PRESS RELEASE

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Millennium bcp

17 May 2021

Millennium bcp Earnings release as at 31 March 2021

Profitability
Favourable performance of net income and net income before impairments and provisions

- **Net income of the Group** amounted to **57.8 million euros** in the first quarter of 2021 (**+63.8%**, compared to the first quarter of 2020) despite the reinforcement of 112.8 million euros in provisions for legal risk on loans granted in Swiss francs in Poland.
- **Net income before impairment and provisions up 5.8%**, to 329.5 million euros. **Significant reinforcement** of **impairment and other provisions**, totaling 242.8 million euros in the first three months of 2021.
- **Operating costs 9.2% down**, with a cost to core income of 47%, on a comparable basis.

Capital and Liquidity
Capital at adequate levels; reinforced liquidity position

- Estimated **Fully-implemented Core Equity Tier 1 ratio** and **Total capital ratio** at **12.2%** and **15.5%**, respectively, both above regulatory requirements.
- **High liquidity levels**, comfortably above regulatory requirements. Eligible assets for ECB funding of 23.0 billion euros.

Business performance and Credit quality
Strong dynamics of growth in customer resources; continued increase of the loan portfolio; comfortable coverages levels

- **Performing loans up** by **2.0 billion euros** in **Portugal**, **+5.9%** from March 2020, with **NPE reduction** of 0.7 billion euros. **Comfortable NPE coverage**, in adverse context. **Total customer funds up** by **7.1 billion euros**.
- **Growing Customer base**, **mobile Customers standing out** (**+538,000**, of which **+221,000** in **Portugal**).
- **Leading bank** in **Customer satisfaction** with **digital channels** (Basef 5 largest banks).

BANCO COMERCIAL PORTUGUÊS, S.A.,
a public company (Sociedade Aberta),
having its registered office at Praça D. João I, 28, Oporto,
registered at the Commercial Registry of Oporto, with the
single commercial and tax identification number 501 525 882
and the share capital of EUR 4,725,000,000.00.
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FINANCIAL HIGHLIGHTS (1)

Euro million

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

Notes:

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at "Alternative Performance Measures" chapter, being reconciled with the accounting values published in the consolidated financial statements.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
(3) Excludes specific items: negative impact of 0.7 million euros in the first quarter of 2021, related to restructuring costs, recognized as staff costs in the activity in Portugal. In the first quarter of 2020, the impact was also negative, in the amount of 9.5 million euros, of which 2.6 million euros related to restructuring costs, recognized as staff costs in the activity in Portugal and 6.9 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (5.5 million euros as staff costs, 1.3 million euros as other administrative costs and 0.1 million euros as depreciations). In the profitability and efficiency indicators, the specific items included in the net operating revenues, recognized by the Polish subsidiary, in the amount of 0.1 million euros, in the first quarter of 2020, related to costs with the acquisition, merger and integration of Euro Bank S.A., are also not considered.
(4) As at 31 March 2021 and 31 March 2020, capital ratios include the positive cumulative net income of each period. Ratios as of 31 March 2021 are estimated and non-audited.
(5) Of which, in Poland: 7,392 employees as at 31 March 2021 (corresponding to 7,238 FTE - Full-time equivalent) and 8,556 employees as at 31 March 2020 (corresponding to 8,412 FTE - Full-time equivalent).

RESULTS AND ACTIVITY IN THE FIRST QUARTER OF 2021

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

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

RESULTS

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

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

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

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

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

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

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

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

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

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

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

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

AVERAGE BALANCES

Euro million

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

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

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

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

Net commissions[1] reached 177.9 million euros in the first quarter of 2021, standing 1.0% below the 179.8 million euros achieved in the same quarter of the previous year. It should be noted that despite the negative impacts caused by the pandemic associated with COVID-19, net commissions, in the activity in Portugal, remained at a similar level to that in the first three months of the previous year, with the reduction in the international activity being determined by the currency devaluation of both the Zloty and the Metical against the Euro, as the total net

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

commissions in the international activity, excluding exchange rate effect evolved favorably compared to the first quarter of 2020.

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

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

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

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

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

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

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

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

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

[2] In June 2020, some of the amounts recorded in the activity in Portugal as other administrative costs, started to be accounted as other net operating income, in order to improve the quality of the information reported. The historical amounts of such items, included in this analysis, are presented considering these reclassifications with the purpose of ensuring their comparability, therefore diverging from the accounting values disclosed. The above mentioned reclassifications totaled 0.6 million euros in the first quarter of 2020.

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

OTHER NET INCOME

Euro million

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

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

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

In the international activity, operating costs, excluding the effect of specific items mentioned above, showed a 12.3% decrease from the 123.9 million euros posted in the first quarter of 2020, amounting to 108.6 million euros in the first three months of the current year. This evolution was possible thanks to the contribution of all subsidiaries, highlighting the performance of the Polish subsidiary that continues to reflect, partially, the impact of the synergies obtained after the merger with Euro Bank S.A. It should also be noted that the devaluation of the Zloty and the Metical against the Euro also favorably influenced the evolution of operating costs in the international activity,

[4] In June 2020, some of the amounts recorded in the activity in Portugal as other administrative costs, started to be accounted as other net operating income, in order to improve the quality of the information reported. The historical amounts of such items, included in this analysis, are presented considering these reclassifications with the purpose of ensuring their comparability, therefore diverging from the accounting values disclosed. The abovementioned reclassifications totaled 0.6 million euros in the first quarter of 2020.
[5] Negative impact of 0.7 million euros in the first quarter of 2021, related to restructuring costs, recognized as staff costs in the activity in Portugal. In the first quarter of 2020, the impact was also negative, in the amount of 9.5 million euros, of which 2.6 million euros related to restructuring costs recognized as staff costs in the activity in Portugal and 6.9 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (5.5 million euros as staff costs, 1.3 million euros as other administrative costs and 0.1 million euros as depreciation).

having been decisive in the particular case of the operation in Mozambique. Operating costs in the international activity reflect the good performance of both staff costs and other administrative costs and depreciation.

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

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

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

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

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

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

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

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

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

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

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

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

OPERATING COSTS

Euro million

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

(1) Excludes the impact of specific items.

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

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

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

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

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

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

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

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

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

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

BALANCE SHEET

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

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

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

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

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

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

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

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

MORATORIUMS

Euro million

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

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

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

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

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

LOANS TO CUSTOMERS (GROSS)

Euro million

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

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

As of 31 March 2020, at the beginning of the COVID-19 pandemic, the Group had an NPE portfolio of 3,928 million euros, which was reduced by 21.1%, to 3,100 million euros at the end of the first quarter of 2021. This reduction is mainly supported in sales operations carried out in a particularly challenging context, which made it possible to largely offset the new exposures that, in this period, started to be classified as NPE, contributing to a (net) decrease in the volume of NPE in 827 million euros in consolidated terms, of which 725 million euros in Portugal.

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

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

CREDIT QUALITY INDICATORS

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

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

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

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

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

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

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

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

TOTAL CUSTOMER FUNDS

Euro million

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

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

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

LIQUIDITY MANAGEMENT

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

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

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

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

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

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

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

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

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

CAPITAL

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

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

SOLVENCY RATIOS

Euro million

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

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

SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2021

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

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

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

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

AWARDS

- Millennium bcp 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.

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

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

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

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

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

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

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

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

MACROECONOMIC ENVIRONMENT

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

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

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

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

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

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

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

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

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS

FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2021 AND 2020

(Thousands of euros)

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

BANCO COMERCIAL PORTUGUÊS

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

(Thousands of euros)

	31 March 2021	31 December 2020	31 March 2020
ASSETS			
Cash and deposits at Central Banks	6,506,551	5,303,864	3,334,825
Loans and advances to credit institutions repayable on demand	269,472	262,395	262,966
Financial assets at amortised cost			
Loans and advances to credit institutions	892,552	1,015,087	1,437,612
Loans and advances to customers	52,487,580	52,120,815	49,624,058
Debt securities	6,281,166	6,234,545	6,064,913
Financial assets at fair value through profit or loss			
Financial assets held for trading	1,158,247	1,031,201	2,393,493
Financial assets not held for trading mandatorily at fair value through profit or loss	1,307,441	1,315,467	1,361,453
Financial assets designated at fair value through profit or loss	-	-	31,454
Financial assets at fair value through other comprehensive income	13,466,818	12,140,392	10,381,491
Hedging derivatives	106,521	91,249	100,306
Investments in associated companies	449,660	434,959	406,046
Non-current assets held for sale	991,706	1,026,481	1,248,079
Investment property	7,891	7,909	13,268
Other tangible assets	630,557	640,825	694,827
Goodwill and intangible assets	237,269	245,954	224,393
Current tax assets	12,435	11,676	29,778
Deferred tax assets	2,647,951	2,633,790	2,682,502
Other assets	1,112,062	1,296,812	1,207,640
TOTAL ASSETS	88,565,879	85,813,421	81,499,104
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	9,186,206	8,898,759	6,718,840
Resources from customers	65,192,226	63,000,829	59,397,831
Non subordinated debt securities issued	1,817,891	1,388,849	1,554,247
Subordinated debt	1,278,720	1,405,172	1,516,864
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	209,170	278,851	340,476
Financial liabilities at fair value through profit or loss	1,599,340	1,599,405	2,659,135
Hedging derivatives	222,884	285,766	366,202
Provisions	553,574	443,799	389,189
Current tax liabilities	10,439	14,827	9,527
Deferred tax liabilities	6,096	7,242	9,534
Other liabilities	1,193,569	1,103,652	1,287,920
TOTAL LIABILITIES	81,270,115	78,427,151	74,249,765
EQUITY			
Share capital	4,725,000	4,725,000	4,725,000
Share premium	16,471	16,471	16,471
Other equity instruments	400,000	400,000	400,000
Legal and statutory reserves	254,464	254,464	240,535
Treasury shares	-	(40)	(67)
Reserves and retained earnings	730,106	642,397	638,155
Net income for the period attributable to Bank's Shareholders	57,815	183,012	35,299
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,183,856	6,221,304	6,055,393
Non-controlling interests	1,111,908	1,164,966	1,193,946
TOTAL EQUITY	7,295,764	7,386,270	7,249,339
TOTAL LIABILITIES AND EQUITY	88,565,879	85,813,421	81,499,104

ALTERNATIVE PERFORMANCE MEASURES

The BCP Group prepares financial information in accordance with International Financial Reporting Standards (IFRS) endorsed by European Union. As a complement to that information, the BCP Group uses a set of alternative performance measures that allow monitoring the evolution of its activity over the time. Following the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on October 2015 (ESMA/2015/1415), the BCP Group presents some indicators related to the assessment of profitability and efficiency and the quality of the credit portfolio, among others, which are intended to facilitate comprehension of the evolution of the economic and financial position of the Group. The information presented in this context has not been audited and does not, under any circumstance, replace the financial information prepared in accordance with IFRS. It should also be noted that the definitions and concepts used by the BCP Group for the calculation of these indicators may differ from those used by other entities in the determination of other similar measures and may therefore not be directly comparable. In accordance with the abovementioned guidelines, alternative performance measures, which are detailed below, are presented together with additional information that reconciles the accounting figures presented in the consolidated financial statements prepared in accordance with IFRS and financial information reflecting the management criteria adopted by the BCP Group. These indicators and their components are also described in more detail in the glossary.

1) Loans to customers (net) / Balance sheet customer funds

Relevance of the indicator: the loans-to-deposits ratio is an indicator of liquidity that allows the evaluation of the Group's retail funding structure.

Euro million

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

2) Return on average assets (ROA)

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

Euro million

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

3) Return on average equity (ROE)

Relevance of the indicator: allows assessment of the capacity of the Group to remunerate its shareholders, assessing the level of profitability generated by the funds invested by the shareholders in the Group.

Euro million

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

4) Cost to income

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

Euro million

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

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

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

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

Euro million

		3M21	3M20
Loans to customers at amortised cost, before impairment (1)		55,975	54,340
Loan impairment charges (net of recoveries) (2)		111	86
	[(2), annualised] / (1)	**79**	**63**

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

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

Euro million

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

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

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

Euro million

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

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

Loans to customers

Euro million

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

Loans impairment (P&L)

Euro million

	3M21	3M20
Impairment of financial assets at amortised cost (accounting P&L) (1)	111	87
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	0	0
Impairment of financial assets at amortised cost not associated with credit operations (3)	0	1
Loans impairment considering management criteria (1)-(2)-(3)	**111**	**86**

Balance sheet customer funds

Euro million

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

Securities portfolio

Euro million

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net commissions - net fees and commissions income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Disclaimer

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

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

The interim condensed consolidated financial statements, for the three months ended at 31 March 2021, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

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

The figures for the first three months of 2021 and 2020 were not audited.