reduces the amount of the guarantee provided by the Resolution Fund to Euros 199,539 thousand. Considering the anticipated reimbursements, 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 reimbursed 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).

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif the Resolution Fund borrowed 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 Contingent Capital Agreement (Euros 430 million plus Euros 850 million of additional funding requested in 2019, as described above);

- Other funding granted 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 the bonds issued by Oitante S.A. This guarantee is counter-guaranteed by the Portuguese State;

- Contingent Capital Agreement which allows Lone Star to reclaim, 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 CET1 below 8%-13%;

- In case the Supervisory Review and Evaluation Process (SREP) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to note 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 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, in order to maintain the contributory effort required to the banking sector at current levels.

According to the communication 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 being repaid early based on the use of the Resolution Fund's revenues. The due date will be adjusted so that it enables 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. The liabilities resulting from the loans agreed between the Resolution Fund and the Sate and the banks pursuant to the resolution measures applied to BES and Banif are handled with one another";*

- *"The revision of the loans' conditions aimed to ensure the sustainability and financial balance of the Resolution Fund";*

- *"The new conditions enable the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions".*

On 2 October 2017, by Council of Ministers (Resolution no. 151-A/2017), 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 it deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. It is also mentioned that the reimbursement will consider the stability of the banking sector, i.e. without the Resolution Funds' participants being charged special contributions or any other extraordinary contributions.

The Resolution Fund's own resources had a negative equity of Euros 7,021 million vs. Euros 6,114 million in 2018, according to the latest 2019 annual report of the Resolution Fund.

To reimburse 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 (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 fulfil with their 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 proceeding, since 2013, to the mandatory contributions, as provided for in the decree-law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter 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, thus the Bank is recognising as an expense the contribution to the RF 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 Banco Espírito Santo, S.A., ('BES'). Therefore, the eventual collection of a special contribution appears to be unlikely".*

The regime established in Decree-Law no. 24/2013 establishes that the Bank of Portugal fixes, by instruction, the rate to be applied each year based on objective incidence of periodic contributions. The instruction of the Bank of Portugal no. 24/2019, published on 16 December 2019, set the base rate to be effective in 2020 for the determination of periodic contributions to the FR by 0.06% against the rate of 0.057% in 2019.

During 2020, the Group made regular contributions to the Resolution Fund in the amount of Euros 28,301 thousand. The amount related to the contribution on the banking sector, registered during the first half of 2020, was Euros 29,571 thousand. These contributions were recognized as a cost in the first half of 2020, in accordance with IFRIC no. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group had to make 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 first half 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 the bonds issued by Oitante, in this case, the referred trigger is not expectable 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 Government a proposal for the implementation of special contributions to rebalance the financial condition of 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 and no such contributions are foreseen, in particular after a review of the financing conditions of the Resolution Fund".*

The proposed State Budget for 2021 does not foresee any loan to the Resolution Fund, contrary to previous years. The press reports that the Resolution Fund and banks are negotiating a syndicated loan, led by CGD, of Euros 275 million, which conditions will be identical to the financing already in place for the Resolution Fund.

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Group.

The COVID-19 pandemic, duration and effects, create an additional context of uncertainty relative to its impacts, in accordance with the opinion of Novo Banco's external auditor as per Novo Banco's first half of 2020 financial accounts report and the opinion of the audit board of Bank of Portugal as per 2019 Resolution Fund's 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 Contingent Capitalization Mechanism of Novo Banco.

12. 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 Banco de 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 Banco de Portugal dated 31 March 2017, of which the Claimants were not notified.

The proceedings were filed in court on 4 September 2017. Banco de 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.

Besides opposing to it, the Defendants invoke three objections (i) the illegitimacy of the Claimants, (ii) the argument that the act performed by Banco de Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent part 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, Banco de 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 get an adequate knowledge thereon. That issue was already raised in the proceedings (requesting the court to order Banco de 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 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 to identify it. Afterwards, that Bank will be notified to present its opposition arguments.

13. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, it was implemented in Group Banco Comercial Português a process of salary adjustment with temporary term. Additionally, it was agreed between the Bank and the Trade Unions that, in the following years after the State intervention and if then exist distributable profits, the Board of Directors and the Executive Comitee will 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 on-job on the date of payment of the remuneration corresponding to June 2020, until the maximum global amount of Euros 5,281,000.

14. The Bank was subject to tax inspections for the years up to 2017. 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 object of contestation by administrative and/or judicial ways.

The Bank recorded provisions or deferred tax liabilities at the amount considered adequate 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.

15. Banco Comercial Português, S.A. filed in 2013 a lawsuit against Mr. Jorge Jardim Gonçalves, his wife and Ocidental – Companhia de Seguros de Vida, S.A., requesting mainly that the following be recognized: (a) that the amount of the retirement instalments of the former director, to be paid by the Bank, cannot exceed the highest fixed remuneration earned by the directors exercising functions in the Bank at any moment; (b) that the former director cannot maintain, at the Bank's expenses, the benefits he had when still in active functions; and (c) that the wife of the former director cannot benefit from a survival lifelong 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.

After several procedural extraordinary events, on 27 January 2019, the court issued a new sentence - which fully reproduces the previous one issued on 25 May 2018 - considering: (i) rejected the request made by the Bank consisting in 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 survival pension of the second defendant; (iii) partially accepted the counter-claim made by the defendant Mr. Jorge Jardim Gonçalves, sentencing the Bank to pay him the amount of Euros 2,124,923.97, 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 paid since that date or will pay in the future, in the amount that comes to be settled, expenses which would be part of his retirement regime, plus default interests accounted at the legal rate of 4% per year since the date of the reimbursement request up to their effective and full payment.

In March 2019, BCP appealed the sentence to the Tribunal da Relação de Lisboa (Lisbon Court of Appeal) requesting that the same is revoked and replaced by a decision accepting all the requests presented by the Bank. The Bank considers that the court decided incorrectly regarding evidence and relevant legal issues, and that the appeal has good chances of success, namely because, concerning the amounts received by the former director, the sentence upholds an original interpretation of the limit of article 402, no.2, of the Commercial Companies Code (CCC), going against all court decisions issued by superior courts and most of all the prior doctrine on these issues.

On 5 March 2020, Lisbon Court of Appeal abrogated the court of first instance's decision, upholding the Bank's legal action and declaring the non-existence of the right of the Defendant Mr. Jardim Gonçalves to receive the retirement supplements paid by Ocidental Vida, 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 enacted the partial nullity of the insurance contracts titled by 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. Jardim Gonçalves. Finally, the court dismissed the counterclaim, acquitting the Bank of the request. There may be an appeal to the Supreme Court of Justice for this last decision.

On 30 April 2020, the Court made an order suspending the proceedings due to the death of the defendant Mrs. Maria Assunção Jardim Gonçalves.

The defendant Mr. Jorge Jardim Gonçalves filed an appeal before the Supreme Court of Justice on 6 July 2020. The Bank has not yet contested it.

52. Application of IFRS 16 – Leases

As described in note 1 A. Basis of presentation and accounting policy 1 H, the Group adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. IFRS 16 was approved by EU in October 2017. The Group did not adopt 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 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 those leases as an expense.

The Group choose 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, the option not to apply this standard to leases of intangible assets was also used.

Transition

On 1 January 2019, the Group carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Group applied this standard retrospectively, with its transition impacts recognised on 1 January 2019. This way, comparative information has not been restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right-to-use by the lease liability amount.

For contracts in which a sublease is identified, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and a financial asset related to the sublease.

The following assumptions considered in the implementation of this standard were:
- lease term: this component was evaluated by categories of contracts, being each contract enforceable. In the evaluation of the enforceability, the particular clauses of the contracts as well as the current legislation regarding the urban lease are taken into consideration;
- discount rate: it was used the lessee's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Group's risk spread, applied over the weighted average term of each lease contract. Regardless of the type of asset, the discount rate was calculated in the same way;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Group identified that the main lease contracts covered by this standard are contracts on real estate (branches and central buildings) and on a residual number of vehicles.

The adoption of the standard implies changes in the Group's financial statements, namely:
- in the consolidated income statement:
(i) in Net interest income, the record of interest expenses related to lease liabilities, as referred to in note 2. Net interest income, balance Interest and similar charges - Interest on leases;
(ii) in Other Administrative Expenses, the record of the amounts relating to short-term lease contracts and low value assets lease contracts, as referred to in note 8. Other administrative expenses, balance Rents and leases; and
(iii) in Amortisations, the record of depreciation costs of right-of-use assets, as referred in note 9. Amortisations and depreciations, balance item Right-of-use.
- in the consolidated balance sheet:
(i) in Financial assets at amortised cost - Loans and advances to customers, the recognition of financial assets related to sublease operations measured in accordance with IFRS 9, as referred to in note 21. Loans and advances to customers, balance Finance leases;
(ii) in Other tangible assets, the recognition of right-of-use assets, as referred in note 28. Other tangible assets, balance Right of use; and
(iii) in Other liabilities, the record of the amount of recognised lease liabilities, as referred in note 39. Other liabilities, balance Rents to pay.
- In the cash flow statement, Cash flows arising from operating activities - Payments (cash) to suppliers and employees includes amounts related to short-term leases and to leases of low-value assets. The balance Decrease in other sundry liabilities and non-controlling interests includes amounts relating to payments of capital portions of lease liabilities, as detailed in the Consolidated statement of cash flows.

Until 31 December 2018, and according to IAS 17, every payment of operating leases was presented as Cash flows arising from operating activities. Following the IFRS 16's adoption, Cash flows arising from operating activities changed to Cash flows arising from financing activities in the amount of Euros 25,733,000. IFRS 16's adoption didn't cause an impact in the Group's net cash flows.

The reconciliation between the balance sheets of 31 December 2018 and 1 January 2019, according to IFRS 16, is detailed as following:

(Thousands of euros)

	IAS 17 31 Dec 2018	Impact of IFRS 16	IFRS 16 1 Jan 2019
ASSETS			
Cash and deposits at Central Banks	2,753,839	-	2,753,839
Loans and advances to credit institutions repayable on demand	326,707	-	326,707
Financial assets at amortised cost			
Loans and advances to credit institutions	890,033	-	890,033
Loans and advances to customers	45,560,926	9,835	45,570,761
Debt securities	3,375,014	-	3,375,014
Financial assets at fair value through profit or loss			
Financial assets held for trading	870,454	-	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,404,684	-	1,404,684
Financial assets designated at fair value through profit or loss	33,034	-	33,034
Financial assets at fair value through other comprehensive income	13,845,625	-	13,845,625
Assets with repurchase agreement	58,252	-	58,252
Hedging derivatives	123,054	-	123,054
Investments in associated companies	405,082	-	405,082
Non-current assets held for sale	1,868,458	-	1,868,458
Investment property	11,058	-	11,058
Other tangible assets	461,276	249,416	710,692
Goodwill and intangible assets	174,395	-	174,395
Current tax assets	32,712	-	32,712
Deferred tax assets	2,916,630	-	2,916,630
Other assets	811,816	-	811,816
TOTAL ASSETS	75,923,049	259,251	76,182,300
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	7,752,796	-	7,752,796
Resources from customers	52,664,687	-	52,664,687
Non subordinated debt securities issued	1,686,087	-	1,686,087
Subordinated debt	1,072,105	-	1,072,105
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	327,008	-	327,008
Financial liabilities at fair value through profit or loss	3,603,647	-	3,603,647
Hedging derivatives	177,900	-	177,900
Provisions	350,832	-	350,832
Current tax liabilities	18,547	-	18,547
Deferred tax liabilities	5,460	-	5,460
Other liabilities	1,300,074	259,251	1,559,325
TOTAL LIABILITIES	68,959,143	259,251	69,218,394
EQUITY			
Share capital	4,725,000	-	4,725,000
Share premium	16,471	-	16,471
Other equity instruments	2,922	-	2,922
Legal and statutory reserves	264,608	-	264,608
Treasury shares	(74)	-	(74)
Reserves and retained earnings	470,481	-	470,481
Net income for the year attributable to Bank's Shareholders	301,065	-	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,780,473	-	5,780,473
Non-controlling interests	1,183,433	-	1,183,433
TOTAL EQUITY	6,963,906	-	6,963,906
TOTAL LIABILITIES AND EQUITY	75,923,049	259,251	76,182,300

53. Acquisition/Merger of Euro Bank, S.A.

Description of the transaction

On 5 November 2018, Bank Millennium announced and signed the preliminary agreement related to the acquisition of 99.787% shares of Euro Bank S.A. from SG Financial Services Holdings a wholly owned subsidiary of Societe Generale S.A. The transaction specified in the agreement is the direct acquisition of the shares by Bank Millennium.

The strategic logic of the transaction

As a result of the transaction related to the acquisition of Euro Bank shares, Bank Millennium strengthened its important position in the Polish banking sector. The transaction increased the number of the Bank's clients by 1.4 million (of which more around 494 thousand fulfil the classification of active client as per Bank's internal definition) and therefore allowed the Bank to become one of the largest Polish bank in terms of the number of retail clients.

The acquisition of Euro Bank allowed the Bank to increase the segment of consumer loans, as well as the importance of this segment for the entire Group.

The acquisition of Euro Bank enabled Millennium Bank to acquire competences in the franchise model and strengthen its presence in smaller cities, where Euro Bank was strongly located, and contributed to increase of the geographical coverage of the Bank's distribution network.

Completion of the acquisition

On 3 January 2019, the Bank received information on issuing by the President of the Office of Competition and Consumer Protection the decision on the consent for the concentration consisting in the Bank's acquisition of control over Euro Bank S.A. The consent was issued on 28 December 2018.

On 28 May 2019 the Polish Financial Supervision Authority issued the consent specifying that there is no basis for the objection raising, and therefore Bank Millennium together with its parent entity, Banco Comercial Portugues, were allowed to acquire the shares of Euro Bank S.A. in the number resulting in exceeding 50% of the total number of votes on the general meeting of Euro Bank and of the share in the share capital. The number of acquired shares exceeding 50% results also in becoming a parent entity of Euro Bank.

On 31 May 2019, by executing the share purchase agreement between the Bank and SG Financial Services Holdings of 5 November 2018, the Bank has acquired the majority of shares, constituting 99.787% of Euro Bank S.A. share capital.

Additionally, on 31 May 2019, the Bank paid the non-subordinated financing granted to Euro Bank by Societe Generale, S.A. ("SG") in the amount of approximately PLN 3,800,000,000 (Euros 887,602,000). This payment was preceded by the settlement by Euro Bank of part of the subordinated debt to SG in the amount of PLN 250,000,000 (EUR 58,395,000), after obtaining the necessary agreements from the KNF (Polish Financial Supervisory Authority) in this particular area. In October 2019, the final payment of SG's subordinated loan to Euro Bank in the amount of PLN 100 million (EUR 23 million) (fully collateralized by a cash deposit since 31 May 2019) was made.

In order to limit the risk associated with the Euro Bank's portfolio of mortgage loans denominated in CHF or denominated in PLN, but indexed to CHF, Euro Bank and SG signed on 31 May 2019 an "CHF Portfolio Indemnity and Guarantee Agreement" as it was planned in the Share Purchase Agreement. Euro Bank, Bank Millennium and SG also concluded an agreement related to the provision of certain limited transitional services by SG for Euro Bank.

Merger

On 6 June 2019, the Management Board of Bank Millennium and the Management Board of Euro Bank agreed and signed the merger plan of Bank Millennium and Euro Bank (the "Merger"). The merger was performed in accordance with art. 492 § 1 point 1 of the Commercial Companies Code (KSH) by transferring all assets and liabilities of Euro Bank (the acquired bank) to Bank Millennium (the acquiring bank), without increasing the share capital of Bank Millennium.

In accordance with the Merger, existing, dematerialized shares of Bank Millennium ("Merger Shares") were allocated to the minority shareholders of Euro Bank. The shares were purchased on Warsaw Stock Exchange S.A. in the secondary trading, by Millennium Dom Maklerski S.A. [Millennium Brokerage House], by the order of Bank Millennium, pursuant to art. 515 § 2 of the Commercial Companies Code.

The following share exchange parity has been determined in the Merger Plan: in exchange for 1 (one) share of Euro Bank, a minority shareholder of Euro Bank received 4.1 Merger Shares.

As a result of the Legal Merger performed 1st October 2019, Bank Millennium assumed all the rights and obligations of Euro Bank, and Euro Bank was dissolved without liquidation proceedings and its entire assets were transferred to Bank Millennium. The merger took place on the day of its entry into the register of entrepreneurs of the National Court Register of Bank Millennium.

The merged Bank operates under the name Bank Millennium S.A. based on the provisions of the Act of 15 September 2000 - Code of Commercial Companies ("KSH").

The merger was performed based on already obtained appropriate consents and permits required by law, i.e.:
(i) - permission of the Polish Financial Supervision Authority ("PFSA") for the Merger, pursuant to art. 124 paragraph 1 of the Act of 29 August 1997 - Banking Law ("Banking Law");
(ii) - permission of the PFSA to amend the Statute of Bank Millennium pursuant to art. 34 paragraph 2 of the Banking Law.

Transaction settlement

Transaction settlement was performed applying the acquisition method, in accordance with the International Financial Reporting Standard 3 "Business combinations" ("IFRS"), which requires, among others, recognition and measurement of identifiable assets acquired, and liabilities assumed measured at fair value as at the acquisition date, and any non-controlling interest in the acquired entity (if any) and separate recognition and measurement of goodwill or gain on bargain purchase.

As part of the transaction, the Group identified non-controlling interests amounting to 0.2% of the total value of Euro Bank shares. Bank Millennium acquired 26,240 shares of the Bank, constituting 0.00216302% of its share capital, which were then offered as merging shares to authorized shareholders of Euro Bank other than the Bank. The average purchase price of one merger share was PLN 5.939842, and the total price, representing the total cost of purchasing the merger shares, was PLN 156.3 thousand.

The Group made a final settlement of the merger and calculation of goodwill in connection with the purchase of Euro Bank S.A. shares within a period of one year from the date of acquiring the control in accordance with the requirements of IFRS 3. During this time, the acquirer may adjust retrospectively the provisional fair values of assets and liabilities recognized as at the acquisition date to reflect any new information obtained in relation to facts and circumstances that existed as at the acquisition date and, if known, would affect the measurement of those assets and liabilities. Such adjustments refer to the recognized goodwill or gain on bargain purchase.

Recognition and measurement of identifiable assets acquired liabilities assumed measured in accordance with IFRS

The following data regarding the fair value measurement of the acquired assets and assumed liabilities were based on the identification from the point of view of Bank Millennium and the adopted assumptions regarding the materiality threshold.

A detailed description of the fair value measurement of individual assets acquired and liabilities assumed was presented in the consolidated annual report of the Millennium Group for 2019.

	Identifiable assets acquired and liabilities assumed measured at fair value	
	million of zloty	million of euros
Assets		
Cash and deposits at Central Banks	242	57
Loans and advances to credit institutions repayable on demand	85	20
Financial assets at amortised cost		
Loans and advances to customers	12,558	2,933
Financial assets at fair value through profit or loss		
Financial assets not held for trading mandatorily at fair value through profit or loss	17	4
Financial assets at fair value through other comprehensive income	1,385	324
Other tangible assets	113	26
Goodwill and intangible assets	50	12
Deferred tax assets	143	33
Other assets	72	16
Total Assets	14,665	3,425
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	4,087	955
Resources from customers	7,975	1,863
Non subordinated debt securities issued	506	118
Subordinated debt	100	23
Hedging derivatives	6	1
Provisions	1	-
Other liabilities	375	88
Total Liabilities	13,050	3,048
Total Equity	1,615	377

The adjustments to the fair value for temporary differences constituted the basis for the calculation of deferred tax.

Calculation of goodwill

As at the date of the present report, the Group has completed the process of calculating goodwill as at 31 May 2019.

In accordance with IFRS 3.45, the maximum period for making changes to the purchase price allocation expired after 12 months from the date of the acquisition, i.e. on 31 May 2020. The finally determined difference of the fair value of acquired assets and assumed liabilities at the acquisition date over the purchase price is recognized by the Group in accordance with the provisions of IFRS 3.32 as goodwill in intangible assets.

	Identifiable assets acquired and liabilities assumed measured at fair value	
	thousands zloty	thousands euros
Price transferred in accordance with the Agreement	1,833,000	428,151
Preliminary price adjustment	(25,529)	(5,963)
Price after adjustment	1,807,471	422,188
Fair value of acquired net assets	1,615,346	377,312
Exchange differences	-	(2,487)
Goodwill	192,125	42,389

As at the balance sheet date, no impairment allowances for goodwill were recognized in intangible assets.

The difference between the book value of the acquired assets and liabilities of Euro Bank S.A. and their fair value measurement will be subject to settlement through the profit or loss account - in the economic life of the individual components of the assets and liabilities acquired.

54. Impact of Covid - 19 Pandemic

Background

The first nine months of 2020 were marked by the spread of the COVID-19 disease on a global scale after the first cases of SARS-CoV-2 (Coronavirus) infection were detected in China, still in late 2019. The outbreak of this virus shows a significant mortality rate and led to the declaration of a pandemic by the World Health Organization on 11 March 2020. The immediate impacts of this pandemic have already reached an unprecedented dimension in the alert situation created, in the exhaustion of health systems and in the severe containment and combat measures implemented in several countries including Portugal where the state of emergency was declared on 18 March 2020, for the first time since the country's current Constitution was enacted.

The outbreak of COVID-19 forced the majority of the countries to implement restraining measures, including temporary confinement of large proportions of the populations of the most-affected countries and strong restrictions to the normal economic activity of many companies in almost every sector, to contain the spread of the disease. These measures turned out to be very harmful for the global economy, causing a sudden slowdown in activity.

In this context, the International Monetary Fund (IMF) originally projected a contraction of the world's GDP, followed by a quick recovery in 2021. Even so, since for all advanced economies, in particular the US and The European Union, the pace of activity contraction in the second quarter turned out to be less deep than expected, the International Monetary Fund (IMF) revised upwards its 2020 world GDP forecast, from -5.2% to -4.4%. However, the IMF has warned that these forecasts are subject to an atypical high level of uncertainty stemming from the unpredictability of the pandemic evolution, the impact of the restrictions on the productive capacity and the financial condition of firms.

Although the Euro Area is expected to be the most penalized among the main world economies given the strong incidence of the pandemic in some of its member-states, there was a clear improvement of the activity indicators during the third quarter, which was more pronounced in Central and Northern Europe, where the pandemic is turning out less intense and tourism assumes a less relevant weight than in the Southern countries. With the aim of accelerating the economic recovery the European leaders approved in July an extraordinary package of funds named NextGeneration EU, amounting to 750 billion euros distributed into subsidies and loans, that will be deployed from 2021 to 2023 and that will be financed by the issuance of European debt. The European Central Bank (ECB) intensified the purchase of public and private debt securities and created a new liquidity facility for the banks. Additionally, aiming credit institutions to preserve capital to retain their capacity to support the economy in an environment of heightened uncertainty caused by COVID-19, ECB issued a recommendation related to dividend distributions. According to this recommendation, banks should refrain from paying out dividends and from assuming irrevocable commitment to pay out dividends for the financial years 2019 and 2020 and should also abstain from buying-back shares aimed at remunerating shareholders. The deadline for this recommendation, initially scheduled until 1 October 2020, was subsequently extended to at least 1 January 2021.

The Portuguese economy recorded a contraction of 9.4% in the first half of the year due to the restrictive measures imposed to fight the pandemic, which have had a particularly adverse impact over the exporting activities, private consumption and, to a lesser degree, investment. From June onwards the gradual lifting of the health restrictions together with an unprecedented program of fiscal and monetary policy measures propelled the recovery of the indicators of economic activity. However, the persistence of elevated risks of worsening of the pandemic has strongly hindered the tourism activities, whose weight in the Portuguese economy assumes particular relevance. In this context, the IMF downgraded the outlook for the Portuguese GDP growth in 2020 from 8% to 10%, which contrasts with the upward revision of Bank of Portugal from 9.5% to 8.1%.

In Poland, after the strong fall of GDP in the second quarter, economic activity has been expanding at a good pace, benefiting from a vast set of fiscal and monetary stimulus policies as well as the solidity and diversity of its productive structure. The IMF foresees a moderate recession of the Polish economy in 2020 (-3.6%), followed by a strong recovery in 2021, with GDP growth estimated to reach 4.6%. In Mozambique, the GDP recorded a contraction of 3.3% in the second quarter, which determined a downward revision of the IMF forecasts for the whole year, from 1.4% to -0.5%.

Measures to support the economy

Portugal

Credit lines guaranteed by the Portuguese State

In the context of the epidemic caused by the new Coronavirus, the Portuguese Government created lines of support for the economy that allow companies to access credit on favourable terms. This support has been made available in a phased manner and distributed in specific lines for different business sectors. These lines are guaranteed by the Portuguese State in 90% in the case of credit granted to micro and small companies and in 80% in the case of larger companies.

Credit moratoriums

The Portuguese Government, through Decree-Law no. 10-J / 2020, of 26 March, introduced a moratorium on credits towards financial institutions with the objective of supporting families and companies in an adverse context of a substantial decline in income caused by the COVID-19 pandemic. This public moratorium establishes exceptional measures to protect the credits of beneficiary entities in the context of the COVID-19 pandemic, allowing the deferral of the fulfilment of responsibilities, when they represent credits assumed by the beneficiary entities towards the Bank, which are not overdue on the date on which the application to the public moratorium is received.

As the economic crisis generated by the COVID-19 pandemic was evolving, in June 2020, the Portuguese Government extended the scope and the deadline of the public moratorium. Thus, Decree-Law No. 26/2020 introduced changes to the public moratorium, regarding the period covered, the timing for accession and the scope of the beneficiaries and the operations covered. With these changes, bank customers began to benefit from an extension of the term of the public moratorium. The moratorium term initially set at six months, until 30 September 2020, has been extended until 31 March 2021. This new term is applicable not only to new moratoriums but to those that were subscribed in periods prior to the extension. Within the scope of these amendments, a deadline for adhering to the public moratorium was also set, which can be requested until 30 September 2020. In the third quarter of this year, Decree-Law no. 78-A / 2020, of 29 September, introduced additional amendments to Decree-Law no. 10-J / 2020, establishing a further extension of the period of validity of the public moratorium. In this context, bank customers who had adhered to the public moratorium regime until 30 September 2020 will benefit from the support measures provided for in that regime until 30 September 2021. It should be noted, however, that between 31 March 2021 and 30 September 2021, support measures are different depending on whether or not customers operate in sectors especially affected by the pandemic COVID-19. Bank customers operating in sectors particularly affected by the COVID-19 pandemic may continue to benefit from the suspension of capital reimbursement and payment of interest, commissions and other charges, while the remaining customers will only be entitled to benefit from the grace period for repayment of capital during the additional period. In addition, it should be noted that the new deadlines are automatically applicable to the public moratoriums in force, unless customers intend to benefit from the effects of protection measures for a shorter period, in which case they will have to communicate this intention to the Bank with a minimum period of 30 days in advance. The referred Decree-Law no.78-A/2020 also includes a new measure applicable only to the moratorium credits granted to entities, which sector of activity is provided for in the Decree-Law, that substantiates from an additional extension of the term of 12 months, added to the extension arising from the application of the moratorium.

Based on this framework, the Bank provides credit moratoriums designed to protect, namely, companies, self-employed entrepreneurs and other professionals, private social solidarity institutions, non-profit associations and other entities of the social economy, which fulfil the requirements of the law.

In the case of households, moratoriums covers loans with mortgage guarantee (with multi-purpose, namely mortgage loans, including credit granted for the acquisition of secondary residential property or for rental purposes), as well as the real estate financial leasing and the consumer credit agreements for the purpose of education, including for academic and professional training.

Following the guidance issued by the European Banking Authority on public and private moratoriums applied to credit operations in the context of the COVID-19 pandemic, the Portuguese Association of Banks provided for two private moratoriums open to natural persons, residents or non-residents in Portugal , one of which relates to mortgage loans and the other to non-mortgage loans (e.g. personal or automobile). In the case of non-mortgage loans, the moratoriums agreed until 30 June 2020 are granted for a period of 12 months, counting from the date of the agreement. The moratoriums that will be agreed after 30 June 2020 will end on 30 June 2021. In the case of mortgage loans, the moratoriums will last until 31 March 2021.

Measures to support clients

(i) Exemption and commissions reduction

In parallel with the suspension of certain commissions due for the use and carrying out of payment transactions through digital platforms, established by Law No. 7/2020, of 10 April the Bank created several exemptions or commission reductions benefiting corporate and private customers, mainly those most affected by the pandemic. In this context, the access to integrated solutions with special conditions or reduced prices was extended and facilitated for private customers.

(ii) Other measures implemented by the Bank

In addition to the aforementioned measures, BCP launched a set of additional measures to help families and companies to overcome the economic challenges caused by the COVID-19 pandemic.

Simultaneously with the moratorium on the repayment of principal and interests, BCP suspended, between 1 April and 30 June 2020, spread increases on real estate credit agreements to private customers for non-compliance with contractual bonus conditions, resulting from the constraints associated with the COVID-19 pandemic. Additionally, the digital transformation was accelerated, making it easier and faster to access the Bank and its services.

In order to support the economy, protect employment and strengthen corporate sustainability, BCP under the corporate support program, also offers current-account credit facilities and immediate liquidity, with Factoring and Confirming products, providing even the possibility of access to several credit lines, namely following the protocol signed with European Investment Fund, with European Investment Bank and with Development Financial Institution.

International

In the international activity, it is worth mentioning the initiatives launched by Bank Millennium in Poland. Bank Millennium provided its customers with the possibility of deferring payments of interest and principal for credits as provided for in credit moratoriums sponsored by local associations representing the banking sector and leasing companies. Bank Millennium has launched several initiatives aimed at facilitating access to the bank and carrying out financial transactions remotely, mainly benefiting its private customers. In order to make it easier for companies to meet their cash flow needs during this period, Bank Millennium launched several funding solutions for this specific purpose.

Adoption of new procedures and criteria in the preparation of accounting estimates in the context of the COVID-19 pandemic

In the context of the current crisis caused by the spread of the COVID-19 pandemic, several supervisors and regulators, including the European Central Bank, the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the International Accounting Standards Board (IASB) issued guidelines and recommendations to ensure the consistency and comparability of the metrics, principles and requirements provided for in the International Financial Reporting Standards (IFRS), in particular regarding IFRS 9 - Financial instruments.

In this context, the following main guidelines and recommendations should be highlighted:

- Statement on the application of the prudential framework regarding default, forbearance and IFRS 9 in light of COVID-19 measures, issued by EBA in 25 March 2020;
- IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS9 Financial Instruments in the light of the current uncertainty resulting from the COVID-19 pandemic, issued in 27 March 2020 by IASB;
- Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis, issued by EBA in April 2, 2020 (EBA/GL/2020/02) and updated in 25 June 2020;
- IFRS 9 in the context of the coronavirus (COVID-19) pandemic, issued in April 1, 2020 by ECB.

1. Analysis of the impacts of the COVID-19 pandemic in the definition of the IFRS9 Risk Stage, classification of customers with significant increase in credit risk or default and impairment calculation

In order to address the incorporation of the potential impacts of the COVID-19 pandemic outbreak, the Bank implemented a wide range of procedures, which cover multiple areas of the organization.

More specifically with regard to the implications on the classification in Risk Stages under the terms set out in IFRS 9, which involve the identification and classification of customers in situations of increased risk or even default, as well as the definition of impairments, the main procedures implemented are those described below.

i) Macroeconomic scenarios update

In what concerns the client portfolio subject to collective analysis, an update was made in the end of June to the macroeconomic assumptions used in the impairment calculation, which was based on three scenarios (Base, Upside and Downside scenarios) prepared by the Bank's Planning area, which have already taken into consideration the most recent projections of reference entities that disclose projections of macroeconomic variables such as the Bank of Portugal and the European Commission.

These scenarios are used by several areas of the Bank for a variety of purposes in addition to the calculation of the collective impairment.

The weighting of the aforementioned scenarios was prudent, considering the following structure: Base Scenario: 60%; Upside scenario: 10%; Downside scenario: 30%.

With reference to the position at the end of May, the impact in Portugal on the amount of impairment resulting from the component related to the application of the collective impairment model regarding September figures, reflecting the change in the default probabilities that result from the incorporation of the new macroeconomic scenarios, was around Euros 75 million (customer loan portfolio, guarantees and other commitments).

A similar procedure was followed in the Bank's main subsidiaries. In Poland, the impact resulting from the scenarios update was translated into an increase of around Euros 15 million in the total impairments associated with performing customers.

The tables below summarize the update performed in June 2020 for Portugal and Poland of the Base scenarios regarding some of the most critical variables used in the estimate of collective impairment and their comparison with the figures assumed in December 2019, where it is possible to verify the significant magnitude of the changes incorporated.

Variable	December 2019 Scenario		June 2020 Scenario		Difference	
	2020	2021	2020	2021	2020	2021
Unemployment rate	6.10%	6.00%	10.70%	9.10%	4.60%	3.10%
Nominal GDP annual evolution	2.80%	2.80%	-8.70%	5.90%	-11.50%	3.10%
Savings Rate	6.20%	6.30%	8.00%	6.70%	1.80%	0.40%
German 10 year Sovereign Debt yield	-0.69%	-0.66%	-0.50%	-0.50%	0.19%	0.16%

Update of main macroecominc scenario assumptions (Base Scenario) - Poland

Variable	December 2019 Scenario		June 2020 Scenario		Difference	
	2020	2021	2020	2021	2020	2021
Unemployment rate	5.40%	5.60%	8.95%	8.50%	3.55%	2.90%
Nominal GDP annual evolution	3.70%	3.40%	-3.40%	4.60%	-7.10%	1.20%
Consumption annual evolution	4.20%	3.70%	-3.80%	4.50%	-8.00%	0.80%
Disposable Income	4.84%	4.59%	3.13%	5.01%	-1.70%	0.42%
EUR/PLN exchange rate	4.28	4.28	4.55	4.41	0.27	0.13
EUR/CHF exchange rate	3.96	3.84	4.30	4.16	0.34	0.32

The following tables describe the weightings given in Portugal and Poland to the different macroeconomic scenarios considered at the end of 2019 and in September 2020:

Scenario	Weightings			
	Portugal		Poland	
	Dec 2019	Jun 2020	Dec 2019	Jun 2020
Central	60%	60%	60%	60%
Upside	20%	10%	10%	10%
Downside	20%	30%	30%	30%

In what concerns Portugal, in order to test the sensitivity to the impact of a more unfavorable evolution of two variables especially critical for the estimate of collective impairment (GDP growth and unemployment rate), a simulation was performed with an additional aggravation of one percentage point in the evolution of these indicators, which is reflected in the impacts presented in the table below, based on the collective impairment of the portfolio in Portugal on 30 June 2020, valued in Euros 433 million:

Variable	Estimated impact (% variation)
100 bp GDP growth aggravation	2.8%
100 bp unemployment rate growth aggravation	0.6%

ii) Credit portfolio review for the most significant exposures
Regarding customers with the most significant credit exposures, it is worth highlighting the performance of a set of extraordinary procedures in order to assess the possible impacts of the pandemic outbreak COVID-19:

a) Clients with significant exposures - Performing Portfolio:

Based on risk criteria, a set of Corporate clients with significant exposures were identified for review and the questionnaires on signs of impairment were anticipated, covering an exposure as at 30 September 2020 which corresponds to 20.3% of the Corporate performing portfolio.

The revaluation of the portfolio of significant cases sought to identify cases that may have undergone a significant increase in credit risk and / or an increase in a probability of default that may imply transfer of Stage or classification as NPE.

b) Clients with significant exposures - NPE portfolio:

For this universe of customers, the following approach was adopted, which focuses on a set of customers representing approximately Euros 1.6 billion in exposure as at 30 September 2020, corresponding to 57.8% of the portfolio classified as NPE by the Bank and 10.6% of the total Corporate portfolio:

- Impairment review for customers of the 20 largest NPE Groups and / or 20 largest NPE customers with a going concern approach;
- Impairment review for NPE clients with a gone concern approach and collateral with a valuation over Euros 10 million.

c) Individual Customers:

Regarding individual customers, it's important to take into account that the largest portion of the portfolio corresponds to mortgage credit operations, representing around Euros 16.4 billion. This type of operations corresponds to 41.9% of the Bank's loan portfolio and 90.5% of the loan portfolio to individuals, characterized by low levels of claims and higher recovery rates, due to the weight and liquidity of the associated collateral.

The impairment levels of the portfolio that benefits from a mortgage guarantee at the end of September 2020 corresponded to an average impairment rate of 0.29% for operations classified in Stage 2.

iii) Identification of most vulnerable Corporate customers and respective close monitoring

Also with the objective of identifying, assessing and monitoring the impact in terms of credit risk resulting from the pandemic crisis COVID 19, in a more global and transversal perspective that can allow a consistent monitoring during the period in which the effects of that pandemic are verified, the Bank developed an approach regarding Corporate clients with strong involvement of the Rating Department, which is translated into the following methodology:

- Identification of the sectors of activity considered to be at greater risk and with the most potential adverse impact in the context of the COVID 19 crisis;
- Definition of stress scenarios adjusted to the severity of the expected impact for each sector of activity;
- Assessment of the resilience (measured by the deterioration of the respective rating risk grade) of companies belonging to the sectors identified as the most vulnerable;
- Identification of customers with the greatest vulnerability, according to the assessment carried out.

As part of this process, the Bank has assessed practically the total exposure to the sectors considered the most impacted.

This assessment is a very valuable starting point for the selection of the most vulnerable customers, the identification of customers who should be the object of closer monitoring and analysis, the definition of the credit strategy to be followed on a case by case basis for each of the customers.

This monitoring is carried out in coordination with the commercial area that follows the identified customers and the credit area, involving the monthly or quarterly request of information in order to evaluate the evolution of their economic and financial situation as soon as possible. The conclusions from this analysis are presented to a monitoring committee specifically created for this purpose, which is attended by members of the Executive Committee.

This approach allows for the early detection of risk of default, providing the conditions for a prompt and timely action by the Bank, in particular adjusting the credit strategy to be adopted for each client before the end of the moratoria period.

iv) Approach aimed at retail customers in the context of the Eureka Project

In what regards the retail segment, the Bank is developing a set of projects and activities to adapt the internal monitoring and credit portfolio management procedures to the new environment.

These initiatives, which are part of the NPA Reduction Plan, are being developed under an integrated and broad approach within the scope of the Eureka Project, with the direct involvement of all relevant internal stakeholders, and are briefly presented below:

a) Monitoring of clients with moratoria:

In order to monitor the risk of default regarding clients with operations subject to a moratoria, as well as to support the definition and implementation of the most appropriate solutions to address the potential default of each cluster of clients, the Bank is developing a data base with the support of CRM tools, Data Analytics and Decision Models.

This initiative aims to gather and process relevant information regarding all customers with moratoria, in particular solvency and financial capacity indicators like the examples presented below:

- Analysis of financial inflows (salaries, pensions, others) and their evolution;
- Analysis of financial outflows by categories (utilities, credit instalments, permanent and occasional transfers) and their evolution;
- Analysis of changes in financial assets/applications;
- Analysis of credit behavior in Other Credit Institutions (number of entities, use of moratoria, balance evolution) and their evolution;
- Analysis of delays in payments and/or inflows;
- Variation in recurring flows.

b) Increase in the standardization level of credit restructuring solutions

Definition of homogeneous customer clusters based on specific models, in order to implement standard recovery packages, providing local credit delegations, in order to ensure an expeditious and effective process.

v) Classification of operations as restructuring due to financial difficulties

Specifically in what concerns the classification of customers as restructured due to financial difficulties, within the scope of the guidelines issued by regulators and supervisors, the operations that were included within the scope of the state moratorium (Decree Law 10-J / 2020 of 26 March) or the sectorial moratorium (protocol signed in the context of the APB – the Portuguese Banking Association) could not be flagged as restructured due to financial difficulties. Even so, the Bank decided to adopt a conservative approach, proceeding to the classification as restructured due to financial difficulties operations that benefited from the referred moratoriums that on March 26 (date of the entry into force of Decree Law 10-J / 2020) presented more than 60 consecutive days of non-compliance above the materiality and which maintained non-compliance on 31 March.

Regarding the flagging of restructuring due to financial difficulties of other operations or contractual changes, the Bank continued to reinforce the internal procedures with a view to the rigorous classification of new operations or the modification of ongoing operations that are considered to be carried out due to financial difficulties of the customers.

Considering as a reference the universe of operations that adhered to the moratoriums with a generic character - state moratorium (Decree Law 10-J / 2020 of 26 March) and sectorial moratorium (protocol concluded in the context of the APB) - and in order to convey a perspective on how the pandemic outbreak COVID 19 impacted the Bank's risk rating in exposures that used these mechanisms to change the debt service profile, a comparative analysis of the situation of these operations was carried out between 29 February 2020, and 30 September 2020, regarding the classification in Risk Stages under the IFRS9, bearing in mind that the allocation to Stage 3 corresponds to an NPE classification (default).

With regard to operations in the Households segment that at the end of the semester had been subject to a moratorium, 88% of the exposure remained on the same Stage and the portion that underwent Stage degradation was similar to that which experienced an improvement (5.3% vs. 6.0%), with an insignificant value of 1% of operations not classified in February.

(Thousands of euros)

		30 September 2020		
		Households Exposure		
		Stage 1	Stage 2	Stage 3
29 February 2020 Households Exposure	Stage 1	3,004,724	184,113	5,073
	Stage 2	221,605	650,248	35,041
	Stage 3	2,154	30,500	56,036
	n.a	42,081	6,488	847
	Total	3,270,564	871,349	96,997

In the Corporate segment, the trend is slightly different, with Stage stability for 87% of the value of operations. However, there is a greater weight of the cases of exposure with degradation (7.3%) in relation to improvement situations (4.1%).

(Thousands of euros)

		30 September 2020		
		Corporates Exposure		
		Stage 1	Stage 2	Stage 3
29 February 2020 Corporates Exposure	Stage 1	2,416,060	276,685	18,791
	Stage 2	184,799	1,118,298	49,863
	Stage 3	-	6,976	482,227
	n.a	108,719	57,598	6,001
	Total	2,709,578	1,459,557	556,882

An analysis of the evolution of IFRS9 staging with respect to financing operations under the National Mutual Guarantee System, guaranteed by the Portuguese State to mitigate the impacts of the COVID-19 pandemic is not applicable, taking into account that they correspond to new operations that did not exist at the end of February. In any case, it will be important to note that 89% of the Bank's exposure to this type of instrument at the end of June is allocated to Stage 1, with the Stage 3 portion being insignificant (0.16%).

2. Operations subject to legislative and non-legislative moratorium and new loans granted under new public guarantee systems introduced in response to the COVID-19 crisis

The following tables characterize the transactions that, as at 30 September 2020, were subject to legislative and non-legislative moratorium, as well as new loans granted under new public guarantee systems introduced in response to the COVID-19 crisis, at Portugal and consolidated level.

The detail conveyed in the above mentioned tables, in what regards moratoriums, includes the presentation of the exposure structure by customer segment, performing/non performing status, classification in Stage 2 (operations with a significant increase in credit risk since the initial recognition, but without credit impairment), existence of restructuring due to financial difficulties, constituted impairments and residual term of default.

As for loans granted under new public guarantee systems, the breakdown of exposure by segment is presented, as well as the number of associated guarantees and the indication of the portion classified as restructuring due to financial difficulties or classified as non-productive.

Loans and advances subject to legislative and non-legislative moratoria

The analysis of the gross carrying amount of the loans and advances suject to moratorium is as follows:

(Thousands of euros)

	Gross carrying amount						
	Performing			Non performing			
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Total
Loans and advances subject to moratorium	9,519,475	501,108	2,489,079	667,602	491,451	652,792	10,187,077
of which: Households	5,156,724	138,975	936,313	106,975	56,029	101,593	5,263,699
of which: Collateralised by residential immovable property	4,382,704	123,006	813,765	86,659	47,668	83,048	4,469,363
of which: Non-financial corporations	4,287,366	360,801	1,502,687	539,638	414,568	530,210	4,827,004
of which: Small and Medium-sized Enterprises	3,733,251	331,043	1,289,785	511,770	396,466	504,986	4,245,021
of which: Collateralised by commercial immovable property	1,526,706	94,455	675,868	197,460	147,772	197,230	1,724,166

The analysis of the impariment amount of the loans and advances suject to moratorium is as follows:

(Thousands of euros)

	Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount
	Performing			Non performing			
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	115,527	30,047	84,200	266,322	206,480	264,713	33,967
of which: Households	23,349	1,043	10,449	9,484	3,195	9,078	10,498
of which: Collateralised by residential immovable property	8,934	525	5,046	4,127	1,114	4,093	6,187
of which: Non-financial corporations	90,387	28,636	72,051	237,106	183,689	235,903	23,470
of which: Small and Medium-sized Enterprises	81,130	26,381	65,795	230,643	180,629	229,899	23,396
of which: Collateralised by commercial immovable property	29,617	3,223	25,758	60,054	44,561	60,053	19,052

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

The analysis of the loans and advances which moratorium was offered and was granted is as follows:

(Thousands of euros)

	Number of obligors	Gross carrying amount	Of which: legislative moratoria	Of which: expired
Loans and advances for which moratorium was offered	150,246	11,197,407		
Loans and advances subject to moratorium (granted)	149,625	11,102,566	8,212,153	915,489
of which: Households		5,898,948	3,486,135	635,250
of which: Collateralised by residential immovable property		4,971,653	3,415,556	502,290
of which: Non-financial corporations		5,107,244	4,629,644	280,239
of which: Small and Medium-sized Enterprises		4,388,966	4,191,396	143,946
of which: Collateralised by commercial immovable property		1,730,115	1,682,428	5,948

The analysis of the loans and advances which moratorium was offered and was granted by residual maturity of moratoria is as follows:

(Thousands of euros)

	Gross carrying amount					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year	Total
Loans and advances for which moratorium was offered						
Loans and advances subject to moratorium (granted)	1,289,172	8,695,772	202,133	-	-	10,187,077
of which: Households	1,050,327	4,011,238	202,133	-	-	5,263,698
of which: Collateralised by residential immovable property	726,930	3,734,302	8,131	-	-	4,469,363
of which: Non-financial corporations	238,835	4,588,169	-	-	-	4,827,004
of which: Small and Medium-sized Enterprises	109,339	4,135,681	-	-	-	4,245,020
of which: Collateralised by commercial immovable property	64,030	1,660,136	-	-	-	1,724,166

Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

The analysis of the loans and advances subject to public guarantee schemes is as follows:

(Thousands of euros)

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	2,097,513	-	1,744,154	2,727
of which: Households	5,599			-
of which: Collateralised by residential immovable property	127			-
of which: Non-financial corporations	2,089,516	-	1,737,181	2,727
of which: Small and Medium-sized Enterprises	1,955,633			2,727
of which: Collateralised by commercial immovable property	67,914			100

Use of judgments and estimates in the preparation of financial statements

The preparation of interim condensed consolidated financial statements requires using judgements, preparing estimates and making certain assumptions to determine the value of assets and liabilities and the amount of contingent assets and liabilities disclosed at the balance sheet date, as well as the reported amounts of revenue and expenses during the reporting period.

The main judgments and estimates adopted in the context of preparing these interim condensed consolidated financial statements are described in point Z. Accounting estimates and judgments in applying accounting policies, from note 1. Accounting policies.

The COVID-19 pandemic significantly increased the degree of uncertainty in the estimates made and reinforced the need to use expert judgment to assess how these estimates are influenced by the current macroeconomic situation, mainly in what concerns to the calculation of impairments for financial assets and non-financial assets.

Although the estimates have been prepared based on the best information available with respect to the current and prospective context, the final outcome may differ from the values currently estimated.

Going concern assumption

The BCP Group's financial statements have been prepared on a going concern basis, as the Executive Committee considers that the Group has the adequate resources to continue operations and business in the foreseeable future. The evaluation carried out by the Executive Committee was based on a wide range of information related to current and future conditions, including projections on future profitability, cash flows, capital requirements and funding sources. The Executive Committee regularly prepares projections based on different scenarios, including adverse and stress scenarios. The COVID-19 pandemic introduced an increased level of uncertainty in these projections and the need to take into consideration the impact on the BCP Group's operations, on its profitability, capital and liquidity.

Contingency Plan

To deal with the COVID-19 pandemic, the Bank adopted a set of contingency measures planned and designed to ensure the protection of people and the continuity of the activity, including, among others, the recommendations of health authorities, telework and segregation of teams, trying to maximize the resilience of the organization.

In this context, the Bank activated the Contingency Plan, according to the Business Continuity Plan. This plan was updated and adapted specifically to the current pandemic scenario, with a specific Crisis Management Office being created for this purpose. Thus, in line with the guidelines issued by the authorities and supervisory entities, with which the Bank maintains regular contacts, an action plan was designed to protect Customers and Employees, minimize the chances of contagion and ensure the operational continuity of business.

Impacts in income statement

The main impacts of the COVID-19 pandemic on profitability are as follows:

- Net interest income - The COVID-19 pandemic produced several types of impacts on the net interest income of the Group, with different magnitudes and effects depending on its nature. In the first nine months of 2020, net interest income benefited from the interest generated by the credit lines guaranteed by the Portuguese State, even though the average spread for these lines was lower than the average spread of the existing portfolio. In addition, the lower level of repayments associated to the credits covered by the legal framework of moratoria contributed positively to the net interest income of the first nine months of 2020. Conversely, the increased level of uncertainty associated with the COVID-19 pandemic caused a global economic recession, putting pressure on the reduction in reference interest rates in foreign geographies where the Group operates, with a particular focus on Poland, whose reference rate fell by 140 bps during the first nine months of 2020.

- Commissions - Commissions related to the banking business in the first nine months of 2020, in particular commissions related to transfers and cards, were significantly penalized, not only by the direct impacts of the pandemic caused by COVID-19, but also by the initiatives to support the economy adopted by the Bank in Portugal, embodied in exemptions granted to face the crisis situation that the country is going through. Likewise, commissions related to guarantees and credit also decreased from the same period of the previous year, although the commissions generated by the credit granted within the scope of measures related to COVID-19, have contributed positively to the commissions generated in this period. It should be noted that, even so, this contribution is limited, since the commissions generated by these operations are regulated and deferred.

- Net trading income - In the first nine months of 2020, net trading income was penalized by the negative impact arising from the revaluation of corporate restructuring funds, reflecting a review of the business plans and the evaluations of the assets from the funds by the respective management companies.

- Other net operating income - Other net operating income was penalized by the introduction, in 2020, of the additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to the impact of the actual crisis caused by COVID-19 pandemic.

- Operating costs - The impacts of COVID-19 pandemic on operating costs were mainly in other administrative costs. On the one hand, there were savings associated not only with travel, hotel and representation expenses that did not materialize, but also related to the reduction of current activity and the decline in demand observed in several discretionary projects that were suspended or postponed. In contrast, the COVID-19 pandemic led to the recognition of additional costs with the purchase of protective materials, cleaning services and relocation of facilities.

- Impairment for loan losses - The recessive macroeconomic scenario led to the deterioration of credit risk parameters and to the constitution of additional impairments, leading to the reversal of the trend towards reducing the cost of risk seen in recent periods. The subsidiaries in Poland and Mozambique reinforced impairments for credit risk, following the emerging economic context of the COVID-19 pandemic.

- Other impairment and provisions - The impact of COVID-19 pandemic was also felt in impairment for other financial assets, since the revision of credit risk parameters led to extraordinary reinforcements made for debt instruments and guarantees and commitments.

- Income tax - In the first nine months of 2020, no impacts related to the derecognition of deferred tax assets were recorded. The analysis performed in the first half of the year leads to the conclusion that all deferred tax assets recognized on 30 June 2020 are recoverable. It should be noted that the assessment of the recoverability of deferred tax assets in Portugal was carried out based on the regulatory framework provided for in Law no. 27-A / 2020, of 24 July 2020, approved under the Supplementary Budget for 2020, which includes a set of additional measures to deal with the contraction of the economic situation in Portugal following the COVID-19 pandemic. The approved Law provides for the suspension in 2020 and 2021 of the period for deducting tax losses existing on 1 January 2020. Additionally, the period for the recoverability of deferred tax assets recognized as a result of tax losses generated in 2020 and 2021 has been extended from 5 years to 12 years.

Strategic guidelines and targets

The outbreak of COVID-19 caused a pandemic on a global scale that forced different countries to adopt exceptional measures with great impact on the lives of people and companies. Financial institutions were forced to change the focus of their business objectives to outline an action plan to answer to the crisis. In this context, the Bank reacted quickly and adjusted its priorities, trying to anticipate the impacts of the crisis. The strategic orientation focused on growth has temporarily been superimposed by a model aimed at protecting the quality of the balance sheet, supporting the economy and adapting business processes and models to the current situation.

The Bank has defined five priorities to 2020:

1- Protect Employees
2- Defend the quality of the balance sheet, liquidity and solvency of the Bank
3- Support the economy, families, businesses and institutions
4- Adapt business models and processes to the new normal
5- Strengthen the social support component for the most vulnerable

Targets to be achieved after the impacts of the current pandemic

The economic and social impacts of the public health crisis and the measures adopted by governments and authorities, including supervisory authorities, will produce effects that at this stage are still uncertain, but which will materially affect the activity of the Group in the three main markets where it operates.

The answer of financial institutions and of their customers has made it possible to highlight that the current crisis is a powerful trends accelerator, with an adaptation of traditional business models and existing processes to a new context entitled as the “new normal”, which is primarily based on digital channels. The pandemic accelerated and even forced the use of digital channels by customers who would otherwise continue to use traditional channels for their needs.

Among the priorities included in the 2018-2021 Strategic Plan, digitization focused on mobile takes a prominent place. The customers of BCP confirmed their positive appreciation of the digital approach of the Bank, reflected in an increasing number of digital customers, but above all in an increasing number of mobile customers. Thus, the targets initially established for the number of digital customers and mobile customers will not be harmed and are expected to even be exceeded. It should be noted, however, that the potential for revenue generated in a post-pandemic context, probably lower, will increase the pressure on financial institutions to capture additional efficiency gains in order to preserve the sustainability of their business models.

Additionally, it is necessary to highlight that, if the current crisis has accelerated the importance of digitalization, both in terms of attracting and retaining customers, and in terms of improving operational efficiency, the same crisis will jeopardize the achievement of the financial goals of the Strategic Plan, namely the profitability, financial efficiency and asset quality, within the initially predicted time horizon, until 2021.

In this context, the Bank considers that the targets defined under the 2018-2021 Strategic Plan remain valid, reaffirming its commitment to the established goals. However, it considers that some of the defined financial targets will only be attainable after the effects of the current economic crisis are overcome. The main targets defined in the Strategic Plan are the following:

	30 September 2020	Steady Sate*
GROWTH OF BUSINESS		
Active Customers	5.7 million	> 6 million
Digital Customers	63%	> 60%
Mobile Customers	46%	> 45%
VALUE CRIATION		
Cost to income	49% (48% excluding non-usual items)	≅ 40%
ROE	3.4%	≅ 10%
CET1	12.4%	≅ 12%
Loans-to-deposits	86%	< 100%
Dividend payout		≅ 40%
QUALIDADE DOS ATIVOS		
NPE Stock	3.7 billion €	≅ 3 billion € Down ≅ 60% from 2017
Cost of risk	89 bp	< 50 bps

* Original Plan. To be achieved after the economic impact of the pandemic.

NPE include loans to Customers only.

Pandemic impacts on financial targets

The evolution of macroeconomic conditions on a global scale caused by the COVID-19 pandemic will have materially relevant impacts on the profitability and future financial position of the BCP Group. The impacts on bank income already observed in the first nine months of the year will persist in the subsequent periods, with greater or lesser intensity, depending on the evolution of the public health crisis and economic activity. With regard to operating costs, in addition to the direct impacts of savings from the suspension or cancellation of several initiatives and the expenses arising from measures to protect employees and customers, the evolution of the pandemic will also affect the implementation of restructuring and capture efficiency gains measures. Profitability will also be influenced by the cost of risk, whose downward trend converging to the target of the Plan was interrupted and will tend to remain at a higher level, according to the evolution of macroeconomic conditions. Likewise, the pace of NPE reduction will be affected by a higher level of inflows associated with more adverse economic conditions, as well as by the constraints resulting from these same conditions in exit strategies.

Capital and liquidity requirements

The crisis of public health caused by COVID-19 has led regulators and supervisors to temporarily reduce capital, liquidity and operational requirements for banks, to ensure that they still perform their role in supporting and financing the economy.

In particular, the European Commission, the European Central Bank and EBA issued clarifications on some of the flexibilities already incorporated in Regulation (EU) 575/2013, issuing interpretations and guidelines on the application of the prudential framework in the context of COVID-19.

The capital buffers have been designed with a view to allowing banks to withstand stressed situations and since the European banking sector has built up a significant amount of these buffers, the ECB will allow banks to operate temporarily below the capital level defined by Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the systemic buffer (O-SII) and suggested the relaxation of the countercyclical capital buffer (CCyB) by the national macroprudential authorities.

Banks will also be allowed to partially use capital instruments that do not qualify as CET1 capital to meet Pillar 2 Requirements (P2R), bringing forward a measure included in the latest revision of the Capital Requirements Directive (CRD V), that was planned to come into force only in January 2021.

In addition, the European Central Bank allows banks, if necessary, to use their liquidity buffers and temporarily operate below the minimum regulatory level of the LCR (100%).

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

As at 30 September 2020, 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	Activity	% economic interests	% effective held	% direct held
Banco ActivoBank, S.A.	Lisbon	101,000,000	EUR	Banking	100.0	100.0	100.0
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	100.0	100.0	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0	100.0	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100.0	100.0	100.0
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	31,000,785	EUR	Financial	100.0	100.0	–
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	100.0	50.1	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	56,762,559	BRL	Financial Services	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0	100.0	100.0
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	30,300,000	EUR	Real-estate management	100.0	100.0	100.0
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	96.4	96.0	88.2
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100.0	100.0	100.0
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100.0	50.1	–
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100.0	50.1	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	50.1	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	50.1	–
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	50.1	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	50.1	–
Piast Expert Sp. z o.o (in liquidation)	Tychy	100,000	PLN	Marketing services	100.0	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	100.0	100.0	100.0

					Group		Bank
					%	%	%
	Head	Share			economic	effective	direct
Subsidiary companies	**office**	**capital**	**Currency**	**Activity**	**interests**	**held**	**held**
Setelote - Aldeamentos Turísticos S.A.	Oeiras	400,000	EUR	Real-estate company	100.0	100.0	–
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100.0	100.0	–
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100.0	100.0	–
Fiparso – Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100.0	100.0	–

During the first quarter of 2020, the Group repurchased 10% of Setelote - Aldeamentos Turísticos, S.A. and it was liquidated the company BG Leasing, S.A. and in the third quarter Millennium Bank Hipoteczny S.A was formed, 100% owned by Bank Millennium, S.A.

As at 30 September 2020, 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:

					Group		Bank
					%	%	%
	Head	Participation			economic	effective	direct
Investment funds	**office**	**units**	**Currency**	**Activity**	**interests**	**held**	**held**
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	76,159,329	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	2,732,623	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	90,295,185	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	304,320,700	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	3,336,555,200	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	4,307,377	EUR	Real estate investment fund	100.0	100.0	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100.0	100.0	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,834,000	EUR	Real estate investment fund	100.0	100.0	100.0
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	67,691,000	EUR	Real estate investment fund	100.0	100.0	100.0

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0	100.0	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,860,000	EUR	Real estate investment fund	54.0	54.0	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real estate investment fund	100.0	100.0	100.0
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	60.0	60.0	60.0

(*) - Company classified as non-current assets held for sale.

During 2020, the Group settled Fundo Especial de Investimento Imobiliário Fechado Intercapital and Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado.

The Group held a set of securitization transactions 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 30 September 2020, 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	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 30 September 2020, 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	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 30 September 2020, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7	22.5	–
Banque BCP, S.A.S.	Paris	155,054,747	EUR	Banking	19.8	19.8	19.8
Beiranave Estaleiros Navais Beira SARL	Beira	2,850,000	MZN	Naval shipyards	22.8	14.0	–
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50.0	50.0	50.0
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.3	–
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	Setúbal	744,231	EUR	Trade and industry of sea products	35.0	35.0	–
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	25.1	–
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E	Lisbon	1,000,000	EUR	Services	33.3	33.3	33.3
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	32.0	32.0	0.5
Webspectator Corporation	Delaware	950	USD	Digital advertising service	25.1	25.1	25.1

During 2020 the Group sold Projepolska, S.A.

As at 30 September 2020, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	EUR	Holding company	49.0	49.0	49.0
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

56. Subsequent events

There were no facts or events subsequent to 30 September 2020 and until the approval of the financial statements that requires additional judgments, disclosures or records.

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

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