9M 2021
REPORT & ACCOUNTS

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

1st nine months 2021 Report & Accounts

BANCO COMERCIAL PORTUGUÊS, S.A.

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

The 1st Half 2021 Report & Accounts is a translation of the "Relatório e Contas dos primeiros nove meses de 2021" document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the "Relatório e Contas dos primeiros nove meses de 2021" prevails.

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

INFORMATION ON BCP GROUP	**3**
BCP IN 9M 2021	3
MAIN HIGHLIGHTS	4
INFORMATION ON BCP GROUP	6
GOVERNANCE	8
MAIN EVENTS IN 9M 2021	10
BCP SHARE	13
BUSINESS MODEL	**14**
REGULATORY, ECONOMIC AND FINANCIAL SYSTEM ENVIRONMENT	14
BUSINESS MODEL	15
FINANCIAL INFORMATION	17
RESULTS AND BALANCE SHEET	18
BUSINESS AREAS	32
LIQUIDITY MANAGEMENT	39
CAPITAL	41
STRATEGY	**42**
STRATEGIC PLAN 2021-2024	42
REGULATORY INFORMATION	**46**
CONSOLIDATED FINANCIAL STATEMENTS	46
ALTERNATIVE PERFORMANCE MEASURES	50
GLOSSARY	54
ACCOUNTS AND NOTES TO THE CONSOLIDATED ACCOUNTS	**57**

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

Nuno Amado
Chairman of the Board of Directors

BCP in 9M 2021

- Net income of the Group amounted to 59.5 million euros in the first nine months of 2021, including 313.5 million euros in provisions for legal risk on loans granted in Swiss francs in Poland and specific items of 87.6 million euros in Portugal, mainly related to headcount adjustment costs.

- Excluding specific items, core operating profit of the Group reached 938.7 million euros, corresponding to a growth of 8.3%.

- Estimated Fully-implemented Total capital ratio and Core Equity Tier 1 ratio at 15.2% and 11.8%, respectively (15.3% and 12.0%, respectively, on a pro forma basis considering the expected impact of the ongoing sale of the Swiss subsidiary).

- High liquidity levels, comfortably above regulatory requirements. Loans-to-deposits ratio of 83%. Eligible assets for ECB funding of 25.2 billion euros.

- Performing loans of the Group up by 3.1 billion euros, +5.8% from September 2020 (+2.2 billion euros in Portugal). NPE reduction of 0.8 billion euros, in adverse context. Total customer funds of the Group up by 7.3 billion euros. Off- balance sheet customer funds of the Group up by 10.1%, to 20.7 million euros.

- General improvement in credit quality indicators. Cost of risk of 60 bp for the Group (69 bp excluding one-off reversals) and of 68 bp in Portugal (79 bp excluding one-off reversals).

- Growing Customer base, mobile Customers standing out (+543,000, of which +196,000 in Portugal).

- Leading bank in Customer satisfaction with digital channels (Basef 5 largest banks).

Main highlights (1)

Euro million

	30 Sep. 21	30 Sep. 20	Chan. % 21/20
BALANCE SHEET			
Total assets	91,463	85,980	6.4%
Equity	7,358	7,479	-1.6%
Loans and advances to customers (net)	56,414	53,833	4.8%
Total customer funds	90,556	83,284	8.7%
Balance sheet customer funds	69,863	64,494	8.3%
Deposits and other resources from customers	68,321	62,997	8.5%
Loans to customers (net) / Deposits and other resources from customers (2)	82.6%	85.5%	
Loans to customers (net) / Balance sheet customer funds	80.7%	83.5%	
RESULTS			
Net interest income	1,168.6	1,153.7	1.3%
Net operating revenues	1,706.4	1,662.7	2.6%
Operating costs	851.7	812.7	4.8%
Operating costs excluding specific items (3)	764.1	785.2	-2.7%
Loan impairment charges (net of recoveries)	264.0	374.2	-29.4%
Other impairment and provisions	462.0	176.4	161.9 %
Income tax	143.1	121.6	17.7 %
Net income	59.5	146.3	-59.3 %
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.5%	2.6%	
Return on average total assets (ROA)	0.0%	0.3%	
Income before tax and non-controlling interests / Average net assets (2)	0.2%	0.5%	
Return on average shareholders' equity (ROE)	1.4%	3.4%	
Income before tax and non-controlling interests / Average equity (2)	2.5%	5.8%	
Net interest margin	1.91%	2.03%	
Cost to core income (2)(3)	44.9%	47.5%	
Cost to income (2)	49.9%	48.9%	
Cost to income (2)(3)	44.8%	47.2%	
Cost to income - activity in Portugal (2)(3)	43.8%	47.6%	
Staff costs / Net operating revenues (2)(3)	25.2%	26.9%	
CREDIT QUALITY			
Cost of risk (net of recoveries; in b.p.)	60	90	
Non-performing exposures / Loans to customers	4.9%	6.5%	
Total impairment (balance sheet) / NPE	67.9%	62.2%	
Restructured loans / Loans to customers	4.4%	5.2%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	264%	243%	
Net Stable Funding Ratio (NSFR)	147%	140%	
CAPITAL (4)			
Common equity tier I phased-in ratio	11.9%	12.4%	
Common equity tier I fully-implemented ratio	11.8%	12.4%	
Total ratio fully implemented	15.2%	15.7%	
BRANCHES			
Portugal activity	447	489	-8.6 %
International activity	865	927	-6.7 %
EMPLOYEES			
Portugal activity	6,511	7,152	-9.0 %
International activity (5)	9,884	10,708	-7.7 %

(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. Following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"), the contribution of this subsidiary to the consolidated results of the Group is reflected as income from discontinued operations in the international activity and the historical information has been restated in order to ensure its comparability, as defined in the IFRS5. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. was not changed compared to the criteria considered in the financial statements published in previous periods. In this context, and taking into account the immateriality of the balance sheet balances of the Swiss subsidiary in the Group, the calculation of the indicators relating the performance of the profit and loss account to the balance sheet items was not adjusted, with the exception of net interest margin, that reflects the fact that the assets of that subsidiary were no longer considered interest earning assets in the current period or in historical information.

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

(3) Excludes specific items: negative impact of 87.6 million euros in the first nine months of 2021, mainly related to headcount adjustment costs, recognized as staff costs in the activity in Portugal, including a provision to cover the costs related to the current adjustment of headcount in the amount of 81.4 million euros. In the first nine months of 2020, the impact was also negative, in the amount of 27.6 million euros, of which 15.8 million euros related to headcount adjustment costs and compensation for temporary remuneration of employees cuts, both recognized as staff costs in the activity in Portugal and 11.8 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (7.1 million euros as staff costs, 4.4 million euros as other administrative costs and an 0.4 million euros as depreciation). In the efficiency indicators, the specific items included in the net operating revenues in the first half of 2020, in the amount of 0.1 million euros, 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 at 30 September 2021 and 30 September 2020, capital ratios include the positive cumulative net income of each period. Ratios as of 30 September 2021 are estimated and non-audited.

(5) Of which, in Poland: 7,172 employees as at 30 September 2021 (corresponding to 7,035 FTE - Full-time equivalent) and 7,997 employees as at 30 September 2020 (corresponding to 7,846 FTE - Full-time equivalent).

Information on BCP Group

Brief description

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

Bank History

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

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

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

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

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

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

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

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

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

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

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

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

.

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

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

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

Governance

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

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

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

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

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

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

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

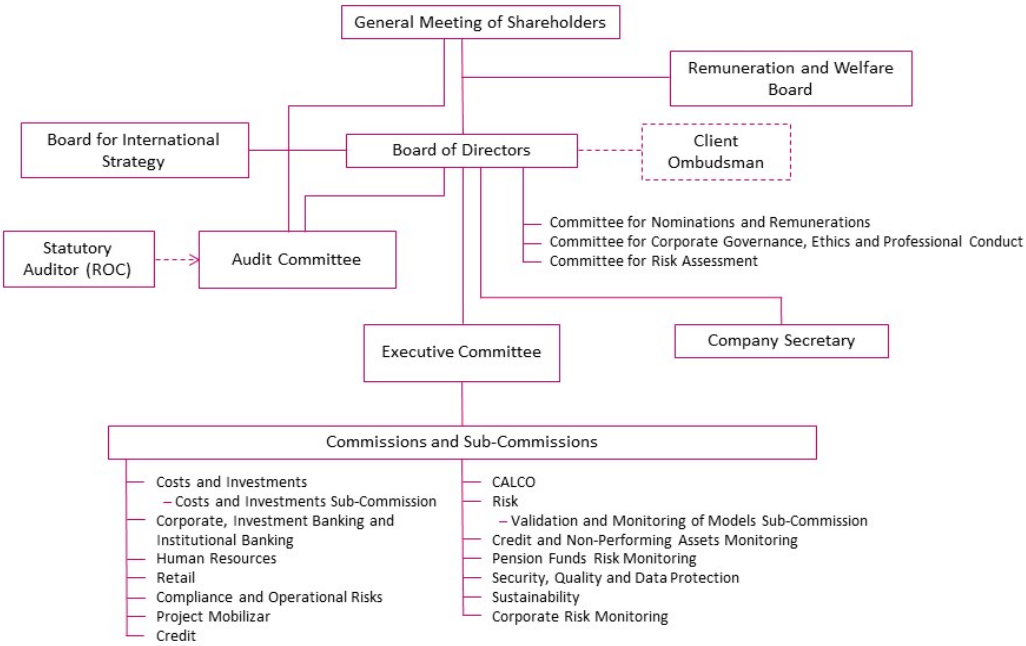
The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

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

The RWB is elected by the General Meeting.

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

Corporate Governance Model



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

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

* Chairman and Vice- chairman to be nominated.

Main events in 9M 2021

In the first nine months of 2021, the Bank kept its focus on supporting households and companies, particularly with the agents most affected by the effects of the COVID-19 pandemic.

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

On **20 May, 2021**, Banco Comercial Português, S.A. informed about the resolutions of the General Meeting of Shareholders. Of special note:

- Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2020, including the Corporate Governance Report and of the proposal for the appropriation of profit regarding the 2020 financial year;
- Approval of the Dividend Policy;
- Approval of the remuneration policy of Members of Management and Supervisory Bodies;
- Approval of the policy for the selection and appointment of the statutory auditor or Audit Firm and well as for the engagement of non-audit services that are not prohibited under the terms of the applicable legislation;
- Re-appointment of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., as the Single Auditor, that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the triennial 2021/2023;
- Re-appointment of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A., to perform functions of External Auditor in the triennial 2021/2023;
- Approval of the maintenance of the voting limitations foreseen in articles 25 and 26 of the Banks's Articles of Association.

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

On **1 August, 2021**, Banco Comercial Português, S.A. (BCP) informed about the results of the 2021 stress test, regarding the European Union. Considering the results of BCP, in the stress test, it should be highlighted the following:

- the application of the adverse scenario resulted in a reduction of 406 b.p. in the fully loaded CET1 capital ratio at the end of 2023 versus the data as at December 2020 (which compares with an average reduction of 485 b.p. in the universe of 50 banks submitted to this exercise);
- the application of the base scenario resulted in an increase of 163 b.p. in the fully loaded CET1 capital ratio at the end of 2023 versus the data as at December 2020 (which compares with an average increase of 78 b.p. in the universe of 50 banks submitted to this exercise).

On **21 September, 2021**, Banco Comercial Português, S.A. informed that Moody's rating agency upgraded in one-notch BCP's deposits ratings from Baa3/Prime-3 to Baa2/Prime-2, driven by the higher rating uplift for the deposits, stemming from the upgrade of Portugal's sovereign bond rating. This upgrade and the affirmation of the senior unsecured debt ratings of Ba1 reflect the affirmation of BCP' BCA (Baseline Credit Assessment) and Adjusted BCA, Moody's Advanced LGF (Loss Given Failure) analysis and unchanged moderate government support assumptions for BCP. The outlook on BCP's long-term deposit and senior unsecured debt ratings remains stable, reflecting Moody's view that the bank's creditworthiness will be steady over the outlook horizon.

On **29 September, 2021**, Banco Comercial Português, S.A. (“Millennium bcp” or “Bank”) informed that it has set the conditions for an issue of social senior preferred debt securities under its Euro Note Programme, the first of this type to be carried out by a Portuguese issuer. The issue, in the amount of 500 million euros, has a tenor of 6.5 years, with an option for early redemption by the Bank at the end of 5.5 years, an issue price of 99.527% and an interest rate of 1.75% per year for the first 5.5 years. From the 5th year and a half, the interest rate will result from the sum of the 3-month Euribor with a spread of 2.00%. This will be the first issue carried out by the Bank in the ESG (Environmental, Social and Governance) segment, focusing on the social component. Thus, an amount equivalent to the net proceeds of the Issue will be applied as a priority to the financing and/or refinancing of loans granted by the Bank under the COVID-19 lines, under the terms of the Bank's Green, Social and Sustainability Bond Framework, representing a clear demonstration of the commitment assumed by Millennium bcp in supporting the economy, in particular in financing the micro and, small and medium-sized companies most affected by the recent pandemic context. The issue is part of the funding plan defined by the Bank within the scope of its Strategic Plan 2021-2024, specifically aimed at meeting the MREL requirements (Minimum Requirements for Own Funds and Eligible Liabilities) and the strategy of strengthening its presence in capital markets and broadening its investor base. The transaction, which followed a successful roadshow, was placed with a very diversified group of European institutional investors, many of which are dedicated to ESG investments, which indicates, on one hand, the market's confidence in the Bank and, on the other, the recognition of Millennium bcp's commitments in terms of sustainable financing.

Millennium bcp and the European Investment Fund signed two contracts under the Pan-European Guarantee Fund in the amount of around 1,200 million euros, aiming to support the recovery of Portuguese SMEs affected by the economic crisis caused by the pandemic COVID-19.

Millennium bcp signed two agreements, one with the Portuguese Industrial Association and the other with the Confederation of Portuguese Farmers, reinforcing its commitment to support the Portuguese businesses, worth 120 and 100 million euros, respectively.

Millennium bcp signed an agreement with the Business Confederation of Portugal (CIP), which reinforces its commitment to support the Portuguese companies, with financing of 300 million euros.

Millennium bcp is the Bank with the most valuable brand, according to the study “Most Valuable Portuguese Brands 2021” by the OnStrategy Consultant.

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

Millennium bcp integrates the ranking of “Europe's Climate Leaders in 2021” prepared by the Financial Times in partnership with the German company of market and consumer research – Statista. This index highlights European companies that have made the most progress in reducing greenhouse gas emissions.

Millennium bcp and other banks in the Portuguese financial system joined together in a solidarity initiative focused on food and essential support for the most disadvantaged families, in the context of the current crisis.

Millennium bcp supports the rehabilitation of the Palácio Nacional da Ajuda, through Millennium bcp Foundation, being one of the initiatives within the scope of the recovery of cultural heritage in Portugal.

Galeria Millennium opens its doors to artists and the public in a new space located in Lisbon at the National Museum of Contemporary Art.

AWARDS

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

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

Millennium bcp was named the “Main Bank for Companies” in Portugal for the fourth consecutive year, according to the BFIN 2021 study carried out by consultants DATA E, with a leading share of 19.6% for companies of various sizes (microbusinesses, SMEs and large companies).

BCP returned in 2021 to "The Sustainability Yearbook", a reference publication in the Sustainability area now edited by the S&P analyst based on the information gathered from companies' answers to the "Dow Jones Sustainability Indices".

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

Millennium bcp was distinguished by Global Finance magazine as “Best Investment Bank” in Portugal in 2021.

Millennium bcp was distinguished by Global Finance magazine as the “Best Consumer Digital Bank” in Portugal in 2021.

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

BCP Group ellected “Best Foreign Exchange Provider” in Portugal, Mozambique and Poland in 2021.

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

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

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

Bank Millennium was distinguished as “Best Bank in Poland” by Global Finance.

Bank Millennium was distinguished by Global Finance magazine as the “Best Consumer Digital Bank” in Poland in 2021.

Bank Millennium was distinguished as the best mortgage loan in Poland in the Golden Banker ranking.

Bank Millennium distinguished with the CSR Golden Leaf award, integrating a restricted group of institutions with the highest scores in terms of Corporate Social Responsibility.

Bank Millennium won second place in the “2021 Best Bank” competition, in the group of small and medium commercial banks, organized by “Gazeta Bankowa”.

Millennium bim was distinguished by Global Finance magazine as the “Best Consumer Digital Bank” in Mozambique in 2021.

BCP Share

BCP shares closed 9M21 having appreciated 27.2%, which compares to a 30.1% increase of the European banks index.

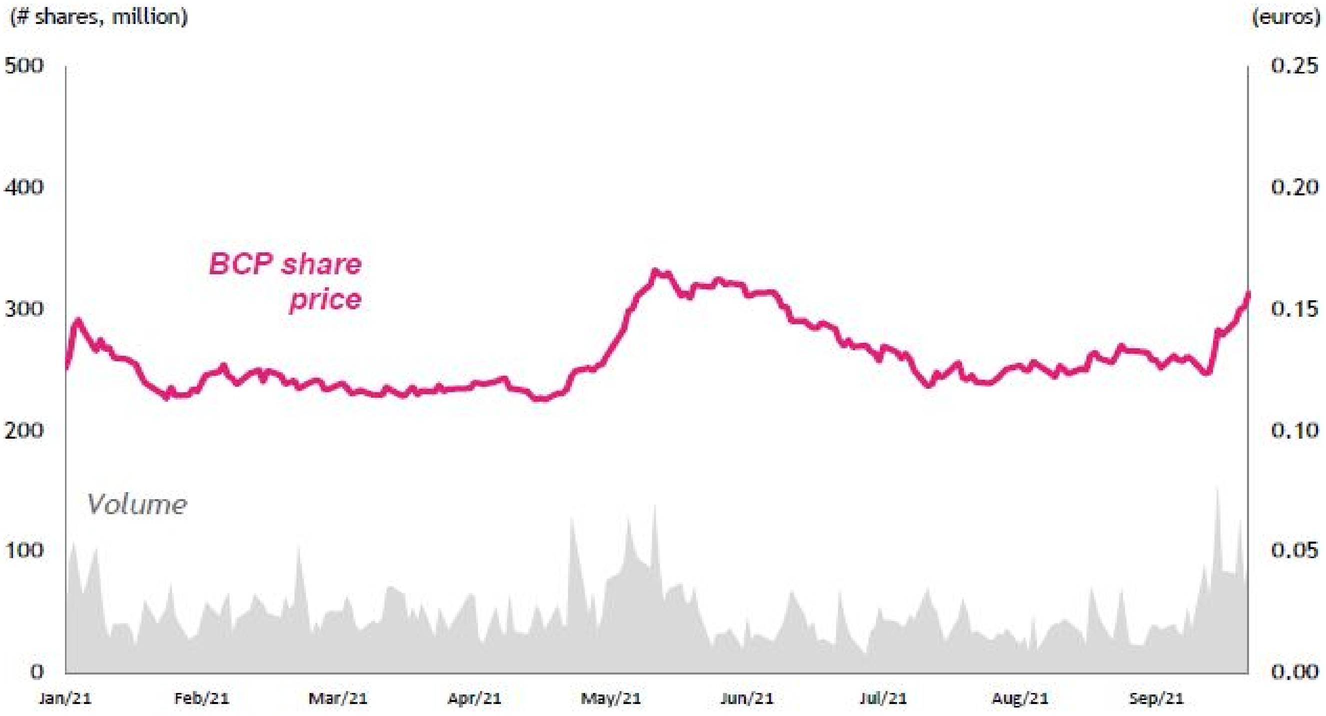
BCP's share performance reflected the uncertainties related to the appearance of the pandemic's third and fourth waves and the social and economic impacts resulting from the new lockdown in Portugal. Additionally, it also reflected specific factors associated with the Bank's Polish operation, such as,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

Positive impacts:

- Announcement of 2020 results, which surpassed analysts' expectations, especially regarding the resilience of the business model of the Portuguese operation in an extremely challenging context;
- Announcement of 4Q21 results, with a positive reaction to the operational trends presented in the operations where the Bank is present;
- Upward revision – by several analysts – of BCP's share price targets;
- Upward revision – by several entities – of macroeconomic projections for the Eurozone;
- Successful rollout of the vaccination against Covid-19, in Portugal and in the EU.

Negative impacts:

- Uncertainty associated with the CHF mortgage portfolio in Bank Millennium;
- Uncertainty regarding the evolution of moratoria;
- Enforcement of quarantines on travelers originating in Portugal, by several European countries, compromising the revenues of the Tourism sector and contributing to the economic recovery.
- The current average price target of €0.17 represents a 8% potential appreciation, compared to the BCP share's closing price on September 30, 2021.



Source: Euronext, Thomson Reuters

Economic environment

Economic environment

The International Monetary Fund (IMF) foresees a strong recovery of the world economy in 2021, which is expected to be heterogeneous among the main economies and subject to a high degree of uncertainty related to the dynamic of the pandemic.

In the USA, the GDP has recovered in the second quarter to levels above the ones recorded before the pandemic outbreak in the beginning of 2020, boosted by the domestic demand. In the Euro Area, the economic recovery should scale up in the third quarter, after the year-on-year growth rate of 14.3% in the second quarter, making it likely that the GDP will resume pre-pandemic levels by the end of the year. Conversely, in emerging markets, the recovery is proceeding at a more moderate pace, hindered, on one hand, by idiosyncratic reasons, and on the other hand, by difficulties in containing the pandemic.

The fast normalization of economic activity in the main world economies led to a resurgence of concerns linked to rising inflationary pressures, against a background of escalating commodity prices, particularly in the energy segment, steep increases in the costs of intermediate goods, resulting from constraints in global production chains, and higher transportation costs, namely within shipping. In this context, long term interest rates have been on an ascending trajectory, with a focus on the movement observed in US government debt securities, driven by expectations of a less accommodative monetary policy stance, which also contributed to the appreciation of the US Dollar. On the other hand, stock indexes corrected, albeit moderately, while the main cryptocurrencies exhibited expressive market gains.

In Portugal, the easing of containment measures contributed to a strong recovery of economic activity in the third quarter, which translated into a quarter on quarter GDP growth rate of 4.5%. In the coming quarters, the economic rebound should proceed apace, supported by the expansion of consumption, which benefits from high levels of accumulated savings and the resilience of the labour market. Moreover, investment should remain dynamic, boosted by the execution of the Recovery and Resilience Plan (RRP). Regarding the tourism sector, the signals of recovery seen in the third quarter suggest an improvement of the performance of service exports in the coming quarters, which should contribute to strengthen the aggregate demand's recovery trend. In this context, the Bank of Portugal forecasts that the Portuguese GDP should reach levels similar to the end of 2019 by the current year's end. The progressive improvement of economic conditions should contribute to mitigate the risks associated with the removal of measures to support households and companies income.

In Poland, economic activity returned to pre-pandemic levels in the second quarter, fostered by consumption dynamism amid a more controlled sanitary situation. The strong recovery of GDP, together with inflationary pressures due to higher commodity prices in international markets, resulted in a significant increase of the inflation rate, which propelled the central bank to raise the reference interest rate from 0.10% to 0.50%. However, a more restrictive monetary policy stance was not sufficient to revert the erratic performance that the Zloty has been exhibiting against the Euro due to the uncertainty in global financial markets and the institutional divergences between Poland and the European Union.

In Mozambique, the pace of GDP growth steepened in the second quarter (from 0.1% to 2.0%, year on year), reflecting the recovery across all sectors of activity due to increased global demand. The expectations of a continuing trend of economic recovery for the next quarters, together with the softening of military instability in the north of the country and the implementation of the ongoing programs of structural reforms, have contributed to the maintenance of foreign exchange stability.

In Angola, the GDP registered a positive growth rate in the second quarter for the first time in the last two years, boosted by the expansion of the non-oil sector.

Business Model

Nature of operations and main activities

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

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

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

Distinctive factors of the business model

Largest private sector banking institution

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

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

At the end of June 2021, 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 2021, operations in Portugal accounted for 71% of total assets, 69% of total loans to Customers (gross) and 71% of total customer funds. The Bank had over 2.5 million active Customers in Portugal and market shares of 17.6% and 18.2% of loans to Customers and customer deposits, respectively, in August 2021.

International presence as a platform for growth

At the end of June 2021, Millennium bcp was also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 6.0 million active Customers.

In Poland, Bank Millennium has a well distributed network of branches, supported by a modern multi-channel infrastructure, on a reference service quality, with high brand recognition, a robust capital base, comfortable liquidity and sound risk management and control. In September 2021, Bank Millennium had a market share of 6.1% in loans to Customers and of 5.6% in deposits.

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

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has about 1.1 million Active Customers and is the reference bank in this country, with market shares of 15.7% in loans and advances to Customers and of 24.3% in deposits, in September 2021. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

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

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

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

Growth based on digital/mobile banking

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

Digital banking

At Group level, mobile Customers grew 20% (+543 thousand customers), surpassing 3.3 million customers, thus representing a penetration rate of 55% over the active Customer base.

With regard to digital Customers, within the Group, there was an increase of 12%, representing currently 68% of the Active Customer base.

In Portugal, mobile Customers grew 21% (+196 thousand customers), surpassing 1.1 million customers, already representing 45% of Portugal's active Customer base.

With regard to digital Customers, there was a 14% increase in Portugal, thus allowing them to represent in September 202159% of the Active Customer base in Portugal.

We highlight the strong growth of mobile in year-on-year terms, i.e. in the period January-September 2021 versus the same period in 2020:

+40% of transactions;

+109% of P2P transfers;

+44% of domestic transfers;

+39% of payments;

+57% of sales;

+327 of cards;

+118% of personal credit;

+54% savings.

Active Mobile Customers using the App went from 38% to 45%.

Digital interactions (site and App) increased 16% to 289 million.

Growth of digital transactions, which include mobile and online, from 67% to 77%; While ATM transactions reduce their weight reduced from 33% to 23%.

Digital sales as a percentage of the total number of transactions increase from 64% to 70%.

Financial Information

Results and Balance Sheet

RESULTS AND ACTIVITY IN THE FIRST NINE MONTHS OF 2021

In the first nine months of the year, Millennium bcp continued to demonstrate the resilience of its business model and its capacity for adaptation to a context strongly influenced by the evolution of the pandemic crisis. The Bank has been committed to meet Customers needs over this period, continuing to support companies and families, namely in the challenges faced in every moment. In this sense, it is important to highlight the increase of the total amount of credit granted by the Bank, under the COVID-19 lines guaranteed by the Portuguese State, and also the agreements established with the European Investment Fund. It should be noted that these credit lines mainly support small and medium-sized Portuguese companies, allowing to reinforce the presence of the Bank in this segment. At the same time, the Bank maintains its focus on constant technological innovation, aiming to strengthening its digital capabilities, which are increasingly valued by customers. In this context, it is important to mention the continued growth of the customer base of the Bank, with special emphasis on mobile Customers, as well as external recognition, materialized in the various awards and distinctions that the Bank has received, and which also reflect its commitment to people and the Society.

On 29 June 2021, Banco Comercial Português, S.A. informed, by an announcement, that it had concluded on that day an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA (“Banque Privée”). The completion of the transaction is subject to the verification of the usual conditions for carrying out this type of transaction, including the non-opposition of the relevant local supervisory bodies. BCP estimates that the sale price and the (positive) impact on consolidated results for the current year, on a pro forma basis as of 31 March 2021, between 119 and 128 million euros and 41 and 50 million euros. These amounts are subject to adjustments arising from the evolution of assets under management and the activity of Banque Privée BCP (Suisse) SA, and will only be definitively fixed after the date of completion of the transaction. The sale of Banque Privée will allow the BCP Group to pursue the strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders. Following this agreement and as defined in IFRS5, the contribution of the Swiss subsidiary to the consolidated results of the Group is reflected as income from discontinued operations in the international activity and the historical information has been restated since January 2020, in order to ensure its comparability. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. was not changed compared to the criteria considered in the financial statements published in previous periods. In this context, and taking into account the immateriality of the balance sheet balances of the Swiss subsidiary in the Group, the calculation of the indicators relating the performance of the profit and loss account to the balance sheet items were not adjusted, with the exception of net interest margin, that reflects the fact that the assets of that subsidiary were no longer considered interest earning assets in the current period or in historical information.

During the first half of 2021, the Group changed the presentation of provisions booked by Bank Millennium for foreign exchange mortgage legal risk, that were previously recorded in liabilities in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", starting to recognize it as a reduction of the gross carrying amount of loans for which a decrease in future cash flows is expected according to IFRS 9 Financial Instruments. In this sense, the Group restated the financial information previously published for all periods beginning on 1 January 2020, reducing both the book value of the credit portfolio and other provisions presented under liabilities, compared to the financial position previously disclosed by the Group. Provisions according to the framework provided for in IAS 37 will be applied only regarding disputes related to already repaid receivables not included in the balance sheet of the Group. In addition, Bank Millennium changed the presentation of interest on derivatives not covered by formal hedge accounting in accordance with IFRS9. Bearing in mind that these instruments, although they are included in the trading book, are mainly settled in order to establish economic hedging against the risk of other financial assets or liabilities, the Polish subsidiary, from the first half of 2021, presents the interest as part of the net interest income, previously recorded as net trading income. In this sense, the financial statements of the Group published in previous periods were restated from 1 January 2020, in order to ensure the comparability of the information.

RESULTS

The consolidated **net income** of Millennium bcp stood at 59.5 million euros in the first nine months of 2021, below the 146.3 million euros achieved in the same period of the previous year. This evolution was determined by the performance of the international activity, strongly penalized by the significant increase of impairment and provisions booked for foreign exchange mortgage legal risk, by the Polish subsidiary. Net income of the activity in Portugal, in turn, increased from the amount reached in the first nine months of 2020, despite being strongly influenced by the recognition of a provision to staff costs, to cover headcount adjustment costs, following the current adjustment of the headcount. In addition to the main impacts mentioned, the evolution of the net income of the Group also reflects, albeit on a lower scale, the reduction in net trading income, in equity accounted earnings and in dividends from equity instruments. On the other hand, it should be noted the growth of core income, highlighting net commissions, the lower level of loans impairment and the evolution of other net operating income which were less negative than in the same period of 2020.

It should be noted that despite the extraordinary impact related to the provision for the adjustment of the headcount recognized as staff costs in the activity in Portugal, in the amount of 81.4 million euros, profit before impairments and provisions of the Group reached 854.7 million euros in the first nine months of 2021, standing slightly above (0.6%) the amount obtained in the same period of the previous year. It should be noted that, excluding this provision, considered as a specific item, and also excluding the remaining specific items[1] in both periods, profit before impairments and provisions of the Group grew 7.4% compared to the first nine months of 2020.

In the activity in Portugal, net income totaled 115.2 million euros till the end of September 2021, showing a 25.3% growth from the 91.9 million euros achieved in the same period of 2020. This evolution was, nevertheless, influenced by the recognition of the above-mentioned provision, in the amount of 81.4 million euros, to cover the costs of the ongoing staff adjustment plan, following the analysis of the needs of the Bank in relation to the existing capacity, also taking into account the adaptation of models and business processes to the new technologies. Although the need for adjustment of the headcount has already been identified under the Mobilising 2018/2021 strategic plan and this adjustment was foreseen for 2020, the emergence of the pandemic associated to COVID-19 and its effects on the economy and life of families led the Bank to postpone its implementation. The good performance of net income in the activity in Portugal, was mainly due to the increase of core income, to the reduction of loans impairment (net of recoveries), and to the positive evolution of net trading income. Although with less expression, other net operating income also were less negative than in the first nine months of 2020. Conversely, the performance of net income in the activity in Portugal was mainly influenced by the increase in other impairment and provisions compared to the first nine months of 2020. It should also be noted that, excluding specific items1, which incorporate the aforementioned provision to cover headcount adjustment costs, following the current adjustment of the headcount, operating costs reflect a 1.4% reduction in the period under review.

In the international activity, net income totaled a negative amount of 55.7 million euros in the first nine months of 2021, showing a significative decrease from the 54.4 million euros profit posted in the same period of the previous year. This evolution was mainly due to the contribution of the Polish subsidiary, which was determined by the reinforcement of impairments and provisions for legal risk associated with the mortgage loans granted in foreign exchange, which in the nine months of 2021 amounted to 313.5 million euros (net of the amount originated by the operations of Euro Bank S.A., to be reimbursed by Société Générale, S.A.), considerably above the 67.2 million euros recognized in the same period of the previous year. Additionally, the performance of net income of the Polish subsidiary also includes the negative impact arising from foreign exchange mortgage loans negotiations, recognized as net trading income. On the other hand, it should be noted the lower level of provision of the loan portfolio of the Polish subsidiary and the evolution of other net operating income which were less negative than in the same period of 2020, largely due to the amount received from Société Générale following the contract for the acquisition of Euro Bank S.A. associated with foreign exchange mortgage legal risk. At the same time, net income of the international activity was influenced, although not as significant, by the contribution of Banco Millennium Atlântico in Angola which was also lower than in the first nine months of 2020, while Millennium bim in Mozambique showed a similar net income to that of the same period of the previous year.

[1] The specific items referred to totaled 87.6 million euros in the first nine months of 2021, were fully recognised in the activity in Portugal and are mainly related to headcount adjustment costs, including the provision booked as a result of the current headcount adjustment that amounted to 81.4 million euros. In the first nine months of 2020, the specific items of the Group totaled 27.6 million euros, of which 15.8 million euros recognized in the activity in Portugal, associated with headcount adjustment costs and with compensation costs for the temporary adjustment of remuneration of the employees and 11.8 million euros recognized in the international activity, related to costs with the acquisition, merger and integration of Euro Bank S.A.

It is also important to mention that following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"), the contribution of this subsidiary to the results of the international activity and consequently to the consolidated net income of the Group (4.7 million euros in the first nine months of 2021 and 4.5 million euros in the same period of 2020) is reflected as income from discontinued operations and the historical information has been restated in order to ensure its comparability.

Consolidated **core operating profit** of Millennium bcp, reached 851.1 million euros, standing 1.4% above the amount recorded in the same period of the previous year. It should be noted that, excluding specific items1, core operating profit was 8.3% above the 866.7 million euros obtained in the first nine months of 2020, totalling 938.7 million euros by the end of September 2021, reflecting, on the one hand, the resilience of core income and, on the other hand, the favorable evolution of operating costs.

In the activity in Portugal, core operating profit (excluding specific items) stood 12.1% above the 483.9 million euros posted in the first nine months of 2020, reaching 542.7 million euros in the same period of the current year, mainly benefiting from the expansion of core income but also from the reduction in recurrent operating costs.

In the international activity, core operating profit (excluding specific items) amounted to 396.1 million euros in the first nine months of 2021, showing a 3.5% growth from the 382.7 million euros posted in the same period of the previous year.

Net interest income reached 1,168.6 million euros in the first nine months of 2021, evolving favourably from the 1,153.7 million euros posted in the same period of the previous year. This growth reflects the performance of the activity in Portugal, despite being largely offset by the reduction observed in the international activity, influenced by the reduction in the reference interest rates in Poland.

In the activity in Portugal, net interest income was 4.8% higher than the 591.2 million euros recorded until September 2020, amounting to 619.5 million euros in the first nine months of 2021. This performance was largely due to the significant reduction in the cost of funding, determined by the positive impact from the additional funding obtained from the European Central Bank, through the participation in the new targeted longer-term refinancing operation (TLTRO III). In addition to the increase in the amount of the aforementioned operation, first to 7,550 million euros in June 2020 and then to 8,150 million euros in March 2021, the Bank also benefited from a more favorable negative interest rate, to incentivize lending to the economy. At the same time, costs incurred with subordinated debt issue were lower than those recorded in the first nine months of 2020, reflecting the maturity of some debt issues during the period under review. The evolution of net interest income in the activity in Portugal also benefited from the reduction in the remuneration of the time deposit portfolio, despite the fact that there was an increase in the average balance of remunerated deposits from customers. On the other hand, historically low rates, continued to strongly influence the income generated by the performing loan portfolio, that in the first nine months of 2021 was lower than that recorded in the same period of the previous year. This situation was particularly noticeable in loans to households, since the income generated from loans granted to companies was slightly above that in the first nine months of 2020, benefiting from the increase in the volume of loans, including loans granted to companies under the credit lines guaranteed by the Portuguese State, following the pandemic caused by COVID-19. On the other hand, the significant pace of reduction of NPE and the lower gains in public debt calculated in the period under analysis contributed negatively to the evolution of net interest income.

In the international activity, net interest income amounted to 549.1 million euros in the first nine months of 2021, compared to 562.5 million euros recorded in the same period of the previous year. The Polish subsidiary was the main responsible for this evolution, influenced by the successive cuts in the reference interest rates imposed by the Polish Central Bank, in the first half of 2020, in response to the impacts from the COVID-19 pandemic, that moved the interest rates close to zero. At the same time, the performance of net interest income in the international activity is also penalised by the evolution of foreign exchange of the Zloty and the Metical against the euro.

Net interest margin of the Group went from 2.03% in the first nine months of 2020 to 1.91% in the same period of the current year, reflecting both the performance of the activity in Portugal and the international activity. In the activity in Portugal, net interest margin stood below the 1.55% recorded in the first nine months of 2020, amounting to 1.45% in the same period of 2021, pressed by the increase in balance sheet volumes, with increased weight of the liquidity buffer, by the negative interest rates context, by the greater weight of products with lower rates in credit production in the pandemic context as well as the lower interest income related to the reduction of the NPE portfolio. Net interest margin in the international activity, in turn, went from 3.01% in the first nine months of 2020, to 2.99% in the same period of 2021.

Equity accounted earnings together with **dividends from equity instruments**, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, totaled 43.0 million euros in the first nine months of 2021, compared to 59.0 million euros recorded in the same period of the previous year reflecting both the performance of the activity in Portugal and mainly the international activity.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments went from 48.5 million euros in the first nine months of 2020, to 43.9 million euros in the same period of 2021, mainly reflecting the performance of dividends from equity instruments, since they proved to be immaterial compared to the 4.0 million euros posted in the first nine months of 2020. Regarding equity accounted earnings, it should be noted that their evolution incorporates distinct dynamics. In this sense, the lower contribution generated by Millennium Ageas in the first nine months of 2021, due in large part to the extraordinary positive impact, resulting from the assessment of local insurance contract liabilities based on assumptions consistent with those used by the parent company in the first half of 2020, was largely offset by the increase in income generated by other participations, in particular by the participation in SIBS and Unicre.

In the international activity, equity accounted earnings together with dividends from equity instruments went from the positive amount of 10.5 million euros posted in the first nine months of 2020, to a negative amount of 0.9 million euros in the same period of the current year, due to the lower appropriation of results generated by Banco Millennium Atlântico in Angola, strongly influenced by the impacts of the economic situation of the country.

Net commissions[2] stood 7.2% above the 498.2 million euros obtained in the first nine months of 2021, reaching 534.2 million euros in the same period of the current year. The favourable evolution of net commissions occurred both in Portugal and in the international activity, regarding commissions related to the banking business and market related commissions, despite the impacts caused by the pandemic associated with COVID-19 in some types of commissions.

In the activity in Portugal, net commissions amounted to 376.6 million euros in the first nine months of 2021, showing an increase of 6.8% from the 352.5 million euros recorded in the same period of the previous year. Commissions related to the banking business stood 5.8% above the amount accounted in the first nine months of 2020, while market related commissions grew 12.7% in the period under review.

Till the end of September of the current year, commissions related to the banking business, in the activity in Portugal, totaled 318.2 million euros, with the increase from the 300.7 million euros posted in the same period of 2020, mainly due to the performance of transfers commissions, management and maintenance of accounts commissions and credit commissions. On the other hand, commissions directly related to cards stood below the amount posted in the same period of the previous year. Market related commissions in the activity in Portugal also increased, from 51.8 million euros in the first nine months of 2020, to 58.4 million euros in the same period of 2021, mainly due to the performance of commissions associated with the distribution of third party investment funds.

In the international activity, net commissions totaled 157.6 million euros in the first nine months of 2021, growing 8.2% from the 145.7 million euros obtained in the same period of 2020, essentially due to the performance of commissions related to the banking business in the Polish subsidiary and also, even on a smaller scale, in the subsidiary in Mozambique.

[2] During 2020, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts of such items are presented considering these reclassifications with the purpose of ensuring their comparability, with the total amount of net commissions remaining unchanged compared to those published in previous periods.

NET COMMISSIONS

Million euros

	9M21	9M20	Chan. % 21/20
BANKING COMMISSIONS	452.7	423.6	6.9%
Cards and transfers	131.0	116.3	12.7%
Credit and guarantees	114.3	109.5	4.5%
Bancassurance	87.3	90.7	-3.8%
Management and maintenance of accounts	110.9	97.6	13.6%
Other commissions	9.2	9.5	-3.4%
MARKET RELATED COMMISSIONS	81.5	74.6	9.3%
Securities	42.1	41.7	0.9%
Asset management	39.4	32.9	19.9%
TOTAL NET COMMISSIONS	534.2	498.2	7.2%
of which:			
Activity in Portugal	376.6	352.5	6.8%
International activity	157.6	145.7	8.2%

Net trading income stood at 71.0 million euros in the first nine months of 2021, that compares to 95.2 million euros recorded in the same period of the previous year, with this evolution being determined by the performance of the international activity, which fully absorbed the growth recorded in the activity in Portugal.

In the first nine months of 2021, net trading income in the activity in Portugal reached 64.1 million euros, standing 37.1% above the 46.8 million euros posted in the same period of the previous year. This performance was possible thanks to the lower costs recognized with the revaluation of corporate restructuring funds, that amounted to 38.3 million euros in the first nine months of 2021, compared to 66.9 million euros that had been accounted in the same period of the previous year, which incorporates mainly the impact of the review of the assumptions of the valuation of the underlying assets, following the adverse context caused by the COVID-19 pandemic. In addition, the good performance of net trading income also reflects the lower costs incurred with the sale of credits and higher gains, associated with the sale of securities compared to the amount posted in the same period of the previous year. Conversely, the evolution of net trading income was penalized by the fact that the significant gains from foreign exchange operations recognized in the first nine months of 2020, related to the foreign exchange coverage of the Group's stake in Poland, following the devaluation of the Zloty, were not repeated in the current year.

In the international activity, net trading income stood at 6.9 million euros in the first nine months of 2021, significantly below the 48.4 million euros recorded in the same period of the previous year. The performance of the Polish subsidiary was decisive in this evolution, influenced by the costs incurred in converting mortgage loans granted into Swiss francs, following the agreements closed in the meantime with customers holding those credits. The performance of net trading income in the Polish subsidiary also reflects the lower gains from the sale of bonds.

Other net operating income[3], which, among others, includes the costs associated with mandatory contributions as well as with the resolution and the deposit guarantee funds, showed a favorable evolution, from a negative amount of 143.3 million euros in the first nine months of 2020, to an also negative amount of 110.4 million euros in the same period of 2021. This evolution mainly reflects the good performance of the international activity, also benefiting, although on a smaller scale, from the performance of the activity in Portugal.

In the activity in Portugal, other net operating income reached a negative amount of 68.6 million euros in the first nine months of 2021, that compares to an also negative amount of 72.2 million euros recorded in the same period of the previous year. This evolution reflects, on the one hand the gains recognized from the

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

sale of non-current assets held for sale in the first nine months of 2021, which contrast with the losses generated in the same period of the previous year, and on the other hand the increase of 7.2 million euros in the costs incurred by mandatory contributions, which increased from 70.1 million euros, to 77.2 million euros in the same period. It should be worth noting that of the total mandatory contributions calculated by the end of September 2021, 56.2 million euros refers to mandatory contributions over the banking sector in Portugal and to the National Resolution Fund.

In the international activity, other net operating income3 showed a very favourable evolution, from a negative amount of 71.0 million euros in the first nine months of the year, to an also negative amount of 41.9 million euros recorded in the same period of the previous year. The Polish subsidiary was largely responsible for this evolution, reflecting mainly the reimbursement from Société Générale, S.A., in the amount of 32.8 million euros, following the acquisition contract of Euro Bank S.A. related to foreign exchange mortgage legal risk. At the same time, the reduction in costs with mandatory contributions to which the Polish operation is subject also contributed favourably to the evolution of other net operating income in the international activity.

Operating costs, not considering the effect of specific items[4], totaled 764.1 million euros in the first nine months of 2021, showing a 2.7% reduction from the 785.2 million euros recorded in the same period of the previous year. This evolution reflects the focus of the Group on the commitment made to improve efficiency, both in the activity in Portugal and in the international activity.

In the activity in Portugal, operating costs, not considering the effect of the specific items totaled 453.5 million euros in the first nine months of 2021, standing 1.4% below the 459.7 million euros accounted in the same period of 2020. The abovementioned specific items totaled 87.6 million euros in the first nine months of 2021 and 15.8 million euros in the same period of 2020, with the significant amount recognized until September of the current year mainly incorporating the impact of the ongoing adjustment to the headcount. The good performance of operating costs in the activity in Portugal, excluding specific items, was due to the savings in staff costs, since other administrative costs were at a similar level to that observed in the first nine months of 2020, and depreciation increased in the same period.

In the international activity, operating costs, excluding the effect of the specific items (11.8 million euros recognized by the Polish subsidiary in the first nine months of 2020, related to acquisition, merger and integration of Euro Bank S.A.), recorded a reduction of 4.5% from the 325.4 million euros accounted in the first nine months of 2020, standing at 310.6 million euros in the same period of 2021. The Polish subsidiary was primarily responsible for this performance, regarding staff costs and other administrative costs and depreciation. This evolution reflects, on the one hand, the impact of the synergies obtained after the merger with Euro Bank S.A. and on the other hand the effect of the efficiency improvement measures, among which stands out the significant reduction in the number of employees and branches.

In consolidated terms, the reduction in operating costs, together with the increase in core income and net operating revenues, allowed the cost to income and the cost to core income ratios of the Group, excluding specific items, to stand below the levels shown in the first nine months of 2020 (47.2% and 47.5%, respectively) reaching 44.8% and 44.9% respectively.

Staff costs showed a 3.7% reduction from the 447.1 million euros accounted in the first nine months of 2020, totaling 430.7 million euros in the same period of the current year, due to the favourable performance of both the activity in Portugal and the international activity. This evolution does not consider the effect of specific items in the amount of 87.6 million euros in the first nine months of 2021 and 22.8 million euros in the same period of the previous year. In the first nine months of 2021, the specific items are entirely related to the activity in Portugal being mainly associated to headcount adjustment costs. The amount referred to mainly includes the impact of the ongoing adjustment to the headcount, following the analysis of the Bank's needs in relation to existing capacity, also taking into account the adaptation of business models and processes to new technologies. It should be noted that this need for adjustment of the headcount had already been identified under the Mobilising 2018/2021 strategic plan and was expected to be implemented by 2020, having been postponed due to the effects of the COVID-19 pandemic on the economy and life of families. In the first nine months of 2020, the specific items incorporate, in addition to headcount adjustment costs, the costs of compensation for the temporary adjustment of staff remuneration of the

[4] Negative impact of 87.6 million euros in the first nine months of 2021, recognized as staff costs in the activity in Portugal, mainly related to headcount adjustment costs, including a provision to cover the costs related to the current adjustment of headcount, in the amount of 81.4 million euros. In the first nine months of 2020, the impact was also negative, in the amount of 27.6 million euros, of which 15.8 million euros related to headcount adjustments costs and compensation for temporary remuneration cuts, both recognized as staff costs in the activity in Portugal and 11.8 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (7.1 million euros as staff costs, 4.4 million euros as other administrative costs and 0.4 million euros as depreciation).

activity in Portugal and the costs of the acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary.

In the activity in Portugal, staff costs, showed a reduction of 3.3% compared to the 273.9 million euros posted in the first nine months of 2020, amounting to 264.9 million euros in the same period of the current year. This evolution does not consider the impact of specific items, in the amount of 87.6 million euros in the first nine months of 2021 and 15.8 million euros in the same period of 2020. In the first nine months of 2021, specific items include the provision accounted in June of the current year, associated to the ongoing headcount adjustment, in the amount of 81.4 million euros. The favourable evolution of staff costs in the activity in Portugal, excluding the impact of specific items, mainly reflects the reduction, in net terms, in the number of employees, that went from 7,152 employees as at 30 September 2020, to 6,511 employees as at 30 September 2021.

In the international activity, staff costs amounted to 165.8 million euros in the first nine months of 2021, showing a 4.3% reduction from the 173.1 million euros accounted in the same period of the previous year. The impact of the specific items, in the amount of 7.1 million euros, fully recognised by the Polish subsidiary in the first nine months of 2020, related to costs of the acquisition, merger and integration of Euro Bank S.A. are not being considered in this evolution.

The decrease of staff costs in the international activity was mainly due to the performance of the Polish subsidiary, namely to the impact associated with the continued reduction in the total number of employees, which went from 7,997 employees (7,846 FTE - full time equivalent) on 30 September 2020, to 7,172 employees (7,035 FTE – full-time equivalent) at the end of September 2021. This reduction occurred in a challenging context, marked by a sharp reduction in interest rates and the risks related to the mortgage loans portfolio in Swiss francs, that led the efficiency improvement to be accelerated.

Other administrative costs totaled 230.6 million euros in the first nine months of 2021, showing a reduction of 2.4% from the 236.2 million euros accounted in the same period of the previous year. This evolution does not consider the impact of specific items, fully recognized by the Polish subsidiary, in the first nine months of 2020, following the process of acquisition, merger and integration of Euro Bank S.A., in the amount of 4.4 million euros. The favourable evolution of other administrative costs in consolidated terms reflects the savings reached by the international activity, since in the activity in Portugal, these costs remain in line with the amounts recorded in the first nine months of 2020.

In the activity in Portugal, other administrative costs amounted to 128.4 million euros in the first nine months of 2021. Although they stood at a similar level to that of the same period of the previous year, other administrative costs incorporate different dynamics with regard to the evolution of the different headings, since the savings obtained in some components were fully absorbed by the increase in costs observed in others. In this sense, we highlight the reductions in costs associated with other supplies and services, water, energy and fuels, communications and travel, hotel and representation, largely reflecting the impacts arising from the pandemic associated with COVID-19. On the other hand, the gradual resumption of activity in 2021, the greater number of projects to be implemented and a greater activity of call centers led to an increase in costs associated with rents (mainly software), advertising, advisory services, outsourcing and legal expenses. At the same time, aiming a disciplined cost management, the Bank continues to implement a series of measures, including the resizing of the branch network, which decreased from 489 as at 30 September 2020 to 447 on 30 September 2021.

In the international activity, other administrative costs stood 4.8% below the 107.4 million euros recorded in the first nine months of 2020, totaling 102.2 million euros in the same period of 2021. This evolution does not consider the specific items recognized by the Polish subsidiary in the first nine months of 2020, in the amount of 4.4 million euros. The reduction of other administrative costs in the international activity essentially reflects the performance of the Polish subsidiary, whose ongoing restructuring measures allowed a set of synergies following the merger with Euro Bank S.A. Among the synergies obtained is the cost savings associated with the optimization of the branch network, whose total number decreased from the 726 existing as of September 30, 2020 to 665 at the end of September 2021.

Depreciations amounted to 102.8 million euros in the first nine months of 2021, standing slightly above the amount recorded in the same period of the previous year (+0.9%, excluding the specific items recognized by the Polish subsidiary in the first nine months of 2020, in the amount of 0.4 million euros). This evolution incorporates, however, distinct dynamics since the increase in the activity in Portugal fully offset the reduction achieved in the international activity.

In the activity in Portugal, depreciations totaled 60.2 million euros till September 2021, increasing 5.5% from the 57.0 million euros recorded in the same period of 2020. This evolution reflects essentially the increase in investment in software made during last years, showing the commitment of the Bank to the ongoing digital transformation and to technological innovation, that provided the Bank with the necessary capacity to face the challenges imposed by the impact of the pandemic associated with COVID-19.

In the international activity, depreciations amounted to 42.6 million euros in the first nine months of 2021, showing a reduction of 5.0% from the 44.9 million euros (excluding the specific items, in the amount of 0.4 million euros, recognized by the Polish subsidiary) posted in the same period of the previous year. This evolution was mainly due to the performance of the Polish subsidiary, that partially benefited from the synergies obtained following the integration of Euro Bank S.A. by Bank Millennium, S.A.

OPERATING COSTS (1)

Million euros

	9M21	9M20	Chan. % 21/20
Staff costs	430.7	447.1	-3.7%
Other administrative costs	230.6	236.2	-2.4%
Depreciation	102.8	101.9	0.9%
OPERATING COSTS	764.1	785.2	-2.7%
Of which:			
Portugal activity	453.5	459.7	-1.4%
International activity	310.6	325.4	-4.5%
Cost to core income of the Group	44.9 %	47.5 %	
Cost to income of the Group	44.8 %	47.2 %	

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) dropped 29.4% from the 374.2 million euros recognized in the first nine months of 2020, totaling 264.0 million euros at the end of September of the current year. The favourable evolution of impairment for loan losses was in both the activity in Portugal, where it decreased 21.8%, and in the international activity which reduction was of 47.0% in the period under analysis.

In the activity in Portugal, impairment for loan losses (net of recoveries) decreased from the 260.4 million euros posted in the first nine months of 2020, to 203.7 million euros in the same period of 2021. This reduction partly reflects the recognition of extraordinary impairments in the first nine months of 2020, in order to address the increased risks implicit to the adverse context that was experienced at that time, resulting from the pandemic associated with COVID-19. In this sense, the update carried out regarding the credit risk parameters considered for the purposes of calculating collective impairment led to the booking of additional charges in the amount of 71.7 million euros till the end of the third quarter of 2020. On the other hand, in the first nine months of 2021, there were extraordinary, unexpected positive impacts associated with the activity of an individual client that led to lower provisioning needs.

In the international activity, impairment charges (net of recoveries), stood at 60.3 million euros in the first nine months of 2021, comparing quite favourably to the 113.8 million euros recognized in the same period of the previous year. This evolution was mainly due to the performance of the Polish subsidiary, that reflects the improvement in the level of implicit risk in loans subject to moratoriums, which have since expired, and to the risk of customers, both individuals and companies. In addition, it is important to mention that the amount recognized by the Polish subsidiary in the first nine months of 2020 includes the extraordinary reinforcement of 15.7 million euros to cover the risks implicit to the COVID-19 pandemic, also contributing to the decrease in the period. The performance of the subsidiary in Mozambique also contributed, although less materially, to the good evolution of loans impairment in the international activity, benefiting from the reversal of the impairment associated with an individual client motivated by the assets received as payment in kind.

The evolution of impairment for loan losses (net of recoveries) in consolidated terms led the cost of risk of the Group (net of recoveries) to improve from the 90 basis points observed in the first nine months of 2020, to 60 basis points in the same period of 2021. The improvement in the cost of risk occurred both in the activity in Portugal, where it decreased from 90 basis points to 68 basis points, and in the international activity where there was a reduction from 88 basis points to 44 basis points in the same period.

Excluding the extraordinary impacts mentioned above (one-off reversals), both in the activity in Portugal and in the subsidiary in Mozambique, the cost of risk of the Group and of the activity in Portugal, at the end of September 2021, would be 69 basis points and 79 basis points, respectively.

Other impairments and provisions totaled 462.0 million euros by the end of September 2021, which compares to 176.4 million euros recorded in the same period of the previous year, reflecting the performance of both the activity in Portugal and the international activity.

In the activity in Portugal, other impairment and provisions increased from 72.3 million euros in the first nine months of 2020, to 103.3 million euros in the same period of the current year, strongly influenced by the reinforcement of provisions for other risks. Conversely, impairment for other assets and for other financial assets were lower than in the first nine months of 2020.

In the international activity, other impairment and provisions amounted to 358.7 million euros in the first nine months of 2021, more than doubling the 104.1 million euros posted in the same period of the previous year. The verified increase was largely due to the reinforcement in 346.3 million euros (67.2 million euros in the same period of 2020) of the extraordinary provision, booked by the Polish subsidiary for foreign exchange mortgage legal risk, reflecting the negative trends in court decisions, the inflow of new court cases and the more conservative assumptions applied in risk assessment. It is worth noting that in the first nine months of 2021, the impact of this provision was partially offset by the recognition of an income in the amount of 32.8 million euros (reflected in other net operating income), corresponding to the amount receivable from Société Générale, following the contract of acquisition of Euro Bank S.A. Conversely, the performance of other impairments and provisions in the Polish subsidiary was influenced by the additional charges, in the amount of 13.7 million euros which had been recognized in the first nine months of 2020 in order to cover the return of commissions charged to customers for the early repayment of consumer credit operations, following a decision taken by the Court of Justice of the European Union. In addition, although in a smaller size, the evolution of other impairment and provisions in the international activity reflects the lower impairment for the investment in the participation in Banco Millennium Atlântico (including goodwill).

Income tax (current and deferred) totaled 143.1 million euros in the first nine months of 2021, which compares to 121.6 million euros obtained in the same period of the previous year.

The recognized taxes include, in the first nine months of the year, current tax of 68.7 million euros (86.2 million euros in the first nine months of 2020) and deferred tax of 74.4 million euros (35.5 million euros in the first nine months of 2020).

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

Deferred tax expenses in the first nine months of 2021 mainly result from provisions and from mandatory contributions to the banking sector, both in the activity in Portugal, non-deductible for tax purposes.

BALANCE SHEET

Total assets of the consolidated balance sheet of Millennium bcp amounted to 91,463 million euros as at 30 September 2021, standing 6.4% above the 85,980 million euros recorded in the same date of the previous year, mainly reflecting the performance of the activity in Portugal.

Total assets in the activity in Portugal showed an increase of 4,864 million euros from the 60,257 million euros recorded at the end of September 2020, reaching 65,121 million euros as at 30 September 2021. This evolution was mainly due to the increase in securities portfolio, namely foreign public debt portfolio, corresponding to the existing liquidity surplus, allowing at the same time, the reinforcement of eligible assets. At the same time, the loans to customers portfolio (net of impairment) and deposits at Central Banks also stood at a higher level than in the previous year, contributing significantly to the increase of total assets. The most significant reductions, despite with a lesser magnitude, were in non-current assets held for sale, namely in the portfolio of real estate properties received as payment and other assets.

In the international activity, total assets amounted to 26,342 million euros as at 30 September 2021, standing 2.4% above the 25,723 million euros recorded in the same date of the previous year.

Consolidated **loans to customers (gross)** of Millennium bcp, as defined in the glossary, reached 58,336 million euros as at 30 September 2021, standing 4.0% above the 56,110 million euros achieved in the same date of 2020, due to the favourable performance of both the activity in Portugal and the international activity.

The good performance of loans to customers (gross) in the activity in Portugal resulted in an increase of 3.7% from the 38,558 million euros posted in 30 September 2020, reaching 39,998 million euros at the end of September 2021. It should be noted that this growth was possible despite the reduction of 771 million euros in NPE, following the successful disinvestment strategy in this type of assets, carried out by the Bank in recent years. In this sense, the growth of 2,211 million euros recorded in performing loans portfolio, more than offset the reduction mentioned, 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, and under the lines covered by the guarantees of the European Investment Fund, which allowed at the same time the reinforcement of the presence of the Bank with the Portuguese companies.

As at 30 September 2021, the total amount of credit granted by the Bank under the COVID-19 lines guaranteed by the Portuguese State was 2,632 million euros, representing an increase of 16.4% compared to the amount of 2,262 million euros which, at the end of 2020, the Bank had disbursed under these lines. It should be noted that the credit lines were made available mainly to small and medium-sized Portuguese companies, having allowed to support more than 18,000 customers. At the end of the third quarter of 2021 they represented about 7% of the total loan portfolio of the activity in Portugal.

Having lapsed, at the end of the first quarter, the deadline for applications to moratoriums following the reactivation promoted by the European Banking Authority on 2 December 2020 and the publication of Decree-Law No 107/2020 of 31 December 2020 and after the impact of the decrease in the value of exposures subject to moratorium in the Private Sector under the private moratorium, there was a reduction of greater magnitude with the end at the end of September of the State moratorium (Decree-Law 10-J/2020 of March 26 and subsequent amendments).

MORATORIUMS*

Euro million

	30 Sep. 21		30 Jun. 21	
	Active	Expired	Active	Expired
Families	106	3,995	3,269	934
Companies	624	4,026	4,066	711
Total	730	8,022	7,336	1,645

** Excludes extensions of grace periods on capital repayment and of maturity dates in loans operations that had benefited from guarantees from Mutual Guarantee Societies or Fundo de Contragarantia Mútuo, under the Decree-Law 22C/2021 of March 22.

The total amount of the portfolio subject to a moratorium that moves to the period after the end of September 2021 amounted to 730 million euros, showing a reduction of 90% and 91.6%, respectively, compared to the 7,336 million euros at the end of June 2021 and the 8,679 million euros recorded at the end of 2020.

The aforementioned significant decrease occurred both in the segment of households and of companies. From the total amount of moratoriums that remain active for October, 85% are related to credit operations contracted by companies and 15% by households.

In the international activity, loans to customers (gross) reached 18,339 million euros as at 30 September 2021, showing a 4.5% growth from the 17,552 million euros posted at the same date of the previous year, mostly reflecting the growth in the Polish subsidiary.

LOANS TO CUSTOMERS (GROSS)

Million euros

	30 Sep. 21	30 Sep. 20	Chan. % 21/20
INDIVIDUALS	**33,474**	**31,911**	**4.9%**
Mortgage	27,498	26,099	5.4%
Personal loans	5,976	5,812	2.8%
COMPANIES	**24,863**	**24,198**	**2.7%**
Services	8,724	8,570	1.8%
Commerce	4,261	4,037	5.6%
Construction	1,516	1,733	-12.5%
Others	10,362	9,859	5.1%
TOTAL	**58,336**	**56,110**	**4.0%**
Of which:			
Portugal activity	39,998	38,558	3.7%
International activity	18,339	17,552	4.5%
Loans to individuals/Total loans	57.4%	56.9%	
Loans to companies/Total loans	42.6%	43.1%	

The **quality of the credit portfolio** continues to be one of the priorities of the Group, that maintains the focus on the continuous improvement of risk control environment and on the permanent monitoring of the risk levels incurred, ensuring, at the same time, full compliance with regulatory and supervisory requirements and updating the internal regulations structure that is appropriate for risk management and control.

With the emergence of the pandemic associated with COVID-19, the Bank implemented a contingency plan to identify and measure the inherent credit risk, adopting operational measures to adequately respond to the impacts arising from the pandemic outbreak. In this sense, we must point out the development and deepening of the Customer follow-up model, with the aim of adequately respond to its impacts, namely the end of support measures for companies and individuals promoted by the Portuguese State. The approach defined by the Bank in this context involved setting up new areas/Task Forces to assess and monitor customer credit exposures and define and implement strategies suited to each specific case. The follow-up model assumes the segmentation of the entire Bank's loan portfolio, with the allocation of selected customers for follow-up to the different areas created in accordance with criteria approved by the Executive Committee, ensuring specific reports including reports to the Supervisory Entities and management bodies. At the same time there was an extension of the scope of the Credit and Non-Productive Assets Monitoring Committee to monitor the credit portfolio, with special focus on the impacts arising from the COVID-19 pandemic.

Despite the more unfavorable context arising from the pandemic, there is still a widespread improvement of the various loan quality indicators, highlighting the net reduction in the amount of the NPE portfolio, from 3,663 million euros on 30 September 2020, to 2,832 million euros at the end of September 2021 (-831 million euros, of which -771 million euros in Portugal).

The NPE ratio as a percentage of the total loan portfolio, also showed a favourable performance, from 6.5% on 30 September 2020, to 4.9% on the same date in 2021, highlighting the performance of the domestic loan portfolio, for which the NPE ratio decreased from 7.0% to 4.8% in the same period.

Coverage indicators, in turn, also showed a general improvement in the last year, highlighting the performance of the activity in Portugal, whose coverage level of NPE by impairments, increased from 60.9% at the end of September 2020, to 68.6% on the same date of 2021, with the coverage of NPL by more than 90 days, evolving from 122.1%, to 149.9% in the same period.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	Sep.21	Sep.20	Chan. % 21/20	Sep.21	Sep.20	Chan. % 21/20
STOCK (M€)						
Loans to customers (gross)	58,336	56,110	4.0%	39,998	38,558	3.7%
Overdue loans > 90 days	1,008	1,376	-26.7%	636	939	-32.3%
Overdue loans	1,129	1,497	-24.6%	650	957	-32.1%
Restructured loans	2,539	2,913	-12.8%	1,996	2,408	-17.1%
Non-performing loans (NPL) > 90 days	1,380	1,939	-28.8%	884	1,348	-34.4%
Non-performing exposures (NPE)	2,832	3,663	-22.7%	1,931	2,701	-28.5%
Loans impairment (Balance sheet)	1,923	2,277	-15.6%	1,324	1,646	-19.5%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	1.7%	2.5%		1.6%	2.4%	
Overdue loans / Loans to customers (gross)	1.9%	2.7%		1.6%	2.5%	
Restructured loans / Loans to customers (gross)	4.4%	5.2%		5.0%	6.2%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	2.4%	3.5%		2.2%	3.5%	
Non-performing exposures (NPE) / Loans to customers (gross)	4.9%	6.5%		4.8%	7.0%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	190.7%	165.5%		208.2%	175.3%	
Coverage of overdue loans	170.3%	152.1%		203.8%	171.9%	
Coverage of Non-performing loans (NPL) > 90 days	139.3%	117.4%		149.9%	122.1%	
Coverage of Non-performing exposures (NPE)	67.9%	62.2%		68.6%	60.9%	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	3.3%	4.5%		3.3%	4.9%	

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

Total customer funds amounted to 90,556 million euros as of September 30, 2021, 8.7% above the 83,284 million euros recorded on the same date of the previous year, driven by the performance of both the international activity and mainly the activity in Portugal, in both cases regarding balance sheet customer funds and off-balance sheet customer funds.

In consolidated terms, the growth in total customer funds mainly reflects the performance of deposits and other resources from customers that increased from 62,997 million euros as of September 30, 2020, to 68,321 million euros at the end of September 2021. At the same time, off-balance sheet customer funds also contributed to the good performance of total customer funds by evolving from 18,790 million euros to 20,693 million euros in the same period. The evolution of the off-balance sheet customer funds reflects the growth of both assets placed with customers and assets under management, partially offset by the reduction in insurance products (savings and investment).

In the activity in Portugal, total customer funds increased by 5,638 million euros from the 58,842 million euros on September 30, 2020, amounting to 64,480 million euros on the same date of the current year. This performance was largely due to the growth of 4,286 million euros recorded in deposits and other resources from customers, which reached 46,120 million euros at the end of the third quarter of 2021, reaffirming its weight in the assets financing structure. The growth of customer deposits reflects a greater trend of money saving by Portuguese families partly due to the feeling of insecurity brought up by the pandemic crisis, which also led to the postponement of some consumer decisions of durable goods. Off-balance sheet customer funds, in turn, also evolved favourably compared to the 15,600 million euros recorded on

September 30, 2020, setting at 16,827 million euros on the same date of 2021, reflecting the growth of assets placed with customers and assets under management, although this was partially absorbed by the reduction in insurance products (savings and investment).

In the international activity, total customer funds amounted to 26,076 million euros as of September 30, 2021, standing 1,633 million euros above the 24,442 million euros recorded on the same date of the previous year, reflecting the contribution of the Polish, Swiss and Mozambican branches. The performance of total customer funds in the international activity was driven mainly by the widespread growth of customer deposits and the increase in assets under management, in this case only in the Polish and Swiss subsidiaries.

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 82.6% on 30 September 2021, that compares to 85.5% at the end of September of the previous year. The same ratio, considering on-balance sheet customers' funds, went from 83.5% in 30 September 2020, to 80.7% in the same date of 2021.

TOTAL CUSTOMER FUNDS

Million euros

	30 Sep. 21	30 Sep. 20	Chan. % 21/20
BALANCE SHEET CUSTOMER FUNDS	**69,863**	**64,494**	**8.3%**
Deposits and other resources from customers	68,321	62,997	8.5%
Debt securities	1,542	1,498	2.9%
OFF-BALANCE SHEET CUSTOMER FUNDS	**20,693**	**18,790**	**10.1%**
Assets under management	7,297	5,733	27.3%
Assets placed with customers (*)	6,333	4,738	33.7%
Insurance products (savings and investment)	7,063	8,319	-15.1%
TOTAL	**90,556**	**83,284**	**8.7%**
Of which:			
Portugal activity	64,480	58,842	9.6%
International activity	26,076	24,442	6.7%
Balance sheet customer funds/Total customer funds	77.1 %	77.4 %	
Deposits and other resources from customers/Total customer funds	75.4 %	75.6 %	

(*) Excludes assets under management.

The securities portfolio of the Group, as defined in the glossary, stood at 21,614 million euros as at 30 September 2021, showing an increase of 9.4% from the 19,759 million euros recorded in the same date of the previous year, with its weight representing 23.6% of total assets(23.0% as at 30 September 2020).

The performance of the securities portfolio of the Group was mainly due to the increase in the activity in Portugal, whose balance increased from 13,473 million euros at the end of September 2020, to 15,868 million euros as of September 30, 2021, reflecting the strengthening of foreign sovereign debt portfolios (French, Belgian and Irish), possible thanks to the existing liquidity surplus.

On the other hand, the securities portfolio of the international activity showed a reduction from the 6,286 million euros posted on 30 September 2020, standing at 5,746 million euros on the same date of 2021. This evolution was mainly due to the disinvestment in Polish public debt by the subsidiary in Poland, although this impact was partially offset by the increase in the securities portfolio of the subsidiary in Mozambique in the same period.

Business Areas

Activity per Segments

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

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

(*) From 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 re-calculated, considering the replacement of the equity book values by the amounts assigned through the allocation process, based on the regulatory solvency criteria.

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

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

Operating costs related to the business segments do not include restructuring costs and other costs considered as specific items recorded in 2021 and 2020, respectively.

The information presented below for the individually more relevant business areas in Portugal and aggregately for the international activity was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 30 September 2021. In this context, it should be noted that, following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A., the contribution of this subsidiary to the net income of the Foreign Business segment is reflected as income from discontinued operations, and the historical information has been restated in order to ensure its comparability.

RETAIL

Million euros

RETAIL BANKING in Portugal	30 Sep. 21	30 Sep. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	335	378	-11.2%
Other net income	314	292	7.5%
	649	670	-3.0%
Operating costs	352	350	0.5%
Impairment and provision	54	45	22.4%
Income before tax	243	275	-11.7%
Income taxes	76	84	-10.0%
Income after tax	167	191	-12.5%
SUMMARY OF INDICATORS			
Allocated capital	1,202	1,235	-2.6%
Return on allocated capital	18.5%	20.6%	
Risk weighted assets	9,978	10,014	-0.4%
Cost to income ratio	54.2%	52.3%	
Loans to Customers (net of impairment charges)	24,643	23,273	5.9%
Balance sheet Customer funds	35,770	32,610	9.7%

Notes:

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

Income

As at 30 September 2021, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 167 million, showing a 12.5% decrease compared to Euros 191 million in the same period of 2020, penalized mainly by lower net operating revenues, essentially constrained by the negative evolution of the interest rates. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income reached Euros 335 million as at 30 September 2021, reducing 11.2% compared to the previous year (Euros 378 million), mainly influenced by lower income arising from the internal placements of the excess liquidity.
- Other net income reached Euros 314 million as at 30 September 2021, showing an increase of 7.5% compared to the amount attained in the same period of the previous year. This evolution mainly reflects the favourable performance of commissions, as gains with certificates recorded in net trading income were lower than the amount achieved in the previous year. It is worth noting market commissions, which grew when compared to the same period of the previous year, driven by commissions associated with the placement of third-party investment funds and commissions from exchange and brokerage transactions.
- Operating costs presented a slightly increase of 0.5% from the amounts recognized in the same period of the previous year, reflecting, on the one hand, the progressive reduction in the number of employees and, on the other hand, the increase, albeit only slightly, in other administrative costs and depreciations, in this case as a result of the increase in investment in software that has been made in recent years.
- Impairment charges amounted to Euros 54 million by the end of September 2021, increasing 22.4% compared to the amount of Euros 45 million recorded in September 2020, reflecting namely the impact of the downgrade of the credit risk parameters considered in the impairment calculation model, which had been updated in 2020, due to the deterioration of the macroeconomic scenario, as a consequence of the crisis caused by the COVID-19 pandemic.
- In September 2021, loans to customers (net) totalled Euros 24,643 million, 5.9% up from the position at the end of the third quarter of 2020 (Euros 23,273 million), while balance sheet customer funds increased by 9.7% in the same period, amounting to Euros 35,770 million by the end of September 2021 (Euros 32,610 million at the end of the first nine months of the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING in Portugal	30 Sep. 21	30 Sep. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	193	187	3.1%
Other net income	103	99	4.6%
	296	286	3.6%
Operating costs	88	94	-5.5%
Impairment and provision	105	198	-47.1%
Income before tax	103	-6	
Income taxes	32	-3	
Income after tax	71	-3	
SUMMARY OF INDICATORS			
Allocated capital	1,249	1,274	-2.0%
Return on allocated capital	7.6%	-0.4%	
Risk weighted assets	10,636	11,106	-4.2%
Cost to income ratio	29.9%	32.8%	
Loans to Customers (net of impairment charges)	12,261	12,927	-5.1%
Balance sheet Customer funds	9,163	8,111	13.0%

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 reached an income after tax of Euros 71 million in September 2021, compared to a loss of Euros 3 million posted in the same period of 2020. Despite the favourable performance of this segment, net income achieved remains constrained by the progressive implementation of non-performing exposures reduction plan, with an impact on the volumes of the loan portfolio and on its levels of impairment charges. In 2021 the performance of this segment is explained by the following changes:

- Net interest income stood at Euros 193 million as at 30 September 2021, 3.1% above the amount attained in the previous year (Euros 187 million). The reduction in the cost of internal funding and also in the interest rates of term deposits contributed favourably to the net interest income evolution, which ended up being partially offset by lower income arising from the loan portfolio, as a consequence of the lower level of average interest rates. It should be noted that, despite the growth of the credit portfolio with the loans granted under the credit lines backed by the Portuguese Government and under the agreements with the European Investment Fund, the margin of the credit portfolio continues to be under pressure by the current macroeconomic context characterized by a persistent low interest rate scenario.

- Other net income reached Euros 103 million in September 2021, being 4.6% higher compared to the amount achieved in September 2020, which is mainly explained by the positive impact of commissions, benefiting, on one hand, by the reduction in commissions paid linked to guarantees received and, on the other hand, by an increase on fees related to wire transfers.

- Operating costs totalled Euros 88 million by the end of September 2021, 5.5% down from the overall amount of costs recorded in the same period of the previous year. This decrease is mainly driven by lower staff costs, largely reflecting the reduction in the average number of employees.

- Impairments showed a 47.1% drop, decreasing from Euros 198 million in September 2020 to Euros 105 million in September 2021. This favourable evolution reflects, on one hand, the extraordinary reinforcement of impairments that had been carried out in the first nine months of 2020, following the context of the economic crisis caused by the COVID-19 pandemic and, on the other hand, the non-recurrent positive impacts associated with the activity of a single name exposure that led to lower impairment needs in the first nine months of 2021.

- As at September 2021, loans to customers (net) totalled Euros 12,261 million, decreasing 5.1% from the position in September 2020 (Euros 12,927 million), reflecting, on one hand, the Bank's positive performance in granting credit under the credit lines guaranteed by the Portuguese State and, on the other hand, the impact of reduction of the non-performing exposures. Balance sheet customer funds reached Euros 9,163 million, 13.0% above the amount recorded in September 2020, in particular through the expansion of the client's deposits base.

PRIVATE BANKING

Million euros

PRIVATE BANKING in Portugal	30 Sep. 21	30 Sep. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	3	11	-70.6%
Other net income	26	20	28.6%
	29	31	-6.1%
Operating costs	13	16	-17.6%
Impairment and provision	-3	-1	134.2%
Income before tax	19	16	17.0%
Income taxes	6	5	17.0%
Income after tax	13	11	17.0%
SUMMARY OF INDICATORS			
Allocated capital	77	73	6.3%
Return on allocated capital	23.0%	20.9%	
Risk weighted assets	652	612	6.4%
Cost to income ratio	45.1%	51.3%	
Loans to Customers (net of impairment charges)	317	273	16.0%
Balance sheet Customer funds	2,631	2,408	9.3%

Notes:

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

Income

Income after tax from Private Banking business in Portugal, computed according to the geographic segmentation perspective, totalled Euros 13 million in September 2021, showing an increase of 17.0% compared to the net profit posted in the same period of 2020 (Euros 11 million), mainly due to the favourable evolution of operating costs and impairment. Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Net operating revenues stood at Euros 29 million in September 2021, 6.1% down from the previous year (Euros 31 million). This reduction is explained by the unfavourable performance of net interest income, partially offset by the increase observed in other net income. Net interest income totalled Euros 3 million in September 2021, comparing to Euros 11 million reached in September 2020, penalized by lower income arising from the internal placements of the excess liquidity, despite lower costs incurred with term deposits. Other net income amounted to Euros 26 million in September 2021, reflecting an increase of 28.6% compared to the same period of the previous year, mainly driven by higher commissions from asset management activity and from exchange and brokerage transactions, but also by the increase in wire transfer fees and in commissions linked to distribution of third-party investment funds.

- Operating costs amounted to Euros 13 million in September 2021, below the operating costs recorded in 2020 (Euros 16 million), reflecting a decreasing trend.

- Impairment impacted positively the profit and loss account, with reversals reaching Euros 3 million in the first nine months of 2021, while in the same period of the previous year, reversals attained Euros 1 million.

- Loans to customers (net) amounted to Euros 317 million by the end of September 2021, showing an increase of 16.0% compared to figures accounted in the same period of the previous year (Euros 273 million), while balance sheet customer funds grew 9.3% during the same period, from Euros 2,408 million in September 2020 to Euros 2,631 million in September 2021, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Million euros

FOREIGN BUSINESS	30 Sep. 21	30 Sep. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	549	562	-2.3%
Other net income (*)	122	134	-8.9%
	671	696	-3.6%
Operating costs	311	337	-7.9%
Impairment and provision	419	218	92.4%
Income before tax	-59	141	-141.8%
Income taxes	71	55	28.9%
Income after tax from continuing operations	-130	86	
Income from discontinued operations	5	4	5.8%
Income after income tax	-125	90	
SUMMARY OF INDICATORS			
Allocated capital (**)	2,817	2,957	-4.7%
Return on allocated capital	-5.9%	4.1%	
Risk weighted assets	16,958	15,648	8.4%
Cost to income ratio	46.3%	48.5%	
Loans to Customers (net of impairment charges)	17,740	16,921	4.8%
Balance sheet Customer funds	22,209	21,252	4.5%

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

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

Income

Income after tax from Foreign Business, computed in accordance with the geographic perspective, posted losses of Euros 125 million in September 2021, reversing the last year's performance, when a profit of Euros 90 million was achieved in the first nine months of 2020. This evolution is mostly explained by the impairment and provision charges and, although to a lesser extent, by the decrease in net operating revenues.

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

- Net interest margin stood at Euros 549 million in September 2021, which compares to Euros 562 million achieved in September 2020. Excluding the impact arising from the foreign exchange effects, it would have increased 0.3%, reflecting mainly the positive performance of the subsidiary in Mozambique, being attenuated by the performance of the subsidiary in Poland, mostly penalized by the successive cuts in the reference interest rates implemented by the Polish Central Bank in 2020.

- Other net income slightly decreased by 8.9% compared to the first nine months of 2020. Excluding foreign exchange effects, other net income would have dropped 5.1%, mainly reflecting the lower appropriation of results generated by Banco Millennium Atlântico in Angola, strongly influenced by the impacts of the economic situation of the country, being mitigated by the positive performance of the Mozambican subsidiary, highlighting, at the level of this subsidiary, the increase in banking commissions, in particular those referring to transfer fees, and higher gains related to exchange transactions in net trading income.

- Operating costs amounted to Euros 311 million as at 30 September 2021, 7.9% down from September 2020. Excluding foreign exchange effects, operating costs would have dropped 5.3%, mainly influenced by the operation in Poland, which continues to reflect, in part, the positive impact of the synergies obtained after the merger with Euro Bank S.A.

- Impairment and provision charges at the end of September of 2021 presented a substantial increase compared to figures reported in the same period of 2020, reflecting mainly the additional extraordinary provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary, amounting to Euros 346 million (Euros 67 million in the first nine months of 2020). Credit impairment showed a favourable evolution against the first nine months of 2020, which had included the impact of additional provisions related to risks from COVID-19 pandemic, recorded both by the Polish and Mozambican subsidiaries.

- Loans to customers (net) stood at Euros 17,740 million at the end of September 2021, above the amount attained as at 30 September 2020 (Euros 16,921 million). Excluding foreign exchange effects, the loan portfolio increased 5.9%, benefiting from the growth achieved by the Polish subsidiary. The Foreign business' balance sheet customer funds increased 4.5% from Euros 21,252 million reported as at 30 September 2020 to Euros 22,209 million as at 30 September 2021. Excluding the foreign exchange effects, balance sheet customer funds increased 5,0%, mainly driven by the performance of the subsidiary in Poland, but also, although to a lesser extent, by the subsidiary in Mozambique.

Liquidity Management

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 264% at the end of September 2021, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity. The Liquidity Coverage Ratio stood significantly above the one on the same date of the previous year (243%) which already reflected a high coverage level.

In consistent with the BCBS' stable funding standard, in June 2021, came into effect the minimum regulatory requirement of 100% for the NSFR (Article 428 of Regulation (EU) 2019/876). The Group reinforced the disposition of the stable 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 2021 to stand at 147% (140% as at 30 September 2020).

The period between 30 September 2020 and 30 September 2021 showed a significant growth in the deposits base of the three main operations of the Group, supported mainly by the growth in the retail segment, thus extending the trend started right after the outbreak of the COVID-19 crisis, in March of last year.

With impact on the strengthening of the medium-long-term financing component, and after the ECB's decision to extend the use of the Targeted Extended Term Refinancing Operation III (“TLTRO III”) to 55% of loans eligible, BCP took in the first quarter of 2021 an additional tranche of 600 million euros, in addition to the 7.55 billion euros taken in June 2020, thus raising the total gross amount taken to 8.15 billion euros in this instrument.

Also within the same scope, BCP benefited from the favourable market conditions prevailing during the first quarter of 2021 to anticipate the execution of a senior preferred issue in the amount of 500 million euros, foreseen in the Liquidity Plan only for the third quarter of 2021, to fulfil the requirements designated as “MREL”.

At the end of the third quarter, but only with settlement in October 2021, BCP placed, under its Euro Note Programme and in the amount of 500 million euros, the first issue carried out by a Portuguese issuer of securities representing senior preferred social debt. It is also the first issue carried out by the Bank in the ESG (Environmental, Social and Governance) segment, focusing on the social component. Thus, the net proceeds of the issue will be used as a priority to finance and/or refinance loans granted by the Bank under the COVID-19 lines, according to the terms of its Green, Social and Sustainability Bond Framework. This is a clear demonstration of the commitment assumed by Millennium bcp in supporting the economy, especially in financing the micro and small and medium-sized companies most affected by the recent pandemic context. The issue will have a term of 6.5 years, with an early repayment option by the Bank at the end of 5.5 years. The issue is part of the financing plan defined by the Bank within the scope of its Strategic Plan 2021-24, specifically aimed at meeting the requirements of the MREL (Minimum Requirements for Own Funds and Eligible Liabilities). It also serves the strategy of strengthening its presence in the capital markets and broadening its investor base, which in this case involved a diverse set of European institutional investors, many of whom are committed to ESG investments.

The liquidity generated by the operations described above, added to that resulting from the sustained reduction in the commercial gap in Portugal, due to the growth of customer deposits, continued to be applied to support the real economy and, given its materiality, to the reinforcement in 2.4 billion euros in the securities portfolio in Portugal and an increase of 1.6 billion euros (to 4.4 billion euros) in reserves deposited with Banco de Portugal.

The placements in securities, mainly concentrated in sovereign debt portfolios, contributed to an increase of 2.7 billion euros in the balance of eligible assets available for discount at the ECB, to 25.2 billion euros. Taking into account that net funding from the ECB, in the same period, decreased 1.1 billion euros, to 3.8 billion euros, the discountable liquidity buffer with the ECB increased by 3.8 billion euros, to 21.4 billion euros.

The ECB's response to the COVID-19 crisis involved, in addition to providing additional liquidity to the banking system through the creation of the aforementioned LTRO III, a transversal reduction in haircuts applicable to all types of assets eligible for discount, in the case of portfolios of credit rights on a permanent basis. Unless otherwise decided by that entity, the temporary measures should be in force until June 30, 2022, and its reversal is not expected to have material consequences on the size of the buffer held by BCP with the ECB, given its current magnitude.

Between 30 September 2020 and 30 September 2021, the liquidity positions of Bank Millennium

(Poland) and Millennium bim (Mozambique), the two main subsidiaries of BCP, showed a favorable evolution, with the reinforcement of the respective deposit bases allowing the growth of the discountable liquidity buffers at the respective central banks. As a result, both are positioned in the comfort zone of the liquidity risk indicators adopted across the Group, as well as in all regulatory indicators.

In consolidated terms, the refinancing risk of medium-long-term instruments will remain at very low levels in the coming years, given that it will only reach 1.0 billion euros in 2022. Even in this case, it will involve the payment of an issue of covered bonds in that exact amount, whose collateral will be integrated into the discountable liquidity buffer at the ECB after the repayment, thus meaning a negligible loss of liquidity.

Capital

The estimated CET1 ratio as at 30 September 2021 stood at 11.9% in phased-in and at 11.8% in fully implemented, reflecting a change of -49 and -54 basis points, respectively, compared to the 12.4% phased-in and fully implemented, reported in the same period of 2020 and above the minimum ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2021 (CET1 8.828%, T1 10.750% and Total 13.313%).

The evolution of capital ratios in the period was significantly impacted by the increase in provisioning for legal risks associated with foreign currency loans of Bank Millennium in Poland, as well as by the headcount adjustment costs in Portugal. Despite these negative impacts, the ratios would have maintained similar levels to those recorded in the same period of the previous year, save for the asymmetric treatment in terms of regulatory capital of deviations arising from changes in the discount rate of the Pension Fund's liabilities. Therefore, the CET1 ratio decreased from the figure presented in the same period of 2020, standing below the bank's medium-term goals, without jeopardizing the prospect of convergence towards such goals.

SOLVENCY RATIOS

Euro million

	30 Sep. 21	30 Sep. 20
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,514	5,703
Tier 1	6,047	6,234
Total Capital	**7,080**	**7,260**
Risk weighted assets	**46,649**	**46,138**
Solvency ratios		
CET1	11.8%	12.4%
Tier 1	13.0%	13.5%
Total capital	15.2%	15.7%
PHASED-IN		
CET1	11.9%	12.4%

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

On 2 November 2021, BCP announced the sale of the entire share capital of Banque Privée BCP (Suisse) SA for approximately 113 million of CHF, with an estimated positive impact on the consolidated CET1 ratio of 15 basis points and on the total capital ratio of 17 basis points, based on September 30, 2021 figures.

Strategic Plan 2021-2024

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Targets for 2024

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

Our aspiration can be synthesised as:

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

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

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

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

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

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

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

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

Ambitious goals aligned with strategic priorities — Group level

	9M 2021	2024
C/I ratio	50% (45% excluding non-usual costs)	~40%
Cost of risk	60 bp (69 bp excluding one-off reversals)	~50 bps
ROE	1.4%	~10%
CET1 ratio	11.8% (12.0% pro forma*)	>12.5%
NPE ratio	4.9%	~4%
Share of mobile customers	55%	>65%
Growth of high engagement customers** (vs. 2020)	+3%	+12%
Average ESG rating***	75%	>80%

*Including expected impact of ongoing sale of operation and unaudited net income for the first 9 months of 2021.
**Active Customers with card transactions in the previous 90 days or funds > €100 (>MZM 1,000 in Mozambique)
***Average of Top 3 indices (DJSI, CDP and MSCI) | NPE include loans to Customers only.

Consolidated financial statements

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Sep. 21	Sep. 20	Chg 21/20	Sep. 21	Sep. 20	Chg 21/20	Sep. 21	Sep. 20	Chg 21/20
INCOME STATEMENT									
Net interest income	1,168.6	1,153.7	1.3%	619.5	591.2	4.8%	549.1	562.5	-2.4%
Dividends from equity instruments	0.9	4.8	-81.7%	0.1	4.0	-97.1%	0.8	0.8	-5.4%
Net fees and commission income	534.2	498.2	7.2%	376.6	352.5	6.8%	157.6	145.7	8.2%
Net trading income	71.0	95.2	-25.4%	64.1	46.8	37.1%	6.9	48.4	-85.8%
Other net operating income	(110.4)	(143.3)	22.9%	(68.6)	(72.2)	5.1%	(41.9)	(71.0)	41.1%
Equity accounted earnings	42.1	54.2	-22.3%	43.8	44.5	-1.6%	(1.7)	9.7	-117.5%
Net operating revenues	**1,706.4**	**1,662.7**	**2.6%**	**1,035.6**	**966.7**	**7.1%**	**670.8**	**696.0**	**-3.6%**
Staff costs	518.3	469.9	10.3%	352.6	289.7	21.7%	165.8	180.2	-8.0%
Other administrative costs	230.6	240.6	-4.1%	128.4	128.8	-0.3%	102.2	111.8	-8.5%
Depreciation	102.8	102.2	0.5%	60.2	57.0	5.5%	42.6	45.2	-5.7%
Operating costs	**851.7**	**812.7**	**4.8%**	**541.1**	**475.5**	**13.8%**	**310.6**	**337.2**	**-7.9%**
Operating costs excluding specific items	764.1	785.2	-2.7%	453.5	459.7	-1.4%	310.6	325.4	-4.5%
Profit before impairment and provisions	**854.7**	**850.0**	**0.6%**	**494.5**	**491.2**	**0.7%**	**360.2**	**358.8**	**0.4%**
Loans impairment (net of recoveries)	264.0	374.2	-29.4%	203.7	260.4	-21.8%	60.3	113.8	-47.0%
Other impairment and provisions	462.0	176.4	161.9%	103.3	72.3	42.8%	358.7	104.1	>200%
Profit before income tax	**128.6**	**299.4**	**-57.0%**	**187.5**	**158.4**	**18.4%**	**(58.9)**	**140.9**	**-141.8%**
Income tax	143.1	121.6	17.7%	72.0	66.4	8.4%	71.1	55.2	28.8%
Current	68.7	86.2	-20.2%	8.3	10.4	-20.4%	60.5	75.8	-20.2%
Deferred	74.4	35.5	109.8%	63.7	56.0	13.8%	10.7	(20.6)	151.8%
Income after income tax from continuing operations	**(14.5)**	**177.7**	**-108.2%**	**115.5**	**92.0**	**25.5%**	**(130.1)**	**85.7**	**<-200%**
Income arising from discontinued operations	4.7	4.5	5.8%	–	–	–	4.7	4.5	5.8%
Non-controlling interests	(69.3)	35.9	<-200%	0.3	0.1	139.2%	(69.6)	35.8	<-200%
Net income	**59.5**	**146.3**	**-59.3%**	**115.2**	**91.9**	**25.3%**	**(55.7)**	**54.4**	**<-200%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	91,463	85,980	6.4%	65,121	60,257	8.1%	26,342	25,723	2.4%
Total customer funds	**90,556**	**83,284**	**8.7%**	**64,480**	**58,842**	**9.6%**	**26,076**	**24,442**	**6.7%**
Balance sheet customer funds	**69,863**	**64,494**	**8.3%**	**47,653**	**43,242**	**10.2%**	**22,209**	**21,252**	**4.5%**
Deposits and other resources from customers	68,321	62,997	8.5%	46,120	41,834	10.2%	22,201	21,162	4.9%
Debt securities	1,542	1,498	2.9%	1,533	1,408	8.9%	9	90	-90.4%
Off-balance sheet customer funds	**20,693**	**18,790**	**10.1%**	**16,827**	**15,600**	**7.9%**	**3,866**	**3,190**	**21.2%**
Assets under management	7,297	5,733	27.3%	4,398	3,469	26.8%	2,899	2,265	28.0%
Assets placed with customers	6,333	4,738	33.7%	5,785	4,233	36.7%	548	505	8.5%
Insurance products (savings and investment)	7,063	8,319	-15.1%	6,644	7,898	-15.9%	419	421	-0.3%
Loans to customers (gross)	**58,336**	**56,110**	**4.0%**	**39,998**	**38,558**	**3.7%**	**18,339**	**17,552**	**4.5%**
Individuals	**33,474**	**31,911**	**4.9%**	**20,225**	**19,413**	**4.2%**	**13,249**	**12,498**	**6.0%**
Mortgage	27,498	26,099	5.4%	18,136	17,346	4.6%	9,362	8,753	7.0%
Personal Loans	5,976	5,812	2.8%	2,089	2,067	1.1%	3,886	3,746	3.8%
Companies	**24,863**	**24,198**	**2.7%**	**19,773**	**19,145**	**3.3%**	**5,090**	**5,054**	**0.7%**
CREDIT QUALITY									
Total overdue loans	1,129	1,497	-24.6%	650	957	-32.1%	479	539	-11.1%
Overdue loans by more than 90 days	1,008	1,376	-26.7%	636	939	-32.3%	372	437	-14.8%
Overdue loans by more than 90 days / Loans to customers	1.7%	2.5%		1.6%	2.4%		2.0%	2.5%	
Total impairment (balance sheet)	1,923	2,277	-15.6%	1,324	1,646	-19.5%	598	631	-5.1%
Total impairment (balance sheet) / Loans to customers	3.3%	4.1%		3.3%	4.3%		3.3%	3.6%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	190.7%	165.5%		208.2%	175.3%		160.9%	144.4%	
Non-Performing Exposures	2,832	3,663	-22.7%	1,931	2,701	-28.5%	901	962	-6.3%
Non-Performing Exposures / Loans to customers	4.9%	6.5%		4.8%	7.0%		4.9%	5.5%	
Total impairment (balance sheet) / NPE	67.9%	62.2%		68.6%	60.9%		66.4%	65.6%	
Restructured loans	2,539	2,913	-12.8%	1,996	2,408	-17.1%	543	505	7.5%
Restructured loans / Loans to customers	4.4%	5.2%		5.0%	6.2%		3.0%	2.9%	
Cost of risk (net of recoveries, in b.p.)	60	90		68	90		44	88	

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2021 AND 2020

	30 September 2021	30 September 2020 (restated)
Interest and similar income	1,255,371	1,395,974
Interest expense and similar charges	(86,763)	(242,323)
NET INTEREST INCOME	1,168,608	1,153,651
Dividends from equity instruments	870	4,750
Net fees and commissions income	534,236	498,163
Net gains/(losses) from financial operations at fair value through profit or loss	(20,533)	(47,188)
Net gains/(losses) from foreign exchange	20,337	82,072
Net gains/(losses) from hedge accounting operations	4,361	(4,011)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	(3,039)	(14,958)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	69,889	79,321
Net gains/(losses) from insurance activity	7,076	7,978
Other operating income/(losses)	(122,022)	(146,965)
TOTAL OPERATING INCOME	1,659,783	1,612,813
Staff costs	518,332	469,910
Other administrative costs	230,611	240,592
Amortisations and depreciations	102,804	102,242
TOTAL OPERATING EXPENSES	851,747	812,744
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	808,036	800,069
Impairment of financial assets at amortised cost	(266,267)	(377,322)
Impairment of financial assets at fair value through other comprehensive income	(7,199)	(13,552)
Impairment of other assets	(41,268)	(50,371)
Other provisions	(411,331)	(109,381)
NET OPERATING INCOME	81,971	249,443
Share of profit of associates under the equity method	42,128	54,236
Gains/(losses) arising from sales of subsidiaries and other assets	4,511	(4,307)
NET INCOME BEFORE INCOME TAXES	128,610	299,372
Income taxes		
Current	(68,741)	(86,161)
Deferred	(74,404)	(35,468)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	(14,535)	177,743
Income arising from discontinued or discontinuing operations	4,747	4,487
NET INCOME AFTER INCOME TAXES	(9,788)	182,230
Net income for the period attributable to:		
Bank's Shareholders	59,469	146,292
Non-controlling interests	(69,257)	35,938
NET INCOME FOR THE PERIOD	(9,788)	182,230
Earnings per share (in Euros)		
Basic	0.002	0.011
Diluted	0.002	0.011

The balances for the first nine months of 2020 were restated under the changes in accounting policies described in note 54 and in the classification of Banque Privée as a discontinuing operation, as detailed in note 53.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2021 AND 31 DECEMBER 2020

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
ASSETS		
Cash and deposits at Central Banks	5,557,434	5,303,864
Loans and advances to credit institutions repayable on demand	411,776	262,395
Financial assets at amortised cost		
Loans and advances to credit institutions	664,230	1,015,087
Loans and advances to customers	54,900,939	52,022,357
Debt securities	8,364,163	6,234,545
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,063,910	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	1,011,557	1,315,467
Financial assets at fair value through other comprehensive income	13,156,651	12,140,392
Hedging derivatives	86,627	91,249
Investments in associated companies	458,275	434,959
Non-current assets held for sale	850,803	1,026,481
Investment property	5,722	7,909
Other tangible assets	603,486	640,825
Goodwill and intangible assets	242,780	245,954
Current tax assets	13,672	11,676
Deferred tax assets	2,651,949	2,633,790
Other assets	1,419,011	1,296,812
TOTAL ASSETS	91,462,985	85,714,963
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	9,072,047	8,898,759
Resources from customers	68,320,742	63,000,829
Non subordinated debt securities issued	1,745,641	1,388,849
Subordinated debt	1,205,389	1,405,172
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	368,412	278,851
Financial liabilities at fair value through profit or loss	1,508,684	1,599,405
Hedging derivatives	238,006	285,766
Provisions	473,769	345,341
Current tax liabilities	8,469	14,827
Deferred tax liabilities	9,358	7,242
Other liabilities	1,154,323	1,103,652
TOTAL LIABILITIES	84,104,840	78,328,693
EQUITY		
Share capital	4,725,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	259,528	254,464
Treasury shares	—	(40)
Reserves and retained earnings	828,967	642,397
Net income for the period attributable to Bank's Shareholders	59,469	183,012
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,289,435	6,221,304
Non-controlling interests	1,068,710	1,164,966
TOTAL EQUITY	7,358,145	7,386,270
TOTAL LIABILITIES AND EQUITY	91,462,985	85,714,963

The balances for the year 2020 were restated under the changes in accounting policies described in note 54.

Alternative performance measures

The BCP Group prepares financial information in accordance with International Financial Reporting Standards (IFRS) endorsed by European Union. As a complement to that information, the BCP Group uses a set of alternative performance measures that allow monitoring the evolution of its activity over the time. Following the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on October 2015 (ESMA/2015/1415), the BCP Group presents some indicators related to the assessment of profitability and efficiency and the quality of the credit portfolio, among others, which are intended to facilitate comprehension of the evolution of the economic and financial position of the Group. The information presented in this context does not, under any circumstance, replace the financial information prepared in accordance with IFRS. It should also be noted that the definitions and concepts used by the BCP Group for the calculation of these indicators may differ from those used by other entities in the determination of other similar measures and may therefore not be directly comparable. In accordance with the 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. 21	30 Sep. 20
Loans to customers (net) (1)		56,414	53,833
Balance sheet customer funds (2)		69,863	64,494
	(1) / (2)	**80.7%**	**83.5%**

2) Return on average assets (ROA)

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

Euro million

		9M21	9M20
Net income (1)		59	146
Non-controlling interests (2)		(69)	36
Average total assets (3)		89,817	84,485
	[(1) + (2), annualised] / (3)	**0.0%**	**0.3%**

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

		9M21	9M20
Net income (1)		59	146
Average equity (2)		5,854	5,809
	[(1), annualised] / (2)	**1.4%**	**3.4%**

4) Cost to income

Relevance of the indicator: it allows for the monitoring of the level of efficiency of the Group (excluding specific items), evaluating the volume of operating costs to generate net operating revenues.

Euro million

		9M21	9M20
Operating costs (1)		852	813
of which: specific items (2)		88	28
Net operating revenues (3)*		1,706	1,663
	[(1) - (2)] / (3)	**44.8%**	**47.2%**

* Excludes the specific items, in the amount of 0.1 million euros, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary, in the first nine months of 2020.

5) Cost of risk, net of recoveries (expressed in basis points, annualised)

Relevance of the indicator: allows assessment of the quality of the loan portfolio by evaluating the ratio between impairment charges recognised in the period (net of reversals and recoveries of credit and interest) and the stock of loans to customers at the end of that period.

Euro million

		9M21	9M20
Loans to customers at amortised cost, before impairment (1)		58,212	55,736
Loan impairment charges (net of recoveries) (2)		264	374
	[(2), annualised] / (1)	**60**	**90**

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. 21	30 Sep. 20
Non-Performing Exposures (1)		2,832	3,663
Loans to customers (gross) (2)		58,336	56,110
	(1) / (2)	**4.9%**	**6.5%**

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. 21	30 Sep. 20
Non-Performing Exposures (1)		2,832	3,663
Loans impairments (balance sheet) (2)		1,923	2,277
	(2) / (1)	**67.9%**	**62.2%**

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

Loans to customers

Euro million

	30 Sep. 21	30 Sep. 20
Loans to customers at amortised cost (accounting Balance Sheet)	54,901	51,593
Debt instruments at amortised cost associated to credit operations	1,404	1,890
Balance sheet amount of loans to customers at fair value through profit or loss	108	350
Loan to customers (net) considering management criteria	**56,414**	**53,833**
Balance sheet impairment related to loans to customers at amortised cost	1,897	2,231
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	10	21
Fair value adjustments related to loans to customers at fair value through profit or loss	16	24
Loan to customers (gross) considering management criteria	**58,336**	**56,110**

Loans impairment (P&L)

Euro million

	9M21	9M20
Impairment of financial assets at amortised cost (accounting P&L) (1)	266	377
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	—	—
Impairment of financial assets at amortised cost not associated with credit operations (3)	2	3
Loans impairment considering management criteria (1)-(2)-(3)	**264**	**374**

Balance sheet customer funds

Euro million

	30 Sep. 21	30 Sep. 20
Financial liabilities at fair value through profit or loss (accounting Balance sheet) (1)	1,509	1,883
Debt securities at fair value through profit or loss and certificates (2)	1,509	1,305
Customer deposits at fair value through profit or loss considering management criteria (3) = (1) - (2)	**–**	**577**
Resources from customers at amortised cost (accounting Balance sheet) (4)	68,321	62,419
Deposits and other resources from customers considering management criteria (5) = (3) + (4)	**68,321**	**62,997**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet) (6)	1,746	1,420
Debt securities at fair value through profit or loss and certificates (7)	1,509	1,305
Non subordinated debt securities placed with institutional customers (8)	1,712	1,228
Debt securities placed with customers considering management criteria (9) = (6) - (7) - (8)	**1,542**	**1,498**
Balance sheet customer funds considering management criteria (10) = (5) + (9)	**69,863**	**64,494**

Securities portfolio

Euro million

	30 Sep. 21	30 Sep. 20
Debt instruments at amortised cost (accounting Balance sheet) (1)	8,364	6,167
Debt instruments at amortised cost associated to credit operations net of impairment (2)	1,404	1,890
Debt instruments at amortised cost considering management criteria (3) = (1) - (2)	**6,960**	**4,277**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet) (4)	1,012	1,326
Balance sheet amount of loans to customers at fair value through profit or loss (5)	108	350
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (6) = (4) - (5)	**903**	**976**
Financial assets held for trading (accounting Balance sheet) (7)	1,064	1,783
of which: trading derivatives (8)	470	566
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (9)	13,157	13,289
Securities portfolio considering management criteria (10) = (3) + (6) + (7) - (8) + (9)	**21,614**	**19,759**

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income, from financial assets held for trading and, until 2017, from financial assets available for sale.

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

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

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

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

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

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

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

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

Net commissions - net fees and commissions income.

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

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

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive and results from financial assets available for sale (until 2017).

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

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

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

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

Other impairment and provisions – impairment (net of reversals) for loans and advances of credit institutions classified at amortised cost, impairment for financial assets (classified at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in the latter case until 2017), impairment for other assets, namely assets received as payment in kind, investments in associated companies and goodwill of subsidiaries and other provisions.

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

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

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

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

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

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

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

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

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

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

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

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income, assets with repurchase agreement, financial assets available for sale and financial assets held to maturity (in the latter two cases until 2017).

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

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

Accounts and Notes to the Interim Condensed Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2021 AND 2020

(Thousands of euros)

	Notes	30 September 2021	30 September 2020 (restated)
Interest and similar income	2	1,255,371	1,395,974
Interest expense and similar charges	2	(86,763)	(242,323)
NET INTEREST INCOME		1,168,608	1,153,651
Dividends from equity instruments	3	870	4,750
Net fees and commissions income	4	534,236	498,163
Net gains/(losses) from financial operations at fair value through profit or loss	5	(20,533)	(47,188)
Net gains/(losses) from foreign exchange	5	20,337	82,072
Net gains/(losses) from hedge accounting operations	5	4,361	(4,011)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	5	(3,039)	(14,958)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	5	69,889	79,321
Net gains/(losses) from insurance activity		7,076	7,978
Other operating income/(losses)	6	(122,022)	(146,965)
TOTAL OPERATING INCOME		1,659,783	1,612,813
Staff costs	7	518,332	469,910
Other administrative costs	8	230,611	240,592
Amortisations and depreciations	9	102,804	102,242
TOTAL OPERATING EXPENSES		851,747	812,744
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		808,036	800,069
Impairment of financial assets at amortised cost	10	(266,267)	(377,322)
Impairment of financial assets at fair value through other comprehensive income	11	(7,199)	(13,552)
Impairment of other assets	12	(41,268)	(50,371)
Other provisions	13	(411,331)	(109,381)
NET OPERATING INCOME		81,971	249,443
Share of profit of associates under the equity method	14	42,128	54,236
Gains/(losses) arising from sales of subsidiaries and other assets	15	4,511	(4,307)
NET INCOME BEFORE INCOME TAXES		128,610	299,372
Income taxes			
Current	30	(68,741)	(86,161)
Deferred	30	(74,404)	(35,468)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		(14,535)	177,743
Income arising from discontinued or discontinuing operations	16	4,747	4,487
NET INCOME AFTER INCOME TAXES		(9,788)	182,230
Net income for the period attributable to:			
Bank's Shareholders		59,469	146,292
Non-controlling interests	44	(69,257)	35,938
NET INCOME FOR THE PERIOD		(9,788)	182,230
Earnings per share (in Euros)			
Basic	17	0.002	0.011
Diluted	17	0.002	0.011

The balances for the first nine months of 2020 were restated under the changes in accounting policies described in note 54 and in the classification of Banque Privée as a discontinuing operation, as detailed in note 53.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE THREE MONTHS PERIODS BETWEEN 1 JULY AND 30 SEPTEMBER 2021 AND 2020

(Thousands of euros)

	3rd Quarter 2021	3rd Quarter 2020 (restated)
Interest and similar income	429,114	431,010
Interest expense and similar charges	(28,754)	(40,289)
NET INTEREST INCOME	400,360	390,721
Dividends from equity instruments	161	1,262
Net fees and commissions income	181,659	166,675
Net gains/(losses) from financial operations at fair value through profit or loss	(11,264)	13,234
Net gains/(losses) from foreign exchange	(6,605)	8,777
Net gains/(losses) from hedge accounting operations	2,937	(573)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	(46)	(3,760)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	6,231	45,773
Net gains/(losses) from insurance activity	2,235	1,935
Other operating income/(losses)	(8,167)	(27,284)
TOTAL OPERATING INCOME	567,501	596,760
Staff costs	144,091	152,188
Other administrative costs	81,443	78,282
Amortisations and depreciations	34,462	33,723
TOTAL OPERATING EXPENSES	259,996	264,193
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	307,505	332,567
Impairment of financial assets at amortised cost	(107,493)	(134,786)
Impairment of financial assets at fair value through other comprehensive income	(3,007)	(2,983)
Impairment of other assets	(14,487)	(27,291)
Other provisions	(139,224)	(34,221)
NET OPERATING INCOME	43,294	133,286
Share of profit of associates under the equity method	12,842	11,339
Gains/(losses) arising from sales of subsidiaries and other assets	3,473	1,212
NET INCOME BEFORE INCOME TAXES	59,609	145,837
Income taxes		
Current	(18,367)	(30,619)
Deferred	(21,812)	(32,734)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	19,430	82,484
Income arising from discontinued or discontinuing operations	1,487	956
NET INCOME AFTER INCOME TAXES	20,917	83,440
Net income for the period attributable to:		
Bank's Shareholders	47,203	70,334
Non-controlling interests	(26,286)	13,106
NET INCOME FOR THE PERIOD	20,917	83,440

The balances for the third quarter of 2020 were restated under the changes in accounting policies described in note 54 and in the classification of Banque Privée as a discontinuing operation, as detailed in note 53.

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 2021 AND 2020

(Thousands of euros)

	30 September 2021				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	(14,535)	4,747	(9,788)	59,469	(69,257)
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	(47,448)	—	(47,448)	(17,994)	(29,454)
Reclassification of (gains)/losses to profit or loss	(69,889)	—	(69,889)	(68,512)	(1,377)
Cash flows hedging					
Gains/(losses) for the period	(220,753)	—	(220,753)	(212,747)	(8,006)
Other comprehensive income from investments in associates and others	(1,259)	—	(1,259)	(1,261)	2
Exchange differences arising on consolidation	85,752	42	85,794	61,470	24,324
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(359)	—	(359)	(359)	—
Fiscal impact	95,986	—	95,986	88,673	7,313
	(157,970)	42	(157,928)	(150,730)	(7,198)
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)	1,839	—	1,839	1,891	(52)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	(293)	—	(293)	(293)	—
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund	194,960	—	194,960	194,960	—
Pension Fund - other associated companies	(1,826)	—	(1,826)	(1,826)	—
Fiscal impact	(7,033)	—	(7,033)	(7,039)	6
	187,647	—	187,647	187,693	(46)
Other comprehensive income/(loss) for the period	29,677	42	29,719	36,963	(7,244)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	15,142	4,789	19,931	96,432	(76,501)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	30 September 2020 (restated)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	177,743	4,487	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	169,764	(1)	169,763	138,883	30,880
Reclassification of (gains)/losses to profit or loss	(79,321)	—	(79,321)	(70,337)	(8,984)
Cash flows hedging					
Gains/(losses) for the period	123,222	(68)	123,154	124,917	(1,763)
Other comprehensive income from investments in associates and others	9,395	—	9,395	9,463	(68)
Exchange differences arising on consolidation	(209,970)	(43)	(210,013)	(115,817)	(94,196)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(1,497)	—	(1,497)	(1,497)	—
Fiscal impact	(62,510)	10	(62,500)	(58,666)	(3,834)
	(50,917)	(102)	(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)	—	(8,302)	(8,100)	(202)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	640	—	640	640	—
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund	19,506	—	19,506	19,506	—
Pension Fund - other associated companies	(1,609)	—	(1,609)	(1,609)	—
Fiscal impact	3,314	(158)	3,156	3,118	38
	13,549	(158)	13,391	13,555	(164)
Other comprehensive income/(loss) for the period	(37,368)	(260)	(37,628)	40,501	(78,129)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	140,375	4,227	144,602	186,793	(42,191)

The balances for the first nine months of 2020 were restated under the changes in accounting policies described in note 54 and in the classification of Banque Privée as a discontinuing operation, as detailed in note 53.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIODS BETWEEN 1 JULY AND 30 SEPTEMBER 2021 AND 2020

(Thousands of euros)

	3rd Quarter 2021				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	19,430	1,487	20,917	47,203	(26,286)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	23,579	—	23,579	31,071	(7,492)
Reclassification of (gains)/losses to profit or loss	(6,231)	—	(6,231)	(6,032)	(199)
Cash flows hedging			—		
Gains/(losses) for the period	(58,371)	—	(58,371)	(54,705)	(3,666)
Other comprehensive income from investments in associates and others	2,144	—	2,144	2,144	—
Exchange differences arising on consolidation	(12,981)	64	(12,917)	406	(13,323)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(283)	—	(283)	(283)	—
Fiscal impact	10,133	—	10,133	7,950	2,183
	(42,010)	64	(41,946)	(19,449)	(22,497)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period	1,368	—	1,368	1,438	(70)
Changes in own credit risk of financial liabilities at fair value through profit or loss	(97)	—	(97)	(97)	—
Fiscal impact	854	—	854	842	12
	2,125	—	2,125	2,183	(58)
Other comprehensive income/(loss) for the period	(39,885)	64	(39,821)	(17,266)	(22,555)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(20,455)	1,551	(18,904)	29,937	(48,841)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	3rd Quarter 2020 (restated)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	82,484	956	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	73,582	1	73,583	74,849	(1,266)
Reclassification of (gains)/losses to profit or loss	(45,773)	—	(45,773)	(42,425)	(3,348)
Cash flows hedging					
Gains/(losses) for the period	11,978	(107)	11,871	12,783	(912)
Other comprehensive income from investments in associates and others	2,627	—	2,627	2,674	(47)
Exchange differences arising on consolidation	(71,318)	(44)	(71,362)	(41,111)	(30,251)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(269)	—	(269)	(269)	—
Fiscal impact	(14,291)	16	(14,275)	(15,296)	1,021
	(43,464)	(134)	(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)	—	(3,486)	(3,427)	(59)
Changes in own credit risk of financial liabilities at fair value through profit or loss	(348)	—	(348)	(348)	—
Fiscal impact	1,563	—	1,563	1,552	11
	(2,271)	—	(2,271)	(2,223)	(48)
Other comprehensive income/(loss) for the period	(45,735)	(134)	(45,869)	(11,018)	(34,851)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	36,749	822	37,571	59,316	(21,745)

The balances for the third quarter of 2020 were restated under the changes in accounting policies described in note 54 and in the classification of Banque Privée as a discontinuing operation, as detailed in note 53.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2021 AND 31 DECEMBER 2020

(Thousands of euros)

	Notes	30 September 2021	31 December 2020 (restated)
ASSETS			
Cash and deposits at Central Banks	18	5,557,434	5,303,864
Loans and advances to credit institutions repayable on demand	19	411,776	262,395
Financial assets at amortised cost			
Loans and advances to credit institutions	20	664,230	1,015,087
Loans and advances to customers	21	54,900,939	52,022,357
Debt securities	22	8,364,163	6,234,545
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	1,063,910	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	23	1,011,557	1,315,467
Financial assets at fair value through other comprehensive income	23	13,156,651	12,140,392
Hedging derivatives	24	86,627	91,249
Investments in associated companies	25	458,275	434,959
Non-current assets held for sale	26	850,803	1,026,481
Investment property	27	5,722	7,909
Other tangible assets	28	603,486	640,825
Goodwill and intangible assets	29	242,780	245,954
Current tax assets		13,672	11,676
Deferred tax assets	30	2,651,949	2,633,790
Other assets	31	1,419,011	1,296,812
TOTAL ASSETS		91,462,985	85,714,963
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	9,072,047	8,898,759
Resources from customers	33	68,320,742	63,000,829
Non subordinated debt securities issued	34	1,745,641	1,388,849
Subordinated debt	35	1,205,389	1,405,172
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	368,412	278,851
Financial liabilities at fair value through profit or loss	37	1,508,684	1,599,405
Hedging derivatives	24	238,006	285,766
Provisions	38	473,769	345,341
Current tax liabilities		8,469	14,827
Deferred tax liabilities	30	9,358	7,242
Other liabilities	39	1,154,323	1,103,652
TOTAL LIABILITIES		84,104,840	78,328,693
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	259,528	254,464
Treasury shares	42	—	(40)
Reserves and retained earnings	43	828,967	642,397
Net income for the period attributable to Bank's Shareholders		59,469	183,012
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,289,435	6,221,304
Non-controlling interests	44	1,068,710	1,164,966
TOTAL EQUITY		7,358,145	7,386,270
TOTAL LIABILITIES AND EQUITY		91,462,985	85,714,963

The balances for the year 2020 were restated under the changes in accounting policies described in note 54.

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 2021 AND 2020

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,195,415	1,172,092
Commissions received	658,878	655,526
Fees received from services rendered	72,226	45,760
Interests paid	(120,143)	(180,040)
Commissions paid	(98,599)	(113,848)
Recoveries on loans previously written off	16,047	16,819
Net earned insurance premiums	15,560	11,667
Claims incurred of insurance activity	(4,837)	(4,941)
Payments (cash) to suppliers and employees (*)	(950,719)	(936,846)
Income taxes (paid)/received	(48,940)	(66,815)
	734,888	599,374
Decrease/(increase) in operating assets:		
Receivables from/(Loans and advances to) credit institutions	193,475	189,045
Deposits held with purpose of monetary control	156,865	(141,322)
Loans and advances to customers receivable/(granted)	(3,469,483)	(2,041,283)
Short term trading securities	(58,217)	(929,834)
Increase/(decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	74,827	(42,004)
Deposits from credit institutions with agreed maturity date	158,947	2,713,862
Loans and advances to customers repayable on demand	4,554,593	4,429,668
Deposits from customers with agreed maturity date	531,173	(2,294,409)
	2,877,068	2,483,097
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of investments held in associated companies	14,525	20
Dividends received	16,583	7,193
Interests from financial assets at fair value through other comprehensive income and at amortised cost	109,196	118,885
Sale of financial assets at fair value through other comprehensive income and at amortised cost	5,610,090	17,521,338
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(45,593,251)	(37,416,778)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	36,910,575	16,296,430
Acquisition of tangible and intangible assets	(41,645)	(41,789)
Sale of tangible and intangible assets	5,511	9,206
Decrease/(increase) in other sundry assets	56,208	498,055
	(2,912,208)	(3,007,440)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	282	—
Reimbursement of subordinated debt	(213,100)	(165,108)
Issuance of debt securities	500,380	13
Reimbursement of debt securities	(176,858)	(231,966)
Issuance of commercial paper and other securities	88,834	17,679
Reimbursement of commercial paper and other securities	(17,688)	(224,178)
Dividends paid to non-controlling interests	(17,516)	(22,974)
Interests paid of Perpetual Subordinated Bonds (Additional Tier 1)	(27,750)	(27,750)
Increase/(decrease) in other sundry liabilities and non-controlling interests (**)	215,713	(15,965)
	352,297	(670,249)
Exchange differences effect on cash and equivalents	85,794	(210,013)
Net changes in cash and equivalents	402,951	(1,404,605)
Cash (note 18)	579,997	636,048
Deposits at Central Banks (note 18)	4,723,867	4,530,503
Loans and advances to credit institutions repayable on demand (note 19)	262,395	320,857
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,566,259	5,487,408
Cash (note 18)	528,827	498,322
Deposits at Central Banks (note 18)	5,028,607	3,345,495
Loans and advances to credit institutions repayable on demand (note 19)	411,776	238,986
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	5,969,210	4,082,803

(*) As at 30 September 2021 this balance includes the amount of Euros 429,000 (30 September 2020: Euros 1,580,000) related to short-term lease contracts and the amount of Euros 1,924,000 (30 September 2020: Euros 1,828,000) related to lease contracts of low value assets.
(**) As at 30 September 2021 this balance includes the amount of Euros 43,410,000 (30 September 2020: Euros 50,229,000) 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 2021 AND 2020

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non-controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	400,000	240,535	(102)	435,823	302,003	6,119,730	1,261,524	7,381,254
Net income for the period	–	–	–	–	–	–	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	–	–	–	13,929	–	(13,929)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	302,003	(302,003)	–	–	–
Interests of the perpetual subordinated bonds (Additional Tier 1 (AT1))	–	–	–	–	–	(27,750)		(27,750)	–	(27,750)
Taxes on interests of the perpetual subordinated bonds (AT1)	–	–	–	–	–	5,828	–	5,828	–	5,828
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	(1,080)	(1,080)
Dividends (a)	–	–	–	–	–	–	–	–	(22,974)	(22,974)
Treasury shares	–	–	–	–	(647)	–	–	(647)	–	(647)
Other reserves	–	–	–	–	–	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
Net income for the period	–	–	–	–	–	–	36,720	36,720	(10,585)	26,135
Other comprehensive income	–	–	–	–	–	(84,570)	–	(84,570)	(19,320)	(103,890)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(84,570)	36,720	(47,850)	(29,905)	(77,755)
Interests of the perpetual subordinated bonds (AT1)	–	–	–	–	–	(9,250)	–	(9,250)	–	(9,250)
Taxes on interests of the perpetual subordinated bonds (AT1)	–	–	–	–	–	(5,828)	–	(5,828)	–	(5,828)
Reversal of deferred tax assets related with expenses with the capital increase	–	–	–	–	–	(96)	–	(96)	–	(96)
Treasury shares (note 42)	–	–	–	–	709	–	–	709	–	709
Other reserves (note 43)	–	–	–	–	–	(461)	–	(461)	(383)	(844)
BALANCE AS AT 31 DECEMBER 2020	4,725,000	16,471	400,000	254,464	(40)	642,397	183,012	6,221,304	1,164,966	7,386,270
Net income for the period	–	–	–	–	–	–	59,469	59,469	(69,257)	(9,788)
Other comprehensive income	–	–	–	–	–	36,963	–	36,963	(7,244)	29,719
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	36,963	59,469	96,432	(76,501)	19,931
Results application:										
Legal reserve (note 41)	–	–	–	5,064	–	(5,064)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	183,012	(183,012)	–	–	–
Interests of the perpetual subordinated bonds (AT1)	–	–	–	–	–	(27,750)	–	(27,750)	–	(27,750)
Settlement of subsidiaries	–	–	–	–	–	–	–	–	(1,883)	(1,883)
Dividends (a)	–	–	–	–	–	–	–	–	(17,516)	(17,516)
Treasury shares (note 42)	–	–	–	–	40	–	–	40	–	40
Other reserves (note 43)	–	–	–	–	–	(591)	–	(591)	(356)	(947)
BALANCE AS AT 30 SEPTEMBER 2021	4,725,000	16,471	400,000	259,528	–	828,967	59,469	6,289,435	1,068,710	7,358,145

(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 periods ended on 30 September 2021 and 2020.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). The IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The interim condensed consolidated financial statements and the accompanying notes were approved on 23 November 2021 by the Bank's Executive Committee and are presented in thousands of euros, rounded to the nearest thousand.

All the references in this document related to any normative always report to the respective current version.

The interim condensed consolidated financial statements for the nine-month period ended on 30 September 2021 were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and, therefore, they do not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that they should be read with the consolidated financial statements with reference to 31 December 2020.

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

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2021. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

However, according to the described in note 47, under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of the subsidiary Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinuing in June 2021. With reference to 30 September 2021 and 31 December 2020, the total assets and liabilities of this subsidiary are reflected in the consolidated balance sheet in the respective lines, while the income and expenses for the nine-month periods ended on 30 September 2021 and 2020 are presented in a single line denominated "Income arising from discontinued and discontinuing operations". The financial statements of Banque Privée BCP (Suisse) S.A. that have been incorporated are detailed in note 53.

In the first semester of 2021, the Group changed the presentation of provisions for individual court cases related to CHF mortgage loans. Commencing from the first quarter of 2021, the Group allocates the portfolio provisions for future legal issues and recognizes it as a reduction of the gross carrying amount of loans for which a decrease in future cash flows is expected in accordance with IFRS 9 "Financial Instruments". Considering that, as in the case of the portfolio provisions, a decrease in cash flows is also expected in the case of exposures subject to individual litigations, the Group, starting from 30 June 2021, increased the scope of the allocated provisions by provisions for individual litigations (previously provisions for individual litigations used to be recognized in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as provisions for pending legal issues). As a result of the above change, the solution in line with IAS 37 will be continued only with regard to disputes relating to already repaid receivables not included in the Group's balance sheet. In order to ensure comparability, the Group has made appropriate adjustments to comparable data in the balance sheet, as detailed in note 54.

Consequently, the Group also changed the presentation of interest on derivatives not associated with strategies of formal hedge accounting. Bearing in mind that these instruments, although they are included in the trading book, are mainly concluded in order to establish economic hedging against the risk of other financial assets or liabilities, the Group, from the first semester of 2021, presents the interest in the Income statement as part of the "Net interest income", while previously this interest was included in the item "Results on financial assets and liabilities held for trading". In order to ensure comparability, the Group has made appropriate adjustments to the comparable data in the Income statement, as detailed in note 54.

The Group's financial statements were prepared under the going concern assumption, the accrual-based accounting regime and under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Financial assets and liabilities that are covered under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the past liabilities with pensions net of the value of the fund's assets.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, under advice of the Executive Committee, to make judgments, estimations and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimations and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimations. The issues involving a higher degree of judgment or complexity or for which assumptions and estimations are considered to be significant are presented in note 1.Y.

B. Basis of consolidation

As from 1 January 2010, the Group began to apply IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

The interim condensed consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (the Group), and the results attributable to the Group financial investments in associates.

B1. Investments in subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed, or has rights, to variable returns from its involvement with the entity and is able to take possession of these results through the power it holds over the relevant activities of that entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise negative non-controlling interests.

On a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired is recorded against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

B2. Investments in associates

Investments in associated companies are registered by the equity method from the date that the Group acquires significant influence until the date it ceases to exist. Associates are those entities in which the Group has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, more than 20% or of the voting rights of the investee. If the Group holds, directly or indirectly, less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

-representation on the Board of Directors or equivalent governing body of the investee;
-participation in policy-making processes, including participation in decisions about dividends or other distributions;
-material transactions between the Group and the investee;
-interchange of the management team;
-provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of associated companies accounted on an equity basis. When the Group's share of losses exceeds its interest in the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued, with exception of the part in which the Group incurs in a legal obligation to assume these losses on behalf of an associate.

B3. Goodwill

Business combinations are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed. Costs directly attributable to the acquisition of a subsidiary are recorded directly in the income statement.

Positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising from the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising from an acquisition is recognised directly in the income statement of the period in which the business combination occurs.

Goodwill is not adjusted due to changes in the initial estimation of the contingent purchase price, being the difference recorded in the income statement or in equity, when applicable.

According to IFRS 3 – Business combinations, if the initial accounting of a business combination is not concluded until the end of the first financial reporting period in which the combination occurs, it is recorded at the respective provisional values. These provisional values can be adjusted over the measurement period, which can't exceed a year since the acquisition date. Over this period, the Group should retrospectively adjust the amounts recognised previously on the acquisition date, to reflect newly obtained information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have impacted the measurement of the amounts recognised at that date.

During this period, the Group should also recognise additional assets and liabilities in the case of obtaining new information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have resulted in the recognition of that assets and liabilities at that time.

The recoverable amount of the goodwill registered in the Group's asset is assessed annually in the preparation of the accounts with reference to the end of the year or whenever there are indications of eventual loss of value. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the higher of the asset value in use and the market value after deducting selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

B4. Purchases and dilution of non-controlling interests

The acquisition of non-controlling interests that do not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, no additional goodwill resulting from this transaction is recognised. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of controlling interests that do not impact the control position of a subsidiary are always recognised against reserves.

B5. Loss of control

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

B6. Investments in foreign subsidiaries and associates

The financial statements of foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euros at the official exchange rate on the balance sheet date.

Regarding the investments in foreign operations that are consolidated under the full consolidation or equity methods, exchange differences, between the conversion to euros of the equity at the beginning of the year and its value in euros at the exchange rate on the balance sheet date in which the consolidated accounts are reported, are recognised against “Reserves - exchange differences”. The changes in fair value resulting from instruments that are designated and qualified as hedging instruments related to foreign operations are recorded in equity under "Reserves and retained earnings". Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss of the year.

The income and expenses of these subsidiaries are converted to euros at an approximate rate of the rates on the dates of the transactions, using a monthly average considering the initial and final exchange rates of each month. Exchange differences from the conversion to euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in "Reserves and retained earnings - exchange differences resulting from the consolidation of Group's companies".

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves are transferred to profit and loss, as part of the gains or loss arising from the disposal.

The Group applies IAS 29 – Financial reporting in hyperinflationary economies in financial statements of entities that present accounts in functional currency of an economy that has hyperinflation.

In applying this policy, non-monetary assets and liabilities are adjusted based on the price index from the date of acquisition or the date of the last revaluation until 31 December 2020. The restated values of assets are reduced by the amount that exceeds their recoverable amount, in accordance with the applicable IFRS.

Equity components are also updated considering the price index from the beginning of the period or date of the contribution, if it is earlier.

When the classification as a hyperinflationary economy is applied to associated companies, its effects are included in the Group's financial statements by applying the equity method of accounting on the financial statements restated in accordance with the requirements of IAS 29. The effects of the application of IAS 29 with impact on capital items are recognised against the item "Reserves and retained earnings".

In accordance with the requirements provided in IAS 29, Angola was considered as a hyperinflationary economy until 31 December 2018. This classification is no longer applicable as of 1 January 2019.

B7. Transactions eliminated on consolidation

The balances and transactions between Group's companies, as well as any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's investment in these entities.

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

At the initial recognition, financial assets are classified into one of the following categories:

- "Financial assets at amortised cost";
- "Financial assets at fair value through other comprehensive income"; or,
- "Financial assets at fair value through profit or loss".

The classification is made taking into consideration the following aspects:

- the Group's business model for the management of the financial asset; and,
- the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

With reference to 1 January 2018, the Group carried out an evaluation of the business model in which the financial instruments are held at portfolio level, since this approach reflects how assets are managed and how that information is made available to management bodies. The information considered in this evaluation included:

- the policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or on the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management bodies;
- the evaluation of the risks that affect the performance of the business model (and of the financial assets held under this business model) and the way these risks are managed;
- the remuneration of business managers, i.e., in what way the compensation depends on the fair value of the assets under management or on contractual cash flows received; and,
- the frequency, volume and sales periodicity in previous periods, the reasons for these sales and the expectations about future sales. However, sales information should not be considered individually, but as part of an overall assessment of how the Group establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value by option are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows (HTC), nor for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond to Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the counterparty for the time value of money, for the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g., liquidity risk and administrative costs), as well as for a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Group considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the Group considered:

- contingent events that may change the periodicity and the amount of the cash flows;
- characteristics that result in leverage;
- terms of prepayment and extension of maturity;
- terms that may limit the right of the Group to claim cash flows in relation to specific assets (e.g., contracts with terms that prevent access to assets in case of default – non-recourse asset); and,
- characteristics that may change the time value of money.

In addition, an advance payment is consistent with the SPPI criterion if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest, but not paid (may include reasonable compensation for prepayment); and,
- the prepaid fair value is insignificant at initial recognition.

C1.1.1. Financial assets at amortised cost

Classification

A financial asset is classified under the category "Financial assets at amortised cost" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect their contractual cash flows; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortised cost" category includes loans and advances to credit institutions, loans and advances to customers and debt instruments managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, bonds issued by companies and commercial paper).

Initial recognition and subsequent measurement

Loans and advances to credit institutions and loans and advances to customers are recognised at the date the funds are made available to the counterparty (settlement date). Debt instruments are recognised on the trade date, that is, on the date the Group accepts to acquire them.

Financial assets at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. In addition, they are subject, at their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5), which are recognised in "'Impairment of financial assets measured at amortised cost".

Interest of financial assets at amortised cost is recognised under "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

Gains or losses generated at the time of derecognition are registered in "Gains/(losses) with derecognition of financial assets and liabilities at amortised cost".

C1.1.2. Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified under the category of "Financial assets at fair value through other comprehensive income" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is both to collect its contractual cash flows and to sell this financial asset; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, at the initial recognition of an equity instrument that is not held for trading, nor a contingent retribution recognised by an acquirer in a business combination to which IFRS 3 applies, the Group may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case basis and is only available for financial instruments that comply with the definition of equity instruments provided in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. Changes in the fair value of these financial assets are recognised against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific income statement item designated "Gains or losses on derecognition of financial assets at fair value through other comprehensive income”.

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5). Impairment losses are recognised in the income statement under "Impairment of financial assets at fair value through other comprehensive income", against “Other comprehensive income”, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts on financial assets at fair value through other comprehensive income are recognised in "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. The changes in the fair value of these financial assets are recognised against “Other comprehensive income”. Dividends are recognised in the income statement when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses recognised in “Fair value changes” are transferred to “Retained earnings” at the time of their derecognition.

C1.1.3. Financial assets at fair value through profit or loss

Classification

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the Group for its management or the characteristics of its contractual cash flows do not meet the conditions described above to be measured at amortised cost or at fair value through other comprehensive income (FVOCI).

In addition, the Group may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces an inconsistency in measurement or recognition (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising their gains and losses in different bases.

The Group classified "Financial assets at fair value through profit and loss" in the following items:

a) “Financial assets held for trading”

These financial assets are acquired with the purpose of short-term selling; at the initial recognition, they are part of a portfolio of identified financial instruments and for which there is evidence of profit-taking in the short-term; or they can be defined as derivatives (except for hedging derivatives).

b) “Financial assets not held for trading mandatorily at fair value through profit or loss”

This item classifies debt instruments whose contractual cash flows do not correspond only to repayments of principal and interest on the principal amount outstanding (SPPI).

c) “Financial assets designated at fair value through profit or loss”

This item includes the financial assets that the Group has chosen to designate at fair value through profit or loss to eliminate accounting mismatch.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are in market conditions, financial assets at fair value through profit or loss are initially recognised at their fair value, with the costs or income associated with the transactions recognised in profit and loss at the initial moment. Subsequent changes in the fair value of these assets are recognised in profit and loss.

The accrual of interest and of the premium/discount (when applicable) is recognised in "Net interest income", based on the effective interest rate of each transaction, as well as the accrual of interest from derivatives associated with financial instruments classified in this category. Dividends are recognised in profit and loss when the right to receive them is attributed.

Trading derivatives with a positive fair value are included in the item "Financial assets held for trading", while trading derivatives with negative fair value are included in "Financial liabilities held for trading".

C1.2. Reclassification between categories of financial assets

Financial assets should be reclassified into other categories only if the business model used in their management has changed. In this case, all financial assets affected must be reclassified.

The reclassification must be applied prospectively from the date of reclassification and any gains, losses (including the ones related to impairment) or interest previously recognised should not be restated.

The reclassification of investments in equity instruments measured at fair value through other comprehensive income is not allowed, nor of financial instruments designated at fair value through profit or loss.

C1.3. Modification and derecognition of financial assets

General principles

i) The Group shall derecognise a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire; or,
- it transfers the financial asset as set out in notes ii) and iii) below and the transfer qualifies for derecognition in accordance with note iv).

ii) The Group transfers a financial asset if, and only if, it either:

- transfers the contractual rights to receive the cash flows of the financial asset; or,
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions presented in note iii).

iii) When the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay these cash flows to one or more entities (the 'eventual recipients'), the Group shall treat the transaction as a transfer of a financial asset if all of the following three conditions are met:

- the Group does not have any obligation to pay amounts to the eventual recipients, unless it collects equivalent amounts from the original asset. Short-term advances with the right of full recovery of the amount lent, plus accrued interest at market rates, do not violate this condition;
- the Group is contractually prohibited from selling or pledging the original asset other than as a security to the eventual recipients due its obligation to pay them cash flows; and,
- the Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, it is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 – Statement of Cash Flows) during the short settlement period from the collection date until the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

iv) When the Group transfers a financial asset (see note ii above), it shall evaluate the extent to which it retains the risks and benefits arising from owning the financial asset. In this case:

- if the Group transfers substantially all the risks and benefits arising from owning the financial asset, it shall derecognise the financial asset and recognise separately any rights and obligations created or retained in the transfer, as assets or liabilities;
- if the Group retains substantially all the risks and benefits arising from owning the financial asset, it shall continue to recognise the financial asset;
- if the Group neither transfers nor retains substantially all the risks and benefits arising from owning the financial asset, it shall determine whether it retained control of the financial asset. In this case:

a) if the Group did not retain control, it shall derecognise the financial asset and recognise separately, as assets or liabilities, any rights and obligations created or retained in the transfer;

b) if the Group retained control, it shall continue to recognise the financial asset to the extent of its continued involvement in the financial asset.

v) The transfer of risks and benefits (see prior note) is evaluated by comparing the Group's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.

vi) The question of whether the Group retained or not control (see note iv above) over the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally without needing to impose additional restrictions on the transfer, the entity did not retain control. In all other cases, the entity retained control.

Derecognition criteria

In the context of the general principles listed in the previous section, and considering that contract modification processes may lead, in some circumstances, to the derecognition of the original financial assets and recognition of new ones (subject to POCI identification), the purpose of this section is to set the criteria and circumstances that may lead to the derecognition of a financial asset.

The Group considers that a modification in the terms and conditions of a credit exposure will result in derecognition of the transaction and in recognition of a new transaction when the modification translates into at least one of the following conditions:

- creation of a new exposure that results from a debt consolidation, without any of the derecognised instruments having a nominal amount higher than 90% of the nominal amount of the new instrument;
- double extension of residual maturity, provided that the extension is not shorter than 3 years compared to the residual maturity in the moment of modification;
- increase of on-balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);
- change in qualitative features, namely:

a) change of currency, unless the exchange rate between the old and the new currency is pegged or managed within limits restricted by law or the relevant monetary authorities;

b) exclusion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be exercised over its term;

c) transfer of the instrument's credit risk to another borrower, or a significant change in the structure of borrowers within the instrument.

Loans written-off

The Group writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. This registration occurs after all the recovery actions developed by the Group prove to be fruitless. Loans written-off are recognised in off-balance sheet accounts.

C1.4. Purchased or originated credit-impaired assets

Purchased or originated credit-impaired (POCI) assets are assets that present objective evidence of credit impairment in the moment of their initial recognition. An asset is credit-impaired if one or more events have occurred with a negative impact on the estimated future cash flows of the asset.

The two events that lead to the origin of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition (note C1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, where the existence of a significant discount reflects credit losses incurred at the time of their initial recognition.

At initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime expected credit losses (ECL) are incorporated into the calculation of the effective interest rate (EIR). Consequently, at initial recognition, the gross book value of POCI (initial balance) is accounted for at fair value and it's equal to the net book value before being recognised as POCI (difference between the initial balance and the total discounted cash flows).

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

The Group recognises impairment losses for expected credit losses on financial instruments recognised in the following accounting items:

C1.5.1.1. Financial assets at amortised cost

Impairment losses on financial assets at amortised cost reduce the balance sheet value of these financial assets against the item "Impairment of financial assets at amortised cost" (in the income statement).

C1.5.1.2. Debt instruments at fair value through other comprehensive income

Impairment losses for debt instruments at fair value through other comprehensive income are recognised in the income statement under "Impairment of financial assets at fair value through other comprehensive income", against other comprehensive income (they do not reduce the balance sheet amount of these financial assets).

C1.5.1.3. Credit commitments, documentary credits and financial guarantees

Impairment losses associated with credit commitments, documentary credits and financial guarantees are recognised in liabilities, under the balance "Provisions for guarantees and other commitments", against "Other provisions" (in the income statement).

C1.5.2. Classification of financial instruments by stages

	Changes in credit risk since the initial recognition		
	Stage 1	Stage 2	Stage 3
Classification criterion	Initial recognition	Significant increase in credit risk since initial recognition	Impaired
Impairment losses	12-month expected credit losses	Lifetime expected credit losses	

The Group determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified into one of the following three stages:

- Stage 1: the operations, in which there is no significant increase in credit risk since its initial recognition, are classified in this stage. Impairment losses associated with operations classified in this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses);
- Stage 2: the operations in which there is a significant increase in credit risk since its initial recognition (note C1.5.3) but are not impaired (note C1.5.4) are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses);
- Stage 3: impaired operations are classified in this stage. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

C1.5.3. Significant increase in credit risk (SICR)

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative, but also qualitative criteria. These criteria are mainly based on the risk grades of customers, according to the Bank's Rating Master Scale, and on its evolution, in order to detect significant increases in Probability of Default (PD), complemented by other information regarding the customers' behavior towards the financial system.

C1.5.4. Definition of financial assets in default and impaired

All customers who meet at least one of the following conditions are marked as default and, consequently, in NPE:

a) Delay over 90 days of material payment:

- Amounts of principal, interest or fees not paid on the due date that, cumulatively, represent:
i) more than Euros 100 (retail) or more than Euros 500 (non-retail); and,
ii) more than 1% of the total debt (direct liabilities).

After these two conditions are met, the counting of days of delay begins: if more than 90 consecutive days in which the customer is in this situation have been counted, it is classified as default (or GR15).

The existence of a material payment delay gives rise to the default setting (GR15) of all holders of the operation (or operations).

b) Signs of low probability of payment:

i. Credit restructuring due to financial difficulties with loss of value;
ii. Delay after restructuring due to financial difficulties;
iii. Recurrence of restructuring due to financial difficulties;
iv. Credit with signs of impairment (or stage 3 of IFRS 9);
v. Insolvency or equivalent proceedings;
vi. Litigation;
vii. Guarantees of operations in default;
viii. Credit sales with losses;
ix. Credit fraud;
x. Unpaid credit status;
xi. Breach of covenants in a credit agreement;
xii. Spread of default in an economic group;
xiii. Cross default in BCP Group.

C1.5.5. Estimates of expected credit losses - Individual analysis

1. Customers who are in one of the following conditions are subject to individual analysis:

Customers in default	Customers in litigation or insolvency, if the total exposure of the group members in these situations exceeds Euros 1 million
	Customers integrated into groups with an exposure over Euros 5 million, if they have a risk grade15
Groups or customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or customers with an exposure over Euros 5 million, if a group member has a risk grade 14
	Groups or customers with an exposure over Euros 5 million, if a member of the group has a restructured loan and a risk grade 13
	Groups or customers with an exposure over Euros 10 million, if at least one member of the group is in stage 2
	Groups or customers not included in the preceding paragraphs, whose exposure exceeds Euros 25 million

2. Regardless of the criteria described in the previous point, the individual analysis is only performed for customers with a credit exposure over Euros 500,000, while customers with exposure below this limit are not considered for the purpose of determining the exposure referred to in the previous point.

3. Other customers that do not meet the criteria defined in 1 will also be subject to individual analysis, if under the following conditions:

- They have impairment as a result of the latest individual analysis;
- according to recent information, they show a significant deterioration in risk levels; or,
- are a Special Purpose Vehicle (SPV).

4. The individual analysis includes the following procedures:

- for customers that are not in default, the analysis of financial difficulties indicators to determine whether the customer has objective signs of impairment, or whether it should be classified in stage 2 given the occurrence of a significant increase in credit risk, considering for this purpose a set of predetermined signs;
- for customers in default or for which the previous analysis has allowed to conclude that the customer has objective signs of impairment, determination of the loss.

5. The individual analysis is the responsibility of the departments in charge of customer management and of the Credit Department, the latter in respect to the customers managed by the Commercial Networks.

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

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

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

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

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

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

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

10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt.

11. For the purposes of the preceding paragraphs, the Studies, Planning and ALM Department shall disclose the macroeconomic data that allow the estimations to be made.

12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.

13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

- recovery of collateral in geographies in which the Bank has no relevant recovery experience;
- recovery of debt related to geographies in which there is strong political instability;
- recovery of non-real estate collateral for which there is no evidence of market liquidity;
- recovery of related collateral or government guarantees in a currency other than the country's own;
- recovery of debt related to debtors for whom there is a strong negative public exposure.

14. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, and for the final decision on the customer's impairment.

15. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12 months equivalent to the risk grade of the customer.

16. The individual impairment analysis must be carried out at least annually. In case significant signs of deterioration or improvement in the customer's economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review of the expected impairment of this customer.

C1.5.6. Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped considering their risk characteristics and subject to a collective impairment analysis. The Group's credit portfolio is divided by internal risk grades and according to the following segments:

a) Segments with a reduced history of defaults, designated 'low default': Large corporate exposures, Project finance, Institutions (banks/financial institutions) and Sovereigns;
b) Segments not 'low default': - Retail: Mortgages; Overdrafts; Credit cards; Small and medium enterprises - Retail ('SME Retail'); and Others - Corporate: Small and medium enterprises - Corporate ('Large SME'); and Real Estate.

The Group performs statistical tests in order to prove the homogeneity of the segments mentioned above, with a minimum period of one year.

Expected credit losses are estimates of credit losses that are determined as follows:

- financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;
- financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the Group expects to receive;
- financial guarantees: the current value of the expected repayments less the amounts that the Group expects to recover.

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default – PD;
- Loss Given Default – LGD; and,
- Exposure at Default – EAD.

These parameters are obtained through internal statistical models and other relevant historical data, considering the already existing regulatory models adapted to the requirements of IFRS 9.

PDs are estimated based on a certain historical period and will be calculated based on statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also vary. The PDs will be calculated considering the contractual maturities of exposures.

The risk grades are a highly relevant input for determining the PD associated with each exposure.

The Group collects performance and default indicators about their credit risk exposures with analysis by types of customers and products.

LGD is the magnitude of the loss that is expected to occur if an exposure goes into default. The Group estimates the LGD parameters based on the historical recovery rates after entry into counterparty defaults. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

The EAD represents the expected exposure if the exposure and/or customer defaults. The Group obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortisations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Group will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Group has the right to require payment or end the commitment or guarantee.

The Group adopted as a residual term criterion for renewable operations, when in stage 2, a term of 5 years. This term was determined based on the behavioural models of this type of product applied by the Bank in the liquidity risk and interest rate (ALM) analysis. According to these models, the maximum period of repayment of these operations is the 5 years considered conservatively in the scope of the calculation of credit impairment.

The Group uses models to forecast the evolution of the most relevant parameters for the expected credit losses, namely probability of default, which incorporate forward-looking information. This incorporation of forward-looking information is carried out in the relevant elements considered for the calculation of expected credit losses (ECL).

The PD point-in-time (PDpit) considered for the determination of the probability of performing exposures at the reference date becoming defaulted exposures considers the expected values (in each scenario considered in the ECL calculation) for a set of macroeconomic variables. These relationships were developed specifically based on the Bank's historical information on the behaviour of this parameter (PDpit) in different economic scenarios and differ by customer segment and risk grade.

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- "Financial liabilities at amortised cost";
- "Financial liabilities at fair value through profit or loss".

C2.1.1. Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under "Financial liabilities at fair value through profit or loss" include:

a) "Financial liabilities held for trading"

In this balance the issued liabilities are classified with the purpose of repurchasing in the near term, those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative (except for a derivative classified as hedging instrument).

b) "Financial liabilities designated at fair value through profit or loss"

The Group may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- the financial liability is managed, evaluated and reported internally at its fair value; or,
- the designation eliminates or significantly reduces the accounting mismatch of transactions.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognised as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium/discount (when applicable) is recognised in "Interest expense and similar charges" based on the effective interest rate of each transaction.

C2.1.2. Financial guarantees

If they are not designated at fair value through profit or loss at the time of initial recognition, the financial guarantee contracts are subsequently measured at the highest of the following amounts:

- the provision for losses determined according to the criteria described in note C1.5;
- the amount initially recognised deducted, when appropriate, from the accumulated amount of income recognised according to IFRS 15 - Revenue from contracts with customers.

Financial guarantee contracts that are not designated at fair value through profit or loss are presented under "Provisions".

C2.1.3. Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial assets at amortised cost" includes resources from credit institutions and from customers, as well as subordinated and non-subordinated debt securities.

Initial recognition and subsequent measurement

Financial liabilities at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. Interest on financial liabilities at amortised cost are recognised in "Interest expense and similar charges", based on the effective interest rate method.

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

The Group derecognises financial liabilities when these are cancelled or extinct.

C3. Interest recognition

Income and expense related to interest from financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (net interest income) through the effective interest rate method. Interest related to financial assets at fair value through other comprehensive income is also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g., early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

Interest income recognised in income associated with contracts classified in stage 1 or 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortised cost, before deducting the respective impairment. For financial assets included in stage 3, interest is recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e., for financial assets entering stage 3, interest is recognised at the amortised cost (net of impairment) in subsequent periods.

For purchased or originated credit-impaired assets (POCI), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

C4. Hedge accounting

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39.

The Group designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and,
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

C4.1. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of hedged risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual term of the hedged item.

C4.2. Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- deferred over the residual period of the hedged instrument; or,
- recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

C4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness must be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable, and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

C4.4. Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity and transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

C5. Embedded Derivatives

An embedded derivative is a component of a hybrid agreement, which also includes a non-derived host instrument.

If the main instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described in note C1.1.3.

Derivatives embedded in contracts that are not considered financial assets are treated separately whenever the economic risks and benefits of the derivative are not related to those of the main instrument, since the hybrid instrument is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent fair value changes recorded in profit or loss for the period and presented in the trading derivatives portfolio.

D. Securitization operations

D1. Traditional securitizations

The Group has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4), portfolios which were derecognised from the Bank's individual balance sheet, as the residual portions of the referred operations were sold to institutional investors and, consequently, their risks and benefits were substantially transferred.

By purchasing a part of the most subordinated residual portion, the Group maintained control of the assets and liabilities of Magellan Mortgages no.3, with this Special Purpose Entity (SPE) being consolidated in the Group's financial statements, in accordance with the accounting policy referred to in note 1.B.

The three operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Titularization Fund, which has financed this purchase through the sale of titularization units to a SPE with office in Ireland. At the same time, this SPE issued and sold in capital markets a group of different portions of bonds.

As at 30 September 2021, the Group has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4).

D2. Synthetic securitizations

Currently, the Group has two synthetic securitization operations.

Caravela SME no.3, which started on 28 June 2013, has a medium and long-term loan portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium-sized companies.

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

In both operations, the Bank contracted a Credit Default Swap (CDS) from a Special Purpose Vehicle (SPV), buying, this way, protection for the total portfolio. In both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors of Credit Linked Notes (CLNs). The Group retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which totally collateralizes the responsibilities in the presence of the Group, in accordance with the CDS.

E. Equity instruments

A financial instrument is an equity instrument only if: i) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; and, ii) the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instrument issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the Group and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognised when the obligation to pay is established and are deducted to equity.

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

F2. Repurchase agreements

The Group performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised in the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions. The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

G. Non-current assets held for sale and Discontinued or discontinuing operations

Non-current assets, groups of non-current assets held for sale (groups of assets together with related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when the intention is to sell the referred assets and liabilities and when the referred assets or group of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and its sale is highly probable, in accordance with IFRS 5. For the sale to be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group) and must have initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected that the sale qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5, and that the Group remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable. Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short-term are consolidated until the moment of their sale.

G1. Non-operating real estate (INAE)

The Group also classifies as non-current assets held for sale the non-operating real estate (INAE), which include properties acquired by the Group as a result of the resolution of customer credit processes, as well as own properties that are no longer used by the Group's services.

Properties held by real estate companies and real estate investment funds, which are part of the Group's consolidation perimeter, whose capital or units acquired by the Group as a result of the recovery loans are treated as INAE.

At the time of acquisition, real estate classified as INAE is recognised at the lower of the value of the loans existing on the date on which the recovery occurs, or the judicial decision is formalised, and the fair value of the property, net of estimated costs for sale. Subsequent measurement of INAE is made at the lower of their book value and the corresponding fair value, net of the estimated costs for their sale and are not subject to amortisation. Impairment losses are recorded in the results of the period in which they arise.

The fair value is determined based on the market value, which is determined based on the expected sales price obtained through periodic evaluations made by expert external evaluators accredited to the Comissão do Mercado de Valores Mobiliários (CMVM).

The principles used to determine the net fair value of selling costs of a property apply, whenever possible, to real estate similar to INAE held by Real Estate Companies and Real Estate Investment Funds for the purpose of consolidating Group accounts.

Whenever the net fair value of the selling costs calculated for an INAE is less than the amount by which the same is recognised in the Group's balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against income for the year.

If the net fair value of the selling costs of an INAE, after recognition of impairment, indicates a gain, the Group may reflect that gain up to the maximum of the impairment that has been recorded on that property.

H. Lease transactions (IFRS 16)

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

This standard establishes the new requirements regarding the scope, classification/recognition and measurement of leases:

- from the lessor's perspective, leases will continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low-value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with these leases as an expense.

The Group chose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, this standard was not applied to leases of intangible assets.

Lease definition

The new lease definition focuses on the control of the identified asset, establishing that a contract constitutes or contains a lease if it carries the right to control the use of an identified asset, i.e., the right to obtain substantially all the economic benefits of using it, and the right to choose how to use the identified asset over a period in exchange of a payment.

Impacts from the lessee's perspective

The Group recognise for all leases, except for those with a term under 12 months or for leases of low-value assets:

- a right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be supported by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently, it will be measured according to the cost model (subject to depreciations/amortisations and impairment tests);
- a lease liability initially recorded at the present value of the remaining lease payments (NPV), which includes:
  - fixed payments deducted from any lease incentives receivable;
  - variable lease payments that depend on a rate or an index, initially measured considering the rate or index as at the commencement date;
  - amounts expected to be paid by the lessee under residual values guarantees;
  - the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease.

Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Group's spread of risk, applied over the weighted average term of each lease contract. For term contracts, that date is considered as the end of lease date, while for contracts without term, or with renewable terms, it is assessed using the date in which the contract is enforceable, as well as eventual economic penalties associated with the lease contract. In the evaluation of enforceability, the particular clauses of the contracts are considered, as well as the current law on Urban Leases.

Subsequently, lease payments are measured as follows:

- by increasing their carrying amount to reflect interest;
- by reducing their carrying amount to reflect lease payments;
- carrying amount shall be remeasured to reflect any leases' revaluations or changes, as well as to reflect the review of in -substance fixed payments and the review of the lease term.

The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used;
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

The Group did not make any adjustment during the periods presented.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The implementation of this standard implies changes in the Group's financial statements, namely:

- in the consolidated income statement:

  (i) recording in "Interest Income" the interest expenses related to lease liabilities;

  (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,

  (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.

- in the consolidated balance sheet:

  (i) recording in "Financial assets at amortised cost – Loans and advances to customers" the recognition of financial assets related to sublease operations measured accordingly to IFRS 9;

  (ii) recording in "Other tangible assets" the recognition of right-to-use assets; and,

  (iii) recording in "Other liabilities" the amount of recognised lease liabilities.

- in the consolidated statement of cash flows, the balance "Cash flows arising from operating activities – Payments (cash) to suppliers and employees" includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance "Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests" includes amounts related to payments of lease liabilities' capital portions, as detailed in the interim condensed consolidated statement of cash flows.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17.

Subleases

A sublease implies that the lessee establishes a lease contract with a third party, which acts as an intermediary, and the lease contract with the original lessor is kept in force.

IFRS 16 – Leases requires that the lessor evaluates subleases regarding right-to-use and not regarding the underlying asset.

The sublease's lessor, simultaneously lessee regarding the original lease, shall recognise an asset in the financial statement – a right-to-use related to the initial lease (if the lease is classified as operating) or a financial asset, measured according to IFRS 9, related to the sublease (if the lease is classified as financing).

I. Recognition of income from services and commissions

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

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

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

J. Net gains/(losses) from financial operations at fair value through profit or loss, Net gains/(losses) from foreign exchange, Net gains/(losses) from hedge accounting, Net gains/(losses) from derecognition of assets and liabilities at amortised cost and Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income

These balances include gains and losses arising from financial assets and liabilities at fair value through profit and loss, i.e., fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This balance also includes the gains and losses arising from the sale of financial assets at fair value through other comprehensive income and financial assets and financial liabilities at amortised cost. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this balance, as well as the net gains or losses from foreign exchange.

K. Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Group's consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

L. Other tangible assets

Other tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred, under the principle of accrual-based accounting.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other tangible assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life. The impairment losses of the fixed tangible assets are recognised in the income statement of the period.

M. Investment property

Real estate properties owned by the Group are recognised as 'Investment properties' considering that the main objective of these buildings is their capital appreciation on a long-term basis and not their sale in a short-term period, nor their maintenance for own use.

These investments are initially recognised at their acquisition cost, including transaction costs, and subsequently revaluated at their fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in the income statement, as "Other operating income/(losses)" (note 6).

The experts responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

N. Intangible assets

O1. Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

O2. Software

The Group recognises as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight-line basis by an estimated lifetime of three years. The Group does not capitalise internal costs arising from software development.

O. Cash and cash equivalents

For the purposes of the cash flow statement, the item "Cash and cash equivalents" comprises balances with less than three months maturity from the balance sheet date, where the items "Cash and deposits at Central Banks" and "Loans and advances to credit institutions" are included.

P. Offsetting

Financial assets and liabilities are offset and recognised at their net book value when: i) the Group has a legal right to offset the amounts recognised and transactions can be settled at their net value; and, ii) the Group intends to settle on a net basis or realize the asset and settle the liability simultaneously. Considering the current operations of the Group, no compensation of material amount is made. In case of reclassification of comparative amounts, the provisions of IAS 1.41 are disclosed: i) the nature of the reclassification; ii) the amount of each item (or class of items) reclassified; and, iii) the reason for the reclassification.

Q. Foreign currency transactions

Transactions in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the reporting date. Foreign exchange differences arising from conversion are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are converted into the respective functional currency of the operation at the foreign exchange rate on the date that the fair value was determined against profit and loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognised against equity.

R. Employee benefits

R1. Defined benefit plans

The Group has the responsibility to pay its employees' retirement pensions, invalidity pensions and survivor's pensions, in accordance with the terms of the two collective labour agreements approved. These benefits are provided for in the pension plans 'Plano ACT' and 'Plano ACTQ' of the Banco Comercial Português Group Pension Fund.

Following the publication of Decree-Law no. 54/2009, of 2 March, banking entities are obligatorily enrolling new employees in the General Social Security System (RGSS). These employees have the RGSS as their basic retirement scheme, and do not have any benefits under the ACT (base plan). The Group, for new employees and in accordance with the ACT, adopted this procedure as of 1 July 2009, date from which new employees have only the RGSS as their basic pension scheme.

Until 2011, in addition to the benefits provided for in the two plans above mentioned, the Group had assumed the responsibility, if certain conditions were verified in each year, of assigning retirement supplements to the Group's employees hired up to 21 September 2006 (Complementary Plan). The Group, at the end of 2012, determined the extinction (cut) of the old-age benefit of the Complementary Plan. On 14 December 2012, the "Instituto de Seguros de Portugal (ISP)" formally approved this change to the Group's benefit plan, effective from 1 January 2012. The plan was cut, and employees were given individual acquired rights. On that date, the Group also proceeded to the settlement of the respective liability.

From 1 January 2011, Bank employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the banks remain liable for benefits that concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employee, replacing the Banking Social Healthcare System which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The banks support the remaining difference for the total pension assured in the Collective Labour Agreement (ACT).

This integration has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in accordance with the Projected Unit Credit during the average lifetime of the pension until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognised under the heading "Current service costs".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, an agreement was established between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the IRCT - Instrument of Collective Regulation of Work of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements, namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the ACT was reached between the BCP Group and two federations of the unions that represent the Group's employees, which introduced changes in the Social Security clause and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT was published by the Ministry of Labour in the Bulletin of Labour and Employment on 15 February 2017 and the effects were recorded in the financial statements of 31 December 2016, for employees associated with these two unions.

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

The most relevant changes in the ACT were the change in the retirement age (presumed disability) from 65 years to 66 years and two months in 2016 and the subsequent update of an additional month in each year, which cannot, in any case, be higher than the one in force at any moment in the General Regime of Social Security, the change in the formula for determining the employer's contribution to SAMS and, lastly, the introduction of a new benefit called the End of Career Premium, which replaces the Seniority Premium.

These changes were framed by the Group as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs."

In 2017, after the authorization of the “Autoridade de Supervisão de Seguros e Fundos de Pensões” (ASF - Portuguese Insurance and Pension Funds Supervision Authority), the BCP Group's pension fund agreement was amended. The main purpose of the process was to incorporate into the pension fund the changes introduced in the Group's ACT in terms of retirement benefits, as well as to transfer to the pension fund the responsibilities that were directly chargeable to the company (extra-fund liabilities). The pension fund has a part exclusively for the financing of these liabilities, which in the scope of the fund are called the Additional Complement. The End of Career Premium also became the responsibility of the pension fund under the basic pension plan.

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

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

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

The income/cost of interest with the pension plan is calculated by the Group, multiplying the net asset/liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities. On this basis, the income/cost net of interest includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experienced gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under "Other comprehensive income."

The Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income/cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and, (v) the effects of any settlement or curtailment occurred during the period. The net income/cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of retirement.

Employee benefits, other than pension plans, namely post-retirement health care benefits and benefits for the spouse and descendants for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each company of the Group, according to a specific contribution plan that ensures the solvency of the fund. In the end of each year, according to Bank of Portugal Notice no. 12/2001, the minimum level required for the responsibilities funding must be 100% regarding pension payments and 95% regarding past services of active employees.

R2. Revision of the salary tables for employees in service and pensions in payment

In 2021, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of the respective clauses, negotiations which are still ongoing.

Regarding the 2021 update of the Salary Tables and other pecuniary expression clauses of the Collective Labour Agreements under negotiation, the Bank received on 17 February 2021 a proposal from SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários, SIB – Sindicato Independente da Banca and SBN – Sindicato dos Trabalhadores do Sector Financeiro de Portugal and on 30 March 2021 a proposal from Mais Sindicato do Sector Financeiro and SBC – Sindicato Bancários do Centro, for which the Bank has not presented any counter-offer to date.

R3. Defined contribution plan

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

As at 30 September 2021, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion.

R4. Variable remuneration paid to employees

The remuneration policy for employees includes an annual variable remuneration system for employees not covered by commercial incentive systems, based on the performance assessment of each employee, in accordance with quantitative and qualitative criteria, that is carried out annually. As a result of this assessment and of the annual fixed remuneration of reference for the role performed, and provided that the Bank's minimum level of performance, as measured by a set of quantitative indicators, is met, the amount of the variable remuneration to be attributed to each employee is determined.

The Executive Committee is responsible, under the terms defined in the remuneration policy, for setting the respective allocation criteria for each employee, whenever it is attributed. The variable remuneration attributed to employees is recorded against the income statement in the period to which it relates.

R5. Share-based compensation plan

As at 30 September 2021, a variable compensation plan with BCP shares is in force for the members of the Executive Committee and for the employees considered key management members, resulting from the Remuneration Policies for the members of the management and supervisory bodies and for the employees, approved for the financial year of 2021 and following years, with the changes that may be approved in each financial year, namely by the General Shareholders' Meeting regarding the Remuneration Policy for the members of the management and supervisory bodies, and by the Board of Directors regarding the Remuneration Policy for Employees.

As defined in the Remuneration Policy for the members of the management and supervisory bodies, an annual variable remuneration system is foreseen, for which an assessment of the performance of each member of the Executive Committee is carried out on an annual basis based on quantitative and qualitative criteria. According to this assessment and the annual fixed remuneration, and provided that the Bank's minimum level of performance as measured by a set of quantitative indicators is met, the amount of the variable remuneration to be attributed to each member of the Executive Committee is determined. The payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 40% of its value, being 60% of its value paid in the year following the financial year in question. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

The Remuneration Policy for Employees foresees an annual variable remuneration system for Employees not covered by Commercial Incentives Systems, based on the performance assessment of each employee, in accordance with quantitative and qualitative criteria, that is carried out annually. As a result of this assessment and the fixed reference remuneration for the function performed, and provided that the Bank's minimum level of performance in a set of quantitative indicators is met, the value of the variable remuneration to be attributed to each Employee is determined. For Employees considered as Employees with Key Functions, the payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 40% of its value, with 60% of its value paid in the year following the financial year in question. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed and to be attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

Employees considered as Employees with Key Functions are not covered by Commercial Incentives Systems.

As foreseen in the approved Remuneration Policy and in the applicable legislation, the amounts of variable remuneration attributed to the members of the Executive Committee and to the Employees considered as Employees with Key Functions are subject to reduction and reversal mechanisms, to be applied in case of verification of extremely significant events, duly identified, in which the people covered have had a direct participation.

For the members of the Executive Committee, a long-term variable remuneration system is also foreseen, through which these members may receive variable remuneration fully paid in BCP shares after the end of the assessment period, from 1 January 2018 until 31 December 2021, provided that a certain level of performance is achieved in a set of long-term objectives. The amount of the long-term variable remuneration attributed is subject to a deferral period of 3 years for 40% of its value, being 60% of its value paid in the year following the assessment period to which it relates. The number of BCP shares attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

All the shares attributed to the members of the Executive Committee and to the Employees with Key Functions, within the scope of the payment of variable remuneration, including long-term, are subject to a retention period of 1 year after their payment.

The total variable remuneration to be attributed, each year, to each member of the Executive Committee and to each Employee considered as Employee with Key Function, regarding the proportion between its amount and the annual fixed remuneration, is limited to the limits provided in the respective Remuneration Policy.

S. Income taxes

The Group is subject to income tax in several jurisdictions. The Bank is subject, in individual terms, to the regime established by the Corporate Income Tax Code (CIRC), the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014 of 26 August, to which it adhered, and individual legislation. Additionally, deferred taxes relating to tax losses and to temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that these taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets at fair value through other comprehensive income and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted by authorities at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for non-deductible goodwill for tax purposes, differences arising from initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

The item “Deferred tax assets” includes amounts associated with credit impairments not accepted for tax purposes whose credits have been written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

Deferred tax assets are recognised when it is probable that there will be future taxable profits that absorb the deductible temporary differences for tax purposes (including reportable tax losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to offset current tax assets and current tax liabilities; and, (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes released by the same Tax Authority on either the same taxable entity, or different taxable entities that intend to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which deferred tax liabilities or assets are expected to be settled or recovered.

The Group complies with the guidelines of IFRIC 23 – Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, not having occurred any material impact on the Bank's financial statements resulting from its application.

In 2016, the Bank adhered to the Special Tax Regime for Groups of Companies (RETGS) for the purposes of IRC taxation, with BCP being the dominant entity. In the first nine months of 2021 and in the financial year of 2020, RETGS application was maintained.

T. Segmental reporting

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

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

Portugal activity:

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

The Other segment (Portugal activity) includes activities that are not allocated to remaining segments, namely centralized management of financial investments, corporate activities and insurance activity.

Foreign activity:

- Poland;
- Mozambique;
- Other.

The Other segment (foreign activity) includes the activity developed by subsidiaries in Switzerland and Cayman Islands and also the contribution of the participation in an associate in Angola.

U. Provisions, Contingent liabilities and Contingent assets

U1. Provisions

Provisions are recognised when i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities); ii) it is probable that a payment will be required to settle; iii) a reliable estimation can be made of the amount of the obligation.

Additionally, when fundamental reorganizations occur that have a material effect on the nature and focus of the company's operations, and the criteria for recognition of provisions referred to above are met, provisions are recognized for restructuring costs.

The measurement of provisions considers the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent to the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted at a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

Provisions are derecognised through their use in the obligations for which they were initially created, or in the case that these obligations cease to exist.

U2. Contingent assets

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

U3. Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits is not remote. The Group registers a contingent liability when:

i) it is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events that are not wholly within the control of the Group; or,
ii) it is a present obligation that arises from past events but is not recognised because:
    a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or,
    b) the amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

V. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share. If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

W. Insurance contracts

W1. Classification

The Group issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is accounted for as a financial instrument.

W2. Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long-term contracts are recognised as income when due from the policyholders. The benefits and other costs are recognised concurrently with the recognition of income over the life of the contracts. This specialization is achieved through the establishment of provisions/liabilities of insurance contracts and investment contracts with discretionary participating features.

The responsibilities correspond to the present value of future benefits payable, net of administrative expenses directly associated with the contracts, less the theoretical premiums that would be required to comply with the established benefits and related expenses. The liabilities are determined based on assumptions of mortality, costs of management or investment at the valuation date.

For contracts where the payment period is significantly shorter than the period of benefit, premiums are deferred and recognised as income in proportion to the duration period of risk coverage. Regarding short-term contracts, including contracts of non-life insurance, premiums are recorded at the time of issue. The award is recognised as income acquired on a *pro-rata* basis during the term of the contract. The provision for unearned premiums represents the amount of issued premiums on risks not occurred.

W3. Premiums

Issued gross premiums are recognised for as income in the period to which they respect independently from the moment of payment or receivable, in accordance with the accrual accounting principle. Reinsurance premiums ceded are accounted for as expense in the period to which they respect in the same way as gross premiums written.

W4. Provision for unearned premiums from direct insurance and reinsurance premiums ceded

The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the *pro-rata temporis* method applied to each contract in force.

W5. Liability adequacy test

At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

X. Insurance or reinsurance intermediation services

Banco Comercial Português and Banco ActivoBank are entities authorized by Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF) for the practice of insurance intermediation in the category of Linked Insurance Broker, in accordance with Article 8, paragraph a), subparagraph i) of Decree-Law no. 144/2006, of 31 July, carrying out insurance intermediation activities in life and non-life segments.

Within the scope of insurance intermediation services, these banks perform the sale of insurance contracts. As compensation for insurance intermediation services, they receive commissions for arranging insurance contracts and investment contracts, which are defined in agreements/protocols established with the Insurance Companies.

Commissions received for insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions whose receipt occurs at a different time from the period to which they refer are recognised as an amount receivable under the item "Other assets".

Y. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require the Executive Committee to apply judgments and to make estimations when deciding which treatment is the most appropriate. These estimates were made considering the best information available at the date of preparation of the interim condensed consolidated financial statements, considering the context of uncertainty that results from the impact of COVID-19 in the current economic scope. The most significant of these accounting estimates and judgments used when applying accounting principles are discussed in this section in order to improve understanding of how they affect the Group’s reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Executive Committee, the Group’s reported results would differ if a different treatment was chosen. The Executive Committee believes that the choices made are appropriate and that the financial statements present the Group’s financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimations would be more appropriate.

Y1. Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assesses whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and if it is able to take possession of these results through the power it holds *(de facto control)*. The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimations and assumptions to determine at what extent the Group is exposed to the variable returns and its ability to use its power to affect these returns. Different estimations and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in consolidated income.

Y2. Goodwill impairment

The recoverable amount of the goodwill recorded in the Group's assets is assessed annually in the preparation of accounts with reference to the end of the year or whenever there are indications of eventual loss of value. For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

Y3. Income taxes

Interpretations and estimations were required to determine the total amount of income taxes in each of the jurisdictions where the Group operates. There are many transactions and calculations for which the tax determination is uncertain during the ordinary course of business. Different interpretations and estimations could result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Group considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to taxable income, evolution of tax legislation and its interpretation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors strategy, namely the ability to generate the estimated taxable income, the evolution of tax law and its interpretation.

Regarding activity in Portugal, the regulatory decrees no. 5/2016, of 18 November, no. 11/2017, of 28 December, and no. 13/2018, of 28 December, established the maximum limits for impairment losses and other value adjustments for specific credit risk deductible for the purposes of calculating taxable income under IRC in 2016, 2017 and 2018, respectively. These regulatory decrees establish that Bank of Portugal Notice no. 3/95 (Notice that was relevant for determining credit provisions in the financial statements presented in NCA) must be considered for the purposes of determining the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively,

Law no. 98/2019, of 4 September, establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

Regardless of the option mentioned above, the application of the new regime will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- in the financial year of 2022, if, as of 1 January 2022, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 10% compared to the amount recognised on 31 December 2018;

- in the financial year of 2023, if, as of 1 January 2023, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 20% compared to the amount recognised on 31 December 2018.

In the calculation of 2020's taxable income and in the estimation of taxable income of the period, 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 2021, it was considered the approximation between accounting and tax rules as foreseen by Law no. 98/2019, of 4 September, resulting from not exercising earlier its application over the adaptation period of 5 years provided by the referred law, as well as the changes regarding the use of tax losses foreseen in the referred Law no. 27-A/2020, of 24 July.

The taxable income or tax loss determined by the Bank or its subsidiaries that reside in Portugal can be corrected by the Portuguese Tax Authority in the period of four years, except if any deduction was made or if tax credit was used, in which the limitation period corresponds to the same of exercising of that right. The Bank recorded provisions or deferred tax liabilities in the amount that finds appropriate to face the tax amendments or the tax losses of which was object, as well as the contingencies regarding exercises not yet revised by the Tax Authority.

Y4. Non-current assets held for sale (real estate) valuation

The valuation of these assets, and consequently the impairment losses, is supported by evaluations carried out by external experts, which incorporate several assumptions, namely the selling price per square meter, discount rate, better use of the real estate and expectations regarding the development of real estate projects, as applicable, and also considers the Bank's historical experience in the commercialization of real estate, its perspectives on the evolution of the real estate market and the intentions of the management body regarding the commercialization of these assets.
The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

The haircut estimates applied in determining the fair value of these properties were adjusted in the case of commercial properties and lands. In part, this change stems from the impact on sales prices of the current pandemic situation of COVID-19.

Y5. Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimations, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rates, mortality tables, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund is based on an analysis performed over the market yields regarding a bond issues universe – that the Group considers to have high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in euros - related to a diverse and representative range of issuers.

Y6. Financial instruments – IFRS 9

Y6.1. Classification and measurement

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the testing of the business model.

The Group determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, must be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and the way these risks are managed; and how asset managers are rewarded.

The Group monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for these assets. This monitoring is part of a process of continuous evaluation by the Group of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and, consequently, a prospective classification change of these financial assets.

Y6.2. Impairment losses on financial assets at amortised cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses on financial instruments involves judgments and estimations regarding, among others, the following:

Significant increase in credit risk:

Impairment losses correspond to the expected losses on a 12-month for the assets in Stage 1 and the expected losses considering the probability of a default event occurring at some point up to the maturity date of the instrument financial assets for assets in Stages 2 and 3. An asset is classified in Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers qualitative and quantitative information, reasonable and sustainable.

In order to comply with the Supervisors' guidelines, namely with regard to the identification and measurement of credit risk in the context of the COVID-19 pandemic, the Bank proceeded to record additional impairments in relation to the current models of collective impairment calculation (overlays).

The exercise carried out was based on an analysis of migrations from customers identified as having the highest risk for Stage 2 and Stage 3, with the greatest impact on the corporate segment.

Definition of groups of assets with common credit risk characteristics:

When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Group monitors the adequacy of credit risk characteristics on a regular basis to assess whether it maintains its similarity. This procedure is necessary to ensure that, in the event of a change in the credit risk characteristics, the asset segmentation is reviewed. This review may result in the creation of new portfolios or in transferring assets to existing portfolios that better reflect their credit risk characteristics.

Definition of the number and relative weight of prospective information for each type of product/market and determination of relevant prospective information:

In estimating expected credit losses, the Group uses reasonable and sustainable forecasting information that is based on assumptions about the future evolution of different economic drivers and how each of the drivers impacts the remaining drivers.

Probability of default:

The probability of default represents a determining factor in the measurement of expected credit losses and corresponds to an estimation of the probability of default in a given period, which is calculated based on historical data, assumptions and expectations about future conditions.

Loss given default:

It corresponds to a loss estimation in a default scenario. It is based on the difference between the contractual cash flows and those that the Bank expects to receive, through the cash flows generated by the customers' business or credit collaterals. The estimation of loss given default is based on, among other aspects, the different recovery scenarios, historical information, the costs involved in the recovery process and the estimation of the valuation of collaterals associated with credit operations.

Y6.3. Fair value of derivative financial instruments

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which considers the market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values. Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different results from the ones reported.

Due to market stress conditions, the Bank needed to reallocate the risk limits, especially in the sensitivity limit of the trading portfolio and to review the stress-test scenarios and their methodologies.

In the context of the COVID-19 pandemic, the calculation of fair value adjustments was revised considering liquidity discounts, the costs of closing positions (widening the buy and sell spread), credit risk, spreads of financing and increased volatility.

Y7. Provisions for risk associated with mortgage loans indexed to the Swiss franc

The Bank creates provisions for legal contingencies related to mortgage loans indexed to the Swiss franc granted by Bank Millennium, S.A.

The assumptions used by the Bank are essentially based on historical observations and will have to be updated in subsequent periods, which may have a relevant impact on the provision's estimation. The methodology developed by the Bank is based on the following parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified time horizon; (ii) the amount of the Bank's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained.

The evolution of responsibilities with legal contingencies related to mortgage loans indexed to the swiss franc and the amount of the Bank's actual losses depend, namely, on the number of ongoing and potential lawsuits, as well as on the final court decisions about each case.

Y8. Leases (IFRS 16)

On 12 October 2020, the European Union published an amendment to IFRS 16, associated with income concessions related to COVID-19. This amendment allows tenants, as a practical expedient, to have the possibility to choose not to consider a rent concession that occurs as a direct consequence of the COVID-19 pandemic as a modification of the lease. A lessee who uses this option must account for any concession that occurs at the rent level in the same way that he would do it under IFRS 16 – Leases, if this change did not constitute a modification of the lease. This amendment does not affect lessors.

Within the scope of the sublease, the Bank carried out the analysis of the respective contracts.

Z. Subsequent events

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

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

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

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	(4,168)	525
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	21,202	23,128
Loans and advances to customers	1,037,037	1,105,962
Debt securities	93,636	94,143
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	2,235	9,774
Financial assets not held for trading mandatorily at fair value through profit or loss	11,142	12,537
Financial assets designated at fair value through profit or loss	—	569
Interest on financial assets at fair value through other comprehensive income	53,202	97,565
Interest on hedging derivatives	37,780	49,290
Interest on other assets	3,305	2,481
	1,255,371	1,395,974
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	55,924	15,780
Resources from customers	(63,927)	(163,615)
Non subordinated debt securities issued	(13,289)	(12,661)
Subordinated debt	(45,200)	(53,428)
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	124	(767)
Financial liabilities at fair value through profit or loss		
Resources from customers	(1,542)	(2,178)
Non subordinated debt securities issued	(865)	(2,274)
Interest on hedging derivatives	(12,294)	(16,871)
Interest on leasing	(3,938)	(4,429)
Interest on other liabilities	(1,756)	(1,880)
	(86,763)	(242,323)
	1,168,608	1,153,651

The balance Interest on loans and advances to credit institutions repayable on demand has accounted for a negative amount of Euros 4,240,000 (30 September 2020: 743,000) associated with demand deposits with the Bank of Portugal.

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 10,471,000 (30 September 2020: Euros 22,014,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1.C3.

The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 18,748,000 (30 September 2020: Euros 26,922,000), as referred in note 21 and Euros 47,000 (30 September 2020: Euros 40,000), 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 balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 1,982,000 and Euros 4,937,000, respectively (30 September 2020: Euros 2,940,000 and Euros 5,486,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1.C3.

According to note 32, the balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions has recorded a negative cost of Euros 60,438,000 (30 September 2020: 30,047,000) associated with the TLTRO III operation.

The balance Interest on leasing refers to the interest cost related to the leasing liabilities recognised under IFRS 16, as referred in accounting policy described 1.H.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Dividends from financial assets held for trading	4	4
Dividends from financial assets through other comprehensive income	866	4,746
	870	4,750

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 2021	30 September 2020 (restated)
Fees and commissions received		
Banking services provided	319,864	293,157
Management and maintenance of accounts	111,509	101,120
Bancassurance	90,011	95,760
Securities operations	48,604	47,577
Guarantees granted	33,448	35,910
Commitments to third parties	3,867	3,321
Insurance activity commissions	650	619
Fiduciary and trust activities	9	34
Other commissions	33,829	31,919
	641,791	609,417
Fees and commissions paid		
Banking services provided by third parties	(81,095)	(90,897)
Securities operations	(6,477)	(5,830)
Guarantees received	(419)	(2,813)
Insurance activity commissions	(717)	(697)
Other commissions	(18,847)	(11,017)
	(107,555)	(111,254)
	534,236	498,163

5. Net gains/(losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Net gains/(losses) from financial operations at fair value through profit or loss		
Net gains/(losses) from financial assets held for trading	123,974	(35,691)
Net gains/(losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(24,939)	(71,504)
Net gains/(losses) from financial assets and liabilities designated at fair value through profit or loss	(119,568)	60,007
	(20,533)	(47,188)
Net gains/(losses) from foreign exchange	20,337	82,072
Net gains/(losses) from hedge accounting	4,361	(4,011)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	(3,039)	(14,958)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	69,889	79,321
	71,015	95,236

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

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Net gains/(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	12,991	7,938
Equity instruments	2	32
Derivative financial instruments	216,827	281,111
Other operations	1,173	1,521
	230,993	290,602
Losses		
Debt securities portfolio	(12,456)	(4,236)
Equity instruments	(213)	(254)
Derivative financial instruments	(93,537)	(320,951)
Other operations	(813)	(852)
	(107,019)	(326,293)
	123,974	(35,691)
Net gains/(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	33,187	21,625
Debt securities portfolio	2,117	2,721
Equity instruments	2,090	17,101
	37,394	41,447
Losses		
Loans and advances to customers	(24,557)	(28,892)
Debt securities portfolio	(37,776)	(84,059)
	(62,333)	(112,951)
	(24,939)	(71,504)

(continues)

(continuation)

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Net gains/(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	176	479
Debt securities issued		
Certificates and structured securities issued	—	81,759
Other debt securities issued	2,023	2,013
	2,199	84,251
Losses		
Debt securities portfolio	—	(874)
Resources from customers	—	(46)
Debt securities issued		
Certificates and structured securities issued	(120,707)	(23,097)
Other debt securities issued	(1,060)	(227)
	(121,767)	(24,244)
	(119,568)	60,007

In the balances Net gains/(losses) from financial assets and liabilities designated at fair value through profit or loss - Profits/(Losses) - Certificates and structured securities issued are recorded the valuations and devaluations of certificates issued by the Bank. These liabilities are covered by futures, which valuation and devaluation are recorded in Net gains/(losses) from financial assets held for trading - Profits/(Losses) - Derivative financial instruments.

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

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Net gains/(losses) from foreign exchange		
Gains	1,394,823	1,583,034
Losses	(1,374,486)	(1,500,962)
	20,337	82,072
Net gains/(losses) from hedge accounting		
Gains		
Hedging derivatives	117,640	35,859
Hedged items	11,042	57,007
	128,682	92,866
Losses		
Hedging derivatives	(29,300)	(87,558)
Hedged items	(95,021)	(9,319)
	(124,321)	(96,877)
	4,361	(4,011)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	705	5,683
Debt securities issued	371	1,927
Others	206	225
	1,282	7,835
Losses		
Credit sales	(3,560)	(20,811)
Debt securities issued	(46)	(1,395)
Others	(715)	(587)
	(4,321)	(22,793)
	(3,039)	(14,958)

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 2021	30 September 2020 (restated)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income		
Debt securities portfolio		
Gains	72,392	114,281
Losses	(2,503)	(34,960)
	69,889	79,321

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 38,895,000 (30 September 2020: Euros 79,544,000) 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 2021	30 September 2020 (restated)
Operating income		
Gains on leasing operations	2,833	2,658
Income from services provided	20,216	17,551
Rents	2,582	2,822
Sales of cheques and others	7,190	7,035
Other operating income	42,121	15,549
	74,942	45,615
Operating costs		
Donations and contributions	(3,727)	(3,581)
Contribution over the banking sector	(39,286)	(35,425)
Contributions for Resolution Funds	(27,662)	(28,298)
Contribution for the Single Resolution Fund	(20,886)	(19,394)
Contributions to Deposit Guarantee Fund	(11,594)	(18,747)
Tax for the Polish banking sector	(50,764)	(47,222)
Taxes	(12,025)	(14,014)
Losses on financial leasing operations	(46)	(367)
Other operating costs	(30,974)	(25,532)
	(196,964)	(192,580)
	(122,022)	(146,965)

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Remunerations	347,327	371,718
Mandatory social security charges	78,361	79,437
Voluntary social security charges	8,079	8,765
Other staff costs	84,565	9,990
	518,332	469,910

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Water, electricity and fuel	9,301	11,034
Credit cards and mortgage	4,054	5,004
Communications	15,960	19,371
Maintenance and related services	11,036	12,022
Legal expenses	2,627	2,052
Travel, hotel and representation costs	1,765	2,892
Advisory services	17,142	11,863
Training costs	604	812
Information technology services	32,793	33,744
Consumables	2,314	2,983
Outsourcing and independent labour	56,336	56,182
Advertising	16,112	15,737
Rents and leases	15,476	19,002
Insurance	2,696	2,655
Transportation	6,059	6,799
Other specialised services	20,142	19,728
Other supplies and services	16,194	18,712
	230,611	240,592

The balance Rents and leases includes, the amount of Euros 429,000 (30 September 2020: Euros 1,580,000) related to short-term lease contracts and the amount of Euros 1,924,000 (30 September 2020: Euros 1,828,000) related to lease contracts of low-value assets, as described in the accounting policy 1.H.

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Amortisations of intangible assets (note 29)		
Software	25,300	21,207
Other intangible assets	3,034	2,402
	28,334	23,609
Depreciations of other tangible assets (note 28)		
Properties	11,342	12,290
Equipment		
Computers	12,602	13,366
Security equipment	658	756
Installations	2,057	2,048
Machinery	975	845
Furniture	2,124	2,206
Motor vehicles	3,368	3,548
Other equipment	1,140	1,100
Right-of-use		
Real estate	40,120	42,309
Vehicles and equipment	84	165
	74,470	78,633
	102,804	102,242

10. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Loans and advances to credit institutions (note 20)		
Charge for the period	210	56
Reversals for the period	(11)	(13)
	199	43
Loans and advances to customers (note 21)		
Charge for the period	615,179	809,895
Reversals for the period	(336,025)	(427,913)
Recoveries of loans and interest charged-off	(16,048)	(16,819)
	263,106	365,163
Debt securities (note 22)		
Associated to credit operations		
Charge for the period	916	9,024
Not associated to credit operations		
Charge for the period	2,660	3,422
Reversals for the period	(614)	(330)
	2,046	3,092
	2,962	12,116
	266,267	377,322

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

The detail of these balances is comprised of:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Impairment of financial assets at fair value through other comprehensive income (note 23)		
Charge for the period	7,357	14,676
Reversals for the period	(158)	(1,124)
	7,199	13,552

12. Impairment of other assets

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Impairment of investments in associated companies (note 25)		
Charge for the period	–	3,826
Impairment of non-current assets held for sale (note 26)		
Charge for the period	36,025	50,260
Reversals for the period	(687)	(9,519)
	35,338	40,741
Impairment of goodwill of subsidiaries (note 29)		
Charge for the period	–	180
Impairment of other assets (note 31)		
Charge for the period	13,645	13,242
Reversals for the period	(7,715)	(7,618)
	5,930	5,624
	41,268	50,371

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Provision for guarantees and other commitments (note 38)		
Charge for the period	27,033	32,592
Reversals for the period	(28,219)	(28,571)
	(1,186)	4,021
Other provisions for liabilities and charges (note 38)		
Charge for the period	428,597	108,040
Reversals for the period	(16,080)	(2,680)
	412,517	105,360
	411,331	109,381

The balance Other provisions for liabilities and charges - Charge for the period refers essentially to provisions for legal risk accounted for by Bank Millennium, related foreign currency-indexed mortgage loans, as described in note 52.

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 2021	30 September 2020 (restated)
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current period	326	5,600
Appropriation relating to the previous period	(1,620)	(27)
Annulment 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 (*)	(399)	(1,935)
	(1,693)	9,705
Banque BCP, S.A.S.	3,436	1,712
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	26,532	37,910
SIBS, S.G.P.S, S.A.	9,996	4,760
Unicre - Instituição Financeira de Crédito, S.A.	4,084	666
Other companies	(227)	(517)
	43,821	44,531
	42,128	54,236

(*) Based on the requirements of IAS 29, Angola was considered as a high inflation economy until 31 December 2018, for the purposes of presentation of consolidated financial statements, as described in accounting policy 1.B6. This classification is no longer applied since 1 January 2019.

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

The amount of this item is comprised of:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Gain arising on sale of participation in Cold River's Homestead, S.A.	219	—
Losses arising on sale of participation in Projepolka SA	—	(3)
Other assets	4,292	(4,304)
	4,511	(4,307)

During the first nine months of 2021, the Group sold the 50% held in Cold River's Homestead, S.A., which generate a consolidated gain of Euros 219,000.

The balance Other assets includes the gains arising from the sale of assets held by the Group and classified as non-current assets held for sale, which, in the first nine months of 2021, corresponds to a gain of Euros 5,824,000 (30 September 2020: loss of Euros 3,481,000).

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

The amount of this item is comprised of:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Banque Privée BCP (Suisse) S.A.		
Net income before taxes	5,551	5,292
Taxes	(804)	(805)
	4,747	4,487

According to the described in note 47, under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinued in June 2021, and the impact on results presented in a separate line of the income statement named "Income / (loss) arising from discontinued or discontinuing operations". The financial statements of Banque Privée BCP (Suisse) S.A. that have been incorporated are detailed in note 53.

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Continuing operations		
Net income after income taxes from continuing operations	(14,535)	177,743
Non-controlling interests	69,257	(35,938)
Appropriated net income	54,722	141,805
Interests of the perpetual subordinated bonds (Additional Tier 1)	(27,750)	(27,750)
Taxes on interests of the perpetual subordinated bonds (Additional Tier 1)	—	5,828
Adjusted net income	26,972	119,883
Discontinued or discontinuing operations (note 16)		
Appropriated net income	4,747	4,487
Adjusted net income	31,719	124,370
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.002	0.011
from discontinued or discontinuing operations	0.000	0.000
	0.002	0.011
Diluted earnings per share (Euros):		
from continuing operations	0.002	0.011
from discontinued or discontinuing operations	0.000	0.000
	0.002	0.011

The Bank's share capital, as at 30 September 2021, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

There were not identified another dilution effects of the earnings per share as at 30 September 2021 and 2020, 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 2021	31 December 2020 (restated)
Cash	528,827	579,997
Central Banks		
Bank of Portugal	4,428,985	4,296,161
Central Banks abroad	599,622	427,706
	5,557,434	5,303,864

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

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

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Credit institutions in Portugal	25,119	10,288
Credit institutions abroad	279,117	182,976
Amounts due for collection	107,540	69,131
	411,776	262,395

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

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Loans and advances to Central Banks abroad	134,804	291,669
Loans and advances to credit institutions in Portugal		
Term deposits	49,982	—
Loans	20,127	30,942
Term deposits to collateralise CIRS and IRS operations (*)	—	2,850
Other	(39)	811
	70,070	34,603
Loans and advances to credit institutions abroad		
Very short-term deposits	113,325	—
Term deposits	229,994	383,874
Loans	15	95
Term deposits to collateralise CIRS and IRS operations (*)	97,074	276,722
Other	19,449	28,426
	459,857	689,117
	664,731	1,015,389
Overdue loans - Over 90 days	—	2
	664,731	1,015,391
Impairment	(501)	(304)
	664,230	1,015,087

(*) Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"), these deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Group.

The changes occurred in Impairment on Loans and advances to credit institutions are analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Balance on 1 January	304	368
Transfers	(2)	—
Impairment charge for the period (note 10)	210	1
Reversals for the period (note 10)	(11)	(65)
Balance at the end of the period	501	304

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 2021	31 December 2020 (restated)
Mortgage loans	28,017,992	26,729,157
Loans	18,339,975	17,113,707
Finance leases	4,074,632	3,921,747
Factoring operations	2,616,955	2,566,220
Current account credits	1,271,010	1,255,304
Overdrafts	1,220,527	885,449
Discounted bills	144,330	189,259
	55,685,421	52,660,843
Overdue loans - less than 90 days	118,128	118,767
Overdue loans - Over 90 days	994,244	1,279,269
	56,797,793	54,058,879
Loans impairment	(1,896,854)	(2,036,522)
	54,900,939	52,022,357

The balance Loans and advances to customers, as at 30 September 2021, is analysed as follows:

(Thousands of euros)

	30 September 2021				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	697,238	1	697,239	(3,373)	693,866
Asset-backed loans	31,990,650	562,876	32,553,526	(940,826)	31,612,700
Other guaranteed loans	6,243,388	97,123	6,340,511	(215,729)	6,124,782
Unsecured loans	7,459,852	367,253	7,827,105	(513,136)	7,313,969
Foreign loans	2,602,706	8,760	2,611,466	(33,264)	2,578,202
Factoring operations	2,616,955	8,181	2,625,136	(36,403)	2,588,733
Finance leases	4,074,632	68,178	4,142,810	(154,123)	3,988,687
	55,685,421	1,112,372	56,797,793	(1,896,854)	54,900,939

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

(Thousands of euros)

	31 December 2020 (restated)				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	532,580	1	532,581	(1,939)	530,642
Asset-backed loans	30,291,474	607,836	30,899,310	(969,019)	29,930,291
Other guaranteed loans	5,527,794	149,256	5,677,050	(250,277)	5,426,773
Unsecured loans	7,317,673	405,931	7,723,604	(487,609)	7,235,995
Foreign loans	2,503,355	125,743	2,629,098	(127,900)	2,501,198
Factoring operations	2,566,220	22,587	2,588,807	(53,145)	2,535,662
Finance leases	3,921,747	86,682	4,008,429	(146,633)	3,861,796
	52,660,843	1,398,036	54,058,879	(2,036,522)	52,022,357

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

- Asset-backed loans: Financial collaterals, physical collaterals (movable or immovable) and amounts receivable (income consignment);

- Credit with other guarantees: First-demand guarantees issued by banks or other entities and personal guarantees.

The analysis of loans and advances to customers, as at 30 September 2021, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2021					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	448,737	6,109	454,846	(9,728)	445,118	0.80%
Fisheries	39,623	67	39,690	(2,699)	36,991	0.07%
Mining	86,804	1,701	88,505	(1,965)	86,540	0.16%
Food, beverage and tobacco	815,135	9,201	824,336	(20,300)	804,036	1.45%
Textiles	524,211	15,122	539,333	(21,803)	517,530	0.95%
Wood and cork	280,233	5,549	285,782	(8,965)	276,817	0.50%
Paper, printing and publishing	188,210	1,159	189,369	(4,132)	185,237	0.33%
Chemicals	849,879	22,708	872,587	(39,448)	833,139	1.54%
Machinery, equipment and basic metallurgical	1,516,940	23,280	1,540,220	(43,661)	1,496,559	2.71%
Electricity and gas	242,177	787	242,964	(1,532)	241,432	0.43%
Water	237,397	289	237,686	(18,170)	219,516	0.42%
Construction	1,460,268	42,069	1,502,337	(73,406)	1,428,931	2.65%
Retail business	1,760,164	29,448	1,789,612	(49,082)	1,740,530	3.15%
Wholesale business	2,313,448	39,046	2,352,494	(84,973)	2,267,521	4.14%
Restaurants and hotels	1,715,601	35,377	1,750,978	(140,959)	1,610,019	3.08%
Transports	1,308,880	11,287	1,320,167	(23,430)	1,296,737	2.32%
Post offices	11,344	260	11,604	(461)	11,143	0.02%
Telecommunications	438,227	1,462	439,689	(14,139)	425,550	0.77%
Services						
Financial intermediation	2,002,517	65,824	2,068,341	(119,992)	1,948,349	3.64%
Real estate activities	1,894,955	7,441	1,902,396	(82,661)	1,819,735	3.35%
Consulting, scientific and technical activities	984,031	11,396	995,427	(75,050)	920,377	1.75%
Administrative and support services activities	628,202	6,116	634,318	(59,587)	574,731	1.12%
Public sector	1,059,024	1	1,059,025	(3,361)	1,055,664	1.87%
Education	146,322	1,526	147,848	(13,257)	134,591	0.26%
Health and collective service activities	397,074	1,037	398,111	(13,676)	384,435	0.70%
Artistic, sports and recreational activities	332,261	41,206	373,467	(102,713)	270,754	0.66%
Other services	231,630	242,610	474,240	(269,928)	204,312	0.84%
Consumer loans	5,527,475	324,450	5,851,925	(377,233)	5,474,692	10.30%
Mortgage credit	27,339,634	158,279	27,497,913	(193,708)	27,304,205	48.42%
Other domestic activities	1,021	676	1,697	(74)	1,623	0.00%
Other international activities	903,997	6,889	910,886	(26,761)	884,125	1.60%
	55,685,421	1,112,372	56,797,793	(1,896,854)	54,900,939	100%

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

(Thousands of euros)

	31 December 2020 (restated)					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	400,801	10,745	411,546	(10,026)	401,520	0.76%
Fisheries	32,684	37	32,721	(471)	32,250	0.06%
Mining	67,358	3,183	70,541	(2,347)	68,194	0.13%
Food, beverage and tobacco	802,531	11,533	814,064	(25,204)	788,860	1.51%
Textiles	464,250	11,553	475,803	(25,476)	450,327	0.88%
Wood and cork	254,338	7,064	261,402	(10,152)	251,250	0.48%
Paper, printing and publishing	188,993	1,290	190,283	(14,802)	175,481	0.35%
Chemicals	757,863	26,590	784,453	(36,147)	748,306	1.45%
Machinery, equipment and basic metallurgical	1,353,637	37,250	1,390,887	(52,218)	1,338,669	2.57%
Electricity and gas	315,464	218	315,682	(1,899)	313,783	0.58%
Water	229,535	590	230,125	(17,167)	212,958	0.43%
Construction	1,688,915	89,560	1,778,475	(139,292)	1,639,183	3.29%
Retail business	1,698,861	35,419	1,734,280	(50,156)	1,684,124	3.21%
Wholesale business	2,123,122	52,981	2,176,103	(99,976)	2,076,127	4.03%
Restaurants and hotels	1,367,548	41,264	1,408,812	(72,474)	1,336,338	2.61%
Transports	1,188,061	29,432	1,217,493	(46,022)	1,171,471	2.25%
Post offices	20,311	338	20,649	(490)	20,159	0.04%
Telecommunications	485,910	4,710	490,620	(20,206)	470,414	0.91%
Services						
Financial intermediation	1,643,196	86,865	1,730,061	(192,376)	1,537,685	3.20%
Real estate activities	1,829,513	18,684	1,848,197	(85,187)	1,763,010	3.42%
Consulting, scientific and technical activities	937,548	36,415	973,963	(81,482)	892,481	1.80%
Administrative and support services activities	599,543	13,112	612,655	(72,693)	539,962	1.13%
Public sector	994,296	1	994,297	(3,643)	990,654	1.84%
Education	142,028	1,718	143,746	(7,016)	136,730	0.27%
Health and collective service activities	365,092	1,215	366,307	(9,643)	356,664	0.68%
Artistic, sports and recreational activities	365,929	11,030	376,959	(102,056)	274,903	0.70%
Other services	226,772	243,426	470,198	(180,430)	289,768	0.87%
Consumer loans	5,075,357	336,475	5,411,832	(368,720)	5,043,112	10.01%
Mortgage credit	26,189,158	173,835	26,362,993	(188,524)	26,174,469	48.76%
Other domestic activities	1,020	620	1,640	(60)	1,580	0.00%
Other international activities	851,209	110,883	962,092	(120,167)	841,925	1.78%
	52,660,843	1,398,036	54,058,879	(2,036,522)	52,022,357	100%

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may include in a reinforce of guarantees, liquidation of part of the credit as well as changes in the payment plan and/or in interest rate. The analysis of the outstanding restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2021			31 December 2020 (restated)		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	13,463	(2,832)	10,631	20,927	(4,045)	16,882
Fisheries	13,080	(1,623)	11,457	123	(41)	82
Mining	8,600	(340)	8,260	2,149	(337)	1,812
Food, beverage and tobacco	22,523	(6,720)	15,803	26,403	(8,238)	18,165
Textiles	13,312	(5,303)	8,009	16,297	(6,333)	9,964
Wood and cork	7,378	(1,024)	6,354	6,732	(1,412)	5,320
Paper, printing and publishing	5,352	(1,369)	3,983	16,006	(12,296)	3,710
Chemicals	23,285	(10,301)	12,984	21,960	(8,843)	13,117
Machinery, equipment and basic metallurgical	62,352	(13,071)	49,281	60,584	(12,710)	47,874
Electricity and gas	653	(126)	527	396	(31)	365
Water	49,186	(14,960)	34,226	49,711	(13,689)	36,022
Construction	110,156	(27,036)	83,120	237,988	(83,589)	154,399
Retail business	47,954	(18,175)	29,779	46,592	(16,983)	29,609
Wholesale business	77,897	(13,679)	64,218	91,949	(18,459)	73,490
Restaurants and hotels	182,923	(65,841)	117,082	76,538	(13,968)	62,570
Transports	19,659	(3,386)	16,273	13,327	(3,109)	10,218
Post offices	249	(113)	136	198	(97)	101
Telecommunications	29,251	(6,370)	22,881	15,406	(11,071)	4,335
Services						
Financial intermediation	145,613	(76,673)	68,940	156,677	(85,960)	70,717
Real estate activities	119,224	(52,129)	67,095	125,807	(44,921)	80,886
Consulting, scientific and technical activities	243,295	(56,973)	186,322	264,177	(63,332)	200,845
Administrative and support services activities	71,302	(45,833)	25,469	86,532	(59,016)	27,516
Public sector	57,837	(329)	57,508	50,120	(1,113)	49,007
Education	19,532	(10,478)	9,054	19,825	(4,775)	15,050
Health and collective service activities	26,556	(8,026)	18,530	25,388	(4,970)	20,418
Artistic, sports and recreational activities	165,422	(90,962)	74,460	152,110	(73,126)	78,984
Other services	247,794	(176,094)	71,700	255,108	(176,808)	78,300
Consumer loans	289,347	(89,833)	199,514	274,548	(82,768)	191,780
Mortgage credit	455,176	(61,081)	394,095	518,666	(54,732)	463,934
Other domestic activities	48	(8)	40	23	(1)	22
Other international activities	6,000	(5,166)	834	32,677	(26,061)	6,616
	2,534,419	(865,854)	1,668,565	2,664,944	(892,834)	1,772,110

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Balance on 1 January	2,036,522	2,417,022
Charge for the period in net income interest (note 2)	18,748	34,335
Transfers resulting from changes in the Group's structure	—	(8)
Other transfers	5,737	7,097
Impairment charge for the period (note 10)	615,179	1,102,851
Reversals for the period (note 10)	(336,025)	(576,588)
Loans charged-off	(446,320)	(899,133)
Exchange rate differences	3,013	(49,054)
Balance at the end of the period	1,896,854	2,036,522

According to note 38, regarding the proceedings related to foreign currency-indexed mortgage loans, Bank Millennium wrote-off the amount of Euros 491,302,000 from the gross carrying amount of loans portfolio (31 December 2020: Euros 194,012,000), of which Euros 299,010,000 were written-off in the first nine months of 2021.

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

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Agriculture and forestry	1,948	443
Fisheries	52	359
Mining	881	111
Food, beverage and tobacco	4,662	9,097
Textiles	3,694	10,937
Wood and cork	621	146
Paper, printing and publishing	12,807	229
Chemicals	6,831	1,665
Machinery, equipment and basic metallurgical	15,972	3,718
Electricity and gas	127	23
Water	405	605
Construction	30,259	144,292
Retail business	9,939	15,287
Wholesale business	21,689	33,585
Restaurants and hotels	11,507	53,213
Transports	22,605	4,706
Post offices	115	94
Telecommunications	6,691	564
Services		
Financial intermediation	41,540	315,038
Real estate activities	5,316	43,068
Consulting, scientific and technical activities	27,630	120,673
Administrative and support services activities	18,778	9,771
Public sector	4	—
Education	143	122
Health and collective service activities	269	466
Artistic, sports and recreational activities	12,981	(3,159)
Other services	539	63,213
Consumer loans	58,415	55,934
Mortgage credit	2,315	4,576
Other domestic activities	23,590	5,740
Other international activities	103,995	4,617
	446,320	899,133

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

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Agriculture and forestry	156	267
Mining	1	7
Food, beverage and tobacco	86	44
Textiles	175	17
Wood and cork	15	4
Paper, printing and publishing	1	—
Chemicals	111	424
Machinery, equipment and basic metallurgical	268	45
Water	10	1
Construction	952	611
Retail business	915	443
Wholesale business	570	494
Restaurants and hotels	99	169
Transports	93	139
Post offices	1	11
Telecommunications	4	3
Services		
Financial intermediation	143	1,095
Real estate activities	127	62
Consulting, scientific and technical activities	30	1,361
Administrative and support services activities	77	22
Education	2	35
Health and collective service activities	1	1
Artistic, sports and recreational activities	2	10
Other services	33	16
Consumer loans	10,296	11,289
Mortgage credit	664	205
Other domestic activities	1,189	12
Other international activities	27	32
	16,048	16,819

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	202,403	214,421
Commercial paper	1,137,047	1,334,236
Foreign issuers		
Bonds	29,777	30,398
Commercial paper	45,372	28,160
	1,414,599	1,607,215
Overdue securities - over 90 days	40	1,761
	1,414,639	1,608,976
Impairment	(10,263)	(11,021)
	1,404,376	1,597,955
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	3,735,807	3,758,016
Foreign issuers	2,534,272	378,285
Bonds issued by other entities		
Portuguese issuers	152,921	178,405
Foreign issuers	95,445	100,833
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	448,936	226,383
	6,967,381	4,641,922
Impairment	(7,594)	(5,332)
	6,959,787	4,636,590
	8,364,163	6,234,545

(*) Includes the negative amount of Euros 2,462,000 (31 December 2020: positive amount of Euros 28,794,000) related to adjustments resulting from the application of fair value hedge accounting.

The balance Debt securities held not associated with credit operations - Bonds issued by other Portuguese entities includes the amount of Euros 139,334,000 (31 December 2020: Euros 139,085,000) related to public sector companies.

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

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Debt securities held associated with credit operations		
Agriculture and forestry	4,735	4,877
Mining	5,709	27,646
Food, beverage and tobacco	62,120	85,174
Textiles	59,253	61,725
Wood and cork	6,484	6,438
Paper, printing and publishing	7,455	9,295
Chemicals	97,467	105,146
Machinery, equipment and basic metallurgical	50,700	54,108
Electricity and gas	169,656	198,291
Water	12,438	12,417
Construction	13,967	16,650
Retail business	51,182	48,377
Wholesale business	66,753	70,625
Restaurants and hotels	6,728	9,394
Transports	41,129	62,811
Telecommunications	5,523	5,572
Services		
Financial intermediation	54,176	88,292
Real estate activities	34,542	28,139
Consulting, scientific and technical activities	545,179	616,512
Administrative and support services activities	14,627	10,754
Health and collective service activities	2,473	—
Artistic, sports and recreational activities	12,357	12,455
Other services	4,573	5,055
Other international activities	75,150	58,202
	1,404,376	1,597,955
Debt securities held not associated with credit operations		
Chemicals	—	25,578
Electricity and Gas	3,490	3,589
Water	39,458	39,394
Retailing	5,538	5,566
Transports (*)	99,652	99,504
Services		
Financial intermediation	534,894	317,847
Consulting, scientific and technical activities	13,347	13,483
	696,379	504,961
Government and Public securities	6,263,408	4,131,629
	6,959,787	4,636,590
	8,364,163	6,234,545

(*) Corresponds to securities from public sector companies

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

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Debt securities held associated with credit operations		
Balance on 1 January	11,021	12,431
Charge for the period in net income interest (note 2)	47	54
Transfers	–	(7,756)
Charge for the period (note 10)	916	6,292
Loans charged-off	(1,722)	–
Exchange rate differences	1	–
Balance at the end of the period	10,263	11,021
Debt securities held not associated with credit operations		
Balance on 1 January	5,332	2,100
Transfers	(26)	(57)
Charge for the period (note 10)	2,660	4,089
Reversals for the period (note 10)	(614)	(480)
Exchange rate differences	242	(320)
Balance at the end of the period	7,594	5,332

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 2021	31 December 2020 (restated)
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	552,981	486,276
Equity instruments	40,878	1,318
Trading derivatives	470,051	543,607
	1,063,910	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	108,187	354,309
Debt instruments	873,121	917,132
Equity instruments	30,249	44,026
	1,011,557	1,315,467
Financial assets at fair value through other comprehensive income		
Debt instruments	13,121,347	12,107,431
Equity instruments	35,304	32,961
	13,156,651	12,140,392
	15,232,118	14,487,060

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 30 September 2021, is analysed as follows:

(Thousands of euros)

	30 September 2021			
	At fair value through profit or loss			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	6,572	–	3,833,070	3,839,642
Foreign issuers	45,397	–	6,939,622	6,985,019
Bonds issued by other entities				
Portuguese issuers	8,844	16,734	787,362	812,940
Foreign issuers	1,366	–	1,031,498	1,032,864
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	490,802	–	6,019	496,821
Foreign issuers	–	–	523,776	523,776
Shares of foreign companies (a)	–	19,568	–	19,568
Investment fund units (b)	–	836,819	–	836,819
	552,981	873,121	13,121,347	14,547,449
Equity instruments				
Shares				
Portuguese companies	438	–	17,592	18,030
Foreign companies	31	30,249	17,710	47,990
Investment fund units	–	–	2	2
Other securities	40,409	–	–	40,409
	40,878	30,249	35,304	106,431
Trading derivatives	470,051	–	–	470,051
	1,063,910	903,370	13,156,651	15,123,931

(a) Under IFRS 9 these shares were considered as debt instruments because they do not fall within the definition of SPPI.

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

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	31 December 2020 (restated)			
	At fair value through profit or loss			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	101	—	3,602,910	3,603,011
Foreign issuers	59,078	—	6,893,507	6,952,585
Bonds issued by other entities				
Portuguese issuers	6,539	16,778	900,019	923,336
Foreign issuers	42,609	—	654,981	697,590
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	377,949	—	6,014	383,963
Foreign issuers	—	—	50,000	50,000
Shares of foreign companies (a)	—	17,952	—	17,952
Investment fund units (b)	—	882,402	—	882,402
	486,276	917,132	12,107,431	13,510,839
Equity instruments				
Shares				
Portuguese companies	438	—	16,522	16,960
Foreign companies	54	44,026	16,437	60,517
Investment fund units	—	—	2	2
Other securities	826	—	—	826
	1,318	44,026	32,961	78,305
Trading derivatives	543,607	—	—	543,607
	1,031,201	961,158	12,140,392	14,132,751

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

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

The impairment movements, on balance sheet, of the financial assets at fair value through other comprehensive, that occurred during the period, are analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Balance on 1 January	1,097	1,177
Transfers to fair value changes (note 43)	(7,199)	(10,360)
Impairment through profit and loss (note 11)	7,357	11,485
Reversals through profit and loss (note 11)	(158)	(1,125)
Exchange rate differences	(10)	(80)
Balance at the end of the period	1,087	1,097

As at 30 September 2021, the accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 21,057,000 and is recognised against Fair value reserves (31 December 2020: Euros 13,823,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 30 September 2021, is analysed as follows:

(Thousands of euros)

	30 September 2021			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,781,597	(8,311)	59,784	3,833,070
Foreign issuers	6,920,362	(1,535)	20,795	6,939,622
Bonds issued by other entities				
Portuguese issuers	760,949	7,207	19,206	787,362
Foreign issuers	1,006,958	5,133	19,407	1,031,498
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	6,015	–	4	6,019
Foreign issuers	523,886	–	(110)	523,776
	12,999,767	2,494	119,086	13,121,347
Equity instruments				
Shares				
Portuguese companies	36,543	–	(18,951)	17,592
Foreign companies	28,340	–	(10,630)	17,710
Investment fund units	2	–	–	2
	64,885	–	(29,581)	35,304
	13,064,652	2,494	89,505	13,156,651

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

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

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

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

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

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Public sector	—	25
Unsecured loans	102,124	347,188
	102,124	347,213
Overdue loans - less than 90 days	1,599	2,133
Overdue loans - Over 90 days	4,464	4,963
	108,187	354,309

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 30 September 2021, is as follows:

(Thousands of euros)

	30 September 2021			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Fisheries	1,427	—	—	1,427
Mining	—	6	—	6
Paper, printing and publishing	55,357	1	—	55,358
Chemicals	—	3	—	3
Machinery, equipment and basic metallurgical	4,062	443	—	4,505
Electricity and gas	33,979	—	—	33,979
Water	10,372	—	—	10,372
Construction	21,239	4	20,485	41,728
Retail business	46,003	2	—	46,005
Wholesale business	53,505	7,937	—	61,442
Restaurants and hotels	—	1,308	—	1,308
Transports	98,716	—	—	98,716
Telecommunications	42,678	4,285	—	46,963
Services				
Financial intermediation (*)	1,525,604	56,197	835,853	2,417,654
Real estate activities	—	—	15,228	15,228
Consulting, scientific and technical activities	442,588	104	—	442,692
Administrative and support services activities	12,387	8,822	—	21,209
Public sector	—	—	393	393
Artistic, sports and recreational activities	16,683	—	—	16,683
Other services	4,979	6,476	5,271	16,726
	2,369,579	85,588	877,230	3,332,397
Government and Public securities	11,321,483	—	—	11,321,483
	13,691,062	85,588	877,230	14,653,880

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 788,633,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is 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 2020, is as follows:

(Thousands of euros)

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

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 827,976,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 46.

24. Hedging derivatives

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

(Thousands of euros)

	30 September 2021		31 December 2020 (restated)	
	Assets	Liabilities	Assets	Liabilities
Swaps	86,627	238,006	91,249	285,766

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Portuguese credit institutions	39,637	40,114
Foreign credit institutions	152,406	139,095
Other Portuguese companies	296,979	287,285
Other foreign companies	21,438	21,024
	510,460	487,518
Impairment	(52,185)	(52,559)
	458,275	434,959

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

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Balance on 1 January	52,559	60,773
Impairment charge for the period (note 12)	(4,557)	4,735
Exchange rate differences	4,183	(12,949)
Balance at the end of the period	52,185	52,559

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	30 September 2021				31 December 2020 (restated)
	Ownership on equity	Goodwill	Impairment	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	250,795	–	–	250,795	228,956
Banco Millennium Atlântico, S.A.	58,877	49,287	(34,174)	73,990	66,521
Banque BCP, S.A.S.	44,242	–	–	44,242	42,583
Cold River's Homestead, S.A.	–	–	–	–	14,530
SIBS, S.G.P.S, S.A.	45,742	–	–	45,742	38,881
Unicre - Instituição Financeira de Crédito, S.A.	32,201	7,436	–	39,637	40,114
Webspectator Corporation	–	18,011	(18,011)	–	86
Others	3,869	–	–	3,869	3,288
	435,726	74,734	(52,185)	458,275	434,959

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

The Group's companies included in the consolidation perimeter are presented in note 55. During the first nine months of 2021, the Group sold its participation in Cold River's Homestead, S.A.

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021			31 December 2020 (restated)		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	704,905	(145,835)	559,070	848,277	(146,372)	701,905
Assets belong to investments funds and real estate companies	289,291	(48,704)	240,587	309,547	(52,465)	257,082
Assets for own use (closed branches)	24,459	(6,050)	18,409	26,122	(6,654)	19,468
Equipment and other	25,980	(8,402)	17,578	38,131	(10,158)	27,973
Other assets	15,159	–	15,159	20,053	–	20,053
	1,059,794	(208,991)	850,803	1,242,130	(215,649)	1,026,481

The assets included in this balance are accounted for in accordance with the accounting policy described in note 1.G.

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from process of recovered loans or judicial auction being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership.

These assets are available for sale in a period less than one year and the Group has a strategy for its sale, according to the characteristic of each asset. However, considering the formal constraints, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Group having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market. The Group requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

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

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Balance on 1 January	215,649	263,891
Transfers	(774)	779
Charge for the period (note 12)	36,025	78,355
Reversals for the period (note 12)	(688)	(11,645)
Amounts charged-off	(42,714)	(113,941)
Exchange rate differences	1,493	(1,790)
Balance at the end of the period	208,991	215,649

27. Investment property

As at 30 September 2021, 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 2021	31 December 2020 (restated)
Real estate	721,137	725,639
Equipment:		
Computer equipment	334,764	330,853
Security equipment	67,358	69,812
Interior installations	147,039	144,693
Machinery	49,572	49,452
Furniture	85,054	84,962
Motor vehicles	30,734	29,448
Other equipment	30,598	30,886
Right of use		
Real estate	345,866	334,608
Vehicles and equipment	907	929
Work in progress	16,326	18,021
Other tangible assets	300	248
	1,829,655	1,819,551
Accumulated depreciation		
Relative to the current period (note 9)	(74,470)	(103,628)
Relative to the previous periods	(1,151,699)	(1,075,098)
	(1,226,169)	(1,178,726)
	603,486	640,825

As at 30 September 2021, the balance Real Estate includes the amount of Euros 113,929,000 (31 December 2020: Euros 118,532,000) related to real estate held by the Group's real estate investment funds.

The balance Right-of-use essentially corresponds to real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the lease term of each contract, as described in the accounting policy 1.H.

The changes occurred in Other tangible assets during the first nine months of 2021 are analysed as follows:

(Thousands of euros)

	2021					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 30 September
Real estate	725,639	188	(15,820)	(1,624)	12,754	721,137
Equipment:						
Computer equipment	330,853	3,130	(9,799)	4,839	5,741	334,764
Security equipment	69,812	234	(3,368)	(112)	792	67,358
Interior installations	144,693	796	(880)	286	2,144	147,039
Machinery	49,452	204	(577)	305	188	49,572
Furniture	84,962	403	(1,752)	455	986	85,054
Motor vehicles	29,448	3,304	(3,689)	256	1,415	30,734
Other equipment	30,886	8	(941)	826	(181)	30,598
Right of use						
Real estate	334,608	17,353	(7,878)	1	1,782	345,866
Vehicles and equipment	929	14	(32)	—	(4)	907
Work in progress	18,021	6,809	(101)	(9,067)	664	16,326
Other tangible assets	248	2	(2)	—	52	300
	1,819,551	32,445	(44,839)	(3,835)	26,333	1,829,655
Accumulated depreciation						
Real estate	(431,312)	(11,376)	11,227	1,579	(3,406)	(433,288)
Equipment:						
Computer equipment	(291,414)	(12,626)	9,759	(30)	(4,447)	(298,758)
Security equipment	(65,662)	(658)	3,368	113	(671)	(63,510)
Interior installations	(128,864)	(2,057)	843	125	(1,363)	(131,316)
Machinery	(41,333)	(1,026)	430	(133)	(131)	(42,193)
Furniture	(77,162)	(2,124)	1,712	232	(667)	(78,009)
Motor vehicles	(17,215)	(3,368)	3,223	41	(921)	(18,240)
Other equipment	(23,586)	(1,140)	856	6	97	(23,767)
Right of use						
Real estate	(101,475)	(40,806)	6,637	—	(609)	(136,253)
Vehicles and equipment	(668)	(167)	32	—	3	(800)
Other tangible assets	(35)	—	—	—	—	(35)
	(1,178,726)	(75,348)	38,087	1,933	(12,115)	(1,226,169)
	640,825	(42,903)	(6,752)	(1,902)	14,218	603,486

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

(Thousands of euros)

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

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	104,451	105,385
Euro Bank, S.A. (Poland)	41,756	42,130
Others	12,323	14,260
	158,530	161,775
Impairment		
Others	(11,584)	(13,573)
	146,946	148,202
Intangible assets		
Software	216,960	201,918
Other intangible assets	69,281	67,777
	286,241	269,695
Accumulated amortisation		
Charge for the period (note 9)	(28,334)	(32,336)
Charge for the previous periods	(162,073)	(139,607)
	(190,407)	(171,943)
	95,834	97,752
	242,780	245,954

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

(Thousands of euros)

	2021					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 30 September
Goodwill - Differences arising on consolidation	161,775	—	(1,988)	—	(1,257)	158,530
impairment of goodwill	(13,573)	—	1,988	—	1	(11,584)
	148,202	—	—	—	(1,256)	146,946
Intangible assets						
Software	201,918	26,567	(12,485)	(2,208)	3,168	216,960
Other intangible assets	67,777	—	—	2,127	(623)	69,281
	269,695	26,567	(12,485)	(81)	2,545	286,241
Accumulated depreciation						
Software	(115,415)	(25,439)	11,356	33	(1,882)	(131,347)
Other intangible assets	(56,528)	(3,034)	—	(33)	535	(59,060)
	(171,943)	(28,473)	11,356	—	(1,347)	(190,407)
	97,752	(1,906)	(1,129)	(81)	1,198	95,834
	245,954	(1,906)	(1,129)	(81)	(58)	242,780

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

(Thousands of euros)

	2020 (restated)					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December (restated)
Goodwill - Differences arising on consolidation	165,904	180	(444)	–	(3,865)	161,775
impairment of goodwill	(13,837)	(180)	444	–	–	(13,573)
	152,067	–	–	–	(3,865)	148,202
Intangible assets						
Software	189,031	44,505	(15,102)	(5,362)	(11,154)	201,918
Other intangible assets	67,214	–	–	5,226	(4,663)	67,777
	256,245	44,505	(15,102)	(136)	(15,817)	269,695
Accumulated depreciation						
Software	(108,690)	(29,100)	14,951	221	7,203	(115,415)
Other intangible assets	(56,992)	(3,236)	–	(221)	3,921	(56,528)
	(165,682)	(32,336)	14,951	–	11,124	(171,943)
	90,563	12,169	(151)	(136)	(4,693)	97,752
	242,630	12,169	(151)	(136)	(8,558)	245,954

30. Income tax

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

(Thousands of euros)

	30 September 2021			31 December 2020 (restated)		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	983,177	–	983,177	983,177	–	983,177
Employee benefits	835,613	–	835,613	836,909	–	836,909
	1,818,790	–	1,818,790	1,820,086	–	1,820,086
Deferred taxes depending on the future profits						
Impairment losses (b)	630,562	(50,303)	580,259	723,864	(50,303)	673,561
Tax losses carried forward	197,824	–	197,824	176,885	–	176,885
Employee benefits	62,780	(8,588)	54,192	55,268	(542)	54,726
Financial assets at fair value through other comprehensive income	59,163	(115,600)	(56,437)	38,000	(189,359)	(151,359)
Derivatives	–	(4,645)	(4,645)	–	(4,451)	(4,451)
Intangible assets	1,706	–	1,706	49	–	49
Other tangible assets	8,816	(4,113)	4,703	10,992	(4,081)	6,911
Others	82,743	(36,544)	46,199	68,885	(18,745)	50,140
	1,043,594	(219,793)	823,801	1,073,943	(267,481)	806,462
Total deferred taxes	2,862,384	(219,793)	2,642,591	2,894,029	(267,481)	2,626,548
Offset between deferred tax assets and deferred tax liabilities	(210,435)	210,435	–	(260,239)	260,239	–
Net deferred taxes	2,651,949	(9,358)	2,642,591	2,633,790	(7,242)	2,626,548

(a) Special Regime applicable to deferred tax assets

(b) The amounts of 2021 and 2020 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

As at 30 September 2021, the balance deferred tax assets amounts to Euros 2,651,949,000, of which Euros 2,478,627,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 659,862,000 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 458,148,000 related to impairment losses; and

- Euros 162,400,000 resulting from tax losses carried forward from 2016 and 2020, which, considering the changes established in Law no. 27-A/2020, of July 24, within the scope of the Supplementary Budget for 2020, may be used until 2030 and 2032, respectively.

Special regime applicable to deferred tax assets

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

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to part of expenses and negative equity variations associated with them. Pursuant to Law No. 23/2016, of 19 August, this special regime is not applicable to expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits recorded in the 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 1,546,331,000 (31 December 2020: Euros 1,471,614,000).

- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In situations of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity capital, and a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights attributable to the State of equivalent value, rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or an entity based in Portugal within the same prudential consolidation perimeter or included in the same group of entities for which are applied the Special Tax Regime for Groups of Companies) or reimbursed by the State.

Pursuant to the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law No. 61/2014, of 26 August, is not dependent on future profits.

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

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantially approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset with each other and 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 2021	31 December 2020 (restated)
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000	9%	9%

The deferred tax rate related to the Bank's tax losses is 21% (31 December 2020: 21%).

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

In accordance with the amendments provided for in Law No. 27-A/2020, of 24 July, under the Supplementary Budget for 2020, the reporting period for tax losses in Portugal, is now 14 years for the losses of 2014, 2015 and 2016 and 7 years for the tax losses of 2017, 2018 and 2019. The tax losses calculated in 2020 and 2021 have a reporting period of 12 years, which may be deducted until 2032 and 2033 respectively. The limit for the deduction of tax losses is increased from 70% to 80%, when the difference results from the deduction of tax losses determined in the tax periods of 2020 and 2021.

In Poland, the term is 5 years, in Mozambique it is 5 years and in Switzerland it is 7 years.

Banco Comercial Português, S.A. applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under IRC, in which it's the dominant company.

The balance of Deferred tax assets not depending on the future profits (covered by the regime approved by Law no. 61/2014, of 26 August) includes the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to impairment losses in loans accounted until 31 December 2014.

The deferred income tax assets associated to tax losses, by expiry date, are presented as follows:

(Thousands of euros)

Expiry date	30 September 2021	31 December 2020 (restated)
2021-2026	35,402	29,043
2030	104,000	104,000
2033	58,422	43,842
	197,824	176,885

Following the publication of the Notice of Bank of Portugal No. 5/2015, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA), since 1 January 2016 began to apply the International Financial Reporting Standards as adopted in the European Union, including, among others, the Bank's individual financial statements.

As a result of this change, in the Bank's individual financial statements, the loans portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses calculated in accordance with the requirements of International Accounting Standards (IAS 39 until 31 December 2017 and IFRS 9 since 1 January 2018), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal's Notice No. 3/95.

The Regulatory Decrees No. 5/2016, of 18 November, No. 11/2017, of 28 December, and No. 13/2018, of 28 December, established the maximum limits of impairment losses and other corrections of value for specific credit risk that are deductible for the purpose of calculating the taxable profit under IRC in 2016, 2017 and 2018, respectively. These Decrees declare that Bank of Portugal Notice No. 3/95 (Notice that was relevant for determining provisions for credit in the financial statements presented on an NCA basis) should be considered for the purpose of calculating the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively.

Law No. 98/2019, of 4 September, establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

Regardless the previously referred option, the new regime's application will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- In the financial year of 2022, if, since 1 January 2022, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 10% comparatively to the amount recorded on 31 December 2018;

- In the financial year of 2023, if, since 1 January 2023, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 20% comparatively to the amount recorded on 31 December 2018.

In the calculation of the taxable income for the year 2020 and in the estimation of taxable income by reference to 30 September 2021 it was considered the maintenance of the tax rules in force until 2018, since the option for the application of the new regime was not exercised.

The Group complies with the guidelines of IFRIC 23 - Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, not having occurred material impact on the financial statements resulting from its application.

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Y.3 and with the requirements of IAS 12, the deferred tax assets were recognised based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried based on the respective estimated financial statements, prepared under the budgetary process for 2021, which support the expected future taxable income, considering the macroeconomic and competitive environment then analysed.

The impacts resulting from the updating of the reference interest rate at that date, according to the current market interest rate curve, and the updating of the projection of personnel costs due to the ongoing restructuring process, were also considered in this evaluation.

To estimate taxable net income for the periods of 2021 to 2033, the following main assumptions were considered:

- It was considered the approximation between accounting and tax rules predicted by Law No. 98/2019, of 4 September, assuming the Group will not exercise its application earlier over the adaptation period of 5 years that the referred Law predicts. In the application of these rules, the following assumptions were considered, in general terms:

  a) non-deductible expenses related to increase of credit impairments for the years between 2021 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2020, compared to the amounts of net impairment increases recorded in these years;

  b) the expenses with credit impairment's increases beginning in 2024 were considered deductible for tax purposes according to the new fiscal regime;

  c) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2021-2023 submitted to the supervisory authority in March 2020, and also on the average reversal percentage observed in the last years of 2016 to 2020;

  d) the referred average percentages were calculated separately, according to the presence or not of a mortgage security, the eligibility for the special regime applicable to deferred tax assets and according to the clients' rating as Non-Performing Exposures.

-The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- Reversals of impairment of non-financial assets not accepted for tax purposes were projected considering the expected periods of disinvestment in certain real estate. For the remaining assets without a forecasted term for disinvestment, the reversals were estimated based on the average percentage of reversal observed in the years from 2016 to 2020. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated on the basis of the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2020, compared to the amounts of reinforcements net of impairment recorded in those years.

- The deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

- The realization of changes in the fair value of real estate investment funds was projected based on the information available in the regulations of the funds in question for the period expected for the respective liquidation.

The projections made reflect the effects of changes in the macroeconomic, competitive and legal/regulatory framework caused by the pandemic. The constraints on the development of the activity imposed by the crisis, on the one hand, and the impacts that the same crisis will have on credit portfolios and other assets, with immediate profitability, on the other, prevent the financial targets of the 2018-2021 strategic plan from being achieved in the timeframe originally foreseen. 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, and enshrined in the revision of the strategic plan approved by the governing bodies, with emphasis on:

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

- increase in commission income based on efficient and judicious management of commissioning and pricing, and, regarding the Individuals segment, the growth of off-balance sheet products;

- normalization of the cost of risk to levels aligned with the current activity of the Bank and reduction of negative impacts produced by the devaluation or sale of non-current assets, with the progressive reduction of the historical NPE, foreclosed assets and specialized funds in credit recovery portfolios;

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

The performed analyse allow the conclusion of total recoverability of the deferred tax assets recognized as at 30 June 2021.

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

(Thousands of euros)

Tax losses carried forward	30 September 2021	31 December 2020 (restated)
2021-2025	111,748	111,985
2026	46,509	40,214
2027-2029	163,927	161,685
2030-2033	330,990	328,329
	653,174	642,213

The impact of income taxes in Net income and in other balances of Group's equity, as at 30 September 2021, is analysed as follows:

(Thousands of euros)

	30 September 2021			
	Net income for the period	Reserves	Exchange differences	Discontinuing operations (b)
Deferred taxes Deferred taxes not depending on the future profits				
Employee benefits	(1,288)	(8)	—	—
	(1,288)	(8)	—	—
Deferred taxes depending on the future profits				
Impairment losses	(91,911)	—	(1,391)	—
Tax losses carried forward (a)	17,208	109	3,622	—
Employee benefits	8,521	(9,039)	(39)	23
Financial assets at fair value through other comprehensive income	920	95,505	(1,503)	—
Derivatives	—	—	(194)	—
Intangible assets	(310)	—	1,967	
Other tangible assets	(271)	—	(1,937)	—
Others	(7,273)	2,381	951	—
	(73,116)	88,956	1,476	23
	(74,404)	88,948	1,476	23
Current taxes				
Current period	(69,425)	5	—	(804)
Correction of previous periods	684	—	—	—
	(68,741)	5	—	(804)
	(143,145)	88,953	1,476	(781)

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity variations recorded in reserves that contribute to the calculation of taxable income.

(b) Relates to Banque Privée, S.A.

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 (restated)			
	Net income for the period	Reserves	Exchange differences	Discontinuing operations (b)
Deferred taxes Deferred taxes not depending on the future profits (a)				
Employee benefits	—	(2)	—	—
	—	(2)	—	—
Deferred taxes depending on the future profits				
Impairment losses	(58,042)	—	(5,968)	—
Tax losses carried forward	26,834	9,153	(2,179)	—
Employee benefits	(139)	(2,474)	301	(123)
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)	(190)	(2,691)	(35)
	(35,468)	(53,501)	(5,096)	(158)
	(35,468)	(53,503)	(5,096)	(158)
Current taxes				
Current period	(86,294)	135	—	(805)
Correction of previous periods	133	—	—	—
	(86,161)	135	—	(805)
	(121,629)	(53,368)	(5,096)	(963)

(a)The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity variations recorded in reserves that contribute to the calculation of taxable income.

(b) Relates to Banque Privée, S.A.

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

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Net income/(loss) before income taxes	128,610	299,372
Current tax rate (%)	31.5%	31.5%
Expected tax	(40,512)	(94,302)
Non-deductible impairment and provisions (a)	(60,815)	(17,378)
Contributions to the banking sector (b)	(26,317)	(26,157)
Results of companies accounted by the equity method	13,270	17,084
Tax benefits	11,507	10,163
Interests on other equity instruments (c)	8,741	—
Effect of the difference between the tax rate and deferred tax	(22,930)	(8,852)
Effect of recognition/derecognition net of deferred taxes	(10,913)	—
Non-deductible costs and other corrections	(9,696)	(4,174)
Correction of previous periods	(5,063)	2,812
Autonomous tax	(417)	(825)
Total	(143,145)	(121,629)
Effective rate (%)	111.30%	40.63%

(a) In 2021 includes the negative amount of Euros 57,177,000 (30 September 2020: negative Euros 13,855,000) related to the impact of the non-deductibility for tax purposes of the provisions related to legal risks associated with the mortgage loans portfolio granted in foreign currency by the Polish subsidiary.

(b) Refers to contributions to the banking sector in Portugal and in Poland.

(c) Relates to the impact of the deduction for taxable income purposes of interest paid in respect of perpetual bonds representing subordinated debt issued in 2019.

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Deposit account applications	313,503	324,501
Associated companies	172	425
Subsidies receivables	14,001	9,750
Prepaid expenses	27,898	24,186
Debtors for futures and options transactions	125,971	281,991
Insurance activity	3,025	5,355
Debtors		
Residents		
Prosecution cases/agreements with the Bank	13,849	14,023
SIBS	3,957	4,832
Receivables from real estate, transfers of assets and other securities	108,760	105,003
Others	27,963	18,579
Non-residents	53,001	96,346
Dividends to receive	—	4,672
Interest and other amounts receivable	68,319	64,320
Amounts receivable on trading activity	88,090	498
Gold and other precious metals	3,944	3,743
Other recoverable tax	12,431	16,393
Artistic patrimony	28,817	28,817
Capital supplementary contributions	165	165
Reinsurance technical provision	8,996	21,071
Obligations with post-employment benefits	289,597	93,041
Capital supplies	243,662	239,735
Amounts due for collection	52,728	74,119
Amounts due from customers	25,436	21,278
Sundry assets	165,429	109,311
	1,679,714	1,562,154
Impairment of other assets	(260,703)	(265,342)
	1,419,011	1,296,812

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

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Balance on 1 January	265,342	247,916
Transfers	1,321	15,464
Charge for the period (note 12)	13,645	17,184
Reversals for the period (note 12)	(7,715)	(9,636)
Amounts charged-off	(11,933)	(5,381)
Exchange rate differences	43	(205)
Balance at the end of the period	260,703	265,342

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Resources and other financing from Central Banks		
Bank of Portugal	8,049,575	7,510,013
Central Banks abroad	91,027	94,713
	8,140,602	7,604,726
Resources from credit institutions in Portugal		
Sight deposits	135,580	97,151
Term Deposits	116,671	313,560
CIRS and IRS operations collateralised by deposits (*)	1,160	120
Other resources	—	229
	253,411	411,060
Resources from credit institutions abroad		
Very short-term deposits	2,861	—
Sight deposits	145,049	110,625
Term Deposits	83,651	216,818
Loans obtained	426,941	467,353
CIRS and IRS operations collateralised by deposits (*)	11,557	25,211
Sales operations with repurchase agreement	—	54,507
Other resources	7,975	8,459
	678,034	882,973
	9,072,047	8,898,759

(*) Under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

Considering the characteristics of the financing and the nature of the respective lender, the Group accounts for the TLTRO III operation under IFRS9. The Group considers that the operation constitutes variable rate financing, indexed to variable rates administratively fixed by the ECB. Specifically for the period between 24 June 2020 and 23 June 2021, the Group considers that, with a high degree of probability, it will fulfil the conditions required for application to the financing an interest rate corresponding to the average Deposity Rate Facility in effect in the period minus 0.50%, with a maximum of -1%. As a consequence, it recognizes in the financial statements, for the referred interest counting period, the rate of -1%. For the period between 24 June 2021 and 23 June 2022, the Bank considers that, with a high degree of probability, it will meet the conditions required for applying to the financing an interest rate corresponding to the average of the Deposity Rate Facility in force for the period less 0.50%, with a maximum of -1%.

Consequently, it recognizes in the financial statements, for the said interest counting period, the rate of -1%. As at 30 September 2021, the balance Resources and other financing from Central Banks – Bank of Portugal includes a financing associated with this program in the amount of Euros 8,150,070,000 (31 December 2020: Euros 7,550,070,000).

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

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Deposits from customers		
Repayable on demand	47,648,602	43,094,367
Term deposits	14,184,977	14,186,698
Saving accounts	5,773,546	5,278,672
Treasury bills and other assets sold under repurchase agreement	20,882	15,890
Cheques and orders to pay	632,657	364,994
Other	60,078	60,208
	68,320,742	63,000,829

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

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Bonds	64,953	126,953
Covered bonds	998,937	997,765
Medium term notes (MTN)	521,230	91,811
Securitisations	154,213	167,801
	1,739,333	1,384,330
Accruals	6,308	4,519
	1,745,641	1,388,849

As described in note 47, Banco Comercial Português, S.A. issue senior preferred debt securities, under its Euro Note Programme, in the amount of Euros 500 million.

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Bonds		
Non-Perpetual	1,171,755	1,385,218
Accruals	33,634	19,954
	1,205,389	1,405,172

As at 30 September 2021, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non-Perpetual Bonds						
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	300,000	299,403	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	447,407	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1.79% + 2.30%	155,018	152,138	59,902
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 1.79% + 2.30%	183,808	180,392	71,027
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	92,550	92,371	210
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	–
					1,171,755	881,139
Accruals					33,634	–
					1,205,389	881,139

As at 31 December 2020, the subordinated debt issues are analysed as follows:

(Thousands of euros)

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

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

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

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Short selling securities	4,640	14,205
Trading derivatives (note 22):		
Swaps	353,014	253,983
Options	417	159
Embedded derivatives	4,125	4,426
Forwards	6,216	6,078
	363,772	264,646
	368,412	278,851

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

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Deposits from customers	—	258,528
Debt securities at fair value through profit and loss		
Medium term notes (MTN)	629,777	662,016
Accruals	8	1
	629,785	662,017
Certificates	878,899	678,860
	1,508,684	1,599,405

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Provision for guarantees and other commitments (note 21)	101,239	103,830
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	8,123	5,774
Life insurance	2,655	2,020
For participation in profit and loss	141	104
Other technical provisions	15,206	25,922
Other provisions for liabilities and charges	346,405	207,691
	473,769	345,341

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

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Balance on 1 January	103,830	116,560
Transfers	(1,651)	(14,885)
Charge for the period (note 13)	27,033	43,204
Reversals for the period (note 13)	(28,219)	(39,986)
Exchange rate differences	246	(1,063)
Balance at the end of the period	101,239	103,830

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

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Balance on 1 January	207,691	140,777
Transfers resulting from changes in the Group's structure	—	(50)
Transfers	84,521	41
Charge for the period (note 13)	428,597	238,181
Reversals for the period (note 13)	(16,080)	(3,107)
Amounts charged-off	(61,331)	(19,750)
Allocation to loan's portfolio (note 21)	(299,010)	(147,245)
Exchange rate differences	2,017	(1,156)
Balance at the end of the period	346,405	207,691

As at 30 September 2021, this balance includes the amount of PLN 300,068,000 corresponding to Euros 65,217,000 (31 December 2020: PLN 75,291,000 corresponding to Euros 16,510,000) which refers to provisions for legal risk accounted for by Bank Millennium, related to foreign currency-indexed mortgage loans, as described in note 52.

Under this scope, Bank Millennium allocated to Loans and advances to customers portfolio (note 21) during the first nine months of 2021, the amount of PLN 1,375,774,000 corresponding to Euros 299.010.000. Regarding 2020, the balance Allocation to loan's portfolio in the amount of PLN 671,484,000 corresponding to Euros 147,245,000 includes the amount of Euros 51.691.000 resulting from the Changes occurred in accounting policies as described in note 54. The Balance on 1 January 2020 was restated in Euros 50,160,000.

As at 30 September 2021, the Loans and advances to customers portfolio in CHF has a net amount of approximately Euros 2,359,760,000 (31 December 2020: Euros 3,047,083,000).

The variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Creditors:		
Associated companies	—	98
Suppliers	28,880	31,718
From factoring operations	37,270	40,045
For futures and options transactions	12,522	6,852
For direct insurance and reinsurance operations	4,332	12,636
Deposit account and other applications	51,922	38,701
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	10,024	14,481
Rents to pay	213,012	238,868
Other creditors		
Residents	26,427	30,691
Non-residents	55,381	55,953
Holidays, subsidies and other remuneration payable	64,618	54,645
Interests and other amounts payable	143,046	142,747
Operations to be settled - foreign, transfers and deposits	156,743	94,594
Amounts payable on trading activity	46,924	51,158
Other administrative costs payable	3,766	4,438
Deferred income	83,121	8,593
Credit insurance received and to amortised	73,857	79,322
Public sector	34,377	32,292
Other liabilities	181,958	165,820
	1,228,180	1,103,652

40. Share capital, Share premium and Other equity instruments

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

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.

The Other equity instruments, in the amount of Euros 400,000,000 corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1E. This operation without fixed term has the option of early repayment by the Bank as from the end of the 5th year, and an annual interest rate of 9.25% during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

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 2020 financial year approved at the General Shareholders' Meeting held on 20 May 2021, the Bank increased its legal reserves in the amount of Euros 5,064,000. Thus, as at 30 September 2021 the Legal Reserves amount to Euros 259,528,000 (31 December 2020: Euros 254,464,000).

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

42. Treasury shares

This balance is analysed as follows:

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

As at 30 September 2021, Banco Comercial Português, S.A. does not hold treasury shares and did not purchase or sold own shares during the period. However, as at 31 December 2020, this balance included 323,738 shares owned by clients. Considering that, 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 the Commercial Companies Code.

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	119,086	205,592
Equity instruments	(29,581)	(38,366)
Of associated companies and other changes	41,424	42,685
Cash-flow hedge	52,740	265,487
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	300	593
	183,969	475,991
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(37,590)	(60,662)
Equity instruments	6,095	6,581
Cash-flow hedge	(18,097)	(83,698)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(94)	(186)
	(49,686)	(137,965)
	134,283	338,026
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(80,044)	(70,614)
BIM - Banco International de Moçambique, S.A.	(167,967)	(229,851)
Banco Millennium Atlântico, S.A.	(163,668)	(172,450)
Others	2,637	2,403
	(409,042)	(470,512)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	37,252	37,611
Others	(3,965)	(3,965)
	33,287	33,646
Other reserves and retained earnings	1,070,439	741,237
	828,967	642,397

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

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1.C.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)
Fair value changes		
Debt instruments	(1,563)	29,268
Equity instruments	3,014	3,066
Cash-flow hedge	(12,866)	(4,860)
Other	12	10
	(11,403)	27,484
Deferred taxes		
Debt instruments	248	(5,543)
Equity instruments	(582)	(588)
Cash-flow hedge	2,445	923
	2,111	(5,208)
	(9,292)	22,276
Exchange differences arising on consolidation	(188,573)	(212,897)
Actuarial losses (net of taxes)	59	59
Other reserves and retained earnings	1,266,516	1,355,528
	1,068,710	1,164,966

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	30 September 2021	31 December 2020 (restated)	30 September 2021	30 September 2020 (restated)
Bank Millennium, S.A.	865,299	994,741	(90,402)	14,866
BIM - Banco International de Moçambique, SA (*)	174,334	139,590	20,820	20,936
Other subsidiaries	29,077	30,635	325	136
	1,068,710	1,164,966	(69,257)	35,938

(*) 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 2021	31 December 2020 (restated)
Guarantees granted		
Guarantees	3,890,684	3,958,676
Stand-by letter of credit	53,851	56,990
Open documentary credits	384,129	251,221
Bails and indemnities	136,175	137,135
	4,464,839	4,404,022
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	70,858	—
Irrevocable credit lines	4,618,200	4,955,454
Securities subscription	72,457	75,362
Other irrevocable commitments	125,112	117,175
Revocable commitments		
Revocable credit lines	5,494,472	5,327,914
Bank overdraft facilities	1,017,428	982,992
Other revocable commitments	121,993	170,206
	11,520,520	11,629,103
Guarantees received	29,335,142	27,133,779
Commitments from third parties	13,527,996	12,947,778
Securities and other items held for safekeeping	82,097,541	78,055,537
Securities and other items held under custody by the Securities Depository Authority	90,861,261	83,866,357
Other off-balance sheet accounts	129,436,805	125,337,843

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 that was based on the valuation of the senior security and the value of the transferred receivables. These junior securities, being subscribed by the Group, will entitle the Group to a contingent positive value if the value of the assets transferred exceeds the amount of the senior tranches plus the remuneration on them. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

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

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available Net assets value (NAV), as disclosed by the Management companies and audited at year end, still being analysed by the Bank;

- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

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

The results are calculated on the date of transfer of the assets. During the first nine months of 2021 and during the year 2020, no credits were sold to specialized funds in credit recovery.

The amounts accumulated as at 30 September 2021, 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 2021, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	30 September 2021			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Supplementary capital contributions	Total
Fundo Recuperação Turismo FCR				
Gross value	278,386	33,481	—	311,867
Impairment and other fair value adjustments	(94,337)	(33,481)	—	(127,818)
	184,049	—	—	184,049
Fundo Reestruturação Empresarial FCR				
Gross value	60,963	—	33,280	94,243
Impairment and other fair value adjustments	(37,292)	—	(33,280)	(70,572)
	23,671	—	—	23,671
FLIT-PTREL				
Gross value	250,021	38,154	—	288,175
Impairment and other fair value adjustments	(31,959)	(38,154)	—	(70,113)
	218,062	—	—	218,062
Fundo Recuperação FCR				
Gross value	188,518	82,129	—	270,647
Impairment and other fair value adjustments	(123,630)	(82,129)	—	(205,759)
	64,888	—	—	64,888
Fundo Aquarius FCR				
Gross value	127,137	—	—	127,137
Impairment and other fair value adjustments	(17,997)	—	—	(17,997)
	109,140	—	—	109,140
Discovery Real Estate Fund				
Gross value	157,056	—	—	157,056
Impairment and other fair value adjustments	(8,209)	—	—	(8,209)
	148,847	—	—	148,847
Fundo Vega FCR				
Gross value	48,454	82,579	—	131,033
Impairment and other fair value adjustments	(8,478)	(82,579)	—	(91,057)
	39,976	—	—	39,976
Total Gross value	1,110,535	236,343	33,280	1,380,158
Total impairment and other fair value adjustments	(321,902)	(236,343)	(33,280)	(591,525)
	788,633	—	—	788,633

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

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

(Thousands of euros)

	31 December 2020 (restated)			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Supplementary capital contributions	Total
Fundo Recuperação Turismo FCR				
Gross value	277,351	33,134	–	310,485
Impairment and other fair value adjustments	(89,962)	(33,134)	–	(123,096)
	187,389	–	–	187,389
Fundo Reestruturação Empresarial FCR				
Gross value	65,609	–	33,280	98,889
Impairment and other fair value adjustments	(40,396)	–	(33,280)	(73,676)
	25,213	–	–	25,213
FLIT-PTREL				
Gross value	249,007	38,154	–	287,161
Impairment and other fair value adjustments	(24,898)	(38,154)	–	(63,052)
	224,109	–	–	224,109
Fundo Recuperação FCR				
Gross value	188,262	80,696	–	268,958
Impairment and other fair value adjustments	(106,978)	(80,696)	–	(187,674)
	81,284	–	–	81,284
Fundo Aquarius FCR				
Gross value	127,138	–	–	127,138
Impairment and other fair value adjustments	(11,012)	–	–	(11,012)
	116,126	–	–	116,126
Discovery Real Estate Fund				
Gross value	157,057	–	–	157,057
Impairment and other fair value adjustments	(4,193)	–	–	(4,193)
	152,864	–	–	152,864
Fundo Vega FCR				
Gross value	48,075	80,437	–	128,512
Impairment and other fair value adjustments	(7,084)	(80,437)	–	(87,521)
	40,991	–	–	40,991
Total Gross value	1,112,499	232,421	33,280	1,378,200
Total impairment and other fair value adjustments	(284,523)	(232,421)	(33,280)	(550,224)
	827,976	–	–	827,976

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

47. Relevant events occurred during the first nine months of 2021

Inaugural issue of social senior preferred notes

As at 29 September 2021, Banco Comercial Português, SA (“Millennium bcp” or “Bank”) has set the conditions for an issue of social senior preferred debt securities under its Euro Note Programme, the first of this type to be carried out by a Portuguese issuer.

The issue, in the amount of Euros 500 million, will have a tenor of 6.5 years, with an option for early redemption by the Bank at the end of 5.5 years, an issue price of 99.527% and an interest rate of 1.75% per year for the first 5.5 years. From the 5th year and a half, the interest rate will result from the sum of the 3-month Euribor with a spread of 2.00% ("Issue").

This will be the first issue carried out by the Bank in the ESG (Environmental, Social and Governance) segment, focusing on the social component. Thus, an amount equivalent to the net proceeds of the Issue will be applied as a priority to the financing and/or refinancing of loans granted by the Bank under the COVID-19 lines, under the terms of the Bank's Green, Social and Sustainability Bond Framework, representing a clear demonstration of the commitment assumed by Millennium bcp in supporting the economy, in particular in financing the micro and, small and medium-sized companies most affected by the recent pandemic context.

The issue is part of the funding plan defined by the Bank within the scope of its Strategic Plan 2021-2024, specifically aimed at meeting the MREL requirements (Minimum Requirements for Own Funds and Eligible Liabilities) and the strategy of strengthening its presence in capital markets and broadening its investor base.

The transaction, which followed a successful roadshow, was placed with a very diversified group of European institutional investors, many of which are dedicated to ESG investments, which indicates, on one hand, the market's confidence in the Bank and, on the other, recognition of Millennium bcp's commitments in terms of sustainable financing.

2021 EU-Wide Stress Test Results

Banco Comercial Português, S.A. ("BCP") was subject to the 2021 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the Bank of Portugal, the European Central Bank (ECB), and the European Systemic Risk Board (ESRB).

BCP notes the announcements made today by the EBA on the EU-wide stress test and fully acknowledges the outcomes of this exercise, comprising 50 banks that together represent around 70% of total banking assets in the European Union.

The 2021 EU-wide stress test does not contain a pass-fail threshold and instead is designed to be used as an important source of information for the purposes of the SREP. The results will assist competent authorities in assessing BCP ability to meet applicable prudential requirements under stressed scenarios.

The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2021-2023). The stress test has been carried out applying a static balance sheet assumption as of December 2020, and therefore does not take into account future business strategies and management actions and do not represent a forecast of BCP profits.

Detailed information on the results of BCP in the stress test is available on the EBA website (www.wba.europa.eu). Considering the results of BCP, in the stress test, it should be highlighted the following:

- the application of the adverse scenario resulted in a reduction of 406 b.p. in the fully loaded CET1 capital ratio at the end of 2023 versus the data as at December 2020 (which compares with an average reduction of 485 b.p. in the universe of 50 banks submitted to this exercise);

- the application of the base scenario resulted in an increase of 163 b.p. in the fully loaded CET1 capital ratio at the end of 2023 versus the data as at December 2020 (which compares with an increase of 78 b.p. in the universe of 50 banks submitted to this exercise).

Upgrade of deposits ratings by Moody's to Baa2/Prime-2

Moody's rating agency upgraded in one-notch BCP's deposits ratings from Baa3/Prime-3 to Baa2/Prime-2, driven by the higher rating uplift for the deposits, stemming from the upgrade of Portugal's sovereign bond rating. This upgrade and the affirmation of the senior unsecured debt ratings of Ba1 reflect the reaffirmation of BCP' BCA (Baseline Credit Assessment) and Adjusted BCA, Moody's Advanced LGF (Loss Given Failure) analysis and unchanged moderate government support assumptions for BCP.

The outlook on BCP's long-term deposit and senior unsecured debt ratings remains stable, reflecting Moody's view that the bank's creditworthiness will be steady over the outlook horizon.

Sale of Banque Privée BCP (Suisse) SA

Banco Comercial Português, S.A. ("BCP") entered as at 29 June 2021, into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"). The completion of the transaction is subject to the verification of the usual conditions for carrying out this type of transaction, including the non-opposition of the relevant local supervisory bodies.

The impact of the transaction on the Group's solvency ratios, estimated on a pro forma basis as of 31 March 2021, is an increase of 15 b.p. in CET1 ratio and 16 b.p. in the total capital ratio.

BCP estimates that the sale price and the (positive) impact on consolidated results for the current year, on a pro forma basis as of 31 March 2021, were between CHF 130 and 140 million and between CHF 45 and 55 million respectively (with reference to the exchange rate set by the ECB on 29 June 2021 (EUR/CHF 1.0965), the sale price and the impact on the current year's consolidated results, on a pro forma basis as at 31 March 2021, are situated, respectively, between Euros 119 and 128 million and Euros 41 and 50 million). These amounts are subject to adjustments arising from the evolution of assets under management and the activity of Banque Privée, and will only be definitively fixed after the date of completion of the transaction.

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. held as at 20 May 2021, the Annual General Shareholders' Meeting, by exclusively electronic means, with the participation of Shareholders holding 64.88% of the respective share capital, with the following deliberations:

Item One – Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2020, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profit regarding the 2020 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 Dividend Policy;

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

Item Six – Approval of the policy for the selection and appointment of the statutory auditor or Audit Firm and well as for the engagement of non-audit services that are not prohibited under the terms of the applicable legislation;

Item Seven – Re-appointment of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., as the Single Auditor, that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the triennial 2021/2023;

Item Eight – Re-appointment of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A., to perform functions of External in the triennial 2021/2023;

Item Nine – Approval of the renewal of the authorisation granted by Article 5 (1) of the Bank's Articles of Association;

Item Ten – Approval of the maintenance of the voting limitations foreseen in articles 25 and 26 of the Banks's Articles of Association;

Item Eleven – Approval of the acquisition and sale of own shares and bonds.

Amendments of terms of the Covered Bonds

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

Issue of senior preferred debt securities

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

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, referred to as Prestige and Business clients;

- Retail Recovery Division that accompanies and manages the responsibilities of customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and

- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies, Corporate and Investment Banking segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;
- Large Corporate network that assures the relationship and the monitoring of a set of Groups/Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;
- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment, in order to defend the value and managing credit risk, in a sustainable medium and long term perspective;
- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term, in particular with regard to Project and Structured Finance;
- 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;
- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1 million);
- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for the purposes of geographical segments, comprises:

- Private Banking Division in Portugal, which ensures the monitoring of clients with high net worth, based on a commitment to excellence and a personalized relationship with clients;
- Wealth Management Division, which provides advisory services and portfolio management for clients in the Private Banking network and the affluent segment.

For the purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation.

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 2021, 31 December 2020 and 30 September 2020 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

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

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 30 September 2021. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical).

Following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"), the contribution of this subsidiary to the "Private Banking" segment (geographical segments) and "Other" from "Foreing business" segment (business segments) is reflected as income from discontinued operations and the historical information has been restated in order to ensure its comparability. At the consolidated balance sheet level, the presentation of assets and liabilities of Banque Privée BCP (Suisse) S.A. remained in the criteria considered on the consolidated financial statements disclosed on previous periods.

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

(Thousands of Euros)

	30 September 2021						
	Commercial banking						
	Retail in Portugal	Foreign business (1)	Total	Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
INCOME STATEMENT							
Interest and similar income	339,080	609,958	949,038	198,727	6,338	101,268	1,255,371
Interest expense and similar charges	(3,621)	(63,142)	(66,763)	(5,523)	(807)	(13,670)	(86,763)
Net interest income	335,459	546,816	882,275	193,204	5,531	87,598	1,168,608
Commissions and other income	337,229	250,012	587,241	117,129	26,571	(107)	730,834
Commissions and other costs	(36,992)	(132,591)	(169,583)	(14,470)	(2,672)	(123,949)	(310,674)
Net commissions and other income (2)	300,237	117,421	417,658	102,659	23,899	(124,056)	420,160
Net gains arising from trading activity (3)	13,720	6,884	20,604	217	997	49,197	71,015
Share of profit of associates under the equity method	—	(1,694)	(1,694)	—	—	43,822	42,128
Gains/(losses) arising from the sale of subsidiaries and other assets	—	144	144	4	—	4,363	4,511
Net operating revenue	649,416	669,571	1,318,987	296,084	30,427	60,924	1,706,422
Operating expenses	351,870	309,961	661,831	88,450	13,826	87,640	851,747
Impairment for credit and financial assets (4)	(55,008)	(60,600)	(115,608)	(104,798)	3,362	(56,422)	(273,466)
Other impairments and provisions (5)	(21)	(358,476)	(358,497)	—	—	(94,102)	(452,599)
Net income before income tax	242,517	(59,466)	183,051	102,836	19,963	(177,240)	128,610
Income tax	(75,735)	(71,153)	(146,888)	(32,186)	(6,109)	42,038	(143,145)
Net income after income tax from continuing operations	166,782	(130,619)	36,163	70,650	13,854	(135,202)	(14,535)
Income arising from discontinued operations	—	—	—	—	4,747	—	4,747
Net income for the period	166,782	(130,619)	36,163	70,650	18,601	(135,202)	(9,788)
Non-controlling interests (6)	—	69,583	69,583	—	—	(326)	69,257
Net income for the period attributable to Bank's Shareholders	166,782	(61,036)	105,746	70,650	18,601	(135,528)	59,469

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, 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 2021, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	30 September 2021						
	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	11,988,001	1,220,224	13,208,225	1,581,322	3,070,016	(11,226,123)	6,633,440
Loans and advances to customers (1)	24,643,467	17,368,253	42,011,720	12,261,384	688,325	1,452,073	56,413,502
Financial assets (2)	716,262	5,692,199	6,408,461	—	83,640	15,678,244	22,170,345
Other assets	65,213	919,162	984,375	7,103	11,629	5,242,591	6,245,698
Total Assets	37,412,943	25,199,838	62,612,781	13,849,809	3,853,610	11,146,785	91,462,985
Resources from credit institutions (3)	373,794	132,400	506,194	3,386,571	563	5,178,719	9,072,047
Resources from customers (4)	34,406,736	21,458,978	55,865,714	9,161,578	3,216,945	76,505	68,320,742
Debt securities issued (5)	1,363,452	63,158	1,426,610	1,242	155,935	1,670,538	3,254,325
Other financial liabilities (6)	—	431,090	431,090	—	93	1,380,624	1,811,807
Other liabilities (7)	52,675	716,503	769,178	66,911	16,458	793,372	1,645,919
Total Liabilities	36,196,657	22,802,129	58,998,786	12,616,302	3,389,994	9,099,758	84,104,840
Total Equity	1,216,286	2,397,709	3,613,995	1,233,507	463,616	2,047,027	7,358,145
Total Liabilities and Equity	37,412,943	25,199,838	62,612,781	13,849,809	3,853,610	11,146,785	91,462,985
Number of employees	4,047	9,801	13,848	554	227	1,766	16,395

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

(Thousands of Euros)

	30 September 2020 (restated)						
	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business [1]	Total				
INCOME STATEMENT							
Interest and similar income	390,170	718,209	1,108,379	225,682	16,800	45,113	1,395,974
Interest expense and similar charges	(12,486)	(158,228)	(170,714)	(38,305)	(3,538)	(29,766)	(242,323)
Net interest income	377,684	559,981	937,665	187,377	13,262	15,347	1,153,651
Commissions and other income	308,838	213,917	522,755	115,320	21,284	13,302	672,661
Commissions and other costs	(31,157)	(139,666)	(170,823)	(17,189)	(1,753)	(118,970)	(308,735)
Net commissions and other income [2]	277,681	74,251	351,932	98,131	19,531	(105,668)	363,926
Net gains arising from trading activity [3]	14,465	48,533	62,998	203	66	31,969	95,236
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	669,838	694,133	1,363,971	285,711	32,859	(19,799)	1,662,742
Operating expenses	350,190	336,425	686,615	93,611	16,760	15,758	812,744
Impairment for credit and financial assets [4]	(44,943)	(113,919)	(158,862)	(198,223)	1,458	(35,247)	(390,874)
Other impairments and provisions [5]	(4)	(103,961)	(103,965)	(2)	–	(55,785)	(159,752)
Net income before income tax	274,701	139,828	414,529	(6,125)	17,557	(126,589)	299,372
Income tax	(84,161)	(55,199)	(139,360)	2,722	(5,219)	20,228	(121,629)
Net income after income tax from continuing operations	190,540	84,629	275,169	(3,403)	12,338	(106,361)	177,743
Income arising from discontinued operations	–	(196)	(196)	–	4,683	–	4,487
Net income for the period	190,540	84,433	274,973	(3,403)	17,021	(106,361)	182,230
Non-controlling interests [6]	–	(35,802)	(35,802)	–	–	(136)	(35,938)
Net income for the period attributable to Bank's Shareholders	190,540	48,631	239,171	(3,403)	17,021	(106,497)	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 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 2020, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	31 December 2020 (restated)						
	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	10,506,127	1,208,961	11,715,088	1,445,196	2,995,837	(9,574,775)	6,581,346
Loans and advances to customers (1)	23,493,301	16,635,790	40,129,091	11,989,542	629,549	1,226,439	53,974,621
Financial assets (2)	720,892	4,876,098	5,596,990	—	68,725	13,194,875	18,860,590
Other assets	52,027	721,363	773,390	5,958	12,472	5,506,586	6,298,406
Total Assets	34,772,347	23,442,212	58,214,559	13,440,696	3,706,583	10,353,125	85,714,963
Resources from credit institutions (3)	426,640	304,873	731,513	3,520,818	2	4,646,426	8,898,759
Resources from customers (4)	31,763,585	19,397,541	51,161,126	8,603,654	3,116,443	378,134	63,259,357
Debt securities issued (5)	1,316,912	122,483	1,439,395	1,430	93,592	1,195,309	2,729,726
Other financial liabilities (6)	—	536,722	536,722	—	218	1,432,849	1,969,789
Other liabilities (7)	45,055	634,300	679,355	68,905	17,280	705,522	1,471,062
Total Liabilities	33,552,192	20,995,919	54,548,111	12,194,807	3,227,535	8,358,240	78,328,693
Total Equity	1,220,155	2,446,293	3,666,448	1,245,889	479,048	1,994,885	7,386,270
Total Liabilities and Equity	34,772,347	23,442,212	58,214,559	13,440,696	3,706,583	10,353,125	85,714,963
Number of employees	4,447	10,236	14,683	583	232	1,837	17,335

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

2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income, 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 2021, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	30 September 2021								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	339,080	198,727	4,007	101,268	643,082	448,275	161,683	2,331	1,255,371
Interest expense and similar charges	(3,621)	(5,523)	(807)	(13,670)	(23,621)	(19,870)	(43,292)	20	(86,763)
Net interest income	335,459	193,204	3,200	87,598	619,461	428,405	118,391	2,351	1,168,608
Commissions and other income	337,229	117,129	26,537	(107)	480,788	207,692	42,319	35	730,834
Commissions and other costs	(36,992)	(14,470)	(1,573)	(123,949)	(176,984)	(120,390)	(12,200)	(1,100)	(310,674)
Net commissions and other income [2]	300,237	102,659	24,964	(124,056)	303,804	87,302	30,119	(1,065)	420,160
Net gains arising from trading activity [3]	13,720	217	1,005	49,197	64,139	(4,780)	11,664	(8)	71,015
Share of profit of associates under the equity method	—	—	—	43,822	43,822	—	—	(1,694)	42,128
Gains/(losses) arising from the sale of subsidiaries and other assets	—	4	—	4,363	4,367	10	134	—	4,511
Net operating revenue	649,416	296,084	29,169	60,924	1,035,593	510,937	160,308	(416)	1,706,422
Operating expenses	351,870	88,450	13,141	87,640	541,101	240,864	69,097	685	851,747
Impairment for credit and financial assets [4]	(55,008)	(104,798)	3,362	(56,422)	(212,866)	(54,165)	(6,435)	—	(273,466)
Other impairments and provisions [5]	(21)	—	—	(94,102)	(94,123)	(346,646)	(2,330)	(9,500)	(452,599)
Net income before income tax	242,517	102,836	19,390	(177,240)	187,503	(130,738)	82,446	(10,601)	128,610
Income tax	(75,735)	(32,186)	(6,108)	42,038	(71,991)	(50,429)	(20,718)	(7)	(143,145)
Net income after income tax from continuing operations	166,782	70,650	13,282	(135,202)	115,512	(181,167)	61,728	(10,608)	(14,535)
Income arising from discontinued operations	—	—	—	—	—	—	—	4,747	4,747
Net income for the period	166,782	70,650	13,282	(135,202)	115,512	(181,167)	61,728	(5,861)	(9,788)
Non-controlling interests [6]	—	—	—	(326)	(326)	90,403	(20,820)	—	69,257
Net income for the period attributable to Bank's Shareholders	166,782	70,650	13,282	(135,528)	115,186	(90,764)	40,908	(5,861)	59,469

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, 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 2021, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

	30 September 2021								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	11,988,001	1,581,322	2,393,779	(11,226,123)	4,736,979	557,548	662,642	676,271	6,633,440
Loans and advances to customers (1)	24,643,467	12,261,384	316,501	1,452,073	38,673,425	16,795,913	572,340	371,824	56,413,502
Financial assets (2)	716,262	—	—	15,678,244	16,394,506	4,680,646	1,011,588	83,605	22,170,345
Other assets	65,213	7,103	1,444	5,242,591	5,316,351	523,864	218,226	187,257	6,245,698
Total Assets	37,412,943	13,849,809	2,711,724	11,146,785	65,121,261	22,557,971	2,464,796	1,318,957	91,462,985
Resources from other credit institutions (3)	373,794	3,386,571	1	5,178,719	8,939,085	115,069	9,015	8,878	9,072,047
Resources from customers (4)	34,406,736	9,161,578	2,475,407	76,505	46,120,226	19,614,886	1,844,093	741,537	68,320,742
Debt securities issued (5)	1,363,452	1,242	155,935	1,670,538	3,191,167	63,157	—	1	3,254,325
Other financial liabilities (6)	—	—	—	1,380,624	1,380,624	431,090	—	93	1,811,807
Other liabilities (7)	52,675	66,911	1,281	793,372	914,239	599,670	94,534	37,476	1,645,919
Total Liabilities	36,196,657	12,616,302	2,632,624	9,099,758	60,545,341	20,823,872	1,947,642	787,985	84,104,840
Total Equity	1,216,286	1,233,507	79,100	2,047,027	4,575,920	1,734,099	517,154	530,972	7,358,145
Total Liabilities and Equity	37,412,943	13,849,809	2,711,724	11,146,785	65,121,261	22,557,971	2,464,796	1,318,957	91,462,985
Number of employees	4,047	554	144	1,766	6,511	7,172	2,629	83	16,395

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

(Thousands of Euros)

	30 September 2020 (restated)								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	390,170	225,682	14,425	45,113	675,390	556,047	162,163	2,374	1,395,974
Interest expense and similar charges	(12,486)	(38,305)	(3,538)	(29,766)	(84,095)	(113,614)	(44,498)	(116)	(242,323)
Net interest income	377,684	187,377	10,887	15,347	591,295	442,433	117,665	2,258	1,153,651
Commissions and other income	308,838	115,320	21,245	13,302	458,705	174,261	39,656	39	672,661
Commissions and other costs	(31,157)	(17,189)	(1,208)	(118,970)	(168,524)	(128,973)	(10,693)	(545)	(308,735)
Net commissions and other income (2)	277,681	98,131	20,037	(105,668)	290,181	45,288	28,963	(506)	363,926
Net gains arising from trading activity (3)	14,465	203	154	31,969	46,791	38,217	10,316	(88)	95,236
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	669,838	285,711	31,078	(19,799)	966,828	527,503	157,041	11,370	1,662,742
Operating expenses	350,190	93,611	15,946	15,758	475,505	267,519	68,906	814	812,744
Impairment for credit and financial assets (4)	(44,943)	(198,223)	1,437	(35,247)	(276,976)	(103,294)	(10,626)	22	(390,874)
Other impairments and provisions (5)	(4)	(2)	–	(55,785)	(55,791)	(85,912)	(1,423)	(16,626)	(159,752)
Net income before income tax	274,701	(6,125)	16,569	(126,589)	158,556	70,778	76,086	(6,048)	299,372
Income tax	(84,161)	2,722	(5,219)	20,228	(66,430)	(40,987)	(14,249)	37	(121,629)
Net income after income tax from continuing operations	190,540	(3,403)	11,350	(106,361)	92,126	29,791	61,837	(6,011)	177,743
Income arising from discontinued operations	–	–	–	–	–	–	–	4,487	4,487
Net income for the period	190,540	(3,403)	11,350	(106,361)	92,126	29,791	61,837	(1,524)	182,230
Non-controlling interests (6)	–	–	–	(136)	(136)	(14,866)	(20,936)	–	(35,938)
Net income for the period attributable to Bank's Shareholders	190,540	(3,403)	11,350	(106,497)	91,990	14,925	40,901	(1,524)	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 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 2020, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

	30 December 2020 (restated)								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	10,506,127	1,445,196	2,368,614	(9,574,775)	4,745,162	471,914	737,012	627,258	6,581,346
Loans and advances to customers (1)	23,493,301	11,989,542	275,817	1,226,439	36,985,099	16,147,916	487,874	353,732	53,974,621
Financial assets (2)	720,892	—	—	13,194,875	13,915,767	4,249,321	626,811	68,691	18,860,590
Other assets	52,027	5,958	1,292	5,506,586	5,565,863	472,161	182,682	77,700	6,298,406
Total Assets	34,772,347	13,440,696	2,645,723	10,353,125	61,211,891	21,341,312	2,034,379	1,127,381	85,714,963
Resources from other credit institutions (3)	426,640	3,520,818	—	4,646,426	8,593,884	286,432	5,574	12,869	8,898,759
Resources from customers (4)	31,763,585	8,603,654	2,475,887	378,134	43,221,260	17,873,943	1,523,599	640,555	63,259,357
Debt securities issued (5)	1,316,912	1,430	93,592	1,195,309	2,607,243	122,483	—	—	2,729,726
Other financial liabilities (6)	—	—	—	1,432,849	1,432,849	536,722	—	218	1,969,789
Other liabilities (7)	45,055	68,905	1,084	705,522	820,566	528,229	93,271	28,996	1,471,062
Total Liabilities	33,552,192	12,194,807	2,570,563	8,358,240	56,675,802	19,347,809	1,622,444	682,638	78,328,693
Total Equity	1,220,155	1,245,889	75,160	1,994,885	4,536,089	1,993,503	411,935	444,743	7,386,270
Total Liabilities and Equity	34,772,347	13,440,696	2,645,723	10,353,125	61,211,891	21,341,312	2,034,379	1,127,381	85,714,963
Number of employees	4,447	583	146	1,837	7,013	7,645	2,591	86	17,335

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

2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income , 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 2021	30 September 2020 (restated)
Net contribution		
Retail banking in Portugal	166,782	190,540
Companies, Corporate and Investment banking	70,650	(3,403)
Private Banking	13,282	11,350
Foreign business (continuing operations)	(130,047)	85,617
Non-controlling interests [(1)]	69,583	(35,802)
	190,250	248,302
Income arising from discontinued and discontinuing operations	4,747	4,487
	194,997	252,789
Amounts not allocated to segments		
Net interest income of the bond portfolio	22,039	(18,890)
Net interest income - TLTRO	60,438	27,129
Foreign exchange activity	22,390	44,991
Gains/(losses) arising from sales of subsidiaries and other assets	4,363	(5,977)
Equity accounted earnings	43,822	44,530
Impairment and other provisions [(2)]	(150,525)	(91,031)
Operational costs [(3)]	(87,639)	(15,758)
Gains on sale of Portuguese public debt	39,889	47,968
Mandatory contributions	(77,222)	(70,052)
Loans sale	(2,706)	(15,129)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss [(4)]	(36,783)	(68,533)
Taxes [(5)]	42,037	20,228
Non-controlling interests	(326)	(136)
Others [(6)]	(15,305)	(5,837)
Total not allocated to segments	(135,528)	(106,497)
Consolidated net income	59,469	146,292

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) Mostly corresponds to restructuring costs recognized in the first semesters of 2021 and 2020.

4) Includes gains/(losses) from corporate restructuring funds.

5) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.

6) It includes other operations not allocated to business segments, namely the financing of non-interest bearing assets and strategic financial investments assets and strategic financial participations.

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).

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted anticipated dividends and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach, goodwill and other intangible assets and the additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value, adjustments related to minimum commitment with collective investments undertakings and insufficient coverage for non-performing exposures. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund and the additional coverage for non-performing exposures, are also deducted, due to SREP (*Supervisory Review and Evaluation Process*) recommendation.

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt that are compliant with the issue conditions established in the Regulation and 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:

2021 Minimum Capital Requirements								
		of which:			Fully implemented	of which:		
BCP Consolidated	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***		**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 2021	31 December 2020 (restated)
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Ordinary own shares	—	(40)
Reserves and retained earnings	1,139,800	1,067,595
Non-controlling interests eligible to CET1	635,264	688,322
Regulatory adjustments to CET1	(968,375)	(840,058)
	5,548,160	5,657,290
Tier 1		
Capital Instruments	400,000	400,000
Non-controlling interests eligible to AT1	132,640	136,700
	6,080,800	6,193,990
Tier 2		
Subordinated debt	750,210	765,490
Non-controlling interests eligible to Tier 2	306,221	311,573
Other	(26,211)	(58,800)
	1,030,220	1,018,263
Total own funds	7,111,020	7,212,253
RWA - Risk weighted assets		
Credit risk	40,306,770	40,003,475
Market risk	2,323,160	2,322,058
Operational risk	4,014,374	4,014,374
CVA	84,077	73,141
	46,728,381	46,413,048
Capital ratios		
CET1	11.9%	12.2%
Tier 1	13%	13.3%
Tier 2	2.2%	2.2%
Total own funds	15.2%	15.5%

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

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.

On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

In May 2020, the Constitutional Council of the Republic of Mozambique issued a Judgment, declaring the nullity of the acts related with the loans contracted by Proindicus, SA ("Proindicus") and Mozambique Asset Management, MAM, SA ("MAM"), and the respective sovereign guarantees granted by the Government in 2013 and 2014, respectively, and on 19 October 2020,the dissolution of the two companies was registered based on an order issued by the Judicial Court of the City of Maputo.

An action brought on 27 February 2019 and amended on 30 April 2020, by the Republic of Mozambique (represented by the Attorney General of the Republic) against the arranger and originating lender of the loan to Proindicus and other entities, by which the Republic of Mozambique requests, inter alia, the declaration of nullity of the sovereign guarantee of the Mozambican State to the Proindicus loan. Following this lawsuit, on 27 April 2020, the International Bank of Mozambique (BIM) filed a lawsuit, in the London Commercial Court, against the arranger and lender of the loan to Proindicus, claiming, inter alia, payment of BIM's exposure to the Proindicus, in the event that the said sovereign guarantee of the State of Mozambique to Proindicus is, in a court of law declared null and void.

Regarding MAM, as far as we are aware, no lawsuit with the same purpose was brought by the Republic of Mozambique at the London Commercial Court. However, it is expected that, in the context of ongoing legal proceedings, that several creditors of MAM (including BCP) have filed, at the London Commercial Court, against MAM and the Republic of Mozambique in order to recover their credits, the question of the validity of the sovereign guarantee of the Mozambican State to the MAM loan will be raised by the Republic of Mozambique. In July 2021, London Commercial Court decided that the various lawsuits brought by several creditors of MAM (including BCP) against the Republic of Mozambique, as guarantor, and MAM, as debtor, must be judged through a unitary trial and scheduled the start of the respective trial sessions for 3 October 2023.

According to public information made available by the IMF, there are defaults on credits granted to non-state Mozambican companies' and guaranteed by the Mozambican State. Considering the above-mentioned developments related to these credits, although the Ministry of Economy and Finance of the Republic of Mozambique has submitted in November 2018 new proposals regarding this matter and interactions are ongoing between the Government of Mozambique, the IMF and the creditors with the objective of finding a solution to the aforementioned debt guaranteed by the State of Mozambique, which had not been previously disclosed to the IMF, a solution that changes the ex-approved a solution that would change the Group's current expectations, reflected in the financial statements as at 30 September 2021, on: (i) the ability of the Government of Mozambique and public companies to repay their debts and commitments assumed; and (ii) the development of the activity of its subsidiary Banco Internacional de Mozambique (BIM).

As at 30 September 2021, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 344,867,000, with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 167,967,000. BIM's contribution to consolidated net income for the first nine months of 2021, attributable to the shareholders of the Bank, amounts to Euros 40,908,000.

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 934,686,000 and Financial assets at fair value through other comprehensive income in the gross amount of Euros 77,825,000.

As at 30 September 2021, the Group has also registered in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of Euros 275,222,000 (of which Euros 275,049,000 are denominated in Metical and Euros 173,000 denominated in USD) and in the balance Guarantees granted revocable and irrevocable commitments, an amount of Euros 134,356,000 (of which Euros 28,828,000 are denominated in Metical, Euros 102,343,000 denominated in USD, Euros 41,000 are denominated in euros and Euros 3,144,000 denominated in Rands).

51. Contingent liabilities and other commitments

In accordance with accounting policy 1.U3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority ("PCA") initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ("BCP" or "Bank") and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between Portuguese banks.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections ("SO") in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in a commercially sensitive information exchange between other fourteen banks related to retail credit products, namely housing, consumer and small and medium enterprises credit products. The notification of a statement of objections does not constitute a final decision in relation to the accusation of the PCA.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court ("Competition Court") on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the Authority – for several months, the PCA denied the Defendant' right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the statement of objections. A non-confidential version of the Bank's defense was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017 (although without the presence of BCP's legal representatives).

In May 2018, the PCA refused the Bank's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018, the PCA notified the Bank of its intention to deny the application for confidential treatment of some of the information included in the Bank's defence; subsequently, in January 2019, it requested BCP to provide summaries for the co-defendants' confidential information. The Bank filed an appeal before the Competition Court, which ruled in favor of BCP, as it considered that the elaboration by the Bank of summaries for its co-defendants' confidential information an illegitimate burden.

In April 2019, at the PCA's request, BCP declared to be in favor of the re-examination of its witnesses, requested in its defense and previously held. The witnesses were re-inquired on 16-17 April 2019 with the presence of the Bank's legal representatives.

The PCA denied the request of BCP to be allowed to conduct cross-examination of the witnesses appointed by its co-defendants. The Bank appealed to the Competition Court, which denied the appeal, through a decision which was latter upheld by the Lisbon Court of Appeal. BCP then lodged an appeal before the Portuguese Constitutional Court for breach of the constitutional right of defence. The Constitutional Court dismissed the appeal on 29 April 2021, on the grounds that the requested cross-examination was not required by the Portuguese Constitution, at that stage of the proceedings. On 12 August 2020, the Bank lodged a complaint before the European Court of Human Rights on this matter, which is still pending.

On 2 July 2019, the Bank submitted its observations to the PCA's report on complementary evidence measures.

On 3 June 2019, BCP was notified of the partial dismissal of the complementary evidence measures it had requested in its reply to the SO, which it judicially contested on 13 June 2019. By judgment of 26 September 2019, the Competition Court declared the nullity of the PCA's decision, for breach of the right of the parties to be heard on the PCA's draft decision. The Bank appealed to the Lisbon Court of Appeal in what concerned the limitation by the Competition Court of the effects of the nullity declaration of the PCA's decision. Although this appeal was ultimately admitted by the panel of judges of the Lisbon Court of Appeal, it ends up being denied.

In order to give compliance to BCP's right to be heard, the PCA notified the Bank of its intention to reject the above-mentioned complementary evidence measures. Following BCP's observations in November 2019, the PCA adopted its final decision rejecting the measures, which was judicially contested by the Bank in December 2019. In March 2020, the Competition Court rejected the appeal. This judgment was upheld by the Lisbon Court of Appeal in October 2020.

On 9 September 2019, the PCA adopted its final decision in this proceeding, fining the BCP in a Euros 60 million fine for its alleged participation in an information exchange system with its competitors in the housing, consumer and SME credit segments. The Bank considers that the Decision contains serious factual and legal errors, having, on 21 October 2019, filed an appeal before the Competition Court requesting the annulation of the Decision and the suspensory effect of the appeal. On 8 May 2020, BCP's appeal was admitted. On 8 June 2020, the Bank submitted a request before the Court, claiming that the rule according to which appeals do not have, in principle, suspensory effect violates the Portuguese Constitution, submitting elements aimed at demonstrating considerable harm in the advance provisional payment of the fine, and offering a guarantee in lieu (indicating the respective percentage of the fine to be offered as a guarantee). On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between the PCA and the defendant banks, including BCP, as to the dosimetry (*i.e.*, 50% of the amount of the fine) and the forms of the guarantee to be provided, in order for the appeal of the PCA's decision to have suspensory effect. On 21 December 2020, BCP submitted a bank guarantee issued by the BCP, which was accepted by the Competition Court. On 1 March 2021, the Competition Court notified BCP that the guarantee had been presented in a timely manner and in the agreed form, and, as a result, attributed suspensory effect to the appeal. By order of 20 March 2021, the Competition Court lifted the judicial secrecy and informed the appellants that the trial would, in principle, start in September 2021.

On 9 July 2020, the Bank requested the Court to declare the nullity of the fining decision of the PCA for failure to assess the economic and legal context, as determined by the recent case-law of the Court of Justice of the European Union. The Competition Court clarified that this and other prior questions would not be assessed before the hearing phase.

On 13 January 2021, BCP was notified of an application submitted by "Associação Ius Omnibus – Nova Associação de Consumidores" to the Competition Court asking it to have access to a non-confidential version of the file, based on the need to assert the "rights to indemnification of the consumers whose rights and interests it represents, and the possible exercise and proof of those rights in the context of an action for damages". On the same date, BCP was notified by the Competition Court of its decision authorizing the news agency "Lusa" to access the file of the administrative phase of the case. BCP appeal of this decision to the Appeal Court of Lisbon, on 25 January 2021 and opposed to the request of "Ius Omnibus" on 2 February 2021.

On 20 March 2021, the Competition Court determined: (i) the lifting of the judicial secrecy; (ii) the forwarding to the Public Prosecutor of the appeal of BCP against the decision of the Competition Court relating to "Lusa", for reply; (iii) the provisional start date of the judgement hearing on September 2021, having requested suggestions by the co-appellants for venues.

By decision of 9 April 2021 of the Competition Court, a preparatory hearing took place on 30 April 2021 for discussion of issues precedent to the begging of the judgment hearings, in which the procedures relating to the treatment of confidential information of the co-appellants in the appeals was defined, as well as the conditions relating to access to file. The Competition Court also set forth preliminary dates for the judgement hearing and scheduled a preparatory hearing for 7 July 2021.

On 28 June 2021, BCP was notified by the Competition Court to reply to the requests submitted by some of the co-appellants and confirm that all confidential information had been duly eliminated from non-confidential versions submitted by each co-appellant. The Competition Court also determined that the hearing of 7 July 2021 was cancelled and its object would be transferred to the next hearing date (6 September 2021).

On 8 July 2021, BCP presented its reply to the notification of 28 June 2021, having also requested confirmation in relation to the scheduling of the judgement hearing, namely confirmation that the preparatory hearing will take place on 6 September 2021 and that the judgement hearing will be initiated at as of the pre-scheduled date of 8 September 2021.

On 6 September 2021, the preparatory session of the trial in the Competition, Regulation and Supervision Court took place. The trial, which takes place in Santarém, began on 6 October 2021.

Several representatives of the banks raised the question of the possible unconstitutionality of the seizure proceedings of e-mail messages used as evidence in the PCA's decision, which objection appeal will now take place. This issue was raised bearing in mind the recent Decision of the Constitutional Court no. 687/2021 on the administrative offence case no. 225/15.4YUSTR-W. A petition on this matter was filed with the Court on 20 October 2021, requesting the Court to take a position on the matter before the beginning of the trial.

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

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

1) send information about the UOKIK's decision to the 78 clients mentioned;

2) place information about the decision and the text of the decision on its website and on Twitter;

3) pay a fine amounting to PLN 20.7 million (Euros 4.50 million).

Bank Millennium filed an appeal within the statutory time limit.

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

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

In addition, Bank Millennium, alongside other banks, takes part in a litigation brought by UOKIK, in which the President of UOKIK considers there were anti-competitive practices in the form of an agreement aimed at setting interchange fee rates charged on transactions made with Visa and Mastercard cards. On 29 December 2006, a fine was imposed on Bank Millennium in the amount of PLN 12.2 million (Euros 2.65 million). Bank Millennium, alongside the other banks, appealed this decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of 23 November 2020, the case is currently pending before the court of first instance – the Court of Competition and Consumer Protection. Bank Millennium has created a provision in the same amount of the penalty imposed.

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

A penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.28 million), the setting of which took into account two mitigating circumstances: Bank Millennium's cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of the provisions in question.

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

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

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

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

4. Bank Millennium is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, Bank Millennium was sued jointly with another bank, and in the third one with another bank and card issuing organizations.

The total amount of the claims deduced in these cases is PLN 729.6 million (Euros 158.57 million). The proceeding with the highest value was submitted by PKN Orlen, S.A., in which this plaintiff demands payment of PLN 635.7 million (Euros 138.16 million). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market, by jointly setting the level of the national interchange fee during the years 2006-2014. In the other two cases, the charges are similar with those raised in the case brought by PKN Orlen, S.A., while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision.

In addition, it should be noted that Bank Millennium participates as an intervener in four other proceedings regarding the interchange fee. Other banks are the defendants. Plaintiffs in these cases also accuse the banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee during the years 2008-2014.

On 5 April 2016, Bank Millennium was notified of a case brought by Europejska Fundacja Współpracy Polsko-Belgijskiej/ European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium, with the worth of the dispute of PLN 521.9 million (Euros 113.43 million), with statutory interest from 5 April 2016 until the day of payment.

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

In the lawsuit filed by EFWP-B, the plaintiff set its claim for the amount of PLN 250 million (Euros 54.33 million). On 5 September 2016 the Court of Appeal dismissed this claim. Bank Millennium requested for the total dismissal of this lawsuit, having presented to the Court, in order to support this request, the final decision rendered by the Wrocław Court of Appeal, decision which was favourable to Bank Millennium in the lawsuit filed by PCZ S.A. against Bank Millennium.

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

As at 30 September 2021, the total value of the other litigations in which the Group appeared as defendant stood at PLN 1,730.8 million (Euros 376.17 million) (excluding the class actions described in note 52. Provisions for legal risk related to foreign currency-indexed mortgage loans). In this group, the most important category are cases related with foreign currency-indexed mortgage loans portfolio and cases related to forward transactions (option cases). The most important of these option cases is a claim by Erbud, S.A. which Bank Millennium won in first instance, but is under decision by second instance courts.

5. On 19 January 2018, Bank Millennium received a lawsuit filed by First Data Polska S.A., requesting the payment of PLN 186.8 million (Euros 40.60 million). First Data Polska S.A. claims a share in an amount which Bank Millennium received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its lawsuit on an existing agreement with Bank Millennium related to co-operation in scope of acceptance and settlement of operations conducted using Visa cards. In accordance with the judgment issued on 13 June 2019, Bank Millennium won the case before the court of first instance. In the judgment of 10 March 2021, the Court of Appeal in Warsaw upheld the judgment of the first instance court, which dismissed the claim of First Data Polska S.A.. Bank Millennium has won the case. First Data Polska S.A. has the right to submit a cassation appeal to the Supreme Court.

6. On 3 December 2015, a class action against Bank Millennium was filed by a group of Bank Millennium's debtors (454 borrowers, who are party to 275 loan agreements), which is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.76 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 0.76 million) to over PLN 5 million (Euros 1.09 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 1,602,031.68).

By the resolution of 1 April 2020, the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing and called on the parties to submit questions to the witnesses.

As at 30 September 2021, there are also 357 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).

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

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

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

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

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

Furthermore, the Ombudsman requires Bank Millennium to publish, on its website, information on use of unfair market practices. The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive, it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance.

8. On 1 October 2015, a set of entities connected to a group with debts in default to BCP amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against BCP, after receiving the Bank's notice for mandatory payment, a lawsuit requesting that:

a) the court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares, since they acted pursuant to a request made by the Bank for the making of the respective purchases, and also that the court orders the cancellation of the registration of those shares in the name of those companies;

b) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;

c) the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to refund them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;

d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;

e) the Bank opposed and presented a counter claim, wherein it requests the conviction, namely, of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The court issued a curative act and already ascertained the factual basis that are proven and that must be proven. Meanwhile, a head expert has already been appointed and the investigation is ongoing.

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

9. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF), which entailed, inter alia, namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by Banco de Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder. Further, in accordance to information posted on the Resolution Fund's website, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the liabilities emerging from the "*eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies*".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. These lists detail that the total acknowledged credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, and no guaranteed or privileged claims exist. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined upon the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 20 of the Resolution Fund's annual report of 2019, *"Legal actions related to the application of resolution measures have no legal precedents, which makes it impossible to use case law in its evaluation, as well as to obtain a reliable estimate of the associated contingent financial impact. (…) The Board of Directors, supported by legal advice of the attorneys for Novo Banco in these actions, and in light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure"*.

Also according to note 21 of the same source, *"In addition to the Portuguese courts, it is important to take into account the litigation of Novo Banco, S.A., in other jurisdictions, being noteworthy, for its materiality and respective procedural stage, the litigation in the Spanish jurisdiction"*. According to a press report[1], the Spanish Supreme Court rejected Novo Banco's appeal and confirmed the sentence requiring it to return to a BES client in Spain the amounts invested.

On 31 March 2017, Banco de Portugal communicated the sale of Novo Banco, where it states the following: *"Banco de Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital"*.

[1] ECO, 27 July 2021: *"Supremo Tribunal espanhol diz que Novo Banco tem de devolver investimento a cliente do BES"*.

The terms agreed also included a Contingent Capital Agreement (CCA), under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, the Banco de Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of BES.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the State that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion(2) that revealed significant uncertainties regarding adequacy in provisioning(3):

(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(2)(3)(4);

(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(3);

(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(3). According to the press in May 2021, the amount of this recapitalization could reach Euros 1,6 billion, while it is not clear if this will be financed through the Resolution Fund or the Portuguese State.

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible for clarifying any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the Contingent Capital Agreement or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets. According to the 2019 Resolution Fund's annual report, the work carried out by the Verification Agent continues to be followed.

In its 2019 annual report, the Resolution Fund states that "*Regarding future periods, a significant uncertainty as to the relevant parameters for the calculation of future liabilities is deemed to exist, either for their increase or reduction, under the terms of the CCA*".

(2) Exact value not disclosed by the European Commission for confidentiality reasons

(3) As referred to in the respective European Commission Decision

(4) 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 CCA was, as of 30 June 2016, Euros 7,838 million (book value of the associated assets, net of impairments);

- The value of the portfolio, as at 30 June 2021, amounted to approximately Euros 2 billion (book value, net of impairments), according to Novo Banco's 1st Half 2021 report.

According to a notice issued by the Resolution Fund on 4 June 2020, the *"Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the CCA, of the effects of Novo Banco's decision to waive the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the CCA, which sets the maximum amount of payments to be made by the Resolution Fund at Euro 3,890 million. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of Euros 3,890 million in accordance with the CCA. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of Euros 3,890 million"*.

According to a statement issued by the Resolution Fund on 2 November 2021, the final judgment of the Arbitration Court constituted within the International Chamber of Commerce of Paris was favourable to the Resolution Fund regarding the transitional regime of the introduction of IFRS 9. The value of the dispute at the time of the judgment amounted to 169 million euros, an amount that the Resolution Fund would have had to pay to Novo Banco had the Arbitration Court's judgment not been in its favour.

According to Novo Banco's statement disclosed on 3 November 2021, *"Novo Banco is reviewing"* the Arbitration Court's decision.

In a separate notice dated 16 June 2020, the Resolution Fund clarifies that *"the Resolution Fund has also provided the Budget and Finance Committee of the Portuguese Parliament, in writing, with all the clarifications on its decision to deduct from the amount calculated under the CCA, the amount related to the variable remuneration attributed to the members of the Executive Board of Directors of Novo Banco"*.

In accordance with Novo Banco's 1st Half 2021 report, *"In the financial year of 2020, the caption reserves registered in the responsibility of the Resolution Fund amounting to Euros 598.312 thousand relating to the Contingent Capital Agreement. The amount is accounted for under other reserves and it results at each balance sheet date of the incurred losses and of the regulatory ratios in force at the moment of its determination. In June 2021, regarding the year 2020, the amount of Euros 317.013 thousand was paid. The difference results from divergences between Novo Banco and the Resolution Fund regarding (i) the provision for discontinued operations in Spain, (ii) valuation of participation units and (iii) interest rate risk hedge accounting policy, leading to a limitation on immediate access to this amount, which despite being recorded as receivables, the bank deducted at 30 June 2021 the amount of 277.442 thousand from the calculation of regulatory capital. Novo Banco considers the amount of 277.442 thousand as due under the Contingent Capitalization Mechanism and the legal and contractual mechanisms at its disposal are being triggered in order to ensure their receipt. Additionally, it was also deducted the amount of variable remuneration to the Executive Board of Directors related to the year-end of 2019 and 2020 (Euros 3.857 thousand)"*.

According to a statement by the Resolution Fund on 3 September 2020, following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the CCA, a special audit determined by the Government was carried out. Information was presented by the independent entity that carried out the special audit, showing that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in BES, which resulted in impairment charges and provisions, but have also contributed to rendering Novo Banco's internal procedures more robust. Regarding the exercise of the powers of the Resolution Fund under the CCA, the audit results reflect the adequacy of the principles and the adopted criteria.

On 30 September 2021, Novo Banco was held by Lone Star and the Resolution Fund, corresponding, respectively, to 75% and 25% of the share capital[(5).]

Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, according to which if the Resolution Fund does not exercise its right to acquire the conversion rights attributed to the State, the State may become Novo Banco's shareholder. 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.

According with Novo Banco's 1st Half 2021 report, *"It is estimated that the conversion rights to be issued and allocated to the State following the net loss of years 2015 and 2020 will confer a shareholding of up to approximately 16.63% of the share capital of Novo Banco, which will dilute the Resolution Fund, according to the sale contract.*

Regarding the financial years from 2017 to 2017, the tax authorities have already confirmed that the tax credit and, consequently, the final number of conversion rights that were attributed to the Portuguese State represent an aggregate shareholding of 5.69% of the share capital. Such conversion rights shall be exercised and converted in accordance with the procedure and timings established in the legal regime. The issuer has agreed with the shareholders that a clarification from the Portuguese State shall be requested in respect of the procedure regarding the conversion of the conversion rights. Subject to this clarification, conversion of the conversion rights in relation to the 2015-2017 financial years shall occur until 31 December 2021".

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

On 3 May 2021, the Resolution Fund announced that the audit report conducted by the Court of Auditors ("Tribunal de Contas") - following the request of the Portuguese parliament of October 2020 to the operations and management of Novo Banco that were at the origin and led to the need to transfer funds from the Resolution Fund to Novo Banco - was released. The Court of Auditors concluded that the public financing of Novo Banco through the CCA contributed to the stability of the financial system, particularly as it avoided the bank's liquidation and reduced systemic risk. According to the Resolution Fund, the audit does not identify any impediment to the fulfilment of commitments and contracts arising from BES's resolution process, initiated in August 2014.

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

On 19 December 2015, the Board of Directors of Banco de Portugal announced that Banif was "failing or likely to fail" and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved State aid, of which Euros 489 million were provided by the Resolution Fund, which was funded by a loan granted by the State.

According to the Resolution Fund's 2019 annual report, *"the outstanding debt related to the amount made available by the State to finance the absorption of Banif's losses, following the resolution measure applied by Banco de Portugal to that entity [amounts to] Euros 352,880 thousand"*. This partial early repayment of Euros 136 million corresponds to the revenue of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism which was not transferred to the Single Resolution Fund and which will be paid to the Single Resolution Fund by the credit institutions that are covered by this scheme over a period of 8 years starting in 2016 (according to the Resolution Fund's 2016 annual report).

[(5)] Novo Banco's 9M21 earnings report.

According to Oitante's press release dated 21 July 2021, *"during 2021, Oitante has already returned to the process of early repayment of the initial debt of Euros 746 million, currently at Euros 143.5 million (-80.8%), (...). The Company intends to reach the end of this year with a substantial repayment".*

On 12 January 2021, Banco de Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif's resolution measures applied by Bank of Portugal. In its decision, the Court determined the legality and maintenance of Banco de Portugal's measures.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif the Resolution Fund incurred loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2019, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif's losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the CCA (Euros 430 million plus Euros 850 million of additional funding requested in 2019, as described above);

- Other funding granted in 2014 by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;

- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million. This underwriting did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A., which must be neutralized by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to secure the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;

- CCA allows Lone Star to claim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3.89 billion under the aforementioned conditions, among which a reduction of Novo Banco's CET1 below 8%-13% (as defined in DGComp's agreement described above);

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

According to note 21 of the Resolution Fund's 2019 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in August 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and bank loans to the Resolution Fund, required from to maintain the contributory effort required from the banking sector at prevailing levels at that time.

According to the statement of the Resolution Fund of 21 March 2017:

- *"The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif– Banco Internacional do Funchal, S.A. were changed. These loans amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 700 million were granted by a group of banks"*;

- *"Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The revision of the loan's terms aimed to ensure the sustainability and financial balance of the Resolution Fund. The terms allow the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions"*.

On 2 October 2017, by Resolution no. 151-A/2017, of the Council of Ministers of the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when the State deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. The above mentioned resolution further set out that the framework agreement should be subject to a time period that is consistent with the undertakings of the Resolution Fund and should preserve the Resolution Fund's capacity to satisfy said obligations in a timely fashion.

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

To repay the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (created under Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to satisfy its obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been paying, since 2013, its mandatory contributions set out in the aforementioned decree-law.

On 3 November 2015, the Banco de Portugal issued Circular Letter no. 085/2015/DES, under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law no. 24/2013, of 19 February, thus the Bank is recognising as an expense the contribution to the Resolution Fund in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "...*it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the potential collection of a special contribution appears to be unlikely*".

Decree-Law no. 24/2013 of 19 February further sets out that Banco de Portugal has the authority to determine, by way of instruction ("instrução"), the applicable yearly rate based on objective incidence of periodic contributions. The instruction of Banco de Portugal no. 32/2020, published on 18 December 2020, set the base rate for 2021 for the determination of periodic contributions to the Resolution Fund at 0.06%, unchanged from the rate in force in 2020.

During the first nine months of 2021, the Group made regular contributions to the Resolution Fund in the amount of Euros 16,953 thousand. The amount related to the contribution on the banking sector, registered during the first nine months of 2021, was Euros 39,286 thousand. These contributions were recognized as a cost in the first half of 2021, in accordance with IFRIC no. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group made an initial contribution in the amount of Euros 31,364 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Group in the first half of 2021 was Euros 24,563 thousand, of which the Group delivered Euros 20,886 thousand and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including "processo dos lesados do BES"; and (v) the guarantee provided to secure the bonds issued by Oitante (in this case, the trigger mentioned is not expected in accordance to the most recent information communicated by the Resolution Fund in its annual accounts).

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the member of the Government responsible for finance a proposal with respect to the determination of amounts, time limits, payment methods, and any other terms related to the special contributions to be made by the institutions participating in the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund's 2019 annual report, under note 8, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the RGICSF, although no such contributions are expected, in particular after a review of the financing conditions of the Resolution Fund"*.

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the CCA of Novo Banco.

As published by Resolution no. 63-A/2021 of 27 May 2021 of the Council of Ministers, a number of national financial institutions offered to finance the Resolution Fund, under conditions considered as appropriate by it, increasing up to Euros 475 million the direct financing of banks to the Resolution Fund and waiving a State loan to the Resolution Fund. The funding costs of the Resolution Fund (from the State and from banks) will continue to be exclusively borne by periodic revenues, corresponding to the contributions paid by the banking sector. This new funding benefits from a *pari passu* treatment with the fulfilment of the payment obligations arising from the other loan agreements granted by the banks to the Resolution Fund within the scope of Banco Espírito Santo, S. A.'s resolution measures.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco under the Contingent Capitalization Agreement. The Resolution Fund paid Euros 317,012,629 associated to the 2020 financial accounts. This payment follows Novo Banco's request, on 7 April 2021, of Euros 598,311,568.

The Resolution Fund considered that an adjustment in the amount of Euros 169,298,939 is due to the amount requested by Novo Banco, and therefore the amount calculated by the Resolution Fund for payment to Novo Banco is Euros 429,012,629, of which the authorization regarding a portion of Euros 112,000,000 was conditioned to the conclusion of a supplementary investigation which includes an external opinion.

According to Novo Banco's 9M21 earnings report, the total amount of Euros 277.4 million (discontinued operations in Spain, valuation of participation units and interest rate risk hedge) are due under the CCA, and the Bank is triggering the legal and contractual mechanisms at its disposal to ensure the receipt of these amounts.

The payment to Novo Banco was fully funded with resources from a loan from seven domestic credit institutions, including BCP. The loan matures in 2046 and bears interest at a rate corresponding to the sovereign cost of funding for the period between the contract date (31 May 2021) and 31 December 2026, plus a margin of 15 b.p. The interest rate will be reviewed on 31 December 2026 and, after that, every five-years, corresponding to the sovereign five-year funding cost, plus a margin of 15 b.p.

The payment by the Resolution Fund required a budget amendment, which was authorized by Order of the Minister of State and Finance.

10. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Bank of Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3,9 billion, under determined circumstances. In the proceedings, the claimants request the declaration of nullity or annulment of those acts.

The proceedings were filed based on the information contained in the Communication from Bank of Portugal dated 31 March 2017, of which the claimants were not notified.

The proceedings were filed in court on 4 September 2017. Bank of Portugal and the Resolution Fund presented their arguments and, only very recently, Nani Holdings SGPS, S.A. did the same since, by delay of the court, this company was only very recently notified to act as a party in the proceedings.

In addition to opposing to it, the defendants invoke three objections (i) the illegitimacy of the claimants, (ii) the argument that the act performed by Bank of Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent party invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The claimants replied to the arguments presented by the defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Bank of Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but most of the documents delivered were truncated in such a way that neither the court nor the claimants are able to obtain adequate knowledge thereof. That issue was already raised in the proceedings (requesting the court to order Bank of Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings are prepared for confirmation of the decision accepting the formalities of the right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation order to request the claimants identify it. Afterwards, that Bank will be notified to present its opposition arguments.

The case was sent to the judge on 23 September 2019 and the Bank is awaiting a decision. BCP added legal opinions to the records (Professors Mário Aroso de Almeida and Manuel Fontaine de Campos).

11. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, Group Banco Comercial Português implemented a process of salary adjustment for a temporary period. Additionally, it was agreed between the Bank and the Unions that, in the years after the State intervention and if there are distributable profits, the Board of Directors and the Executive Committee would submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement.

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

12. The Bank was subject to tax inspections for the years up to 2018. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred, regarding IRC, in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) deduction pro rata used for the purpose of determining the amount of deductible VAT. Most of additional liquidations/corrections made by the tax administration were the object of contestation by administrative and/or judicial means.

The Bank recorded provisions or deferred tax liabilities at the amount considered sufficient to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

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

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

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

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

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

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

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

1. Current provisions for legal risk

As at 30 September 2021, Bank Millennium had 9,664 loan agreements and, additionally, 786 loan agreements from former Euro Bank, S.A. (96% loan agreements before the court of first instance and 4% loan agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by Bank Millennium against clients, i.e., debt collection cases) concerning indexation clauses of FX-indexed mortgage loans, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 1,206.8 million (Euros 262.29 million) and CHF 95.8 million (Euros 88.61 million) [Bank Millennium portfolio: PLN 1,110.1 million (Euros 241.27 million) and CHF 93.9 million (Euros 86.86 million); former Euro Bank, S.A. portfolio: PLN 96.7 million (Euros 21.02 million) and CHF 1.9 million (Euros 1.76 million)].

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

Until 30 September 2021, only 123 lawsuits had been definitively resolved (96 cases regarding claims submitted by clients against Bank Millennium and 27 cases regarding claims submitted by Bank Millennium against clients, i.e., debt collection cases). 73% of the finalised individual lawsuits against Bank Millennium were decided in favour of the Bank, including remissions and settlements with plaintiffs. Unfavourable rulings (27%) included both invalidation of loan agreements, as well as conversions into PLN+LIBOR/WIBOR. Bank Millennium submits cassation appeals to the Supreme Court against unfavourable previous verdicts.

The outstanding amount of loan agreements under individual court cases and class action on 30 September 2021 was PLN 3,923 million (Euros 852.62 million). If all Bank Millennium's loan agreements currently under individual and class action court proceedings were declared invalid without proper compensation for the use of capital, the pre-tax cost could reach PLN 3,539 million (Euros 769.16 million). Under less adverse scenarios, the potential losses would range between PLN 637 million (Euros 138.45 million) (invalidity plus compensation of Bank Millennium for the use of capital at statutory interest), PLN 1,399 million (Euros 304.06 million) (if the KNF proposal solution would apply) to PLN 2,192 million (Euros 476.41 million) (invalidity plus compensation of Bank Millennium for the use of capital at WIBOR plus spread). Under scenarios with above mentioned loans remaining valid, an "average NBP" scenario would be least costly for Bank Millennium, translating, on our estimates, into a pre-tax cost of PLN 150 million (Euros 32.6 million).

The claims deduced by the clients in individual cases refer mainly to the declaration of nullity of the contract and the obligation to reimburse, due to the alleged abusive nature of the indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor. Until the end of 2019, 1,980 individual claims were filed against Bank Millennium (in addition, 235 against former Euro Bank, S.A.); in 2020, the number increased by 3,007 (former Euro Bank, S.A.: 267), while, year to date (end of September 2021), the number increased by 4,636 (former Euro Bank, S.A.: 287), with the third quarter of 2021 alone bringing 1,771 new cases against Bank Millennium (former Euro Bank, S.A.: 105) (similar to the second quarter 2021 figure).

In addition, Bank Millennium is a party to a group proceeding (class action) which aims to determine Bank Millennium's liability towards the group members based on alleged unjust enrichment (undue benefit) in connection with FX-indexed mortgage loans. It is not a lawsuit requesting the payment of a certain amount of indemnity. The judgment that may be issued in this case, if unfavourable to Bank Millennium, will not grant per se any credit rights required by the group members of this class action. The number of loan agreements covered by these proceedings is 3,281. At the current stage, the composition of the group members of this class action has been established and confirmed by the court. A decision on the admission of evidence will be taken by the court at a closed session. The next hearing will be scheduled *ex officio*. The outstanding amount of the loan agreements under the class action proceeding was PLN 951 million (Euros 206.69 million) on 30 September 2021.

Considering the increased legal risk related to FX-indexed mortgages, Bank Millennium created in the first nine months of 2021 a provision in the amount of PLN 1,424.2 million (Euros 309.53 million) and a provision in the amount of PLN 148.9 million (Euros 32.36 million) for former Euro Bank, S.A. portfolio [respectively, in 2020: PLN 677 million (Euros 147.14 million) and PLN 36.4 million (Euros 7.91 million)]. The methodology developed by Bank Millennium is based on the following main parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified (three-year) time horizon; (ii) the amount of Bank Millennium's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

As at 30 September 2021, Bank Millennium’s balance sheet value of provisions set aside for FX-indexed mortgages legal risk regarding Bank Millennium’s portfolio reached PLN 2,375.3 million (Euros 516.25 million) and PLN 185.3 million (Euros 40.27 million) regarding former Euro Bank, S.A.’s portfolio, with PLN 2,113.4 million (Euros 459.32 million) and PLN 147.1 million (Euros 31.97 million) decreasing the gross value of loans in the respective portfolios, in line with the IFRS 9 approach, while the remaining parts were booked in "Provisions for pending legal issues".

Legal risk from former Euro Bank, S.A.’s portfolio is fully covered by an Indemnity Agreement established with Société Générale.

Bank Millennium analysed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against Bank Millennium	PLN 53 million (Euros 11.52 million)
Change in the probability of winning a case	The probability of Bank Millennium winning a case is lower by 1 p.p	PLN 36 million (Euros 7.82 million)

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

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

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

On 29 April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., in which the CJEU said that:

i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;

ii) article 6(1) and Article 7(1) of Directive 93/13 must be interpreted as meaning that, first, they do not preclude the national court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by that directive is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. Second, those provisions preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance, which it is for that court to determine;

iii) the consequences of a judicial finding that a term of a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;

iv) it is for the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, to inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On 7 May 2021, the Supreme Court, composed of seven judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

i) an abusive contractual clause (art. 3851 § 1 of the Civil Code of Poland), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively;

ii) if without the ineffective clause the loan agreement cannot be binding, the consumer and the lender may apply for separate claims for reimbursement of all amounts paid to the other part under the loan agreement (art. 410 § 1 in relation to art. 405 of the Civil Code of Poland). The lender may demand the reimbursement of outstanding amounts from the moment the loan agreement becomes permanently ineffective.

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

Notwithstanding Bank Millennium's determination to continue taking all possible actions to protect its interests in court, it continues to be open to reach amicable solutions on negotiated terms with its customers. 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 conversion of loans to PLN. As a result of these negotiations, the number of active FX-indexed mortgage loans decreased by almost 6,600 year to date (end of September 2021), compared to over 57,800 active loan agreements at the end of 2020. Cost incurred in conjunction with these negotiations totalled PLN 218 million (Euros 47.38 million), year to date, and are presented in "Result on exchange differences" in the profit and loss statement.

2. Events that may impact the provision for legal risk

On 29 January 2021, a set of questions was published addressed by the First President of the Supreme Court to the Civil Chamber of the Supreme Court, which may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court was requested to respond to certain requirements related to FX-indexed mortgage agreements: (i) is it permissible to replace - through legal or customary provisions - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of the impossibility of determining the exchange rate of a foreign currency in the indexed/ denominated loan agreement - is it possible to keep the agreement in force in its remaining scope; as well as, (iii) if, in case of invalidity of the CHF loan agreement, the theory of equity would be applicable (i.e., does a single claim arise which is equal to the difference between value of claims of bank and the customer), or the theory of two conditions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court was also requested to comment on (iv) the determination of the moment from which the limitation period should start counting in case of a claim being filed by a lending bank for repayment of borrowed amounts and, (v) whether banks and consumers may receive remuneration on their pecuniary claims on the other party arising from the contract.

On 11 May, the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions, including the National Bank of Poland, the Polish Financial Supervision Authority, the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favourable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers *vis-à-vis* PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Supreme Court.

The Supreme Court session that was scheduled for 2 September 2021 did not address the answers to the submitted questions and no follow up new meeting date is scheduled. Bank Millennium will assess in due time the implications of the decisions of the Supreme Court on the level of provisions constituted for legal risk.

There are a number of questions addressed by Polish courts to the European Court of Justice which may be relevant for the outcome of the court disputes in Poland.

The subject matter questions relate, in particular, to:

- the possibility of applying in the agreement of a market rate for buying and selling of the foreign exchange the indexed loan, without making the indication of a method of calculation;

- the possibility of replacing an abusive contractual clause with a dispositive law provision;

- the limitation period of consumer claims concerning reimbursement of benefits made as performance of an agreement which has been declared to be invalid;

- the possibility of declaration by the Court of abusive nature of only part of a contractual provision.

Moreover, the subject of questions addressed to CJEU constitute also matters connected with consequences of invalidation of the contract, *i.e.*, a possibility of requesting by parties to the loan agreement being declared invalid, of benefits exceeding the return of money paid in performance of the agreement (the bank - loan capital; the consumer - installments, fees, commissions and insurance premiums).

With the scope of settlements between Bank Millennium and borrower following the loan agreement being declared invalid is also connected the legal issue related with the seven-person composition of the Supreme Court (case sign: III CZP 54/21). The date of case review has not been specified yet.

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

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

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

Based on current information, some of the above mentioned aspects are not likely to be fully clarified and/or achieved.

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

Bank Millennium conducted a survey among its customers, in cooperation with an external reputed company, regarding the willingness to accept settlement in the terms of the sector solution put forward by the Chairman of KNF. 49% of clients enquired were preliminarily interested in benefiting from the proposal, while 25% were not able to clearly express their opinion and 26% would not take such offer.

According to current calculations, implementation of a solution whereby loans would be voluntarily converted to PLN as if they had been a PLN loan from the very beginning, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the then existing portfolio would be converted) with a pre-tax impact between PLN 4,141 million (Euros 900 million) to PLN 4,562 million (Euros 991.5 million) (non-audited data). The impacts can significantly change in case of variation of the exchange rate and other various assumptions. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk-weighted assets and the decrease or elimination of the Pillar 2 buffer.

Finally, it should be mentioned that Bank Millennium, as at 30 September 2021, maintained additional own funds for the coverage of additional capital requirements related to FX-indexed mortgage portfolio risks (Pillar II buffer), in the amount of 3.41 p.p. (3.36 p.p. at the BCP Group level), part of which is allocated to operational/legal risk.

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

53. Discontinuing operations

According to the described in note 47, under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinued in June 2021, and the impact in results presented in a separate line of the income statement named "Income / (loss) arising from discontinued or discontinuing operations".

The financial statements of Banque Privée BCP (Suisse) S.A. and other adjustments that have been incorporated in the balance Income arising from discontinued or discontinuing operations, as at 30 September 2021 and 2020, are the following:

(Thousands of euros)

	30 September 2021			30 September 2020		
	Banque Privée BCP	Adjustments	Total	Banque Privée BCP	Adjustments	Total
Interest and similar income	2,522	40	2,562	3,092	54	3,146
Interest expense and similar charges	(64)	(40)	(104)	(86)	(54)	(140)
Net interest income	2,458	–	2,458	3,006	–	3,006
Net fees and commissions income	20,418	3	20,421	19,925	3	19,928
Net gains/(losses) from financial operations at fair value through profit or loss	–	–	–	(1)	–	(1)
Net gains/(losses) from foreign exchange	2,082	–	2,082	2,475	–	2,475
Other operating income/(losses)	(228)	(28)	(256)	(338)	(30)	(368)
Total operating income	24,730	(25)	24,705	25,067	(27)	25,040
Staff costs	14,065	–	14,065	14,301	196	14,497
Other administrative costs	4,110	(25)	4,085	4,240	(27)	4,213
Amortisations and depreciations	1,019	–	1,019	992	–	992
Total operating expenses	19,194	(25)	19,169	19,533	169	19,702
Net operating income before provisions and impairments	5,536	–	5,536	5,534	(196)	5,338
Impairment of financial assets at amortised cost	15	–	15	(46)	–	(46)
Net income before income taxes	5,551	–	5,551	5,488	(196)	5,292
Current	(804)	–	(804)	(805)	–	(805)
Net income for the period	4,747	–	4,747	4,683	(196)	4,487

54. Changes in accounting policies occurred in 2021

In the first nine months of 2021, the Group changed the presentation of provisions for individual court cases related to CHF mortgage loans. Commencing from the first quarter of 2021, the Group allocates the portfolio provisions for future legal issues and recognizes it as a reduction of the gross carrying amount of loans for which a decrease in future cash flows is expected in accordance with IFRS 9 "Financial Instruments". Considering that, as in the case of the portfolio provisions, a decrease in cash flows is also expected in the case of exposures subject to individual litigations, the Group, starting from 30 June 2021, increased the scope of the allocated provisions by provisions for individual litigations (previously provisions for individual litigations used to be recognized in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as provisions for pending legal issues). As a result of the above change, the solution in line with IAS 37 will be continued only with regard to disputes relating to already repaid receivables not included in the Group's balance sheet. In order to ensure comparability, the Group has made the following adjustments to comparable data in the balance sheet:

(Thousands of euros)

	Loans and advances to customers	Provisions
Balance as at 31 December 2019	49,847,829	345,312
Changes in accounting policies	(50,160)	(50,160)
Balance as at 1 January 2020	49,797,669	295,152
Changes in accounting policies		
Allocation to loan's portfolio	(51,691)	(51,691)
Exchange rate differences	3,393	3,393
Variation of the year 2020	2,272,986	98,487
Balance as at 31 December 2020 restated	52,022,357	345,341

Consequently, the Group changed the presentation of interest on derivatives not covered by formal hedge accounting. Bearing in mind that these instruments, although they are included in the trading book, are mainly concluded in order to establish economic hedging against the risk of other financial assets or liabilities, the Group, from the first semester of 2021, presents the interest in the Income statement as part of the "Net interest income", while previously this interest was included in the item “Results on financial assets and liabilities held for trading". In order to ensure comparability, the Group has made the following adjustments to the comparable data in the Income statement:

(Thousands of euros)

	30 September 2020 as reported	Adjustments	Discontinuing operations (note 53)	30 September 2020 restated
Interest and similar income	1,392,059	7,061	(3,146)	1,395,974
Net gains/(losses) from financial operations at fair value through profit or loss	(40,128)	(7,061)	1	(47,188)

55. List of subsidiaries and associated companies of Banco Comercial Português Group

As at 30 September 2021, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Sector of activity	% economic interests	% effective held	% direct held
Banco ActivoBank, S.A.	Lisbon	127,600,000	EUR	Banking	100 %	100 %	100 %
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1 %	50.1 %	50.1 %
Banque Privée BCP (Suisse) S.A.	Geneva	50,000,000	CHF	Banking	100 %	100 %	100 %
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100 %	100 %	100 %
BCP Capital - Sociedade de Capital de Risco, S.A. (in liquidation)	Oeiras	1,000,000	EUR	Venture capital	100 %	100 %	100 %
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100 %	100 %	100 %
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100 %	100 %	100 %
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100 %	100 %	—
BCP Finance Company	George Town	31,000,785	EUR	Financial	100 %	100 %	—
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7 %	66.7 %	—
Millennium Bank Hipoteczny S.A.	Warsaw	40,000,000	PLN	Banking	100 %	50.1 %	—
Millennium bcp Bank & Trust (in voluntary liquidation)	George Town	340,000,000	USD	Banking	100 %	100 %	—
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	62,746,173	BRL	Financial Services	100 %	100 %	100 %
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100 %	100 %	100 %
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100 %	100 %	100 %
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	32,859,181	EUR	Real-estate management	100 %	100 %	100 %
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,750	EUR	Services	96.38 %	95.92 %	88.02 %
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100 %	100 %	100 %
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100 %	50.1 %	—
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100 %	50.1 %	—
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100 %	50.1 %	—
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100 %	50.1 %	—
Piast Expert Sp. z o.o (in liquidation)	Warsaw	100,000	PLN	Marketing services	100 %	50.1 %	—

Subsidiary companies	Head office	Share capital	Currency	Sector of activity	Group % economic interests	Group % effective held	Bank % direct held
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100 %	50.1 %	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100 %	50.1 %	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9 %	99.9 %	99.9 %
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100 %	100 %	100 %
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100 %	100 %	–
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100 %	100 %	–
Fiparso – Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100 %	100 %	–

During the first nine months of 2021, the Group proceeded with the liquidation of "Setelote - Aldeamentos Turísticos S.A."

As at 30 September 2021, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1.B, were as follows:

Investment funds	Head office	Participation units	Currency	Sector of activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	69,511,253	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo de Investimento Imobiliário Imorenda	Oeiras	85,787,149	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	310,307,200	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real-estate investment fund	100 %	100 %	100 %
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100 %	100 %	100 %
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,879,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	19,164,700	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real-estate investment fund	63.3 %	63.3 %	63.3 %
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real-estate investment fund	60 %	60 %	60 %

(*) - Company classified as non-current assets held for sale.

During the first nine months of 2021, the Group proceeded with the liquidation of "DP Invest – Fundo Especial de Investimento Imobiliário Fechado", "Fundo Especial de Investimento Imobiliário Fechado Stone Capital" and "Fundo de Investimento Imobiliário Fechado Gestimo".

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

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

As at 30 September 2021, the Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	**Head office**	**Share capital**	**Currency**	**Activity**	**% economic interests**	**% effective held**	**% 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 2021, 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**	**Sector of activity**	**% economic interests**	**% effective held**	**% direct held**
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.73 %	22.53 %	—
Banque BCP, S.A.S.	Paris	180,699,790	EUR	Banking	18.99 %	18.99 %	18.99 %
Beiranave Estaleiros Navais Beira SARL	Beira	2,849,640	MZN	Naval shipyards	22.8 %	14 %	—
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20 %	12.3 %	—
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	Setúbal	744,231	EUR	Trade and industry of sea products	35 %	35 %	—
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50 %	25.1 %	—
Science4you S.A.	Oporto	517,296	EUR	Production and trade of scientific toys	28.2 %	28.2 %	—
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3 %	21.9 %	—
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32 %	32 %	0.53 %
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1 %	25.1 %	25.1 %

During the first nine months of 2021, the Group sold its investment held in "Cold River's Homestead, S.A."

As at 30 September 2021, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	**Head office**	**Participation units**	**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 %	49 %	49 %
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49 %	49 %	—
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49 %	49 %	—

Some indicators of the main subsidiaries and associated companies are analysed as follows:

	30 September 2021			31 December 2020		
Subsidiaries and associated companies	**Total Assets**	**Total Equity**	**Net income for the period**	**Total Assets**	**Total Equity**	**Net income for the period**
Banco ActivoBank, S.A.	2,634,242	191,144	10,068	2,226,751	153,542	11,961
Bank Millennium, S.A. (1)	22,557,971	1,734,099	(181,167)	21,341,311	1,993,504	5,119
BIM - Banco Internacional de Moçambique, S.A. (1)	2,464,796	517,154	61,344	2,034,378	411,935	66,823
BCP International B.V.	976,516	976,481	(72)	976,576	976,553	(2,611)
BCP Finance Bank, Ltd.	629,096	517,696	2,235	612,921	515,461	(3,487)
BCP África, S.G.P.S., Lda.	559,923	558,683	32,434	526,262	526,250	(71,439)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	175,823	175,794	8,903	173,695	173,690	6,799
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	8,496	6,996	1,904	8,843	7,932	3,492
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (1)(2)	10,917,753	844,731	48,075	11,352,919	762,559	81,248
Banco Millennium Atlântico, S.A. (3)	2,678,519	256,346	1,436	2,186,378	223,583	23,505
Banque BCP, S.A.S.	4,383,375	233,006	17,584	4,454,861	215,146	12,792

(1) Consolidate accounts.

(2) Includes VOBA annual amortisation. The value of the acquired business (VOBA) corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition and it is recognised in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortised over the period of recognition of the income associated with the policies acquired.

(3) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29.

56. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1.Z, the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Completion of the sale of Banque Privée BCP (Suisse) SA

Following the announcements dated 29 June and 2 July, Banco Comercial Português, S.A. ("BCP") informs that, further to the non-opposition by the competent local supervisory authorities and the satisfaction of the remaining relevant conditions, the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée") to Union Bancaire Privée, UBP SA has been completed on 2 November 2021.

The amount received for the sale of Banque Privée's share capital is CHF 113,210,965 reflecting the distribution of dividends and the share capital reduction that have occurred in the meantime. Considering this amount, the transaction has a (positive) impact on the consolidated results for the current year, on a pro forma basis as at 30 September 2021, of approximately Euros 46 million and a positive impact on the consolidated CET1 ratio of 15 basis points and on total capital of 17 basis points, confirming the amounts previously announced. The final price is still subject to adjustments arising from the evolution of assets under management and the activity of Banque Privée BCP (Suisse) SA.

The sale of Banque Privée allows BCP Group to pursue its strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

Issue of subordinated notes

On 10 November 2021, Banco Comercial Português, S.A. ("BCP") set the terms of a new issue of subordinated notes (the "Notes") under its Euro Note Programme. The Notes are expected to be eligible as Tier 2 own funds.

The issue will be in the aggregate amount of Euros 300 million, with a tenor of 10.5 years and the option of early redemption by the Bank at any time during the six months between year 5 and year 5.5, a fixed annual interest rate of 4% during the first 5.5 years (corresponding to a spread of 4.065% (the "Spread") over the 5-6 year mid-swap rate). From year 5.5 to maturity the interest rate will be determined on the basis of the then applicable 5-year mid-swap rate plus the Spread.

The Notes were placed with a very diversified group of European institutional investors.

The issue is part of BCP's strategy of continuing optimization of its capital structure, reinforcement of own funds and MREL (Minimum Requirements for Own Funds and Eligible Liabilities) eligible liabilities, as well as regularly accessing the international capital markets.

9M 2021 Report & Accounts

www.millenniumbcp.pt

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 the
Commercial Registry Office of Oporto
under the Single Registration and
Tax Identification Number 501 525 882

Investor Relations Division
Av. Professor Doutor Cavaco Silva
Edifício 1 Piso 0 Ala B
2744-002 Porto Salvo
Phone: (+351) 211 131 084
investors@millenniumbcp.pt

Communication Division
Av. Professor Doutor Cavaco Silva
Edifício 3 Piso 1 Ala C
2744-002 Porto Salvo
Phone: (+351) 211 131 243
comunicar@millenniumbcp.pt

Millennium
bcp