



H1 2021 REPORT & ACCOUNTS

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

1st Half 2021 Report & Accounts

BANCO COMERCIAL PORTUGUÊS, S.A.

Company open to public investment

Registered Office: Praça D. João I, 28, 4000-295 Porto - Share Capital Euros 4,725,000,000.00

Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

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

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the “Relatório e Contas do 1º semestre de 2021” prevails.

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

JOINT MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND OF THE CEO	5
INFORMATION ON BCP GROUP	9
BCP IN H1 2021	9
MAIN HIGHLIGHTS	10
INFORMATION ON BCP GROUP	12
GOVERNANCE	14
MAIN EVENTS IN H1 2021	16
BCP SHARE	18
QUALIFIED HOLDINGS	26
BUSINESS MODEL	27
REGULATORY, ECONOMIC AND FINANCIAL SYSTEM ENVIRONMENT	27
BUSINESS MODEL	31
MILLENNIUM NETWORK	34
FINANCIAL INFORMATION	36
RESULTS AND BALANCE SHEET	37
BUSINESS AREAS	61
STRATEGY	77
STRATEGIC PLAN 2021-2024	77
RISK AND OUTLOOK	81
INTERNAL CONTROL SYSTEM	81
MAIN RISKS AND UNCERTAINTIES	85
RISK MANAGEMENT	88
RATINGS ASSIGNED TO BCP	125
CAPITAL	128
PENSION FUND	129
INFORMATION ON TRENDS	131
NON-FINANCIAL INFORMATION	134
INVOLVEMENT OF STAKEHOLDERS	135
VALUE ADDED TO EACH STAKEHOLDER GROUP	136
ENVIRONMENTAL IMPACT	152
FISCAL RESPONSIBILITY	156
REGULATORY INFORMATION	157
CONSOLIDATED FINANCIAL STATEMENTS	157
ALTERNATIVE PERFORMANCE MEASURES	160
GLOSSARY	163
ACCOUNTS AND NOTES TO THE CONSOLIDATED ACCOUNTS	166
DECLARATION OF COMPLIANCE	388
EXTERNAL AUDITORS' REPORT	390



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



Nuno Amado
Chairman of the Board
of Directors

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

The International Monetary Fund (IMF) forecasts a 6.0% expansion of the world economy in 2021, which represents a strong recovery compared to the 3.3% drop observed in 2020. However, the recovery is expected to continue in a heterogeneous manner among the main economic blocs, depending on the evolution of the pandemic and economic policy measures, and is therefore subject to significant uncertainty.

In Portugal, economic activity has shown significant improvement following the progressive lifting of restrictive measures as of March, which translated into GDP growth of 4.9% in the second quarter, after the 3.2% year-on-year fall observed in the previous quarter. The economic recovery should reflect the increase in private consumption, in particular services, and the dynamism of investment, together with the favorable contribution of external demand. For the full year, the Banco de Portugal forecasts a 4.8% rise in GDP.

In the coming quarters, the implementation of the national Recovery and Resilience Plan should contribute to boosting public and private investment and raising the growth potential of the Portuguese economy over the medium term.

In Poland, despite the worsening of the pandemic situation at the beginning of the year, economic activity showed great resilience in the first quarter, with GDP registering a positive quarter-on-quarter rate of change, supported by the strength of external demand and private consumption. The trajectory of the Polish economy's recovery is expected to increase in the coming months, with GDP expected to return to pre-pandemic levels by the end of the year, according to European Commission projections.

In Mozambique, GDP registered a positive evolution in the first quarter of 2021, in contrast to the drop of 1.9% observed in 2020. During the course of the year, the recovery process should continue, albeit at a relatively moderate pace, conditioned by the weakness of domestic demand, in a context of continued high interest rates, and by the adverse effects of instability in Cabo Delgado, namely with regard to the dynamics of ongoing projects for natural gas exploration in the region.

The results for the first half of 2021 show the resilience of the Bank's business model as well as its ability to face a challenging macroeconomic context, still deeply affected by the impacts and restrictions associated with the pandemic.

In the first half, the Group posted a net profit of €12.3 million, heavily penalized by the €214.2 million increase in provisions for legal risks associated with home loans in Swiss francs granted in Poland through 2008, and by mandatory contributions specific to the banking sector in Portugal amounting to €56.2 million. Excluding the reinforcement of provisions for legal risks on mortgage loans in Swiss francs in Poland, consolidated net income for the first half would have reached €118.3 million, corresponding to a 24.6% growth compared to the same period of the previous year on a comparable basis.

Income before impairment and provisions on a consolidated basis reached €530.9 million, reflecting an increase of 5.1% over the same period last year, supported by the growth in core income and the favorable evolution of results from financial operations.

Consolidated core operating income in the first half of 2021 reached €529.1 million, a reduction of 3.1% compared to the same period of 2020, reflecting restructuring costs of €87.2 million in Portugal. Excluding the effect of non-recurring costs, core operating income grew 8.7% year-on-year.

Despite the increase in non-recurring restructuring costs of €87.2 million, the net result of the activity in Portugal in the first half of 2021 remained stable compared to the same period of the previous year, at €45.1 million.

At the level of international activity, as a result of the non-recurring effects in Poland that affected the performance of Bank Millennium mentioned above, net income in the first half of 2021 was negative by €32.9

million, an unfavorable evolution compared to the €30.8 million profit obtained in the first half of the previous year.

Also with regard to international activity, an agreement was signed in June 2021 regarding the sale of the entire share capital of Millennium Banque Privée (Suisse) to Union Bancaire Privée. With this transaction, the Group will continue to pursue its strategy of development in geographies where it has competitive advantages, enhancing the creation of value for our stakeholders.

The Bank maintains a capital position above regulatory requirements, having closed the first half of this year with total capital and CET1 ratios at 14.9% and 11.6%, respectively.

On July 30, the results of the extended stress test exercise that covered 50 European banks from 15 countries were released by the European Banking Authority, comprising a baseline and an adverse scenario in the period between 2021 and 2023. Millennium bcp's results demonstrated resilience of capital above the average of the banks submitted to this exercise, reflecting variations at the end of the period in relation to 2020 in a fully loaded CET1 of +163 and -406 basis points in the base and adverse scenarios, respectively, compared to average variations for all banks tested in those scenarios of +78 and -485 basis points respectively, even if starting from a capital base below the sector average.

At the same time, the Bank maintains a comfortable liquidity position, far exceeding regulatory requirements. In the first half of 2021, the loan-to-deposit ratio was 82% and the assets eligible for financing with the ECB amounted to €25.9 billion.

Despite the adverse context resulting from the pandemic that has affected economic activity since the beginning of 2020, and which still persists, the Bank continued to focus on improving the quality of its assets, having carried out a significant reduction in Non-Performing Exposures (NPEs), which decreased in consolidated terms by €931 million compared to June 30, 2020, of which €813 million was in Portugal.

The resilience of the business model was once again reflected in a remarkable growth in business volumes at the consolidated level, with performing loans increasing by €2.9 billion, 5.5% more than in June 2020, and total funds from customers growing by €7.2 billion, up 8.6% from June 30, 2020. Also noteworthy was the 14.2% increase in off-balance sheet resources, which in June 2021 reached € 20.7 billion.

The expansion of the Group's customer base continued to progress, with emphasis on mobile customers, who increased by 567,000 (of which 211,000 in Portugal) compared to the end of the first half of the previous year.

In Portugal, confirming the innovation and receptivity of the mobile solutions made available to customers, the Bank was again distinguished as the Leading Bank in satisfaction with digital channels attributed by Basef (for the 5 largest banks), considered the Best Digital Bank by BrandScore, and Leader in Customer Satisfaction by Markttest.

Millennium bcp also stood out for its strong support to the business sector, which represented 64% of the €1.9 billion increase in performing loans in Portugal since June 2020. Of particular note was the provision of a €1.2 billion credit line guaranteed by the European Investment Fund for small and medium-sized enterprises, as well as our leadership in financing solutions for companies through mutual guarantees.

In June 2021, Millennium bcp initiated a plan to reduce the workforce in Portugal, the implementation of which was essential to ensure the Bank's competitiveness in a context that requires adaptation to the significant changes and constraints affecting the sector, as well as to the evolution of trends and customer needs. This initiative had been planned for 2022 but was postponed in view of the greater uncertainty then existing on the magnitude of the impact of the pandemic on economic activity and its respective social and labor consequences.

The aim of adjusting the workforce is to adapt the organizational structure to ensure the efficiency of the Bank's business model and allow it to reach a level of sustainable profitability. Implementation of the plan is expected to be completed in 2021, having been preceded by a careful selection of the areas and functions covered, identifying the reduction needs.

In general terms, despite the persistence of adverse effects resulting from the pandemic, the performance in the first half of 2021 demonstrated the resilience of the Bank's business model and its capacity to manage contextual risks and respond to the challenges of the economic crisis, strengthening the commitment to the Communities in which it operates and intensifying good practices in the ESG domains.

This performance reflects the successful execution of the main initiatives and strategic priorities defined in 2018, which proved fundamental to the maintaining a consistent course and positioning the Bank for the future. It translated into a significant improvement in the quality of the balance sheet and a marked acceleration in the

digital transformation, based on decisive investments that allowed efficiency gains and the adaptation to a new paradigm.

However, changes in the environment pose additional challenges to the banking sector that require action. For this reason the Bank presented a new Strategic Plan to the market alongside the first half earnings report, called “Excelling 24,” setting the priorities and objectives for the new strategic cycle for 2021-2024.

The design of the Excelling 24 plan was based on Millennium’s aspiration for this cycle: to successfully overcome the impact of the pandemic and achieve robust levels of profitability and balance sheet quality, accelerating the bank’s competitive differentiation in terms of efficiency and involvement with Customers, with based on excellent personalized service and new mobile/digital solutions, while simultaneously responding to the challenges of sustainability with a focus on the risks and opportunities of climate change, the social aspect and good governance of society.

Millennium begins this new strategic cycle in a strong competitive position, ready to capture market opportunities with revised strategic priorities, which are more focused on the activity in Portugal, preserving relevant priorities from the previous plan and adding new elements consistent with the new framework .

It is with confidence and enthusiasm that we assume the implementation of the Excelling 24 plan, which will power Millennium bcp to the desired level of leadership and excellence.



Miguel Maya

Chief Executive Officer

Vice-Chairman of the Board of Directors



Nuno Amado

Chairman of the Board of Directors



From left to right:

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

BCP in H1 2021

- Net income of the Group amounted to 12.3 million euros in the first half of 2021, including 214.2 million euros in provisions for legal risk on loans granted in Swiss francs in Poland and specific items of 87.2 million euros in Portugal, mainly related to restructuring costs.
- Core income up by 2.4%; Recurring operating costs down by 4.3%.
- Profit before impairment and provisions up 5.1%, to 530.9 million euros. Impairment and other provisions totalled 461.9 million euros in the first six months of 2021.
- Estimated Fully-implemented Core Equity Tier 1 ratio and Total capital ratio at 11.6% and 14.9%, respectively, both above regulatory requirements (11.8% and 15.1%, respectively, on a pro forma basis considering the expected impact of the ongoing sale of the Swiss subsidiary).
- High liquidity levels, comfortably above regulatory requirements. Eligible assets for ECB funding of 25.9 billion euros.
- Performing loans up by 1.9 billion euros in Portugal, +5.4% from June 2020, with NPE reduction of 0.8 billion euros, in adverse context. General improvement in credit quality indicators. Total customer funds of the Group up by 7.2 billion euros. Off- balance sheet customer funds of the Group up by 14.2%, to 20.7 billion euros.
- Growing Customer base, mobile Customers standing out (+567,000, of which +211,000 in Portugal).
- Leading bank in Customer satisfaction with digital channels (Basef 5 largest banks).

Main highlights ⁽¹⁾

	30 Jun. 21	30 Jun. 20	Euro million Chan. % 21/20
BALANCE SHEET			
Total assets	91,365	86,519	5.6%
Equity	7,386	7,450	-0.9%
Loans and advances to customers (net)	55,885	53,687	4.1%
Total customer funds	90,351	83,163	8.6%
Balance sheet customer funds	69,621	65,009	7.1%
Deposits and other resources from customers	68,101	63,464	7.3%
Loans to customers (net) / Deposits and other resources from customers (2)	82.1%	84.6%	
Loans to customers (net) / Balance sheet customer funds	80.3%	82.6%	
RESULTS			
Net interest income	768	763	0.7%
Net operating revenues	1,123	1,053	6.6%
Operating costs	592	549	7.9%
Operating costs excluding specific items (3)	505	527	-4.3%
Loan impairment charges (net of recoveries)	157	237	-33.9%
Other impairment and provisions	305	114	167.4%
Income tax	103	58	76.7%
Net income	12	76	(83.9)%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.5%	2.5%	
Return on average total assets (ROA)	-0.1%	0.2%	
Income before tax and non-controlling interests / Average net assets (2)	0.2%	0.4%	
Return on average shareholders' equity (ROE)	0.4%	2.6%	
Income before tax and non-controlling interests / Average equity (2)	2.1%	4.5%	
Net interest margin	1.92%	2.05%	
Cost to core income (2)(3)	45.0%	48.2%	
Cost to income (2)	52.7%	52.1%	
Cost to income (2)(3)	44.9%	50.1%	
Cost to income - activity in Portugal (2)(3)	44.1%	51.6%	
Staff costs / Net operating revenues (2)(3)	25.6%	28.4%	
CREDIT QUALITY			
Cost of risk (net of recoveries; in b.p.)	55	85	
Non-performing exposures / Loans to customers	5.2%	7.0%	
Total impairment (balance sheet) / NPE	66.6%	57.8%	
Restructured loans / Loans to customers	4.3%	5.5%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	270%	249%	
Net Stable Funding Ratio (NSFR)	148%	137%	
CAPITAL (4)			
Common equity tier I phased-in ratio	11.7%	12.1%	
Common equity tier I fully-implemented ratio	11.6%	12.1%	
Total ratio fully implemented	14.9%	15.6%	
BRANCHES			
Portugal activity	458	493	(7.1)%
International activity	876	967	(9.4)%
EMPLOYEES			
Portugal activity	6,937	7,154	(3.0)%
International activity (5)	9,984	11,016	(9.4)%

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

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

(3) Excludes specific items: negative impact of 87 million euros in the first half of 2021, mainly related to restructuring costs, recognized as staff costs in the activity in Portugal, including a provision to cover the costs related to the current adjustment of headcount in the amount of 81 million euros. In the first half of 2020, the impact was also negative, in the amount of 21 million euros, of which 13 million euros related to restructuring costs and compensation for temporary remuneration of employees cuts, both recognized as staff costs in the activity in Portugal and 8 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (5 million euros as staff costs, 2 million euros as other administrative costs and an immaterial amount as depreciation). In the efficiency indicators, the specific items included in the net operating revenues in the first half of 2020, of an immaterial amount, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary are also not considered.

(4) As at 30 June 2021 and 30 June 2020, capital ratios include the positive cumulative net income of each period.

(5) Of which, in Poland: 7,286 employees as at 30 June 2021 (corresponding to 7,148 FTE - Full-time equivalent) and 8,283 employees as at 30 June 2020 (corresponding to 8,141 FTE - Full-time equivalent).

Information on BCP Group

Brief description

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

Bank History

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On June 29, 2021 BCP entered into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"). The completion of the transaction is subject to the verification of the usual conditions for carrying out this type of transaction, including the non-opposition of the relevant local supervisory bodies. The sale of Banque Privée will allow the BCP Group to pursue the strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

Governance

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

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

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

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

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

Under the terms of the articles of association, the BD is composed of a minimum of 15 and a maximum of 19 members with and without executive duties, elected by the General Meeting for a period of four years, and can be re-elected. At the end of June 2021, the Board of Directors was composed of 17 members, of which 6 are executive and 11 are non-executive, with 5 qualified as independent.

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

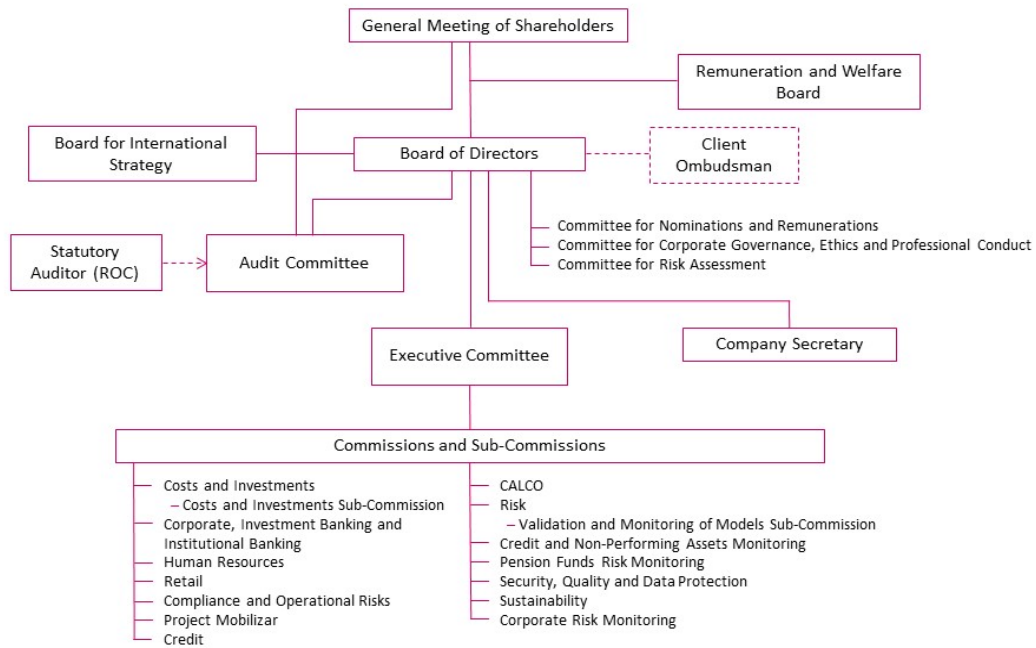
The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

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

The RWB is elected by the General Meeting.

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

Corporate Governance Model



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

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

* Chairman and Vice- chairman to be nominated.

Main events in H1 2021

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

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

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

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

- Approval of the maintenance of the voting limitations foreseen in articles 25 and 26 of the Banks’s Articles of Association.

On **29 June 2021**, Banco Comercial Português, S.A. entered into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA (“Banque Privée”). BCP estimates that the sale price and the (positive) impact on consolidated results for the current year, on a pro forma basis as of March 31, 2021, between 119 and 128 million euros and 41 and 50 million euros. These amounts are subject to adjustments arising from the evolution of assets under management and the activity of Banque Privée BCP (Suisse) SA, and will only be definitively fixed after the date of completion of the transaction. The sale of Banque Privée will allow the BCP Group to pursue the strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

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

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

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

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

Millennium bcp integrates the ranking of “Europe’s Climate Leaders in 2021” prepared by the Financial Times in partnership with the German company of market and consumer research - Statista. This index highlights

European companies that have made the most progress in reducing greenhouse gas emissions.

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

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

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

AWARDS

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

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

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

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

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

Millennium bcp 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 elected "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.

Bank Millennium distinguished as "Best Bank in Poland" by Global Finance.

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

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

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

BCP Share

The first half of 2021 was characterized by widespread increases in the main indices and capital markets. The EuroStoxx 600 Banks Index appreciated 23.8%.

The rollout of the vaccination process against COVID-19, during the first half of 2021, allowed for the slowdown in the spread and fatality of the pandemic, resulting in the gradual relief of the restrictive measures imposed by European Governments, as well as an increase in investors' confidence. The optimism felt in the main indices and capital markets benefited from the first signs of recovery in economic activity, together with the improvement in macroeconomic projections by several supranational entities.

In the context of the macroeconomic recovery, it is important to mention the inflationary tensions felt throughout the semester, pressuring stock markets' performance, as it threatened to trigger

an anticipation of the interest rates increase movement. Nevertheless, the Presidents of the main Central Banks, including the Fed and the ECB, defended that this increase in inflation should be transitory and of short duration, thus limiting the impact on sovereign debt yields and, consequently, on stock markets.

On the geopolitical level, focus on the deteriorating relationship between the USA and Russia, with the enforcement of new sanctions by the USA, including restrictions on the purchase of new sovereign debt issues and the expulsion of Russian diplomats working in Washington. Additionally, focus on the stalemate in USA and China relations, with the first talks between the two major world powers since Joe Biden took office showing significant divergences on key matters.

BCP SHARES INDICATORS

	Units	1H21	1H20
ADJUSTED PRICES			
Maximum price	(€)	0.1662	0.2108
Average price	(€)	0.1308	0.1347
Minimum price	(€)	0.1126	0.0854
Closing price	(€)	0.1350	0.1070
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group	(M€)	6,273	6,233
Shareholder's Equity attributable to ordinary shares (1)	(M€)	6,273	6,233
VALUE PER SHARE			
Adjusted net income (EPS) (2)	(€)	(0.001)	0.008
Book value (3)	(€)	0.389	0.386
MARKET INDICATORS			
Closing price to book value	(PBV)	0.33	0.26
Market capitalisation (closing price)	(M€)	2,040	1,617
LIQUIDITY			
Turnover	(M€)	878	1,022
Average daily turnover	(M€)	7.0	8.1
Volume	(M)	6,661	8,455
Average daily volume	(M)	52.9	67.1
Capital rotation (4)	(%)	44.1%	55.9%

(1) Shareholder's Equity attributable to the group minus Preference shares

(2) Based on the average number of shares outstanding

(3) Based on the average number of shares minus the number of treasury shares in portfolio

(4) Total number of shares traded divided by the average number of shares issued in the period

In the first half of 2021, BCP shares were up 9.6%, which compares to a 23.8% appreciation of the European banks index (EuroStoxx 600 Banks), in the same period.

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

Positive impacts:

- Announcement of 2020 results, with 4Q20 results surpassing analysts' expectations, especially regarding the resilience of the business model of the Portuguese operation in an extremely challenging context;
- Announcement of 4Q21 results, with a positive reaction to the operational trends presented in the operations where the Bank is present;
- Upward revision - by several analysts - of BCP's share price targets;
- Upward revision - by several entities - of macroeconomic projections for the Eurozone;
- Improving prospects regarding the rollout of the vaccination against Covid-19, in Portugal and in the EU.

Negative impacts:

- Uncertainty associated with the CHF mortgage portfolio in Bank Millennium;
- Uncertainty regarding the evolution of moratoria;
- Enforcement of quarantines on travellers originating in Portugal, by several European countries, compromising the revenues of the Tourism sector and contributing to the economic recovery;
- Increase in tensions between the USA and China and between USA and Russia.

PERFORMANCE

Index	Change 1H21
BCP share	+9.6%
Eurostoxx 600 Banks	+23.8%
PSI20	+2.8%
IBEX 35	+9.3%
CAC 40	+17.2%
DAX XETRA	+13.2%
FTSE 100	+8.9%
MIB FTSE	+12.9%
Dow Jones Indu Average	+12.7%
Nasdaq	+12.9%
S&P500	+14.4%

Source: Euronext, Reuters, Bloomberg

Liquidity

During the first half of 2021, 878 million euros in BCP shares were traded, corresponding to an average daily turnover of 7.0 million euros. 6,661 million shares were traded during this period of time, corresponding to a daily average volume of 52.9 million shares. The capital turnover index stood at 44.1% of the average annual number of shares issued.

Follow-up with Investors

The Bank participated in several events during the first half of 2021, having attended 8 conferences and 4 road shows (all virtual), where it held one-on-one and group meetings with investors. Approximately 140 meetings were held with analysts and institutional investors, demonstrating significant interest in the Bank.

Indexes listing BCP shares

The BCP share is part of more than 50 domestic and international stock exchange indexes, among which we point out the Euronext 150 index, the PSI 20 and the PSI Geral indexes.

Index	Weight
Euronext 150	0.41%
PSI 20	9.57%
PSI Geral	2.97%

Source: Euronext, 30 June 2021

Additionally, at the end of the 1st half of 2021, Millennium bcp included the following Sustainability indices/statutes: “Ethibel EXCELLENCE Investment Register”, “Ethibel Excellence Europe” and “European Banks Index”. Bank Millennium, in Poland, is also part of the “WIG-ESG” of the Warsaw Stock Exchange.

In 2021, the BCP Group once again integrated, for the 2nd year in a row, the Bloomberg Gender-Equality Index, having also included the 1st edition of the Financial Times' "Europe's Climate Leaders 2021" ranking. Also during this period, the BCP Group also returned to S&P's "The Sustainability Yearbook".

Sustainability Indexes



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

The following table summarizes the material information announced in the first half of 2021 and the price changes in the following day and 5 days, comparing it also to performance of the main domestic and European index in the same periods:

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
1	13/Jan	Banco Comercial Português, S.A. informs about notice of acquisition of perpetual note	0.4%	-0.1%	-0.3%	-4.6%	-4.2%	-3.7%
2	25/Jan	Banco Comercial Português, S.A. informs about provisions for FX-denominated mortgage loans booked by Bank Millennium, S.A.	-0.8%	0.7%	-2.3%	-1.5%	2.0%	-0.1%
3	2/Feb	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 2020	-0.8%	-1.1%	-1.5%	8.5%	7.8%	3.4%
4	5/Feb	Banco Comercial Português, S.A. informs about issue of senior preferred debt securities	1.1%	0.9%	0.3%	-3.0%	-0.6%	-4.9%
5	25/Feb	Millennium bcp Earnings release as at 31 December 2020	-2.8%	-1.0%	-0.6%	-3.2%	-0.3%	-4.2%
6	4/Mar	Banco Comercial Português, S.A. informs about notice of transactions of subordinated notes	0.3%	-0.2%	-0.7%	-0.9%	-5.8%	-2.6%
7	8/Mar	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-1.5%	-2.6%	-0.4%	-4.0%	-6.8%	-1.5%
8	11/Mar	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	0.7%	1.2%	-0.6%	2.1%	3.8%	-1.3%
9	15/Mar	Banco Comercial Português, S.A. informs about notice of acquisition of securities	0.0%	-0.4%	-0.2%	-0.6%	-1.0%	-0.1%
10	17/Mar	Banco Comercial Português, S.A. informs about qualified shareholding of BlackRock	3.0%	2.6%	1.0%	2.9%	1.3%	3.7%
11	18/Mar	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-1.2%	-2.4%	1.1%	-2.8%	-2.3%	0.7%
12	25/Mar	Banco Comercial Português, S.A. informs about notice of acquisition of perpetual notes	1.4%	-0.1%	0.5%	1.9%	-2.6%	0.5%

(Continues)

(Continuation)

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
13	29/Mar	Banco Comercial Português, S.A. informs about notice of acquisition of perpetual notes	2.4%	1.9%	-0.3%	1.3%	-1.8%	-0.7%
14	5/Apr	Banco Comercial Português, S.A. informs about notice of acquisition of securities	0.4%	-0.3%	0.0%	2.9%	2.3%	2.8%
15	13/Apr	Banco Comercial Português, S.A. informs about notice of acquisition of securities	0.4%	-0.2%	-0.2%	-5.8%	-4.8%	-3.7%
16	14/Apr	Banco Comercial Português, S.A. informs about provisions for FX-denominated mortgage loans booked by Bank Millennium, S.A.	-3.5%	-2.7%	-2.2%	-7.2%	-5.7%	-4.1%
17	21/Apr	Banco Comercial Português, S.A. informs about qualified shareholding of BlackRock	0.6%	-0.5%	0.5%	3.8%	2.5%	-1.6%
18	27/Apr	Banco Comercial Português, S.A. informs about qualified shareholding of BlackRock	1.5%	1.4%	0.0%	8.2%	7.5%	7.2%
19	30/Apr	Banco Comercial Português, S.A. informs about qualified shareholding of BlackRock	1.0%	-0.6%	0.9%	4.9%	2.9%	3.3%
20	11/May	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 1Q 2021	5.3%	4.9%	4.4%	17.2%	13.4%	14.9%
21	17/May	Millennium bcp Earnings release as at 31 March 2021	3.7%	3.0%	3.2%	-2.9%	-2.5%	-3.1%
22	20/May	Banco Comercial Português, S.A. informs about resolutions of the Annual General Meeting	0.9%	1.0%	0.0%	-2.1%	-1.5%	-4.0%
23	25/May	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-1.5%	-1.6%	-0.4%	3.5%	3.4%	1.9%

(Continues)

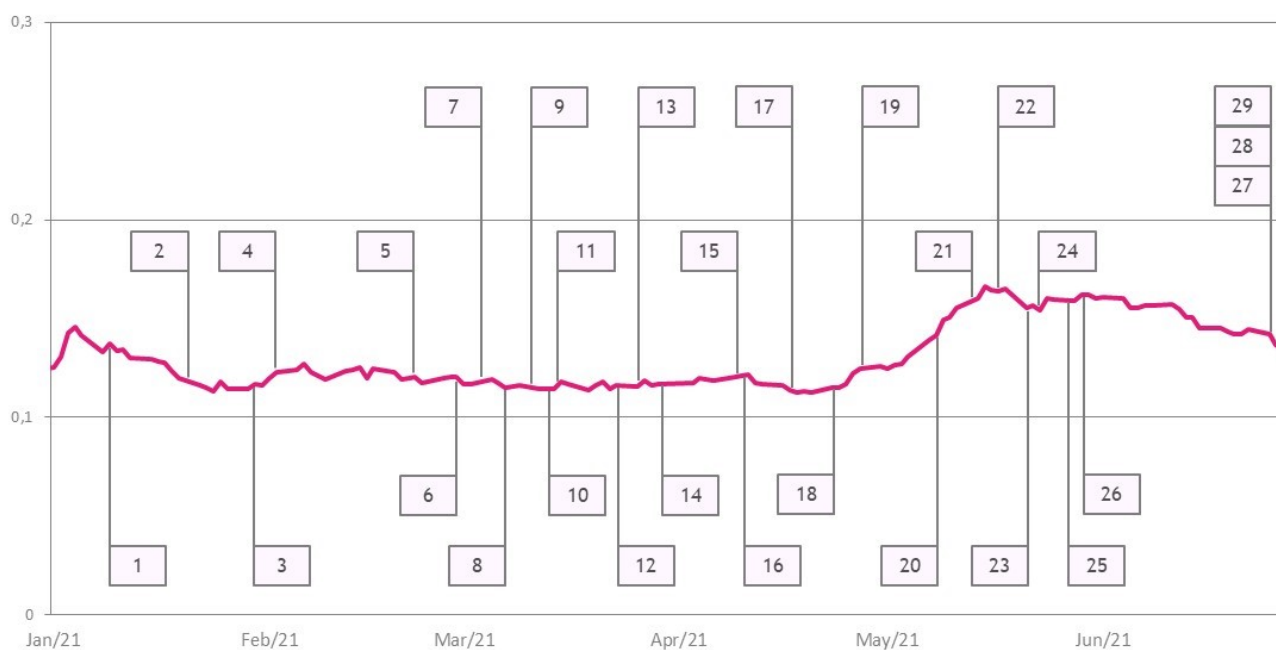
(Continuation)

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
24	26/May	Banco Comercial Português, S.A. informs about notice of acquisition of securities	3.6%	3.1%	1.7%	5.0%	6.1%	1.7%
25	31/May	Banco Comercial Português, S.A. informs about notice of acquisition of securities	2.0%	1.3%	1.3%	0.6%	1.4%	-0.7%
26	2/Jun	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-1.4%	-0.6%	-1.6%	-4.0%	-3.1%	-2.0%
27	29/Jun	Banco Comercial Português informs about the sale of Banque Privée BCP (Suisse) SA	-1.4%	-0.4%	-0.4%	-3.0%	-4.4%	-1.4%
28	29/Jun	Banco Comercial Português, S.A. informs about results of meeting of holders of CB and written resolution of the issuer	-1.4%	-0.4%	-0.4%	-3.0%	-4.4%	-1.4%
29	29/Jun	Banco Comercial Português, S.A. informs about granting of shares to the Executive Directors and Managers	-1.4%	-0.4%	-0.4%	-3.0%	-4.4%	-1.4%

The following chart depicts BCP's share price performance in the first half of 2021:

BCP SHARE PERFORMANCE IN THE FIRST SEMESTER OF 2021

Adjusted share price(€)



Dividend policy

The European Central Bank (ECB), regarding dividends payment and, aiming that credit institutions retain their own funds in order to maintain the capacity to support the economy in an environment of increasing uncertainty caused by the COVID-19 pandemic, approved, on December 15, 2020, a recommendation that asks all banks to consider not distributing any cash dividends or conducting share buy-backs, or to limit such distributions, until September 30, 2021. This recommendation reflects an assessment of the stability of the financial system and was made in close cooperation with the European Systemic Risk Board (ESRB).

This decision recommends credit institutions to exercise extreme prudence in the distribution of profits, either through the payment of dividends or through conducting share buy-backs, keeping this remuneration below 15% of the cumulative profit for 2019 and 2020 financial years and, in any case, not higher than 20 basis points of the Common Equity Tier 1 (CET1). The revised recommendation from ECB aims to safeguard banks' capacity to absorb losses and lend to support the economy.

According to the ECB a continued prudent approach remains necessary, as the impact of the pandemic on banks' balance sheets has not manifested itself in full at a time when banks are still benefiting from several public support measures and considering that credit impairments come with a temporal lag.

The dividend policy of BCP Group takes into account: (i) the promotion of conditions for the sustainable observance of the capital ratios at any moment applicable to the Bank, as well as the remaining applicable legal requirements, including the limitations that are applicable at any moment, resulting from the calculation of the maximum amount to be distributed; (ii) The retention of own funds that enable to promote coherence with the Risk Appetite Statement (RAS) and with the results of the internal capital adequacy assessment process (ICAAP); and (iii) the safeguard of an appropriate safety margin on the values established by the regulator within the scope of its assessment and evaluation on the adequacy of strategies, processes, capital and liquidity to the risks to which the Bank is exposed to (SREP). In the current context, the guidance issued by the ECB, referred to above, will naturally still need to be considered.

The decision concerning the appropriation of profits pertains to the General Meeting of Shareholders, which decides based on a proposal submitted by the Board of Directors.

Taking into consideration the ongoing weighting of the Bank's capital requirements to be able to meet its strategic goals, the Board of Directors intends, within a context of macroeconomic stability, to re-establish a net profits' distribution policy, estimated in the individual financial statements of each financial year, able of meeting the legitimate expectations of its shareholders and that, in the medium-term, is in line with the best practices of the banking sector benchmark.

The Board of Directors will define the implications of these criteria in the prospective maximum threshold of "dividend payout" deriving from the dividend policy and also the respective application deadline, remaining this evidenced in the Bank's annual budgets.

Own shares

As at 30 June 2021, Banco Comercial Português, S.A. does not hold treasury shares and did not purchase or sold own shares during the period. However, as at 31 December 2020, this balance included 323,738 shares owned by clients. Considering that, for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients were considered as treasury shares, and, in accordance with the accounting policies, deducted to equity.

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

As at 30 June 2021, regarding treasury shares owned by associated companies of the BCP Group, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. owns 142,601,002 BCP shares in the amount Euros 19,251,000 (31 December 2020: Euros 17,568,000), according to note 50.

Shareholder structure

According to Interbolsa, Banco Comercial Português had 145,319 Shareholders at 30 June 2021.

At the end of June 2021 there were four qualified shareholders, two of which with a stake above 5% of the Bank's share capital.

Shareholder structure	Number of Shareholders	% of share capital
INDIVIDUAL SHAREHOLDERS		
Group Employees	2,637	0.31%
Other	138,418	24.22%
COMPANIES		
Institutional	340	18.24%
Qualified Shareholders	4	54.16%
Other companies	3,920	3.07%
TOTAL	145,319	100%

Shareholders with more than 5 million shares represented 74.67% of the share capital.

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	104	74.67%
500,000 a 4,999,999	1,265	9.16%
50,000 a 499,999	12,733	11.22%
5,000 a 49,999	37,638	4.40%
< 5,000	93,579	0.55%
TOTAL	145,319	100%

The Bank's shareholding structure remained stable in terms of geographical distribution in the first half of 2021. Domestic shareholders held 30.2% of the total shares of the Bank as of June 30, 2021.

	Nr. of Shares (%)
Portugal	30.2%
China	29.9%
Africa	19.7%
UK / EUA	12.2%
Other	8.0%
Total	100%

Qualified Holdings

The following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A. as of June 30, 2021:

30 June 2021			
Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	4,523,384,503	29.93%	29.93%
TOTAL FOR FOSUN GROUP	4,523,384,503	29.93%	29.93%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	2,946,353,914	19.49%	19.49%
BlackRock*	404,590,600	2.68%	2.68%
TOTAL FOR BLACKROCK	404,590,600	2.68%	2.68%
EDP Group Pensions Fund **	311,616,144	2.06%	2.06%
TOTAL EDP GROUP	311,616,144	2.06%	2.06%
TOTAL OF QUALIFIED SHAREHOLDERS	8,185,945,161	54.16%	54.16%

* In accordance with the announcement on April 30, 2021 (last information available).

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

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

Regulatory, economic and financial system environment

The regulatory agenda in the first half of 2021 continued focused on initiatives in the wake of the “COVID-19” pandemic aiming at the transition to a “new normal context” though subject to the sustainability of the economic recovery underway. Governance and internal control systems of institutions, risk management and capital adequacy are kept in the supervision agenda with renewed focus brought by the theme of climate and environmental risks.

The European Commission maintains policies to mitigate the socio-economic impact of the pandemic, through the state aid regime, flexibility in the application of the Stability and Growth Pact and economic recovery measures financed by European debt. The European Central Bank (ECB) extended the pandemic emergency purchase programme and the lending operations for banks and revised the monetary policy guidelines. In June 2021, the ECB decided that banks may exclude central bank exposures from the leverage ratio calculations supported on exceptional macroeconomic circumstances and is assessing lifting the restriction on bank dividend payments.¹

The European Recovery and Resilience Facility (RRF) is underway with some of the EU member states having their National Recovery and Resilience Plans approved by the EU Commission, namely Portugal. The EU will disburse €13.9 billion in grants and €2.7 billion in loans to Portugal, totalling 8% of 2020 Portuguese GDP, over the period 2021-2026, to support the implementation of investment and reform measures. The Decree Law No. 29-B/2021, 4 May 2021, establishes the governance model for the European funds allocated to Portugal.

Also, Poland has requested a total of Euro 23.9 billion in grants under the RRF and Euro 12.1 billion in loans, totalling 7% of 2020 Polish GDP. Projects in the plan cover the entire lifetime of the RRF until 2026.

The environmental, social and governance (ESG) agenda continues to be developed. Following the sustainable taxonomy put forward through Regulation (EU) 2020/852 of

the European Parliament and of the Council, on 21 April 2021, the European Commission approved in principle the first delegated act aimed to support sustainable investment by making it clearer which economic activities most contribute to meeting the EU’s environmental objectives. The integration of ESG risks into the supervisory framework will be supported by ECB’s economy-wide climate stress test, scheduled for 2022, and EBA is assessing the inclusion of ESG related risks under the Pillar 2 of bank’s supervision.

EBA confirmed the announcement of the stress tests 2021 results in late July 2021, providing a common analytical framework to consistently compare and assess the resilience of EU banks to severe economic shocks, feeding into the SREP.

The EU Benchmarks Regulation has been amended by Regulation 2021/168, which entered into force on 13 February 2021, granting the European Commission added powers on the transition from LIBOR to Risk Free Rates based interest rate references in the European Union. Within that remit, the European Commission is analysing the possibility to designate a statutory replacement rate for LIBOR CHF. Notwithstanding, authorities have encouraged market participants to actively reduce their exposure to LIBOR. Separately, the euro risk-free rate working group for the euro area has been publishing guiding principles and high-level recommendations for fallback provisions pertaining to Euribor. Loan Origination and Monitoring guidelines entered into force at the end of the first semester, EBA is consulting on changes to SREP procedures that among other include AML related considerations into the SREP as well as on the regime of large exposures. The ECB also put to public consultation a proposal to review the options and discretions available in the context of prudential supervision.

The Single Resolution Board, the European authority responsible for the resolution of banks, updated the MREL policy, giving it powers to restrict the distribution of results in MREL non compliance situations, defining

¹ On July 23th, the ECB announced the decision not to extend beyond September 2021 its recommendation that all banks limit dividends.

eligibility criteria for debt instruments issued under English law and the methodology of MREL calibration.

The national authorities have adopted measures within their competence, namely macro-prudential, behavioural and financial markets, in line with the local context and, when applicable, in accordance with the guidelines issued by the European authorities, namely:

- Decree-Law no. 22-C/2021, of 22 March, that extends the grace periods of state granted credit lines and approves a special regime for granting the public guarantees by the “Fundo de Contragarantia Mútuo”, within the scope of COVID-19 pandemic;
- Resolution no. 63-A/2021, of 27 May 2021, of the Council of Ministers, that authorizes amendments to the framework agreement with the Resolution Fund, as well as the financing contracts between the State and the Resolution Fund.

Within this scope, Banco de Portugal published:

- Instruction 2/2021, of Banco de Portugal, which defines low and high risk factors for money laundering and terrorist financing and specific simplified or reinforced identification and due diligence measures;
- Notice 4/2021, of Banco de Portugal, which regulates the typology and registration of agencies and the framework applicable to agency extensions;
- At the macro-prudential level, the countercyclical reserve applicable to credit exposures to the domestic non-financial private sector remained unchanged at 0% of the total amount of the positions at risk;

The revised version of the draft Banking Activity Code, which aims to replace the General Regime of Credit Institutions and Financial Companies (RGICSF) and transpose the European directives relating to the so-called “Banking Package” (CRD V and BRRD II), is now under analysis by the Ministry of Finance.

The Covid19 vaccination program is ongoing, contributing to a climate of greater confidence but still shrouded in uncertainty due to the recurrence of virus variants. The regulatory context will likely continue to adapt to the challenges brought by the pandemic and the dynamics of transition to a new context of normality. In the relatively near future, several domains of regulation should be the target of action/review (fundamental review of the trading book - FRTB, Basel reforms, Environmental, Social and Government (ESG), implementation of TRIM measures, crypto assets, digital currency, payments retail, European deposit insurance scheme, ...).

Poland extended the stimulus plan -the Polish Deal- designed to bolster the economy following the coronavirus pandemic, which introduces amendments to the Polish tax system and changes in housing laws, namely state guarantees on some home loans, reinforcing other support measures aimed at the resilience of the banking sector.

The CRD IV and BRRD were transposed into Polish law in March 2021. CRD V, CRR II and BRRD II will be implemented after signature by the President and approval by Parliament. Within the scope of loans denominated in foreign currency, the magnitude of potential losses for the banking sector depends on future provisions for legal risks, with the understanding of the Civil Chamber of the Supreme Court of Poland being relevant, which should be disclosed in the coming months.

In Mozambique, there are also measures to stimulate activity and mitigate the effects of the pandemic.

Economic environment

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

In the USA, the rollout of the vaccination process, together with a set of fiscal policies targeted to households led to a marked improvement of the economic conditions, making it likely that GDP has exceeded the pre-pandemic levels at the end of the second quarter. In the Euro Area, the economic activity has been evolving more moderately, due to lingering restrictive measures in most Member States during the first months of the year. In this context, in June the US Federal Reserve showed a favourable stance towards the normalization of monetary policy, which should include interest rate hikes in 2023, while the ECB has maintained a position of strong accommodation of its monetary policy, which has contributed to keep the Euribor interest rates in negative territory.

The evolution of financial markets in the first half of the year benefited from a more favourable outlook for the global economy stemming from the vaccination progress and the high degree of accommodation of economic policy. Against this background, riskier asset classes, including stocks, commodities, and corporate bonds, exhibited marked gains. Regarding the public debt markets, long-term interest rates stabilized, after the broad rise observed in the first months of the year, particularly in the USA, reflecting fewer concerns about the persistence of inflationary pressures associated to the strong rebound of the US economy. In the foreign exchange segment, it is worth noting the appreciation of the US Dollar against the Euro in the second quarter.

In Portugal, the removal of the restrictive measures in March led to a marked improvement in economic activity. As a result, the GDP is expected to recover strongly in the second quarter (after the year-on-year drop of 5.3% observed in the prior quarter), benefiting from the increase in private consumption, the dynamism in investment and a favourable contribution of the foreign demand. For the

whole year, the Bank of Portugal forecasts a GDP growth of 4.8%, which is, however, subject to risks, namely related to the adverse effects of the pandemic on the tourist activity. In the following quarters, the execution of the Recovery and Resilience Plan, approved in June by the European Commission (EC), should contribute to boost public and private investment, and to raise the potential growth of the Portuguese economy in the medium term. Concerning the public finances, the maintenance of measures aimed at supporting households and firms should continue to lift the government debt, which should, however, be gradually mitigated by the positive effects of the economic recovery.

In Poland, the GDP registered a positive quarter-on-quarter growth rate in the first quarter, revealing a strong resilience of the Polish economy amid the worsening of the pandemic that was due to the robustness of the foreign demand and the private consumption. Throughout the year, the recovery should gather pace, with the EC projecting a GDP growth of 4.8% in 2021. The improvement of economic conditions together with an increase in commodity prices in international markets and the maintenance of an accommodative monetary policy is leading to an increase in the inflation rate to levels above the central bank's target. The uncertainty regarding inflationary risks has resulted in an uneven performance of the Zloty against the Euro in the past months.

In Mozambique, the GDP registered a positive evolution in the first quarter of 2021, contrasting with the 1,9% decrease observed in 2020. However, the recovery of the economic activity recovery in the following quarters should be penalized by a sluggish domestic demand due to the environment of high interest rates, and the adverse effects of the military instability in Cabo Delgado, namely on the ongoing projects of natural gas exploration in the region. In this context, the Metical depreciated against the Euro, after the strong appreciation recorded between March and April. In Angola, the IMF foresees a gradual recovery of non-oil activity throughout 2021, which, however, could not be enough to compensate the expected contraction in the oil sector. Therefore, the recessive scenario that the Angolan economy has been enduring in the past years should persist in 2021, albeit at a slower pace.

Financial system

Covid-19 pandemic outbreak still very present in the society and in the economy, with mass-vaccination programmes having started worldwide in the beginning of 2021, namely in US and Europe (EU had a slow start but is making efforts to accelerate it). Early data confirms the high efficacy of vaccines, but there are growing worries over new variants and a resurgence of infection rates. After general lockdowns in 2020, which triggered a deep recession, reopening plans continue apace in countries leading the vaccine rollouts (e.g. US or UK), with activity quickly bouncing back, but still below pre-pandemic level.

Central banks and Governments maintained unprecedented coordinated global policy stimulus, in particular: i) maintenance of zero or negative rates, with ECB announcing that the pace of its PEPP ('Pandemic Emergency Purchase Programme') purchases will be "significantly higher" over the coming quarter in response to rising yields in the beginning of the year; and ii) major fiscal programmes to support the economy, but revealing widely diverging levels of support from member States to the private sector. Such differences generate large competitive distortions due to different levels of indirect State support to Banks and Companies in each EU jurisdiction. Also of note are the positive developments during the first half of 2021 in the European crisis response programmes, of which the approval of the Recovery and Resilience Plan for Portugal ('PRR') is worth highlighting.

In a challenging context, due in part to the maintenance of negative interest rates for a considerable period, to the increasing legislative pressure on commissioning and to the maintenance of disturbance factors of a geopolitical nature (e.g. despite major economic blocs showing signs of greater cooperation, maintenance of trade tensions and persistence of socio-political tensions), the Portuguese banking system managed to achieve positive profitability levels, although reduced in relation to the cost of capital and maintaining conservative provisioning levels to reflect the deterioration of the macroeconomic forecasts induced by the pandemic. The evolution and performance of the banking system continued to be impacted by increasingly demanding and costly Supervision and Regulation, despite some temporary pandemic-induced flexibility but with ad-hoc reporting demands having greatly intensified, and by increasing regulatory contributions (e.g. contributions to the European and National Resolution Funds, and Contribution to the Banking Sector, in these last two cases at a clear disadvantage compared to other European jurisdictions).

The liquidity position in the Portuguese banking system remained at comfortable levels and the capital ratios continue to progress favourably on the back of organic capital generation and the issuance of prudential own funds-eligible subordinated debt instruments, with the exception of one player that continues to rely on the National Resolution Fund to top-up its capital ratios in order to comply with its minimum requirements. This situation, together with the other financial needs generated by the resolution processes of Banco Espírito Santo and BANIF, remains a special onus potentially affecting the normalisation of the profitability of the Portuguese banking system and raising questions around the fairness of the competition.

The pandemic accelerated the transformation process of the banking system and confirmed the merits of the business model and customers relationship adjustment strategy adopted in recent years by some of the main domestic banks, making it more digital, closer, simpler, safer and more sustainable, improving the quality service to increasingly demanding customers. The absence of a single regulatory framework applying to all entities that may operate in a specific business segment, which would ensure a level playing field, is forcing Banks to further accelerate their digital transformation processes and to adjust their cost structure to compensate for the loss of business and revenues to unregulated non-bank players, inevitably implying the adaptation of their business models to the new environment.

As in recent years, the mitigation of compliance risks (associated for example with money laundering and the financing of illicit activities, e.g. terrorism) and cybersecurity, required enhanced investment in particularly in data security systems, and in the defence lines of the Banks, which will contribute to a more resilient response of the Portuguese financial system to the crisis.

Business Model

Nature of operations and main activities

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

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

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

Distinctive factors of the business model

Largest private sector banking institution

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

The activity in the domestic market focuses on Retail Banking, which is segmented in order to best serve Customer needs, through a value proposition based on innovation and speed targeted at Mass-market Customers, and through the innovation and customized management of service for Prestige, Business, Companies, Corporate and Large Corporate Customers Retail Banking and also through ActivoBank, a bank

aimed specifically at Customers who are young in spirit, intensive users of new communication technologies and prefer a banking relationship based on simplicity and offering innovative products and services.

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

On 30 June 2021, operations in Portugal accounted for 71% of total assets, 67% of total loans to Customers (gross) and 71% of total customer funds. The Bank had over 2.5 million active Customers in Portugal and market shares of 17.6% and 18.3% of loans to Customers and customer deposits, respectively, in May 2021.

International presence as a platform for growth

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

In Poland, Bank Millennium has a well distributed network of branches, supported by a modern multi-channel infrastructure, on a reference service quality, with high brand recognition, a robust capital base, comfortable liquidity and sound risk management and control. In May 2021, Bank Millennium had a market share of 6.1% in loans to Customers and of 5.7% in deposits.

On June 29, 2021 BCP entered into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"). The completion of the transaction is subject to the verification of the usual conditions for carrying out this type of transaction, including the non-opposition of the relevant local supervisory bodies. The sale of Banque Privée will allow the BCP Group to pursue the strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has about 1.1 million Active Customers and is the reference bank in this country, with market shares of 16.9% in loans and advances to Customers and of 24.6% in deposits, in May 2021. Millennium bim is a highly reputed

brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

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

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

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

Growth based on digital/mobile banking

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

Digital banking

In 2021, Millennium bcp continued its strategy of accelerating the digital business, supported by the reinforcement of the Customer's convenience and needs, as well as the ambitious digital activation plan, with particular focus on the App.

In the 1st half of the year, in Individual Customers, the growth trend of the digital assets base continued, with a 15% increase year-on-year, to which the 25% growth in users of the App channel contributed decisively, which already represent 75% of the total of Digital Customers. 49% of Customers already use the App as an exclusive channel. Digital penetration in the new

acquisition continues to improve, with more than 55% of Customers acquired in June already digital.

In the main digital transactions, there was a growth of 40%, year-on-year, clearly boosted by the growth of the App channel (+65%). Digital Sales, in the year to date, already represent around 37% of the Bank's total sales.

Individual Customers

In the 1st half of 2021, Millennium bcp continued to reinforce and innovate the offer of products and services via App, with 100% digital journeys, including to update personal data, association of accounts from other banks, as well as the subscription of Médís and Médís Dental.

Companies

Millennium bcp continued to launch innovative services in the market, reinforcing their value for Customers, including TPA Analytics (Customer Analysis) and the MContbilidade (Information Integration/APIs), the latter in a relationship close with the Accountants. With a strong commitment to Innovation centred on business Customers, the first Innovation LABs were created, integrating multidisciplinary skills and adopting new work methodologies and a strong reinforcement of UX/UI skills. In this context, around 100 companies and entrepreneurs have already participated during the 1st semester, in interviews and evaluation/experimentation of prototypes.

Digital Sales

In the 1st half of 2021, the Bank continued to improve its Customers' experience with the App and to provide truly innovative, unique features that are increasingly supported by artificial intelligence. The current context has helped the digital to occupy an even more central role in the relationship with Customers and, therefore, the Bank continues to reinforce the App with journeys that allow the Customer to carry out the main day-to-day operations in a comfortable and safe way, as well as interacting with the Bank and subscribing to financial products and services.

Currently, more than 80% of the Bank's products can already be subscribed through the App in 100% digital journeys, based on a new paradigm of the digital experience, through simple journeys and with clear and accessible language. In first semester, Millennium bcp launched the Médís and Médís Dental health insurance on the App.

In addition, it has to be highlighted the processes of selling personal online credit, credit card request and increase in the card limit in the App, with immediate approval for high-risk Customers.

Digital sales in June corresponded to 71% of the Bank's total sales up to June. Since the beginning of the year, personal credit operations carried out in digital already represent 38% of the bank's total (of which 78% were carried out on the App), while credit cards represent 16% with room for further growth by the end of the year, through more targeted campaigns. In savings there was an aggregate growth of 17 p.p. compared to June 2020 and the production of investment funds via App already represents 28% of the digital total. Insurance grows compared to June 2020, with the App representing 54% of the digital production of Médis Dental and 87% of the digital production of Life Insurance associated with the Personal Credit journey.

In the online trading business, there continues to be an increase in the weight of the MTrader channel in the number of orders placed, from 71% at the end of 2020 to 74% in June 2021 (accumulated average from January to June).

Customer-oriented relationship model

The first half of the year was marked by a positive, motivating and dynamic communication with Customers.

Millennium was named "Consumer's Choice in 2021" Bank, an award that was widely advertised, allowing for the consolidation of the aimed positioning of excellence.

It should also be noted, throughout the semester, the focus in Mortgage Credit through a campaign based on the concept of "Make it easy", as a hook for the dissemination of all the advantages associated with the service. Along with the theme of Credit, communication with Individuals was guided by the focus on Digital and on the great innovations on the Millennium App, such as the exclusive StayON area.

In the Companies and Business segment, the multimedia campaign launched in April, with the claim "It's time to get the economy moving. Let's go!". This Campaign, with a strong Institutional content, expresses an affirmation of will, dynamism and achievement with Business Customers, in a joint commitment to resuming activity and business growth.

The motto "Let's go!" did not applied only to commercial communication. Millennium maintained its dynamics and innovation in the organization of events, also reinventing the way to activate sponsorships. Even without an audience, the 2021 edition of the Millennium Estoril Open marked the national sports scene, the result of a constant and daring communication effort. The Bank sought to maintain the close relationship with Customers that characterizes the event, now in a different but symbolically expressive way - through the

creation of a box with premium offers, the Millennium Estoril Open Box, delivered to Customers who are usually invited. This box was composed of merchandising, with goods related to tennis and also offers from other sponsors, seeking to recreate the experience lived during that week. Not forgetting the actions developed on social networks and contests, with offers related to tennis and delivered to the winners' homes.

In the first six months of the year, thematic Webtalks continued to be carried out for the various segments and areas of the Bank, as a way of maximizing the relationship between Millennium and its Customers and, in internal events, between Departments and Employees. Digital thus continued to play a very important role in the way Customers interact with the Bank and the Bank with Customers.

Sustainability of the business model

The resilience of the business model is primarily based on the Bank's focus on retail banking, which is more stable by nature. Millennium bcp successfully implemented an operational recovery in its core market, reinforcing its financial and capital position, despite of the challenging environment in the banking sector. The Bank implemented a restructuring program based on a reduction of operating costs by approximately of 40% in Portugal since 2011 and a more than 75% reduction in the Group's NPE since 2013 (from Euros 13.7 billion to 3.0 billion euros in June 2021).

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

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

Millennium network



Portugal 458 Branches 156* 412	United Kingdom 1 Representative office	Poland 676 Branches 84 102 314	Macao (China) 1 Branch
France Commercial protocols	Luxembourg Commercial protocols	South Africa 1 Representative office	China 1 Representative office
Switzerland 1 Branch 1	Mozambique 199 Branches 29 63 186	Angola Partnership	
2 Representative offices			



	Customers (Thousands)	Internet	Call Centre	Mobile Banking	ATM ⁽¹⁾	POS ⁽²⁾
Portugal	2,466	665,632	262,678	945,977	1,904	77,437
Poland	2,443	1,920,746	231,366	1,629,519	478	938
Switzerland	2	731	-	-	-	-
Mozambique	1,080	15,833	62,343	637,219	504	7,921
Macao (China)	2	-	-	-	-	-

Note: Considered Customers/active users those who used internet, call centre or mobile banking at least once in the last 90 days. Do not include AtivoBank Customers. Internet Customers/active users in Mozambique: Dec. 2020.
⁽¹⁾ Automated Teller Machines.
⁽²⁾ Points of Sale.

Financial Information

Results and Balance Sheet

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

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

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

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

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

The re-expressions, made in the first half of 2021, from the information disclosed before resulted exclusively from the situations previously mentioned aiming to ensure the comparability of the information.

PROFITABILITY ANALYSIS

NET INCOME

Millennium bcp showed a consolidated net income of 12 million euros in the first six months of 2021, lower than the 76 million euros achieved in the first half of 2020, with this evolution being determined by the contribution of the international activity, in particular the Polish subsidiary, strongly penalized by the significant increase of impairment and provisions booked for foreign exchange mortgage legal risk, which in the first half of 2021 amounted to 214 million euros (net of the amount originated by the operations of Euro Bank S.A., to be reimbursed by Société Générale, S.A.) compared to 38 million euros which had been recognised in the same period of the previous year. On the other hand, the contribution of the activity in Portugal to the consolidated net income of the Group was at a similar level to that recorded in the first half of the previous year, despite being strongly influenced by the recognition of a provision in the amount of 81 million euros, to cover restructuring costs, following the current adjustment of the headcount. This provision, considered as specific item resulted from the analysis of the needs of the Bank in relation to the existing capacity, also taking into account the adaptation of models and business processes to the new technologies. Although the need for adjustment of the headcount has already been identified under the Mobilising 2018/2021 strategic plan and this adjustment was foreseen for 2020, the emergence of the pandemic associated to COVID-19 and its effects on the economy and life of families led the Bank to postpone its implementation.

It should be noted that despite the extraordinary impact mentioned above related to the provision for the restructuring of the staff recognised as staff costs, which greatly affected the net income of the activity in Portugal, profit before impairments and provisions of the Group reached 531 million euros in the first half of 2021, showing a growth of 5.1% compared to the same period of 2020, supported, on the one hand, by the resilience of core income and, on the other hand, by the favorable evolution of net trading income.

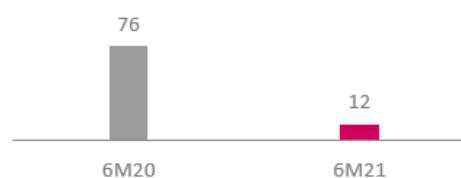
Consolidated core operating profit of Millennium bcp, excluding specific items, achieved 616 million euros in the first half of 2021, above the previous year.

The specific items referred to totaled 87 million euros in the first half of 2021, which were fully recognised in the activity in Portugal and are mainly related to restructuring costs, including the provision booked as a result of the current headcount adjustment. In the first half of 2020, the specific items of the Group totaled 21 million euros, recognized both in the activity in Portugal

and in the international activity, and they are associated respectively with restructuring costs and with compensation costs for the temporary adjustment of remuneration of the employees and costs with the acquisition, merger and integration of Euro Bank S.A.

NET INCOME

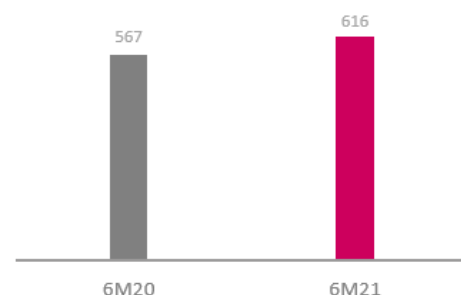
Million euros



CORE OPERATING PROFIT

(excluding specific items)

Million euros



Furthermore, the net income of the Group also reflects a lower level of loans impairment, and has also benefited, albeit to a lesser extent, by results associated with other net operating income, while equity accounted earnings and dividends from equity instruments stood at a lower level.

In the activity in Portugal, despite the impact of the extraordinary situation, resulting from the pandemic caused by COVID-19, which is still felt in some business areas of the activity of the Bank, net income reached 45 million euros in the first half of 2021, remaining in line with the amount accounted in the same period of 2020. However, it should be noted that the result of the first half of 2021 is strongly penalised by the recognition of a provision in the amount of 81 million euros, associated with restructuring costs, following the current headcount adjustment.

Net income from the activity in Portugal was largely benefited by the increase in net trading income by 65 million euros, but also by the increase in core income, namely net interest income, which was 30 million euros above the

amount reached in the first half of 2020, and net commissions that grew by 15 million euros in the same period. At the same time, the reduction of 31 million euros in loans impairment (net of recoveries) also contributed positively to the evolution of net income in the activity in Portugal. Excluding specific items, which incorporate the aforementioned provision associated with the current adjustment of headcount, operating costs also showed a slight reduction, especially other administrative costs. Conversely, other impairment and provisions were 22 million euros above the amount recognised in the first half of 2020, which, together with the reduction in equity accounted earnings, other net operating income and dividends from equity instruments, partially offset the positive impacts mentioned above.

It should be noted that the expansion of core income and the reduction in recurrent operating costs, contributed to a core operating profit growth of 15.6%, excluding specific items, in the activity in Portugal, which went from 306 million euros recorded in the first half of 2020, to 354 million euros in the first six months of 2021.

In the international activity, net income fell significantly from the 31 million euros profits recorded in the first half of 2020, amounting to a negative amount of 33 million euros in the first half of 2021. This evolution was determined by the performance of the Polish subsidiary, which is largely influenced by the significative reinforcement of impairments and provisions for legal risk associated with the mortgage loans granted in foreign exchange, which in the first half of 2021 amounted to 214 million euros (net of the amount originated by the operations of Euro Bank S.A., to be reimbursed by Société Générale, S.A.), compared to 38 million euros which had been recognised in the same period of the previous year. At the same time, although not as significant, the contribution of Millennium bim in Mozambique to the result of the international activity was also lower than that recorded at the end of the first half of 2020, while the contribution of Banco Millennium Atlântico in Angola has evolved favorably, although still presenting a negative amount.

Bank Millennium in Poland posted a negative net income of 113 million euros in the first six months of 2021, compared to a positive amount of 16 million euros achieved in the same period of the previous year. It should be noted that the negative evolution of net income in the Polish subsidiary occurred in spite of the solid operational performance, and was mainly due to the significative increase of impairments and provisions for legal risk associated with the mortgage loans granted in foreign exchange, in the amount of 214 million euros (net of the amount originated by the operations of Euro Bank S.A., to be reimbursed by Société Générale, S.A.;

38 million euros in the first half of 2020). In addition to the reinforcement of impairments and provisions, which reflects the negative trends in court decisions, inflow of new court cases and the application of more conservative assumptions in risk assessment, net income of the Polish subsidiary is also penalised, on the one hand, by the impact on the net interest income of the successive cuts in the reference interest rates imposed by the Polish Central Bank in order to address the effects of pandemic associated with COVID-19, and on the other by the lower gains obtained in net trading income. Conversely, it is important to highlight the savings in operating costs, reflecting in part the impact of the efficiency improvement measures and the synergies obtained after the merger with Euro Bank S.A., and the growth of net commissions, resulting in a positive contribution of the Polish subsidiary to the evolution of core operating profit in the international activity and also the good performance of other net operating income, due to the lower costs with mandatory contributions.

Net income of Millennium bim in Mozambique, in turn, was 38 million euros in the first half of 2021, falling short of the 42 million euros obtained in the same period of 2020, strongly influenced by the exchange rate evolution of the Metical against the Euro. The evolution of the net income was mainly influenced by the performance of net interest income, penalized by the reduction in the reference interest rates. On the other hand, operating costs showed a positive evolution in the same period.

Regarding Angola, the contribution to net income of the international activity in the first half of 2021 was negative by 5 million euros, compared to the also negative amount of 10 million euros in the same period of previous year. Despite the lower result of Banco Millennium Atlântico recorded by equity accounted earnings compared to the first half of 2020, this evolution was strongly affected by the recognition of a provision in the first half of 2020, in the amount of 13 million euros (3 million euros in the first half of 2021), aimed at addressing the risks inherent in the context in which Angolan operation operates.

Following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"), the contribution of this subsidiary to the results of the international activity and consequently to the consolidated net income of the Group (3 million euros in the first half of 2021 and 4 million euros in the same period of the previous year) is reflected as income from discontinued operations and the historical information has been restated in order to ensure its comparability.

INCOME STATEMENT

	Million euros		
	6M21	6M20	Chg. 21/20
NET INTEREST INCOME	768	763	0.7 %
OTHER NET INCOME			
Dividends from equity instruments	1	3	(79.7)%
Net commissions	353	331	6.4 %
Net trading income	80	32	150.9 %
Other net operating income	(108)	(119)	9.4 %
Equity accounted earnings	29	43	(31.7)%
TOTAL OTHER NET INCOME	354	291	22.0 %
NET OPERATING REVENUES	1,123	1,053	6.6 %
OPERATING COSTS			
Staff costs	374	318	17.8 %
Other administrative costs	149	162	(8.1)%
Depreciation	68	69	(0.3)%
TOTAL OPERATING COSTS	592	549	7.9 %
PROFIT BEFORE IMPAIRMENT AND PROVISIONS	531	505	5.1 %
IMPAIRMENT			
For loans (net of recoveries)	157	237	(33.9)%
Other impairment and provisions	305	114	167.4 %
INCOME BEFORE INCOME TAX	69	154	(55.1)%
INCOME TAX			
Current	50	56	(9.3)%
Deferred	53	3	>200%
NET (LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	(34)	95	(135.7)%
Income from discontinued operations	3	4	(7.7)%
NET INCOME AFTER INCOME TAX	(31)	99	(131.1)%
Non-controlling interests	(43)	23	<-200%
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	12	76	(83.9)%

NET INTEREST INCOME

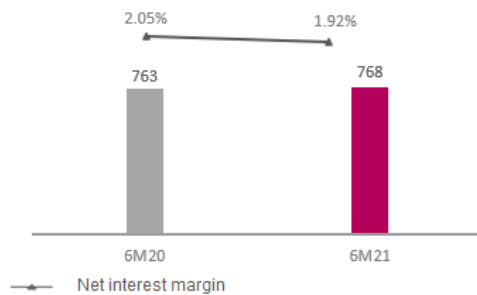
Net interest income reached 768 million euros in the first half of 2021, compared to 763 million euros in the same period of the previous year. In this evolution, it is important to highlight the growth recorded in the activity in Portugal, which has been largely offset by the reduction observed in the international activity.

In the activity in Portugal, net interest income showed a 7.9% growth from the 379 million euros achieved at the end of the first half of 2020, reaching 409 million euros in the first six months of 2021. This performance was largely determined by the reduction in the cost of funding, namely through the positive impact from the additional

funding obtained from the European Central Bank, through the participation in the new targeted longer-term refinancing operation (TLTRO III). The significant reduction in the funding cost, from the amount recognized in the first half of 2020, was possible thanks to the decision of the Bank to increase its participation in the aforementioned operation, first to 7,550 million euros in June 2020 and then to 8,150 million euros in March 2021, together with a remuneration, based on a more favourable negative interest rate, to incentivize lending to the economy. It is important to note that these gains were partially offset by the costs incurred by the Bank with the excess liquidity deposited with the European Central Bank.

NET INTEREST INCOME

Million euros



At the same time, net interest income of the activity in Portugal also benefited from lower costs incurred with subordinated debt issue, mainly explained by the maturity of some debt issues during the period under review.

Commercial business continues to be strongly influenced by the unfavorable context of historically low rates, penalizing namely the income generated by the performing loan portfolio, that was lower than that recorded in the first half of 2020, despite the positive impact related to the increase in the volume of loans, namely loans to companies under the credit lines guaranteed by the Portuguese State, following the pandemic caused by COVID-19. On the other hand, the still sharp pace of reduction of non-performing loan portfolio in the period under analysis also contributed negatively to the evolution of net interest income. Conversely, the reduction in the remuneration of the time deposit portfolio allowed customer funds to contribute positively to the evolution of net interest income, despite the growth of average balance of remunerated deposits from customers.

In the international activity, net interest income totaled 359 million euros in the first half of 2021, compared to 384 million euros recorded in the same period of the previous year. This evolution was determined by the performance of the Polish subsidiary, mostly penalized by the successive cuts in the reference interest rates imposed by the Polish Central Bank, in the first half of 2020, in response to the impacts from the COVID-19 pandemic, moving the interest rates close to zero. Net interest income of the subsidiary in Mozambique was also lower than in the first half of 2020, explained by the evolution of foreign exchange of the Metical against the Euro, since in local currency it remained at a higher level than that reached in the first six months of the previous year.

In the first half of 2021, net interest margin of the Group, stood at 1.92%, below the 2.05% recorded in the same period of the previous year, influenced by both the performance of the activity in Portugal and the international activity. In the activity in Portugal, net interest margin recorded a slight decrease from 1.53% in the first half of 2020, to 1.46% in the same period of 2021, pressed by the increase in balance sheet volumes, by the negative interest rates context, by the greater weight of products with lower rates in credit production in the pandemic context as well as the lower interest income related to the reduction of the NPE portfolio. On the other hand, net interest margin in the international activity, went from 3.09% in the first half of 2020 to 2.97% in the same period of 2021, influenced by the impact of the sharp reduction in reference interest rates in Poland and by the context of normalization of interest rates in Mozambique.

OTHER NET INCOME

Other net income, that includes dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, totaled 354 million euros in the first half of 2021, showing a growth of 22.0% compared to 291 million euros in the same period a year earlier. This evolution resulted mainly from the positive performance of the activity in Portugal.

Other net income, in consolidated terms, benefited mainly from the favorable evolution of net trading income in Portugal and from net commissions, which, in this case, were higher than that recorded in the first half of 2020, both in the activity in Portugal and in the international activity.

Other net operating income in turn showed a favorable evolution from that recorded in the first half of 2020, influenced by the positive performance of the international activity, in spite of the negative evolution of this item in the activity in Portugal when compared with the first six months of 2020.

On the other hand, equity accounted earnings of the Group declined compared to the amount recorded in the first six months of the previous year, due to the performance of both the activity in Portugal and the international activity, while the evolution of dividends from equity instruments was penalized mainly by the reduction in the activity in Portugal.

OTHER NET INCOME

	Million euros		
	6M21	6M20	Chan. % 21/20
Dividends from equity instruments	1	3	-79.7%
Net commissions	353	331	6.4%
Net trading income	80	32	150.9%
Other net operating income	(108)	(119)	9.4%
Equity accounted earnings	29	43	-31.7%
TOTAL	354	291	22.0%
of which:			
Activity in Portugal	275	212	29.9%
International activity	79	79	0.7%

DIVIDENDS FROM EQUITY INSTRUMENTS

Dividends from equity instruments incorporates dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading. In the first half of 2021, dividends from equity instruments amounted to 1 million euros, falling below the 3 million euros recorded in the same period of 2020, resulting mainly from the income received related to the investments that integrate the shares portfolio in the activity in Portugal.

NET COMMISSIONS

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

NET COMMISSIONS

	Million euros		
	6M21	6M20	Chan. % 21/20
BANKING COMMISSIONS			
Cards and transfers	84	76	10.4%
Credit and guarantees	76	74	3.2%
Bancassurance	59	63	-6.8%
Management and maintenance of accounts	74	65	14.8%
Other commissions	6	7	-12.5%
SUBTOTAL	299	284	5.1%
MARKET RELATED COMMISSIONS			
Securities	28	27	4.8%
Asset management	26	21	25.2%
SUBTOTAL	54	47	13.7%
TOTAL NET COMMISSIONS	353	331	6.4%
of which:			
Activity in Portugal	247	232	6.4%
International activity	105	99	6.3%

In the first half of 2021, net commissions reached 353 million euros, standing 6.4% above the 331 million euros posted in the same period of the previous year. The good performance of net commissions, in the period under analysis, was observed both in the activity in Portugal and in the international activity, despite the negative impacts caused by the pandemic associated with COVID-19, which were felt in some types of commissions.

In the activity in Portugal, net commissions grew 6.4% compared to 232 million euros recorded in the first half of 2020, amounting to 247 million euros at the end of the first half of the current year. This evolution was made possible by the performance of both commissions related to the banking business, which increased by 4.7%, and commissions related to financial markets, which were 16.6% above the amount recorded in the first six months of 2020.

Commissions related to the banking business, in the activity in Portugal, amounted to 209 million euros in the first half of 2021, which compared to 200 million euros recorded in the same period of the previous year, mainly benefiting from the increase in transfers commissions and management and maintenance of accounts commissions.

Transfers commissions, aggregate the commissions associated to transactions carried out with cards and their payment networks, banking transfers and commissions from the use of points of sale (POS). Between the end of the first half of 2020 and the first half of the current year, these commissions increased from 9 million euros to 15 million euros, respectively, with the last months of the semester reflecting commission levels similar to those observed before the pandemic, benefiting from the second half of May, of the entry into force of the pricing changes.

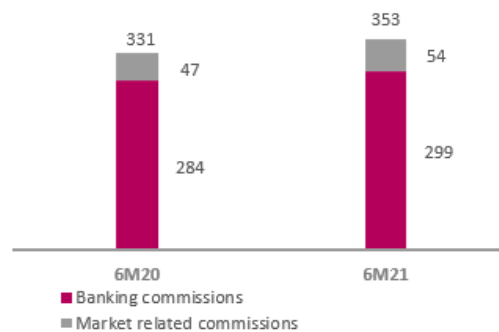
Management and maintenance of accounts commissions, in turn, increased from 55 million euros in the first six months of 2020 to 59 million euros in the same period in 2021 due to the dynamics of new customer acquisition and by the commercial policy in force.

Conversely, the decrease in activity after the onset of the pandemic was mainly reflected in the performance of commissions directly related to cards, mainly as a result of a reduction in commissions associated with cash advance transactions and in annuities charged, standing 3.1% below the amount achieved in the first half of 2020.

Commissions associated with credit operations remained in the first half of 2021 at a level similar to that observed in the same period of the previous year standing at 37 million euros, reflecting, however, different dynamics, to the extent that the good performance achieved in raising commissions associated with credit agreements was offset by the reduction of commissions related to the discount and collection of trade bills, which continue to reflect the downturn in economic activity caused by the COVID-19 pandemic.

NET COMMISSIONS

Million euros



On the other hand, market related commissions in the activity in Portugal increased from 33 million euros at the end of the first half of 2020, to 38 million euros at the same period of 2021, benefiting mainly from commissions associated with the distribution of investment funds, the performance of commissions related to stock exchange operations and commissions associated with portfolio management, whose growth was partially offset by the reduction in commissions related to the structuring and setting up of operations.

In the international activity, net commissions increased by 6.3% compared to 99 million euros in the first half of 2020, reaching 105 million euros at the end of the first half of 2021. This evolution was due to the performance of the Polish subsidiary, driven both by the increase in banking business commissions and by the growth of commissions related to financial markets. Banking commissions from the Polish subsidiary mainly reflect the expansion of management and maintenance of accounts commissions, partially, through the revision of the price list conditions applied to deposit accounts, whose growth was, however, partially offset by the reduction in commissions associated with insurance products. Conversely, net commissions in the operation in Mozambique were lower than those obtained in the first half of 2020, due to the exchange rate evolution of the Metical against the Euro.

NET TRADING INCOME

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

In the first six months of 2021, net trading income stood at 80 million euros, more than doubling the 32 million euros achieved in the same period of the previous year due to the favorable performance of the activity in Portugal, although it was partially offset by the reduction in the international activity.

In the activity in Portugal, net trading income reached 68 million euros in the first six months of the year, showing a significant increase from the marginally positive amount of 3 million euros recorded in the first half of 2020.

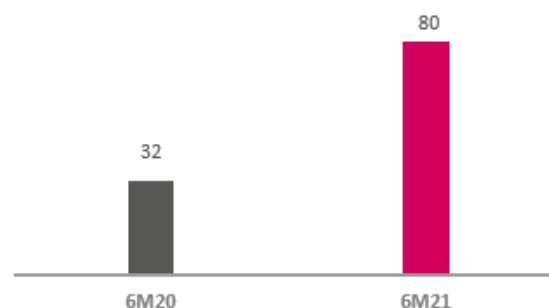
The favorable performance of net trading income in the activity in Portugal reflects mainly the lower costs recognized with the revaluation of corporate restructuring funds, that amounted to 21 million euros in the first half of 2021, compared to 69 million euros that had been reflected in the P&L account in the first six months of 2020, incorporating mainly the impact of the review of the assumptions of the valuation of the underlying assets, following the adverse context caused by the COVID-19 pandemic.

In addition, the gains recorded in the first half of 2021 with the sale of Portuguese and foreign public debt securities and of other securities, as

well as the lower costs incurred with the sale of credits compared to the first half of 2020 contributed largely to the positive evolution observed.

NET TRADING INCOME

Million euros



Conversely, in the first half of 2020, gains from foreign exchange operations in the amount of 39 million euros were recognized, related to the foreign exchange coverage of the Group's stake in Poland, following the devaluation of the Zloty, that were not repeated in the current year.

In the international activity, net trading income went from the 29 million euros accounted in the first half of 2020, to 12 million euros in the first half of 2021, mainly due to the performance of the Polish subsidiary, which in the first half of 2021 recorded lower gains from foreign exchange operations with customers and from sale of bonds, with these impacts being partially offset by the lower losses from the revaluation of the loan portfolio mandatorily classified at fair value through profit or loss.

NET TRADING INCOME

	Million euros		
	6M21	6M20	Chan. % 21/20
Net gains / (losses) from financial operations at fair value through profit or loss	(9)	(60)	84.7%
Net gains / (losses) from foreign exchange	27	73	-63.2%
Net gains / (losses) from hedge accounting operations	1	(3)	141.4%
Net gains / (losses) from derecognition of assets and financial liabilities measured at amortised cost	(3)	(11)	73.3%
Net gains / (losses) from derecognition of financial assets measured at fair value through other comprehensive income	64	34	89.8%
TOTAL	80	32	150.9%
of which:			
Activity in Portugal	68	3	>200%
International activity	12	29	-59.1%

OTHER NET OPERATING INCOME

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

Other net operating income² showed a favorable evolution, from a negative amount of 119 million euros in the first half of 2020, to an also negative amount of 108 million euros in the same period of 2021, benefiting from the performance of the international activity, although it was partially offset by the contribution of the activity in Portugal.

In the activity in Portugal, other net operating income reached a negative amount of 71 million euros in the first half of 2021, that compares to an also negative amount of 67 million euros recorded in the first half of 2020. This performance was strongly influenced by the increase of 13 million euros in mandatory contributions, that went from 64 million euros posted in the first half of 2020, to 77 million euros in the first six months of 2021. The increase in the total amount of mandatory contributions reflects largely the recognition of 6 million euros in the first half of 2021, related to the additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to the impact of the actual crisis caused by COVID-19 pandemic, which in the previous year, was recognized during the third quarter. In addition, the amount of the remaining mandatory contributions, was also higher than in the first half of 2020, namely the cost of the contribution to the Single Resolution Fund (SRF) in the amount of 21 million euros (19 million euros in the first half of 2020), the contribution of 17 million euros for the national resolution fund (15 million euros in the first half of 2020), the contribution on the banking sector of 33 million euros (30 million euros in the first half of 2020) and the contribution to the deposit guarantee fund, which was immaterial both in the first half of 2021 and in the first half of 2020. On the other hand, it should be noted that other net operating income in the first half of 2021 benefited from the gains recognised from the sale of non-current assets held for sale, which contrast with the losses generated in the same half of the previous year.

In the international activity, other net operating income totaled a negative amount of 37 million euros in the first six months of the year, compared to an also negative amount of 52 million euros recorded in the same period of the previous year. This evolution was mainly driven by the

performance of the Polish subsidiary, which contrary to what happened in the activity in Portugal, largely reflects the reduction in mandatory contributions, to which this operation is subject and that went from 57 million euros in the first half of 2020, to 52 million euros in the same period of 2021. In this context, it is noted the decrease in the contribution to the deposit guarantee fund totalling 8 million euros in the first six months of 2021, compared to 12 million euros in the same period in 2020 and the contribution to the resolution fund which amounted to 11 million euros at the end of the first half of 2021 (13 million euros in the first half of the previous year). In addition, it should be noted that in the first half of 2021, the performance of other net operating income in the Polish subsidiary also benefited from a gain in the amount of 16 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.

EQUITY ACCOUNTED EARNINGS

Equity accounted earnings from associates include the results appropriated by the Group related to the entities where, despite exercising some influence, it does not have control over their financial and operating policies. In the first half of 2021, equity accounted earnings amounted to 29 million euros, compared to 43 million euros in the same period of the previous year, reflecting both the performance of the activity in Portugal and the international activity.

Equity accounted earnings in the activity in Portugal totaled 31 million euros in the first half of 2021, falling short of the 40 million euros recorded in the same period last year. This performance was mainly due to the lower contribution generated by Millennium Ageas, since, in the first half of 2020, it included an extraordinary positive impact resulting from the evaluation of liabilities of local insurance contracts following the alignment with the assumptions considered by Ageas Group. On the other hand, although with less expression, the income generated by the participation in SIBS was higher than that recorded in the first half of 2020.

In the international activity, equity accounted earnings were 4 million euros lower than in the same period of previous year due to the lower appropriation of results generated by Banco Millennium Atlântico, influenced by the impacts caused by the weaknesses of the local economy.

² Includes costs arising from the acquisition, merger and integration of Euro Bank S.A. recognized at the Polish subsidiary in the first half of 2020, that besides being considered as specific items, represent an immaterial amount.

OPERATING COSTS

OPERATING COSTS

	6M21	6M20	Chan. % 21/20
Staff costs	287	299	-4.0%
Other administrative costs	149	160	-6.8%
Depreciation	68	68	—%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	505	527	-4.3%
OPERATING COSTS	592	549	7.9%
Of which (1):			
Portugal activity	302	305	-1.0%
International activity	202	222	-9.0%

(1) Excludes the impact of specific items previously mentioned.

Operating costs include staff costs, other administrative costs and depreciation. Excluding the effect of specific items³, operating costs totaled 505 million euros in the first six months of 2021, standing 4.3% below the 527 million euros recorded in the same period of the previous year.

This evolution reflects the performance of both the activity in Portugal and mainly the international activity, evidencing the focus of the Group on the commitment made to improve efficiency.

In the activity in Portugal, operating costs, not considering the effect of the specific items (87 million euros in the first half of 2021 and 13 million euros in the same period of 2020), amounted to 302 million euros in the first half of 2021, showing a reduction of 1.0% from the 305 million euros accounted in the same period of 2020. It should be noted that the significant amount of specific items recognised in the first half of 2021 incorporates the impact of the adjustments to be made to the headcount, following the analysis of the needs of the Bank in relation to the existing capacity, also taking into account the adaptation of business models and processes to new technologies.

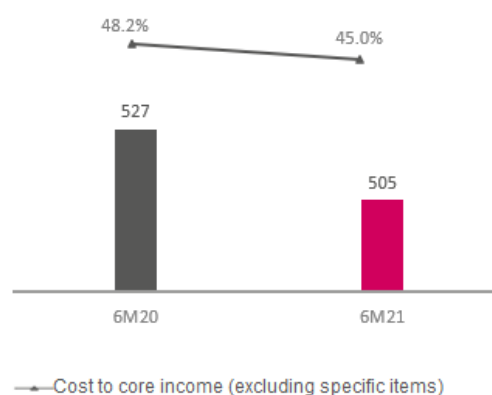
This favorable evolution of operating costs, excluding specific items, was mainly due to the savings in staff costs, mitigated by the increase in depreciations.

In the international activity, operating costs, excluding the effect of the specific items (8 million euros in the first half of 2020), recorded a reduction of 9.0% from the 222 million euros accounted in the first six months of 2020, totaling

202 million euros in the first half of 2021. This evolution was mainly due to the performance of the Polish subsidiary, which reflects, on the one hand, the lower staff costs, due to the significant reduction in the number of employees and, on the other, a decrease in other administrative costs, partially, as a consequence of the efficiency improvement measures and the synergies obtained after the merger with Euro Bank S.A. In the operation in Mozambique there was also a reduction in operating costs in the same period, although it was determined by the exchange rate evolution of the Metical against the Euro. Operating costs in the international activity reflect the overall reduction of staff costs, other administrative costs and depreciations.

OPERATING COSTS

Million euros



³ Negative impact of 87 million euros in the first half of 2021, mainly related to restructuring costs recognized as staff costs in the activity in Portugal, including a provision to cover the costs related to the current adjustment of headcount in the amount of 81 million euros. In the first half of 2020, the impact was also negative, in the amount of 21 million euros, of which 13 million euros related to restructuring costs and compensation for temporary remuneration cuts, both recognized as staff costs in the activity in Portugal and 8 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (5 million euros as staff costs, 2 million euros as other administrative costs, and an immaterial amount as depreciation).

In consolidated terms, the reduction in operating costs, together with the increase in core income and net operating revenues, allowed the cost to income and the cost to core income ratios of the Group, excluding specific items, to reach 44.9% and 45.0% respectively, below the amounts calculated in the first half of 2020 (50.1% and 48.2%, respectively), that from the second quarter were penalized by the adverse context of the COVID-19 pandemic.

STAFF COSTS

STAFF COSTS

	Million euros		
	6M21	6M20	Chan. % 21/20
Salaries and remunerations (1)	231	245	-5.7%
Social security charges and other staff costs (1)	56	54	3.3%
TOTAL EXCLUDING SPECIFIC ITEMS	287	299	-4.0%
SPECIFIC ITEMS	87	19	
TOTAL	374	318	17.8%

(1) Excludes specific items presented in the table and referred to in the text.

Staff costs, not considering the effect of specific items (87 million euros in the first half of 2021 and 19 million euros in the first half of 2020), totaled 287 million euros in the first six months of 2021, showing a 4.0% reduction from 299 million euros accounted in the same period of 2020, benefiting from the favourable performance of both the activity in Portugal and above all the international activity. The specific items previously mentioned are, in both periods, mainly related to restructuring costs in the activity in Portugal, and in the first half of 2020 also incorporate the costs of compensation for the temporary adjustment of staff remuneration in activity in Portugal and the costs of the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary. It should be noted that in the first half of 2021, the amount associated with restructuring costs, in the activity in Portugal, includes the impact of adjustments to the headcount, following the analysis of the Bank's needs in relation to existing capacity, also taking into account the adaptation of business models and processes to new technologies. Although the need for adjustment of the headcount had already been identified under the Mobilising 2018/2021 strategic plan and this adjustment was foreseen for 2020, the emergence of the pandemic associated to COVID-19 and its effects on the economy and life of families led the Bank to postpone its implementation.

In the activity in Portugal, staff costs, excluding the impact of specific items (87 million euros in the first half of 2021 and 13 million euros in the first half of 2020), showed a reduction of 2.6% compared to the 181 million euros posted in the first half of 2020, amounting to 177 million euros in the same period of 2021. The specific items, as

mentioned above, are related, in both periods, mainly to restructuring costs, and in the first half of 2021 include the impact of the ongoing headcount adjustment plan, through the recognition of a provision in the amount of 81 million euros. Additionally, in the first half of 2020, the specific items also include the costs of compensation for the temporary adjustment of employee remuneration.

Despite the hiring of new employees in Portugal, mainly with adequate skills to reinforce digital areas, the favourable evolution of staff costs, excluding specific items, reflects mainly the reduction, in net terms, in the number of employees, that went from 7,154 as at 30 June 2020, to 6,937 employees at the end of June 2021.

In the international activity, staff costs stood 6.2% below the 118 million euros recorded in the first half of 2020, totalling 110 million euros at the end of the first half of 2021. The amounts referred to do not include the impact of the specific items, fully recognised in the first half of 2020 by the Polish subsidiary, in the amount of 5 million euros, related to costs of the acquisition, merger and integration of Euro Bank S.A.

The favorable evolution of staff costs in the international activity was mainly due to the performance of the Polish subsidiary, determined by the impact associated with the continued reduction in the total number of employees, which went from 8,283 employees (8,141 FTE - full time equivalent) on 30 June 2020, to 7,286 employees (7,148 FTE - full-time equivalent) on 30 June 2021. The challenging context that the Polish subsidiary has been facing since 2020, marked by a sharp reduction in interest rates and the risks related to

the mortgage loans portfolio in Swiss francs, led the restructuring plan need to be accelerated, materialized in the termination of about 1,000 employees in the period under review.

In the activity in Mozambique, there was also a reduction in the number of employees, from 2,646 on 30 June 2020, to 2,611 on 30 June 2021, with the favorable evolution of staff costs being

determined by the exchange rate evolution of the Metical against the Euro.

The total number of employees of the international activity as at 30 June 2021 was 9,984 employees, significantly lower than the 11,016 employees on the same date of the previous year, mainly reflecting the evolution observed in Bank Millennium.

OTHER ADMINISTRATIVE COSTS

OTHER ADMINISTRATIVE COSTS

	Million euros		
	6M21	6M20	Chan. % 21/20
Water, electricity and fuel	6	8	-22.0%
Consumables	2	2	-28.4%
Rents	10	11	-9.5%
Communications	11	13	-20.4%
Travel, hotel and representation costs	1	2	-57.5%
Advertising	11	11	-2.5%
Maintenance and related services	7	8	-11.8%
Credit cards and mortgage	—	2	-90.5%
Advisory services	11	6	68.6%
Information technology services	21	23	-7.9%
Outsourcing and independent labour	38	37	2.2%
Other specialised services	13	13	-3.0%
Training costs	—	1	-57.3%
Insurance	2	2	-0.8%
Legal expenses	2	1	29.5%
Transportation	4	5	-13.3%
Other supplies and services	11	14	-20.9%
TOTAL	149	160	-6.8%

Note: Excludes the impact of specific items.

Other administrative costs, excluding the impact of specific items, showed a favourable evolution with a 6.8% reduction from the 160 million euros accounted in the first half of 2020, standing at 149 million euros in the first six months of 2021. The specific items, in the amount of 2 million euros, were fully recognized by the Polish subsidiary, in the first half of 2020 following the process of acquisition, merger and integration of Euro Bank S.A.

The favourable evolution of other administrative costs, in consolidated terms, was essentially due to 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 first half of 2020.

In the first six months of 2021, other administrative costs, in the activity in Portugal, amounted to 85 million euros, standing at a similar level to that of the same period of the previous year, since the savings achieved on some headings were absorbed almost entirely by the increase in costs that occurred in other components. Thus, the most significant reductions were in costs associated with water, energy and fuels, information technology services, travelling, hotel and representation, training, communications and transportation, mostly reflecting the impacts of the pandemic associated with COVID-19, as they only began to be felt from the second quarter of 2020. Among these impacts stand out those resulting from the suspension or cancellation of certain projects and travels, together with the permanence in telework of a very significant number of employees. At the

same time, the reductions referred to also reflect the impacts of pursuing disciplined cost management, in particular those that arose from the resizing of the branch network, which decreased from 493 on 30 June 2020 to 458 on 30 June 2021. On the other hand, there was an increase in costs associated with advisory services, partly due to the lower number of projects that had been implemented in the first half of 2020, since with the emergence of the pandemic a relevant part of these projects was postponed and also of outsourcing costs, following the activity increase recorded in call centers. Advertising and legal expenses were also higher than in the first half of 2020, reflecting the gradual resumption of activity.

In the international activity, other administrative costs, not considering the impact of the specific items above mentioned, amounted to 64 million euros in the first half of 2021, standing 14.1% below the 74 million euros recorded in the same period of the previous year. This evolution was determined by the performance of the Polish subsidiary, where the ongoing restructuring measures allowed to obtain a set of synergies following the merger with Euro Bank S.A., including the cost savings associated with the optimization of the branch network, whose total number decreased from the 766 existing on 30 June 2020 to 676 at the end of June 2021, and the reduction in IT costs. Although in a smaller dimension, other administrative costs recognized by the subsidiary in Mozambique, were also lower than in the first half of 2020, mostly due to the devaluation of the Metical against Euro. As of 30 June 2021, the subsidiary in Mozambique had 199 branches, one less than on the same date of the previous year.

DEPRECIATIONS

Depreciations, excluding the specific items recognized by the Polish subsidiary in the first half of 2020 which, in this context, are not significant, remained aligned with the amount recorded in the first half of 2020, amounting to 68 million euros in the first six months of 2021. This evolution incorporates, however, distinct dynamics since the increase in the activity in Portugal fully offset the reduction achieved in the international activity.

In the activity in Portugal, depreciations went from 38 million euros in the first half of 2020, to 40 million euros in the first six months of the current year, reflecting mostly the investment in software made during last years. The increase in investment in software reveals 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.

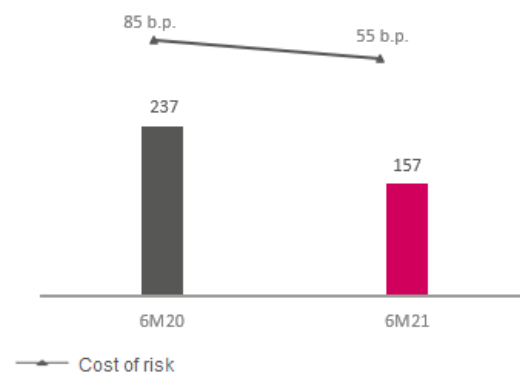
In the international activity, depreciations, excluding the specific items, of an immaterial amount, totaled 28 million euros in the first half of 2021, standing 6.9% below the 30 million euros recognized in the first half of 2020. This evolution was mainly due to the performance of the Polish subsidiary, reflecting partially the synergies obtained following the integration of Euro Bank S.A. by Bank Millennium, S.A. The exchange rate devaluation of both the Zloty and the Metical against the Euro also contributes to the favorable evolution of depreciations in the international activity and has even been decisive in the case of the subsidiary in Mozambique.

LOANS IMPAIRMENT

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

LOANS IMPAIRMENT (NET)

Million euros



In the first half of 2021, loans impairment charges (net of recoveries) totaled 157 million euros, that compares favorably to 237 million euros recognized in the same period of the previous year, reflecting both the performance of the activity in Portugal and the international activity.

In the activity in Portugal, impairment for loan losses (net of recoveries) decreased by 19.6% compared to the 158 million euros recorded in the first six months of 2020, amounting to 127 million euros at the end of the first half of 2021. This reduction partly reflects the effect of the extraordinary impacts that had been recognised in June 2020, following the update of the credit risk parameters considered for the purposes of calculating collective impairment, in order to reflect the macroeconomic scenario dictated at the time by the risks associated with COVID-19 and which resulted in the recognition of additional

impairments in the amount of 72 million euros in the first half of the previous year. Additionally, in the first half of 2021 there were extraordinary,

unexpected positive impacts associated with the activity of an individual client that led to lower provisioning needs.

LOANS IMPAIRMENT (NET OF RECOVERIES)

	Million euros		
	6M21	6M20	Chan. % 21/20
Loan impairment charges (net of reversions)	168	250	-32.7%
Credit recoveries	11	13	-11.2%
TOTAL	157	237	-33.9%
COST OF RISK:			
Impairment charges (net of recoveries) as a % of gross loans	55 b.p.	85 b.p.	-31 b.p.

Excluding these extraordinary impacts, in both periods, the loans impairment in Portugal would have shown a growing trend, consistent with the worsening, at the end of the first half of 2020, of the credit risk parameters implicit in the calculation of collective impairment, in relation to the macroeconomic scenario existing before the pandemic, as well as with the adoption of more conservative assumptions in the context of individual analysis, which began to be considered in order to anticipate potential negative impacts of the pandemic on customer activity. It should be noted in this context that, in the first half of 2021, additional impairments were recognised in relation to the results obtained by the collective impairment calculation model in force (overlays), and impairments have also been strengthened to meet the minimum coverage needs for losses for non-performing exposures required by Regulation (EU) 630/2019 of the European Parliament and the Council, 17 April, 2019, in order to promote a greater alignment of the Bank's asset situation with the expectations and guidance of supervisors.

In the international activity, there was also a reduction of impairment charges (net of recoveries), from 79 million euros accounted in the first half of 2020, to 30 million euros recognized in the first six months of 2021. This evolution was determined by the performance of the Polish subsidiary, induced by 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. It should be noted that the amount of impairment recognised by the Polish subsidiary in the first half of 2020 is also influenced by the extraordinary reinforcement of 16 million euros in the previous year to cover the risks implicit to the COVID-19 pandemic, also contributing to the decrease in the period.

The subsidiary in Mozambique, despite less material, also contributed positively to the evolution of loans impairment in the international activity. Loans impairment recognized in the

second quarter by the Mozambican operation reached a virtually zero amount due to the reversal of the impairment associated with an individual client motivated by the assets received as payment in kind. It should be noted that at the same time, there was an increase in other impairment and provisions by strengthening impairments for non-current assets held for sale.

The evolution of impairment for loan losses (net of recoveries) in consolidated terms led the cost of risk of the Group to improve from the 85 basis points observed in the first half of 2020, to 55 basis points in the same period of 2021. In the activity in Portugal, the cost of risk (net of recoveries) went from 82 basis points in the first half of 2020, to 64 basis points in the same period of the current year, while in the international activity, the cost of risk showed a favourable evolution from 92 basis points to 33 basis points in the same period.

OTHER IMPAIRMENT AND PROVISIONS

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

Other impairments and provisions stood at 305 million euros in the first six months of 2021, which compares to 114 million euros recorded in the same period of 2020, with this evolution being determined by the contribution of the international activity, namely the Polish subsidiary, strongly penalized by the increase of the extraordinary provision booked for foreign exchange mortgage legal risk. Additionally, in the activity in Portugal, other impairment and provisions were also higher than in the first six months of 2020.

The evolution of other impairment and provisions in the activity in Portugal, from 47 million euros in the first half of 2020, to 69 million euros in the first six months of the current year, was largely influenced by the reinforcement of provisions for other risks.

In the international activity, other impairment and provisions amounted to 236 million euros at the end of the first half of 2021, up from 67 million euros in the first half of 2020. The increase of 169 million euros in this period was mainly due to the performance of the Polish subsidiary, as it mainly reflects the reinforcement of the extraordinary provision of 231 million euros (38 million euros in the first half 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 half of 2021, the impact of the aforementioned provisions was offset by the recognition of an income in the amount of 16 million euros (reflected in other net operating income), corresponding to the amount receivable from Société Générale, following the contract of acquisition of Euro Bank S.A.

Conversely, the performance of other impairments and provisions was also influenced by the additional charges, in the amount of 14 million euros which had been recognised in the first half of 2020 by the Polish subsidiary, in order to cover the return of commissions charged to customers for the early repayment of consumer credit operations, following a decision taken by the Court of Justice of the European Union.

In the first half of 2020, other impairment and provisions of the international activity also include impairments in the amount of 13 million euros (3 million euros in the first half of 2021), for the investment in the participation in Banco Millennium Atlântico (including goodwill), in order to cover the risks inherent to the context in which the Angolan operation operates. The subsidiary in Mozambique, in turn, although in a smaller size also recorded a higher amount in other impairment and provisions, compared to that recognized in the first half of 2020.

INCOME TAX

Income tax (current and deferred) amounted to 103 million euros in the first half of 2021, which compares to 58 million euros obtained in the same period of the previous year.

The recognized taxes include, in the first six months of 2021, current tax of 50 million euros (56 million euros in the first half of 2020) and deferred tax of 53 million euros (3 million euros in the first half of 2020).

Current tax expenses in the first six months of 2021 was strongly influenced by provisions for legal risks

related to the portfolio of foreign currency mortgage loans and mandatory contributions to the banking sector, both in the Polish subsidiary, non-deductible for tax purposes.

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

NON-CONTROLLING INTERESTS

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

In the first half of 2021, the non-controlling interests totalled a negative amount of 43 million euros, compared to a positive amount of 23 million euros accounted in the same period of 2020. This evolution was essentially due to the income for the year attributable to third parties arising from the activity of the Polish subsidiary, which fell by 64 million euros in the same period, following the losses reported by Bank Millennium in the first half of this year.

REVIEW OF THE BALANCE SHEET

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

BALANCE SHEET AS ON 30 JUNE 2021 AND 2020 AND 31 DECEMBER 2020

	Million euros			
	30 Jun. 21	31 Dec. 20	30 Jun. 20	Chg. Jun. 21/20
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions (1)	4,945	5,566	4,653	6.3%
Financial assets measured at amortised cost				
Loans and advances to credit institutions	671	1,015	1,086	-38.2%
Loans and advances to customers	53,995	52,022	51,210	5.4%
Debt instruments	8,331	6,235	5,742	45.1%
Financial assets measured at fair value through profit or loss				
Financial assets held for trading	1,705	1,031	2,336	-27.0%
Financial assets not held for trading mandatorily at fair value through profit or loss	1,290	1,315	1,305	-1.2%
Financial assets designated at fair value through profit or loss	—	—	—	
Financial assets measured at fair value through other comprehensive income	13,883	12,140	13,285	4.5%
Investments in associated companies	436	435	430	1.6%
Non-current assets held for sale	905	1,026	1,202	-24.7%
Other tangible assets, goodwill and intangible assets	863	887	910	-5.1%
Current and deferred tax assets	2,678	2,645	2,683	-0.2%
Other (2)	1,662	1,396	1,676	-0.8%
TOTAL ASSETS	91,365	85,715	86,519	5.6%
LIABILITIES				
Financial liabilities measured at amortized cost				
Resources from credit institutions	9,056	8,899	9,055	—%
Resources from customers	68,101	63,001	62,475	9.0%
Non subordinated debt securities issued	1,752	1,389	1,476	18.7%
Subordinated debt	1,200	1,405	1,440	-16.7%
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	372	279	411	-9.5%
Financial liabilities measured at fair value through profit or loss	1,481	1,599	2,288	-35.2%
Other (3)	2,016	1,757	1,923	4.8%
TOTAL LIABILITIES	83,978	78,329	79,069	6.2%
EQUITY				
Share capital	4,725	4,725	4,725	
Share premium	16	16	16	
Other equity instruments	400	400	400	
Treasury shares	—	(0)	(0)	100.0%
Reserves and retained earnings (4)	1,115	897	1,015	9.8%
Net income for the period attributable to Bank's Shareholders	12	183	76	-83.9%
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,269	6,221	6,233	0.6%
Non-controlling interests	1,118	1,165	1,217	-8.2%
TOTAL EQUITY	7,386	7,386	7,450	-0.9%
TOTAL LIABILITIES AND EQUITY	91,365	85,715	86,519	5.6%

(1) Includes Cash and deposits at Central Banks and Loans and advances to credit institutions.

(2) Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.

(3) Includes Hedging derivatives, Provisions, Current and deferred income tax liabilities and Other liabilities.

(4) Includes Legal and statutory reserves and Reserves and retained earnings.

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

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

Loans to customers

	Million euros		
	30 Jun. 21	31 Dec. 20	30 Jun. 20
Loans to customers at amortised cost (accounting Balance Sheet)	53,995	52,022	51,210
Debt instruments at amortised cost associated to credit operations	1,520	1,598	2,143
Balance sheet amount of loans to customers at fair value through profit or loss	370	354	333
Loan to customers (net) considering management criteria	55,885	53,975	53,687
Balance sheet impairment related to loans to customers at amortised cost	1,964	2,037	2,231
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	10	11	18
Fair value adjustments related to loans to customers at fair value through profit or loss	27	26	25
Loan to customers (gross) considering management criteria	57,885	56,048	55,960

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

Balance sheet customer funds

	Million euros		
	30 Jun. 21	31 Dec. 20	30 Jun. 20
Financial liabilities at fair value through profit or loss (accounting Balance sheet) (1)	1,481	1,599	2,288
Debt securities at fair value through profit or loss and certificates (2)	1,481	1,341	1,298
Customer deposits at fair value through profit or loss considering management criteria (3) = (1) - (2)	—	259	989
Resources from customers at amortised cost (accounting Balance sheet) (4)	68,101	63,001	62,475
Deposits and other resources from customers considering management criteria (5) = (3) + (4)	68,101	63,259	63,464
Non subordinated debt securities issued at amortised cost (accounting Balance sheet) (6)	1,752	1,389	1,476
Debt securities at fair value through profit or loss and certificates (7)	1,481	1,341	1,298
Non subordinated debt securities placed with institutional customers (8)	1,714	1,225	1,230
Debt securities placed with customers considering management criteria (9) = (6) - (7) - (8)	1,519	1,505	1,545
Balance sheet customer funds considering management criteria (10) = (5) + (9)	69,621	64,764	65,009

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

Securities portfolio

	Million euros		
	30 Jun. 21	31 Dec. 20	30 Jun. 20
Debt instruments at amortised cost (accounting Balance sheet) (1)	8,331	6,235	5,742
Debt instruments at amortised cost associated to credit operations net of impairment (2)	1,520	1,598	2,143
Debt instruments at amortised cost considering management criteria (3) = (1) - (2)	6,811	4,637	3,600
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet) (4)	1,290	1,315	1,305
Balance sheet amount of loans to customers at fair value through profit or loss (5)	370	354	333
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (6) = (4) - (5)	920	961	972
Financial assets held for trading (accounting Balance sheet) (7)	1,705	1,031	2,336
of which: trading derivatives (8)	482	544	568
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (10)	13,883	12,140	13,285
Securities portfolio considering management criteria (12) = (3) + (6) + (7) - (8) + (9) + (10) + (11)	22,837	18,226	19,625

On 30 June 2021, total assets of the consolidated balance sheet of Millennium bcp amounted to 91,365 million euros, increasing 5.6% compared to 86,519 million euros recorded on the same date of the previous year. This growth was mainly driven by the performance of the activity in Portugal, benefiting as well, albeit to a lesser extent, from the increase of assets in the international activity.

In the activity in Portugal, total assets showed a 7.4% growth compared to the 60,176 million euros recorded as on 30 June 2020, achieving 64,631 million euros at the same date of 2021. The main increases compared to the end of June 2020 occurred in securities portfolio, with the reinforcement of eligible assets, namely both foreign and Portuguese public debt portfolio, loans to customers portfolio (net of impairment) and, in a lesser extent, in cash and deposits at central banks. Inversely, the most significant reduction was in loans and advances to credit institutions and in non-current assets held for sale, particularly when it comes to the portfolio of foreclosed real estate properties.

In the international activity, total assets amounted to 26,734 million euros at the end of June 2021, standing slightly above the 26,343 million euros reached in the same date of the previous year. The increase in the loans to customers (net of impairment and fair value adjustments) portfolio and the increase of the Mozambican securities portfolio have contributed to this behaviour, while the Polish securities portfolio has decreased. Furthermore, comparing to the previous year, loans and advances to credit institutions showed an increase.

Total liabilities of the consolidated balance sheet of Millennium bcp stood at 83,978 million euros as on 30 June 2021, showing a 6.2% growth from the 79,069 million euros recorded at the same date of the previous year, mainly due to the evolution of deposits and other resources from customers in both the international activity and above all in the activity in Portugal, confirming a trend verified in the last periods. In the activity in Portugal it should be highlighted as well, on the one hand, the increase in non subordinated debt securities issued, which mainly reflects the senior preferred issue occurred in the first quarter of the year, of 500 million euros, in order to comply with minimum requirements for own funds and eligible liabilities ("MREL"), and the increase recorded in resources from credit institutions. On the other hand, the amount of subordinated debt recorded a reduction, as some issues had matured during this period.

Equity, including non-controlling interests, totaled 7,386 million euros on 30 June 2021, which compares to 7,450 million euros recorded at the end of June of the previous year. This reduction was essentially driven

by the net losses of the Polish operation in the first semester of 2021, which have also reflected into the evolution of non-controlling interests. In fact, excluding non-controlling interests, equity attributable to bank's shareholders in 30 June 2021 stood slightly higher year-on-year, benefiting from the evolution of actuarial differences associated to the pension fund and from the evolution of consolidation exchange rate differences, nevertheless being penalized by the negative evolution of the fair value reserve, mainly from the impact arising from cash flow hedging instruments. Additional information and details on the evolution of equity are described in the Interim Condensed Consolidated Statements of Changes in Equity for the periods of six months ended 30 June 2021 and 2020 in Consolidated accounts for the first half of 2021.

LOANS TO CUSTOMERS

Consolidated loans to customers (gross of impairment and fair value adjustments) of Millennium bcp, as defined in the glossary, amounted to 57,885 million euros on 30 June 2021, which comparing to the 55,960 million euros recorded in the last year represents a 3.4% growth, achieved mainly with the performance of the activity in Portugal.

The evolution of loans to customers (gross of impairment) in the activity in Portugal displayed a growth of 2.9% comparing to the 38,402 million euros achieved by the end of June 2020, standing at 39,515 million euros on 30 June 2021.

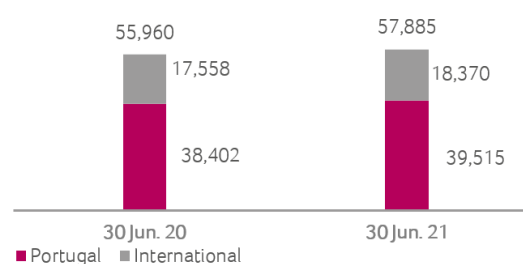
This growth largely reflects the expansion of loans to companies, which have evolved from 18,999 million euros on 30 June 2020 to 19,599 million euros by the end of the first semester of 2021, boosted by loans with a public guarantee.

In this context, it should be highlighted the relevant contribution of Millennium bcp in the support of the Portuguese economy, under the credit lines launched by the Government in the context of the pandemic caused by COVID-19. The Bank has strongly strengthened its presence in the national corporate scene, garnering reconnaissance by being at the forefront supporting the economy, in a particularly adverse and challenging moment. The amounts made available until the end of the first half of the year, amounted to around 2,600 billion euros and allowed to finance and support more than 18 thousand companies.

Loans to individuals, on 30 June 2021, stood at 19,916 million euros, 2.6% above the existing portfolio by the end of June 2020, resulting, mainly, of the dynamics experienced in mortgage loans and of the decrease in repayments, as a consequence of the moratoria granted. Personal loans remained at a similar level compared to last year, result of the general lockdown and reduced consumption of families motivated by the uncertainty caused by the pandemic.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments.

It should also be noted that the net growth of the loan portfolio was possible even in a context of continued divestment strategy in NPE, with its stock reducing 813 million euros, carrying on the success of the Bank in said strategy of the last years. Additionally, the NPE reduction between the first semester of 2020 and of 2021 was more than offset by the growth of the performing loan portfolio, which increased 1,926 million euros in the same period.

In the international activity, loans to customers (gross of impairment and fair value adjustments), have increased as well, albeit in a lesser extent when compared to the activity of Portugal. On 30 June 2021 the loan portfolio of the entirety of foreign operations reached to 18,370 million euros, 811 million euros above the amount verified in the previous year.

Consolidated loans to customers (gross of impairment and fair value adjustments) maintained a balanced level of diversification, with loans to individuals and loans to companies representing, respectively 57.2% and 42.8% of the total portfolio as on 30 June 2021 (56.9% and 43.1% at the same date of 2020).

LOANS TO CUSTOMERS (GROSS)

	Million euros		
	30 Jun. 21	30 Jun. 20	Chan. % 21/20
INDIVIDUALS	33,106	31,863	3.9%
Mortgage	27,206	26,038	4.5%
Personal loans	5,900	5,825	1.3%
COMPANIES	24,779	24,097	2.8%
Services	8,410	8,600	-2.2%
Commerce	4,234	3,991	6.1%
Construction	1,686	1,689	-0.2%
Others	10,450	9,818	6.4%
TOTAL	57,885	55,960	3.4%
Of which:			
Portugal activity	39,515	38,402	2.9%
International activity	18,370	17,558	4.6%
Loans to individuals/Total loans	57.2%	56.9%	
Loans to companies/Total loans	42.8%	43.1%	

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

The improvement in the quality of the loan portfolio is visible in all indicators, with a favorable evolution of the respective indicators. In this context, NPE ratio as a percentage of the total loan portfolio should be highlighted, as it has decreased from 7.0% as on 30 June 2020 to 5.2% at the same date of 2021, essentially reflecting the performance of the domestic loan portfolio, whose NPE ratio showed a reduction from 7.6% to 5.3% between the periods previously referred.

Simultaneously, it should also be highlighted the generalized increase in the coverage by impairments of the Group, but especially of the activity in Portugal, with the coverage of NPL by more than 90 days being strengthened from 111.6% at the end of June 2020 to 146.0% as on 30 June 2021. The coverage of NPE by impairments in the activity in Portugal showed an increase of 10.7 p.p., standing at 67.3% by the end of the first semester of 2021, compared to 56.5% recorded last year. The quality of the loan portfolio continues to benefit from the focus on selectivity and monitoring of the credit risk control processes, as well as from the initiatives carried out by the commercial and credit recovery areas, in order to recover non-performing loans over the recent years.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	Jun.21	Jun.20	Chan. % 21/20	Jun.21	Jun.20	Chan. % 21/20
STOCK (M€)						
Loans to customers (gross)	57,885	55,960	3.4%	39,515	38,402	2.9%
Overdue loans > 90 days	1,126	1,416	-20.5%	753	953	-21.0%
Overdue loans	1,250	1,528	-18.2%	763	969	-21.3%
Restructured loans	2,512	3,055	-17.8%	1,965	2,541	-22.7%
Non-performing loans (NPL) > 90 days	1,463	2,100	-30.3%	965	1,473	-34.5%
Non-performing exposures (NPE)	3,004	3,934	-23.7%	2,095	2,908	-28.0%
Loans impairment (Balance sheet)	2,000	2,274	-12.0%	1,409	1,644	-14.3%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	1.9%	2.5%		1.9%	2.5%	
Overdue loans / Loans to customers (gross)	2.2%	2.7%		1.9%	2.5%	
Restructured loans / Loans to customers (gross)	4.3%	5.5%		5.0%	6.6%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	2.5%	3.8%		2.4%	3.8%	
Non-performing exposures (NPE) / Loans to customers (gross)	5.2%	7.0%		5.3%	7.6%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	177.7%	160.6%		187.1%	172.5%	
Coverage of overdue loans	160.0%	148.8%		184.6%	169.6%	
Coverage of Non-performing loans (NPL) > 90 days	136.7%	108.3%		146.0%	111.6%	
Coverage of Non-performing exposures (NPE)	66.6%	57.8%		67.3%	56.5%	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	3.5%	4.8%		3.6%	5.3%	

Note: NPE include loans to customers only, as defined in the glossary; additionally, does not include the adjustment performed to 2020 loans to customers stock of Bank Millennium related to mortgage loans linked to Swiss francs (transfer from liabilities item "Provisions" to assets item "Loans to customers").

SUPPORT TO THE PORTUGUESE ECONOMY IN THE COVID-19 PANDEMIC CONTEXT

In the pandemic scenario caused by COVID-19, the Portuguese Government, like its European peers, has decreed measures to support the economy aimed at mitigating the harmful impacts on households and companies - the scale of which is not yet fully known - arising from the need for more or less prolonged and intermittent lockdowns over time, which restrict the activity of the Portuguese business scene and the movement of people within the country. Accordingly, support lines have been created for companies, so that they could access credit under more beneficial conditions than those applied up to date by the Portuguese banking system. Alongside this, public and private moratoria have also been instituted aimed at suspending the payment of interest and/or principal (depending on the nature of the applicable moratoria on a case-by-case basis and at any given time) relative to credit contracts granted both to individuals and companies.

In this context, Millennium bcp actively accepted its role in the protection of households and companies very early on, by materialising supports up until this moment to the national economy of nearly 12 billion Euros. In this way, the Bank helped to ensure that families and companies kept their solvency until the national economy is able to return to its steady state, in particular through the provision of these credit lines to the Portuguese business scene.

As at 30 June 2021, the outstanding amount of loans to customers (gross of impairment) made available under these credit lines reached to 2,642 million Euros, embodied in the support to more than 18 thousand companies, representing nearly 7% of the loans to customers portfolio in the activity in Portugal. Loans to customers (gross of impairment) made available under credit lines

increased 16.8% when compared to 2,262 million Euros recorded until 31 December 2020.

Furthermore, the Bank suspended the payment of interest and/or principal of loan operations covered by the moratoria of public and private initiative to more than 80 thousand customers, corresponding to a total of 8,981 million Euros of loans to customers covered by this support measure.

It should be highlighted the fact that during the second quarter of 2021 there was a progressive reduction through cancellation/expiration of moratoria or the settlement of exposures, after the deadline for the applications to moratoria lapsed on 31 March 2021 and also from the decrease of the amounts from families subject to moratoria of private initiative. Considering this, the total amount of moratoria referred to above includes 1,645 million Euros of expired moratoria, i.e., relative to contracts whose period of

suspension of payment of interest and/or principal had terminated.

Under the Decree-Law 22C/2021 of March 22, extensions of grace periods on capital repayment and of maturity dates were granted to loan operations guaranteed by Mutual Guarantee Societies or by *Fundo de Contragarantia Mútuo*. Banking supervisors and regulators have considered such extensions as a moratoria of those exposures. Considering this, the additional exposure stemming from that interpretation amounts to 1,240 million euros on 30 June 2021, increasing to 10,221 million euros the total amount of existing moratoria by the end of the first semester of 2021.

Reference is also made to the fact that, of the total amount of moratoria, 41% refers to credit operations concluded with households, 58% with companies, and the remaining with other types of customers.

CUSTOMER FUNDS

Total customer funds showed a favorable evolution, increasing 8.6% compared to the 83,163 million euros recorded on 30 June 2020, standing at 90,351 million euros at the end of the first half of the current year.

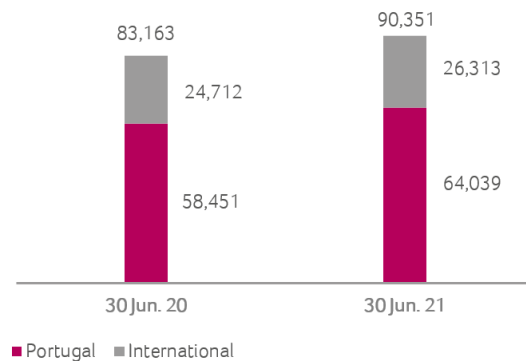
The increase in total customer funds, in the amount of 7,188 million euros, was due to the good performance of balance sheet customer funds, particularly of deposits and other resources from customers, which occurred both in the activity in Portugal and in the international activity, although at a lesser extent in the latter. Off-balance sheet customer funds have presented as well a positive evolution when compared to last year, presenting an increase of 2,576 million euros, amounting to 20,731 million euros at the end of June 2021. Both activity in Portugal and international activity contributed positively to this growth. While this evolution benefits from a decreased starting point stemming from the devaluations that had occurred in the first semester of 2020, in a moment marked by high levels of volatility, following the impacts arising from the COVID-19 pandemic and its uncertainties, the growth trend in off-balance sheet customer funds is verified as well when 31 December 2020 figures are considered, registering a 5.1% growth in the first semester of 2021.

In the activity in Portugal, total customer funds stood at 64,039 million euros on 30 June 2021, 9.6% above the 58,451 million euros recorded as on 30 June of the previous year. The 5,587 million euros growth was boosted by the performance of deposits and other resources from customers, which grew 3,926 million euros from 30 June 2020, confirming the relevance of customer deposits in the assets financing structure. This evolution puts into evidence the current trend of money saving by Portuguese families, in response either to the natural feeling of insecurity brought up by the pandemic or to the delay of consumption of durable goods.

Off-balance sheet customer funds in the activity in Portugal showed an increase when compared with the amount reached at the end of June 2020, whose contribution to this evolution is the result of, mainly, the growth in 1,790 million euros registered in assets placed with customers, arising from the placement of third-party investment funds, and also from the expansion in 859 million euros of assets under management. Inversely, there was a decrease of insurance products (savings and investment), which stood on 30 June 2020 at 8,027 million euros and by the end of June 2021 stood at 7,039 million euros, an evolution that puts into evidence a change in customers' investment pattern, in a context of reduced interest rates.

TOTAL CUSTOMER FUNDS

Million euros



In the international activity, total customer funds stood at 26,313 million euros on 30 June 2021, increasing 6.5% compared to 24,712 million euros recorded on the same date of 2020. This evolution has occurred mainly due to the increase of 915 million euros in off-balance sheet customer funds, when compared to the amounts recorded at the end of June 2020, amounting to 22,406 million euros. The Polish subsidiary was primarily responsible for this performance of customer funds in the international activity.

On 30 June 2021, balance sheet customer funds and deposits and other resources from customers, on a consolidated basis, represented 77% and 75%, respectively of total customer funds, with its weight slightly decreasing compared to the same date of the previous year, as a result of the strategy adopted by the Bank in Portugal focused in offering off-balance sheet products, considering the limitations of traditional deposits offer in the actual environment of interest rates.

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 82% on 30 June 2021, with the same ratio, considering on-balance sheet customers' funds, standing at 80%. Both ratios show values below those obtained at the same date of the previous year, 85% and 83%, respectively.

TOTAL CUSTOMER FUNDS

	Million euros		
	30 Jun. 21	30 Jun. 20	Chan. % 21/20
BALANCE SHEET CUSTOMER FUNDS	69,621	65,009	7.1%
Deposits and other resources from customers	68,101	63,464	7.3%
Debt securities	1,519	1,545	-1.6%
OFF-BALANCE SHEET CUSTOMER FUNDS	20,731	18,154	14.2%
Assets under management	7,055	5,465	29.1%
Assets placed with customers (*)	6,191	4,242	45.9%
Insurance products (savings and investment)	7,485	8,447	-11.4%
TOTAL	90,351	83,163	8.6%
Of which:			
Portugal activity	64,039	58,451	9.6%
International activity	26,313	24,712	6.5%

(*) Excludes assets under management.

SECURITIES PORTFOLIO

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

On 30 June 2021, the securities portfolio of the Group amounted to 22,837 million euros, showing an increase of 16.4% from 19,625 million euros recorded in the same date of the previous year, causing its weight in total assets to increase from 22.7% to 25.0% in the same period. This increase was due to the expansion mainly of the portfolio of the activity in Portugal, especially due to investments in foreign public debt, but also in Portuguese public debt, in 3.041 million euros and in 900 million euros, respectively. On the other hand, the portfolio of the international activity decreased 875 million euros when compared to 30 June 2020, essentially as a result of divestment in Polish public debt.

SECURITIES PORTFOLIO

	Million euros		
	30 Jun. 21	30 Jun. 20	Chan. % 21/20
Financial assets measured at amortised cost (1)	6,811	3,600	89.2%
Financial assets measured at fair value through profit or loss (2)	2,143	2,740	-21.8%
Financial assets measured at fair value through other comprehensive income	13,883	13,285	4.5%
TOTAL	22,837	19,625	16.4%
Of which:			
Activity in Portugal	16,871	12,784	32.0%
International activity	5,966	6,841	-12.8%

(1) Corresponds to debt instruments not associated to credit operations.

(2) Excluding the amounts related to loans to customers and trading derivatives.

Business Areas

Activity per Segments

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

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

(*) From Treasury and Markets International Division.

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

(***) Consolidated by the equity method.

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

Thus, as the process of capital allocation complies with the regulatory criteria of solvency in force, the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III

methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

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

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

The information presented below for the individually more relevant business areas in Portugal and aggregately for the international activity was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 30

June 2021. In this context, it should be noted that, following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A., the contribution of this subsidiary

to the net income of the Foreign Business segment is reflected as income from discontinued operations, and the historical information has been restated in order to ensure its comparability.

RETAIL

Mass Market

In an environment still marked by the COVID 19 pandemic, the Bank continued with a very strong strategy of increasing the digital involvement of Customers with the Bank, through e-mail collection/updating actions, adhesion to the digital statement and activation/use of channels digital, with an emphasis on the Millennium App.

As a result of this action, the Bank managed to reach the historic milestone of 79% of active current accounts with a digital statement and 35% of Customers using the App.

Taking advantage of its prominent position in the quality of customer service, the Bank continued its Member get Member campaign and at the same time, the protocol offer with Companies (More Employee Plan) was strengthened, aimed at Employees of the Bank's Corporate Customers:

- Access to an Integrated Solution of Banking Products and Services at special price conditions;
- Promotional advantages in Home, Personal and Car Loans with discounts on spreads and commissions;
- Special discounts on insurance: Médis, Homin (Multi-risk insurance) and Yolo (Life insurance).

Given the importance of wage domiciliation for the establishment of 1st Bank relationships, the Bank had continuous salary domiciliation campaigns offering 5% of the value of purchases made with credit card (cashback) and with a draw for electric bicycles.

In addition, the remote management model for Customers in the Mass Market segment launched in 2020 was consolidated, which proved to be a major driver of the increase in contacts and sales, with an already very relevant contribution in the strategic headings of Retail.

Prestige

In the 1st half of the year, the Customized Investment service was successfully launched, a new service exclusive to Prestige Customers that allows investment recommendations based on the investor profile through an innovative Customer experience, reinforcing the segment's innovative and innovative positioning. continuous improvement of Customer-centric journeys. Two rounds (Retirement and Investment) are available through the Prestige Manager.

In Customized Remote Management, we completed the process of renewing the value proposition for Digital Customers and migrating more Prestige Customers to Prestige Direct, a service that now has a new timetable, new system, offer and an expanded commercial structure.

The Bank continued its activities to improve Customer journeys in all channels, in order to meet the expectations and objectives of our Customers, with the implementation of new subscription experiences for investment products in the App, such as Certificates.

Continuation of Program #1 Customer Experience and the Diversification Stimulation Action. Continues training in commercial techniques and service to the entire Custom Management network, ensuring the improvement of the Manager's NPS.

The Bank continued with its strong lending dynamics, both in personal loans (online and pre-approved) and in mortgage loans.

Portuguese Diaspora & Foreigners

Semester with an excellent pace of business, highlighting cross-selling and adherence/use of Digital. In attracting, the strong evolution in the referral of clients through the Representative Offices stands out, with all of them growing compared to 2020.

Optimization of the External Network, closing the Representative Office in Lausanne - Switzerland and the Representative Office in Caracas - Venezuela). At the same time, the teams from Geneva - Switzerland and Zurich - Switzerland were reinforced with one employee each.

Revision of the partnership with Banque BCP France, changing its principles from a more financial logic to a more commercial one, allowing for a sustainable agreement for both Institutions.

First edition of the Welcoming Talks webinars dedicated to foreigners wishing to invest or settle in Portugal. This first edition was dedicated to the United Kingdom and the event will take place on a monthly basis, with each session being dedicated to a geography.

Business

Support to Companies

The Bank signed with the European Investment Fund (EIF) the biggest contract ever in Portugal, with 1,177 million euros to support Companies' investment.

In a semester still marked by numerous contingencies in the context of the pandemic - COVID19, the focus remained on attracting new Customers, ensuring the growth of the Business Customer base with the support of new credit lines available.

Implemented the extension of the grace period for capital and maturity of credit operations contracted under publicly guaranteed credit lines.

Customer Recognition

The Bank was distinguished for the 3rd consecutive year as the leader in SME Leader Statutes awarded, supporting more than 2700 companies in obtaining the SME Leader status. It celebrated this feat with the launch of a dedicated campaign with the motto "Gigantes na Dedicaco", which aimed to make a parallel between a Small and Medium Enterprise and the concept of Giant. The idea of the campaign was to demonstrate that, despite its size, an SME can be a Giant in Dedication, Overcoming, Ambition and Innovation.

Millennium bcp joined COTEC as a partner bank in the launch of the first edition of the COTEC Innovative Statute, having presented 355 applications, which represents a 35% share, reinforcing its position in supporting Innovative Companies.

Customer Experience

Implementation of the "The One" training program, in partnership with the MBA, designed for business teams, based on the reinforcement of behavioral skills and the improvement of technical skills in core areas that each employee can choose according to their needs, and with which the intention is to reinforce the leadership in this segment.

Products

Loans to Individuals

The Bank maintained a strong commitment to promote loans to individuals through a competitive offer adjusted to all Customers' needs.

Highlights:

- continuation of the focus on the dynamization of Digital Channels;

- within the scope of its Sustainability policy, the Bank launched two new products aimed at financing renewable energy production equipment and energy efficiency solutions;
- support for the training of young people, through the commercialization of University Credit with Mutual Guarantee.

In Mortgage loans, the Bank maintained:

- competitive offer, aimed at best servicing Customers, with the provision of a free contracting service, which includes obtaining documents, formalization after hours and representation on the spot;
- strong focus on the Youth segment, with a very attractive offer.
- continuous improvement of digital tools, with the renewal of the mortgage loan proposal process directly on the App and website.

Additionally, anticipating the end of the moratoriums, the Bank implemented changes to the Financial Monitoring Service, in order to reinforce the support to Customers, who still have difficulties in fulfilling their responsibilities. The process of providing and contracting these solutions benefited from a new process in the digital channels, website and App Millennium, always aiming at innovation, simplification, agility and speed in processes.

Investment solutions

The Retail Network focused its commercial dynamics on presenting investment solutions suited to the profile of each Customer, namely through products to diversify financial assets, such as investment funds and financial insurance, allowing the reinvestment of large amounts arising from maturities of other products. who have reached maturity.

At the same time, the Bank expanded the offer of investment products in digital channels.

The concern with helping Customers to plan their future in the Retirement was maintained, namely through the provision of adequate solutions.

For Retired people, the focus is on boosting the "More income" Flexible solution, with a view to obtaining a monthly income as a complement to their retirement.

Integrated solutions

The Bank launched a new integrated solution of banking products and services exclusively for digital lovers Customers, accompanied by the Prestige

Direct platform: Prestige Start and Prestige Family. These are innovative solutions in the market and with pricing differentiated according to age, the number of current account holders and the Customer's financial involvement with the Bank.

The "Family Benefits" insurance offer was reinforced for Customers with Integrated Solutions, offering the Customer and their closest family members a special pricing on credit, insurance and integrated solutions.

For the main integrated solutions, the possibility for the Customer to confirm the purchase, suggested by the Bank, was made available through digital channels.

In view of the continuity of the pandemic situation in the country and within the scope of the support program created for this purpose, Millennium bcp maintained a set of benefits related to Integrated Solutions to support its Individual and Business Customers in financial difficulties, attributing special pricing and maintaining reduced prices.

The Bank continued to reward its digital lovers Customers with special pricing on the website.

Accounts

A new Account Maintenance platform was launched, which allowed:

- with just the presentation of the ID card 4 documents previously required are replaced (protocol signed between Millenniumbcp and the Agency for Administrative Modernization - AMA);
- through the access code to the Permanent Certificate, the Bank would have access to various information on the Companies to attract young adult Customers at the beginning of their professional careers by joining the Millennium GO Solution! and using digital channels.

ActivoBank

During the 1st half of 2021, several personal loans and mortgage loan digital campaigns were developed, reinforcing the characteristics of these products, such as the competitive rate on personal loans and the campaign to reduce the instalments of up to 30% in mortgage loans.

In terms of loans, it should be highlighted the launch of loans for students, at a competitive rate, free of credit opening fees and where, during studies, only interest is charged. This product is intended to support the strategy of attracting young digital customers, ensuring contact with the bank even during the academic phase.

The bank reinforced its insurance distribution strategy with the development of an insurance hub through the ActivoBank App, materialized by the

launch of Médis and Médis Dental insurance on the App, offering the 1st monthly subscription fee through the App.

Within the scope of investments, it has to be highlighted the launch of the ActivoBank advisory service, an investment support service that combines the needs and objectives of Customers with their investment profile, in order to find the right investment or retirement solution for each Customer. This service includes investment funds, financial insurance and certificates marketed by ActivoBank.

The sale of certificates through the ActivoBank App was also launched, making it possible, with a single stock exchange transaction, to access the global bond and equity markets through the new family of Certificates of Allocation Strategy. These Certificates replicate the behaviour of two global benchmark bond and equity indices in pre-defined weights, deducted from the management fee and with semi-annual rebalancing.

Launch of the new data maintenance service through the App, enabling ActivoBank's Customers to update their main Customer data in a completely digital way.

Banking income increased 25% compared to the same period of 2020, to 20.7 million euros. Operating results amounted to 10.4 million euros (an increase of 53% compared to the same period of the previous year).

Net income increased 24% compared to June 2020, amounting to 6.6 million euros.

The growth of the personal and mortgage loans portfolio was, respectively, 10% and 58%.

There was also a significant growth in Customers with diversified products portfolio, which reached 33.9% compared to the same period of 2020.

In the 1st half of 2021, ActivoBank was recognized as "Consumer's Choice", in the Digital Bank category; with the Five Star Award, in the Digital Banking category; "Best Mobile Banking App" and "Best Consumer Digital Bank" by World Finance. These awards recognize the bank's strategy, which consists of a focus on quality of service, innovation and digital service, and are the result of consumers' trust in the ActivoBank's brand.

Microcredit

In a scenario marked by the COVID-19 pandemic that strongly constrained the institutional activity of disseminating Microcredit and promoting entrepreneurship, as a result of the work carried out in the 1st half of 2021, Millennium bcp Microcredit approved the financing of 41 new

operations, translating a total of 624 thousand euros of credit and 78 new jobs created.

Since the beginning of the year, the Bank's partners for Microcredit, business associations, municipalities, training and consulting companies, social economy entities have started to resume their activities and dissemination, training and capacity building initiatives. Thus, in the first half of 2021, the following initiatives were carried out, within the scope of the Microcredit dynamization work:

- 49 meetings (face-to-face or telematic) to monitor the relationship with existing partners;
- 23 meetings (face-to-face or telematic) for the presentation of Microcredit to potential institutional partners;

- 12 new cooperation agreements (5 social economy entities; 4 municipalities; 2 consultants; 1 association);
- 12 training sessions and dissemination of Microcredit that reached 270 people (unemployed, in training courses or finalists in vocational education);
- 5 presences in institutional partner initiatives.

	Million euros		
RETAIL BANKING in Portugal	30 Jun. 21	30 Jun. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	223	263	-15,1%
Other net income	206	197	4,4%
	429	460	-6,7%
Operating costs	234	235	-0,7%
Impairment and provision	44	37	20,2%
Income before tax	151	188	-19,7%
Income taxes	47	58	-18,2%
Income after tax	104	130	-20,3%
SUMMARY OF INDICATORS			
Allocated capital	1,201	1,231	-2.5%
Return on allocated capital	17.4%	21.3%	
Risk weighted assets	9,800	10,036	-2.3%
Cost to income ratio	54.5%	51.1%	
Loans to Customers (net of impairment charges)	24,334	22,955	6.0%
Balance sheet Customer funds	34,967	32,386	8.0%

Notes:

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

Income

As at 30 June 2021, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 104 million, showing a 20.3% decrease compared to Euros 130 million in the same period of 2020, penalized mainly by lower net operating revenues, essentially constrained by the negative evolution of the interest rates. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income reached Euros 223 million as at 30 June 2021, reducing 15.1% compared to the previous year (Euros 263 million), mainly influenced by lower income arising from the internal placements of the excess liquidity.

- Other net income reached Euros 206 million as at 30 June 2021, showing an increase of 4.4% compared to the amount attained in the same period of the previous year. This evolution mainly reflects the favourable performance of commissions, as gains with certificates recorded in net trading income were lower than the amount achieved in the previous year. It is worth noting market commissions, which grew compared to the same period of the previous year, driven by commissions associated with the placement of third-party investment funds and commissions from exchange and brokerage transactions.
- Operating costs dropped 0.7% from the amounts recognized in the same period of the previous year, benefiting, on the one hand, by

the progressive reduction in the number of employees and, on the other hand, by savings in other administrative costs.

- Impairment charges amounted to Euros 44 million by the end of June 2021, increasing 20.2% compared to the amount of Euros 37 million recorded in June 2020, reflecting namely the impact of the downgrade of the credit risk parameters considered in the impairment calculation model, which had been updated in 2020, due to the deterioration of the macroeconomic scenario, as a consequence of the crisis caused by the COVID-19 pandemic.
- In June 2021, loans to customers (net) totalled Euros 24,334 million, 6.0% up from the position at the end of June 2020 (Euros 22,955 million), while balance sheet customer funds increased by 8.0% in the same period, amounting to Euros 34,967 million by the end of June 2021 (Euros 32,386 million at the end of the first semester of the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Companies and Corporate

A period still marked by adversity in which the provision of financial assistance remained an absolute priority, guaranteeing the necessary support to Portuguese entrepreneurs and companies.

With an expanded offer, the reinforcement of credit lines and the signing of new agreements, Millennium bcp is the leader in loans to companies:

- Leadership in placing European guarantee solutions for the European Investment Fund (FEI COVID COSME, FEI Social Economy EASI, FEI Cultural and Creative Sectors CCS, FEI COSME and FEI Inovação) with more than 4,500 new financings, worth 580 million euros.
- Signing of a 1,177 million euros contract with the FEI for financing the treasury and investments of Micro, Small and Medium Enterprises, being the largest European guarantee ever in Portugal. This agreement made it possible to finance more than 4,400 operations amounting to around 500 million euros.
- Maintained the leadership of the SNGM (National Mutual Guarantee System) with a market share of 18.2% corresponding to more than 60 million euros of guarantees in a total of more than 580 operations (as of April 2021).
- Portugal 2020: As part of the support to companies with applications and investment projects approved under the Portugal 2020 Programme, new financing of around 73 million euros was granted.
- Recovery and Resilience Plan: Monitoring and preparation of the investment support plan with Community Funds over the next decade, with the implementation of several initiatives, highlighting the creation of 10 Sectoral Snapshots of the PPR whose objective is to disseminate information and measures with Customers.
- Financial Instrument for Urban Rehabilitation and Revitalization (IFRRU): crucial focus on financial support for operations totaling around 16 million euros of total investment in the rehabilitation, sustainability and energy efficiency of buildings.
- Market leadership in Factoring & Confirming, according to ALF - Associação de Leasing e Factoring, with a market share of 28% (data for November 2020).
- Market leadership in Confirming, according to ALF - Associação de Leasing e Factoring, with a market share of 38% (data for November 2020).
- Invoicing taken from Factoring & Confirming of 3.1 billion euros in the first 5 months of 2021, with more than 1,200 million euros in Factoring and more than 1,800 million euros in Confirming (as of May 2021).
- 73% growth in the contracting of Factoring & Confirming operations online, with a simulation process and end-to-end digital contracting, with a total average credit balance of 7.4 million euros.
- Millennium bcp was named, for the fourth consecutive year, as the Main Bank of Companies in Portugal, according to the BFIN 2021 study carried out by DATA E, where it leads with a share of 19.6% in the various sizes of companies (Micro-companies, SMEs and Large Companies). As the main bank, Millennium bcp leads in the Industry, Construction and Commerce sectors, also heading the satisfaction and leadership indices as the main bank of companies that have used and/or applied for Covid support lines (financing and moratoria). Regarding the image it transmits, Millennium bcp is elected as the Bank with the “most suitable products for Companies”, “globally more efficient”, “globally better for Companies” and “closest to its Customers”.
- In recognition of the Dedication, Overcoming, Ambition and Innovation of all SMEs and the Bank’s leadership in PME Líder 2020, for the 3rd consecutive year, the campaign “Gigantes na Dedicção” was launched.

- Millennium bcp joined COTEC from the outset for the public recognition of national Companies that, by their performance in Innovation, are an example of value creation for the Country. In this 1st edition of the COTEC 2021 Innovative Statute, Millennium was the Bank that supported the most companies to achieve this Statute, with a share of 42% and a total of 104 Statutes.
- The additional State support, which allowed new adhesions to the moratoriums and the extension of the suspension period, allowed the support to more than 390 Customers with the implementation of 466 new requests for Corporate moratoria, in a total of 143 million euros in credit.
- The extension of the grace period, capital and maturity, of credit operations contracted under credit lines with public guarantee, allowed support to around 9,250 Business Customers, in a total of 9,789 Operations.

Proximity to the Primary Sector

Maintaining a team specialized and dedicated to the business of the agro-food and agroforestry sectors, reinforced in this semester with skills in the scope of the Sustainability offer, the Bank deepened, during this period, its commitment to proximity with Entrepreneurs, attentive to the challenges and to the universe of their needs financial, highlighting:

- Reinforcement of the specific financial offer for the primary sector, with emphasis on the promotion of the Credit Line to Support the Fishing Sector - 2020, protocolled with the IFAP and reinforced by 20 Mio€ and the Short Term IFAP Credit Line.
- Commercial dynamization for the anticipation of the 2021 Single Request Aid (PU-2021 and the PDR-2020 Notice).
- Participation in various events and webinars, highlighting the National Agriculture Fair, OVIBEJA and the Conferences promoted by LUSOMORANGO (O.P.) and the Catholic University of Portugal.
- Published the 7th and 8th edition of Agronews, which makes known what is most significant in the agricultural sector and promotes, in each edition, an examination of a particular sector or sector of activity.
- Partnership Agreements signed with the Portuguese Industrial Association - Chamber of Commerce and Industry, National Association of Optics and Portuguese Farmers' Confederation, providing a set of Guarantee Lines, protocols and other financial instruments for its members.

- Presence in forums to analyze development measures and business competitiveness, with emphasis on the Business Confederation of Portugal and the Working Group of the Ministry of Environment and Energy Transition (MATE).

Trade finance

- By the end of June 2021, the number of operations grew 7.2%, showing a recovery compared to 2020, while the number of Customers also increased by 6.3%. The Bank's market share remained at 21%. Turnover in the first 6 months of 2021 amounted to 25.6 billion euros.

Investment banking

- In Corporate Finance, the Bank participated in several projects in Portugal and in international markets, providing financial advisory to its Customers and to the Bank itself in various projects, involving researching, developing and completing M&A operations, valuation of companies, corporate restructuring and reorganization processes, as well as research and economic-financial analysis of projects. In Mergers & Acquisitions, the assistance to Staples Solutions BV in the sale of its business in Portugal should be emphasized.
- In terms of Project Finance, in Portugal, we highlight the closing of the refinancing of Probiomass' debt and a strong effort in terms of origination of renewable energy deals, with a special focus in photovoltaic projects. On the international front we highlight the origination efforts in the energy and telecommunications sectors.
- In what regards Structured Finance, we highlight the analysis, structuring and negotiation of new financing operations in Portugal in diverse segments, namely agribusiness, metallurgic, utilities, coatings/paints, transports, retail and distribution, pharma, hotels and tourism. Despite 2021's economic framework, it is particularly noteworthy the successfully closing of financing to Sodim related with the public tender offer over Semapa and to Metalogalva related to its international acquisitions expansion plan in Poland and Germany and the participation in the international syndicated loan to Sociedade Francisco Manuel dos Santos, among others.
- In the debt capital markets, we note the joint lead of the € 750 million green hybrid bond issued by EDP and the joint lead of REN's €300 million inaugural green bond issue. In the equity segment, we highlight the participation of Millennium investment banking in the structuring and organization of the general and voluntary tender offer for the acquisition

of Semapa shares, launched by its majority shareholder Sodim, SGPS.

- In the Sectoral Approach, ecosystems were mapped to create business opportunities and maximize the number of new clients, increasing, in conjunction with the Bank's networks, the added value to companies and investors.

 <p>JOINT LEAD MANAGER</p> <p>1.875% green bonds</p> <p>€ 750,000,000</p> <p>2021</p> 	 <p>FINANCIAL ADVISORY</p> <p>Financial Advisory to Staples in the sale of its business in Portugal</p> <p>Undisclosed</p> <p>2021</p> 	 <p>JOINT LEAD MANAGER</p> <p>Inaugural Green Bond 2021-2029</p> <p>300,000,000 €</p> <p>2021</p> 	 <p>MANDATED LEAD ARRANGER</p> <p>Acquisition finance</p> <p>250,000,000 €</p> <p>2021</p> 
 <p>JOINT GLOBAL COORDINATOR</p> <p>Acquisition Tender Offer</p> <p>277,861,375 €</p> <p>2021</p> 	 <p>MANDATED LEAD ARRANGER</p> <p>Refinancing</p> <p>28,787,000 €</p> <p>2021</p> 	 <p>MANDATED LEAD ARRANGER</p> <p>Acquisition finance</p> <p>Undisclosed</p> <p>2021</p> 	 <p>MANDATED LEAD ARRANGER</p> <p>Facilities acquisition financing</p> <p>7,500,000 €</p> <p>2021</p> 

Real estate business

Main lines of action during the 1st semester of 2021:

- Management of available-for-sale properties - the Bank pursued its objectives of reducing the portfolio of available-for-sale assets, despite the worsening of the pandemic and all the negative impact generated on the business, with emphasis on the closing of some essential services for completion operations, hindering the entire process leading to the realization of deeds. In this context, there was a need to adapt strategies to the new reality and develop various promotional initiatives, using digital and online platforms, being closer to potential interested parties, providing full support in decision-making and demonstrating confidence in the market and its agents. As there were no significant changes to the composition of the portfolio for sale, which mainly consists of non-residential assets, the commercial focus was directed at the predominant segments of the Bank's portfolio, with campaigns having been implemented, involving various means, but with a special reinforcement of digital. In this 1st semester, exclusive "Make your offer" actions were carried out on the Bank's website, "FSO Lojas na Madeira", "Local Commerce can't stop" and a "Land Exchange" aimed at small and medium-sized builders. The strategy adopted has proven to be the most suitable for obtaining excellent results in property sales, with the Bank being in line with its budget.
- Management of Properties not available for sale - strengthening the focus on competent physical, legal, administrative regularization and implementation of actions for the valorization/non-degradation of properties acquired through credit recovery or that are no longer related to exploration in order to sell/sale made it possible to surpass the goals initially outlined for the transfer of these properties for sale.
- Management of Shares controlled by the Bank in Entities that manage real estate risk, Funds and Companies in a divestment strategy with preservation of value.

Interfundos

- Reinforcement of Real Estate Investment Organizations (OII) continuity and financial sustainability, based on the preservation and creation of value and liquidity conditions for participants and shareholders, together with the consolidation of the market's leadership position.
- Global sales amounted to Euro 47 million, corresponding to a total of 92 properties.
- Transfer of the management of a Real Estate Investment Fund (Multiusos Oriente).
- Liquidation of a Real Estate Investment Fund (DP Invest).
- Extension of the duration of three Real Estate Investment Funds (Imoal, TDF and Imopromoção).
- Execution of four capital reduction operations (Fundial, Gestimo, Imosotto and Imorenda).
- Carrying out two capital increase operations (Imotur and Monumental Residence).
- In the 1st half of 2021, the volume of assets of the 27 OII (Real Estate Investment Funds and SICAFIs) under the management of Interfundos reached Euro 1,215 million.

International

- During the first half of the year, there was a gradual dissipation of the uncertainty factors registered at the beginning of the pandemic and the results of the different stimuli and support measures for the most affected segments of the economy, with the consequent emergence of dynamics of recovery and evolution towards a scenario post-pandemic. Thus, BCP witnessed the recovery of international trade and growth resumption in the main economies and markets with which relates. It was, therefore, a favourable framework for the main business lines of the Department of Financial Institutions, namely in cross-border payments and trade finance activities.
- The previous consolidation of a strong network of correspondents, based on the deepening of partnerships and cooperation relations with the main international banks, allowed BCP to be particularly well positioned in this period of recovery in economic and business activity and growth in exports, providing due support in all main countries and jurisdictions with which BCP's Customers keep economic relations.
- The challenges of this period also made evident the advantages of being a reference bank in the negotiation of financial products and instruments with multilateral credit lines. The negotiation of products - in particular portfolio guarantees - such as the EIB/EIFI Group was particularly critical in responding to the crisis

caused by the pandemic, with a clear benefit in terms of financing for national companies.

- At the same time, BCP maintained more flexible and efficient ways of working and articulating with Customers and counterparties, and continued to adapt and recreate processes and business models, in view of the constant change in the environment, in particular for regulatory reasons, operational risk and compliance, and also as a result of technological innovation.
- Multilateral credit lines: Highlight for the signing of the biggest contract ever in our country with the EIF - European Investment Fund: 1,177 million euros of European guarantees to support national companies. With the FEI EGF Line (Pan-European Guarantee Fund) the support instruments for medium-sized companies to respond to the pandemic were reinforced, with extended terms and very competitive financial conditions. This product joined the portfolio of other instruments previously negotiated with the EIB/EIF group, covering various sectors and segments of national companies, with considerable demand from Client companies.
- Trade Finance & Payments: The resumption of export growth also boosted cross-border payments in different currencies and trade finance activity. An active management of correspondence relations has placed us in a privileged position in supporting national companies with international business.
- Custody: In the activity of institutional custody and in particular in the provision of depository banking services to venture capital fund management companies, BCP reinforced its leadership in the national market, by investing in a flexible service model, with customized advice and offer and very competitive conditions.

	Million euros		
COMPANIES, CORPORATE & INVESTMENT BANKING in Portugal	30 Jun. 21	30 Jun. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	127	117	8.5%
Other net income	70	66	6.9%
	197	183	7.9%
Operating costs	59	59	0.7%
Impairment and provision	76	156	-51.3%
Income before tax	62	-32	
Income taxes	19	-10	
Income after tax	43	-22	
SUMMARY OF INDICATORS			
Allocated capital	1,252	1,277	-2,0%
Return on allocated capital	6,9%	-3,4%	
Risk weighted assets	10,803	10,647	1,5%
Cost to income ratio	29,9%	32,0%	
Loans to Customers (net of impairment charges)	12,243	13,035	-6,1%
Balance sheet Customer funds	9,505	8,291	14,6%

Notes:

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

Income

Companies, Corporate and Investment Banking segment in Portugal reached an income after tax of Euros 43 million in June 2021, showing an increase compared to a loss of Euros 22 million in the same period of 2020. Despite its favourable performance, net income achieved by this segment remains constrained by the progressive implementation of non-performing exposures reduction plan, with an impact on the volumes of the loan portfolio and on its levels of impairment charges. In 2021 the performance of this segment is explained by the following changes:

- Net interest income stood at Euros 127 million as at 30 June 2021, 8.5% above the amount attained in the previous year (Euros 117 million). The reduction in the cost of internal funding and also in the interest rates of term deposits contributed favourably to the net interest income evolution, which ended up being partially offset by lower income arising from the loan portfolio, as a consequence of the lower level of average interest rates. It should be noted that, despite the reinforcement of the credit portfolio with the loans granted under the credit lines backed by the Portuguese Government to support the economy during the pandemic, the margin of the credit portfolio continues to be under pressure by the current macroeconomic context characterized by a persistent low interest rate scenario.
- Other net income reached Euros 70 million in June 2021, being 6.9% higher compared to the amount achieved in June 2020, which is mainly explained by the positive impact of commissions, benefiting, on one hand, by the reduction in commissions linked to guarantees

received, and, on the other hand, by an increase on fees related to wire transfers.

- Operating costs totalled Euros 59 million by the end of June 2021, in line with the overall amount of costs recorded in the same period of the previous year.
- Impairments showed a 51.3% drop, decreasing from Euros 156 million in June 2020 to Euros 76 million in June 2021. This favourable evolution reflects, on one hand, the extraordinary reinforcement of impairments that had been carried out in the first half of 2020, following the context of the economic crisis caused by the COVID-19 pandemic and, on the other hand, the extraordinary and unexpected positive impact associated with the activity of a single name exposure that led to lower impairment needs in the first half of 2021.
- As at June 2021, loans to customers (net) totalled Euros 12,243 million, decreasing 6.1% from the position in June 2020 (Euros 13,035 million), reflecting, on one hand, the Bank's positive performance in granting credit under the credit lines guaranteed by the Portuguese State and, on the other hand, the impact of reduction of the non-performing exposures. Balance sheet customer funds reached Euros 9,505 million, 14.6% above the amount recorded in June 2020, in particular through the expansion of the client's deposits base.

PRIVATE BANKING

The 1st half of 2021 was, once again, strongly marked and constrained by the pandemic evolution.

Of special note throughout this 1st half-year:

- the consolidation of the Customer base growth, taking advantage of the dynamism obtained with the restructuring and strengthening of the Non-Residents and Funding Department, which allowed greater action with non-national Customers with an address in Portugal and also through cross-reference actions;
- the strong growth in financial assets, as a result of Customer' satisfaction levels with the service provided by their Private Banker and with the core services provided by the Private Banking network, in other words, investment consultancy and portfolio management services;
- the growing diversification of Clients' wealth, with special focus on portfolio management, investment funds and certificates;
- the growth in the volume of assets under management by the portfolio management service and the outperformance observed;
- the evolution of the quality of the service provided to execution Customers through the action of the Investment Center, which reinforced the network's short-term vision of the markets;

- the continuous and notable growth in the number of active Customers with the App installed and in the number of users of the Millennium website and subscribers to the digital statement.

The Bank continued to reinforce the culture of greater proximity between Private Bankers and Customers, ensuring constant monitoring of Customer assets, keeping Customers informed about the impacts of the pandemic and promoting off-site events.

Within the scope of Millennium Private Banking's Private Talks, digital micro conferences were promoted on the global economy, financial markets and macroeconomic perspectives for 2021, during which Customers had the opportunity to interact in real time with the Vice President of Millennium bcp, the Executive Manager of Private Banking and the Chief Economist of Millennium bcp, and the Private Banking also continued to invest in sharing knowledge through webinars.

As part of the measures identified under the Private 2.0 Project, the investment in paperless processes, the focus on the digital account process and the implementation of new measures to systematize the commercial network and the business should be highlighted.

	Million euros		
PRIVATE BANKING in Portugal	30 Jun. 21	30 Jun. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	2	10	-76.1%
Other net income	17	14	23.9%
	19	24	-19.3%
Operating costs	9	11	-16.2%
Impairment and provision	-4	-1	194.6%
Income before tax	14	14	-4.1%
Income taxes	5	4	-4.1%
Income after tax	9	10	-4.1%
SUMMARY OF INDICATORS			
Allocated capital	76	72	5.9%
Return on allocated capital	24.6%	27.1%	
Risk weighted assets	643	599	7.3%
Cost to income ratio	47.8%	46.0%	
Loans to Customers (net of impairment charges)	304	268	13.2%
Balance sheet Customer funds	2,635	2,365	11.4%

Notes:

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

Income

Income after tax from Private Banking business in Portugal, computed according to the geographic segmentation perspective, totalled Euros 9 million in June 2021, showing a 4.1% drop compared to the net profit posted in the same period of 2020 (Euros 10 million), mainly due to the unfavourable evolution of net operating revenues. Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Net operating revenues stood at Euros 19 million in June 2021, 19.3% down from the previous year (Euros 24 million). This reduction is explained by the unfavourable performance of net interest income, partially offset by the increase observed in other net income. Net interest income totalled Euros 2 million in June 2021, comparing to Euros 10 million reached in June 2020, penalized by lower income arising from the internal placements of the excess liquidity, despite lower costs incurred with term deposits. Other net income amounted to Euros 17 million in June 2021, reflecting an increase of 23.9% compared to the same period of the previous year, mainly driven by higher commissions from asset management activity, but also by the increase in wire transfer fees and in commissions linked to distribution of third-party investment funds.
- Operating costs amounted to Euros 9 million in June 2021, below the operating costs recorded in 2020 (Euros 11 million), reflecting a decreasing trend.
- Impairment impacted positively the profit and loss account, with reversals reaching Euros 4 million in the first semester of 2021, while in the same period of the previous year, reversals attained Euros 1 million.
- Loans to customers (net) amounted to Euros 304 million by the end of June 2021, showing an increase of 13.2% compared to figures accounted in the same period of the previous year (Euros 268 million), while balance sheet customer funds grew 11.4% during the same period, from Euros 2,365 million in June 2020 to Euros 2,635 million in June 2021, mainly due to the increase in customer deposits.

FOREIGN BUSINESS AND OTHERS

Poland

- Adjusted net income (excluding CHF provisions) up by 87.4%, despite the 0.90 pp decrease of the 3m WIBOR.
- Net losses of 112.7 million euros, affected by 214.2 million euros provisions for legal risk on CHF loans.
- Continued implementation of measures to rationalise the workforce and to optimise geographic presence: reduction of 993 employees and 90 branches.
- Strong franchise, as demonstrated by the increase of Customers funds by 5.9% and of loans to Customers by 6.2%.
- Continuation of the reduction of the CHF mortgage portfolio, that stood at 2.8 billion euros as of June 2021 (13.9% of the loan portfolio). The annualised decrease stepped-up to 12.0% in the 1st half of 2021 from 10.2% in the 2nd half of 2020.
- The cost of risk on the CHF mortgage portfolio is stematically below 15bp over the last years.
- Following provision charges of 214.2 million euros in the 1st half of 2021, cumulative provisions for legal risks on the FX mortgage portfolio stood at 414.7 million euros. This is equivalent to 14,9% of the CHF portfolio, compared to 7.3% for the peers' average at March 2021.
- 2,884 new individual lawsuits in the 1st half of 2021.
- CET1 ratio of 15.6%, with total capital of 18.7%.

Switzerland

- On 29 June 2021, Banco Comercial Português, S.A. entered into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP SA. The completion of the transaction is subject to the verification of the usual conditions for carrying out this type of transaction, including the non-opposition of the relevant local supervisory bodies.
- Banco Comercial Português, S.A. estimates that the sale price and the (positive) impact on consolidated results for the current year, on a pro forma basis as of March 31, 2021, were between CHF 130 and 140 million and between CHF 45 and 55 million respectively⁴. These amounts are subject to adjustments arising from the evolution of assets under management and the activity of Banque Privée BCP SA, and will only be definitively fixed after the date of completion of the transaction.

⁴ With reference to the exchange rate set by the ECB on June 29, 2021 (EUR/CHF 1.0965), the sale price and the impact on the current year's consolidated results, on a pro forma basis as of March 31, 2021, are situated, respectively, between EUR 119 and 128 million and EUR 41 and 50 million.

⁵ For the purpose of the computation of the net income generated by business segments, Macao activity is included in the "Other" segment, since it is carried out through a branch.

- The impact of the transaction on the Group's solvency ratios, estimated on a pro forma basis as of March 31, 2021, is an increase of 15 b.p. in CET1 ratio and 16 b.p. in the total capital ratio.

Mozambique

- Net income of 37.9 million in the 1st half of 2021.
- Banking income increased 3.4%, to 101.7 million.
- Operating costs controlled, increased 2.3% to 44.7 million euros.
- Increase in core income, with net interest income up by 3.1% and commissions up by 5.9%.
- NIM has reduced from 8.2% to 7.7%.
- Other income increased 2.2% to 11.5 million euros.
- Customer funds grew 10.3%; loans to Customers decreased by 4.9%.
- Capital ratio of 44.0%.

Macao⁵

- Net income reached Euro 6.6 million in the first semester of 2021, an increase of 88.6% from the same period of last year. This over performance was mainly due to the increase in net interest income (+126.3%), as a result of the significant growth of the loans to customers (+125%), that more than offset the decrease in non-interest income (-46.2%).
- The Branch acted as a support platform for companies doing business in Macao and in Mainland China, mainly in the Greater Bay Area, including exports and imports of China.
- Attracting Chinese clients wishing to invest in Portugal, both individually and at the business.
- Promoting contacts between the Investment Banking area of Millennium bcp and Chinese companies seeking investment opportunities in the Portuguese-speaking countries.

Cayman Islands

- Net income of 0 million euros in the first half of 2021.
- Continuation of the process of reduction of commercial activity, translated into the reduction

of core revenues, notwithstanding the reduction in operating costs.

- At June 30, 2021, Customer funds and gross loans of Millennium bcp Bank & Trust stood at 2 million euros and 0 million euros, respectively.

	Million euros		
FOREIGN BUSINESS	30 Jun. 21	30 Jun. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	359	384	-6.4%
Other net income (*)	79	78	0.7%
	438	462	-5.2%
Operating costs	202	230	-12.1%
Impairment and provision	266	147	81.5%
Income before tax	-30	85	-135.7%
Income taxes	49	35	37.7%
Income after tax from continuing operations	-79	50	
Income from discontinued operations	3	4	-7.7%
Income after income tax	-76	54	
SUMMARY OF INDICATORS			
Allocated capital (**)	2,810	2,963	-5.2%
Return on allocated capital	-5.5%	3.6%	
Risk weighted assets	17,141	15,857	8.1%
Cost to income ratio	46.2%	49.8%	
Loans to Customers (net of impairment charges)	17,779	16,928	5.0%
Balance sheet Customer funds	22,419	21,733	3.2%

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

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

Income

Income after tax from Foreign Business, computed in accordance with the geographic perspective, posted losses of Euros 76 million in June 2021, reversing the last year's performance, when a profit of Euros 54 million was achieved in the first semester of 2020. This evolution is mostly explained by the impairment and provision charges and, although to a lesser extent, by the decrease in net operating revenues.

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

- Net interest margin stood at Euros 359 million in June 2021, which compares to Euros 384 million achieved in June 2020. Excluding the impact arising from the foreign exchange effects, the decrease would have been 2.6%, reflecting mainly the negative performance of the subsidiary in Poland, mostly penalized by the successive cuts in the reference interest rates implemented by the Polish Central Bank in 2020.
- Other net income slightly increased by 0.7% compared to the first half of 2020. Excluding foreign exchange effects, other net income would have grown 6.6%, mainly reflecting the performance of the Polish subsidiary regarding the reduction of costs with mandatory contributions and the increase in commissions, although partially absorbed by the reduction in net trading income.
- Operating costs amounted to Euros 202 million as at 30 June 2021, 12.1% down from June 2020. Excluding foreign exchange effects, operating costs would have dropped 8.5%, mainly influenced by the operation in Poland, which continues to reflect, in part, the positive impact of the synergies obtained after the merger with Euro Bank S.A.
- Impairment and provision charges at the end of June of 2021 presented a substantial increase compared to figures reported in the same period of 2020, reflecting mainly the additional extraordinary provisions for legal proceeding related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary, amounting to Euros 231 million (Euros 38 million in the first semester of 2020). Credit impairment showed a favourable evolution against the first semester of 2020, which had included the impact of additional provisions related to risks from COVID-19 pandemic, recorded both by the Polish and Mozambican subsidiaries.

- Loans to customers (net) stood at Euros 17,779 million at the end of June 2021, above the amount attained as at 30 June 2020 (Euros 16,928 million). Excluding foreign exchange effects, the loan portfolio increased 6.5%, benefiting from the growth achieved by the Polish subsidiary. The Foreign business' balance sheet customer funds increased 3.2% from Euros 21,733 million reported as at 30 June 2020 to Euros 22,419 million as at 30 June 2021. Excluding the foreign exchange effects, balance sheet customer funds increased 4.5%, mainly driven by the performance of the subsidiary in Poland, but also, although to a lesser extent, by the subsidiary in Mozambique.

BANCASSURANCE BUSINESS

Sale of Insurance through the banking channel

Although the beginning of the year was marked by a new phase of confinement, the strategic pillars and ongoing projects were continued, with a view to providing excellent Customer service and maintaining the Group's leadership in the sale of insurance through the banking channel (Bancassurance), with the following highlights:

- launch of the "Bancassurance Next Level" program, involving Bank and Insurance teams, with a focus on innovation and disruptive process transformation;
- focus on various cross-selling / bundling actions, meeting the global needs of Customer protection and simultaneously aiming to increase the ownership of products per Customer;
- launch of campaigns with price advantages, for Private and Corporate Customers, in the Life and Health branches;
- reinforcement of the importance of digital channels, with price advantages for purchases

made on the website, expansion of the range of products available on the App and the possibility of confirming the purchase of financial products suggested by the Bank;

- the Médis Baby Program allowed us to support our Customers with Médis Insurance, in planning, promoting a healthy pregnancy and peaceful motherhood and fatherhood;
- simplifying, streamlining and improving the monitoring of car claims by our Customers.

COVID-19

The 1st half of 2021 continued to be marked by the impact across society as a whole. Protection in the various lines of business is a fundamental safety factor for our Clients, examples being:

- Life insurance, which guarantee the situations of death and disability by COVID-19;
- Work accident insurance, which covers the situation of teleworking;
- Payment Protection Plan Insurance, which guarantees coverage in case of illness caused by the COVID-19 infection;
- Médis Health Insurance, in which Médis as a Personal Health Service® continued to develop a series of measures to support and protect the health of its Customers, namely the provision of the Online Medical service, the home delivery service, the COVID-19 symptom evaluator and cost-sharing of diagnostic tests;
- Insurance moratoria: extension of the flexibility of payment of insurance premiums.

Strategic Plan 2021-2024

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Targets for 2024

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

Our aspiration can be synthesised as:

- i) Achieving robust profitability and a strong balance sheet position, managing the impact of the pandemic
- ii) accelerating our competitive differentiation in efficiency and customer engagement, supported by targeted human touch and mobile/ digital solutions and business models, enabled by our highly skilled and effective talent base
- iii) addressing societal sustainability challenges focusing on climate change risks and the associated unfolding opportunities

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

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

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

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

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

Ambitious goals aligned with strategic priorities – Group level

	2020	2024
C/I ratio	47%	~40%
Cost of risk	91 bps	~50 bps
ROE	3.1%	~10%
CET1 ratio	12.2%	>12.5%
NPE ratio	5.9%	~4%
Share of mobile customers	48%	>65%
Growth of high engagement customers ¹ (vs. 2020)	—	+12%
Average ESG rating ²	75%	>80%

¹ Active customers with card transactions in the previous 90 days or funds >EUR 100 (>MZM 1,000 in Mozambique)

² Average of top 3 indices (DJSI, CDP, and MSCI)

Internal Control System

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

- Efficient and profitable performance of the activity, in the medium and long-term, ensuring the effective use of the assets and resources, the business continuity and survival of the Group, namely through an adequate management and control of the activity risks, through a prudent and correct assessment of assets and liabilities, as well as through the implementation of mechanisms for prevention and protection against errors and fraud;
- The existence of financial and managerial information which is complete, pertinent, reliable and timely, to support decision-making and control processes, both at an internal and external level;
- Observance of the applicable legal and regulatory provisions issued by the supervision authorities, including those relative to the prevention of money laundering and financing of terrorism, as well as professional and ethical standards and practices, internal and statutory rules, codes of conduct and Customer relations, guidelines of the governing bodies and recommendations of the Basel Banking Supervisory Committee and European Banking Authority (EBA), so as to preserve the image and reputation of the institution before its Customers, Shareholders, Employees and Supervisors.

In order to achieve these objectives, the internal control system is based on the compliance function, the risk management function and internal audit function. The Heads of these three divisions are appointed by the Bank's Board of Directors - the body that has the capacity to approve the technical and professional profile of these top managers, as appropriate for the exercise of their respective functions -, by proposal of the Committee for Nominations and Remunerations, after an opinion from the Audit Committee and of the Committee for Risk Assessment.

The internal control system is based on:

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

The internal control system is consistently applied across all Group entities, taking into account and complying with local, legal or regulatory requirements of the countries where operations are based supported on a Group Code issued for this purpose.

The internal control system is based on the three lines of defence model, aiming at ensuring:

- A clear accountability of the business areas for their respective risk taking;
- An effective monitoring, control and management of the risks assumed, and rules of conduct and compliance issued in national, European and international legislation; and
- An independent assessment, reported to the Board of Directors, its Executive Committee and Audit Committee of the incurred risk levels, their compliance with the Risk Appetite Framework and of the effectiveness of the control systems established.

The Risk Management System, the Information and Reporting System and the Internal Control Monitoring System

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

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

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

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

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

The risk management system ensures the segregation between the risk management function and the risk-generating business activities, respectively the second and first lines of defence. The internal audit, as third line of defence, ensures independent analysis concerning the risk activity of the first and second lines.

The information and reporting system ensures the existence of information which is substantive, up-to-date, understandable, consistent, timely and reliable, so as to enable an overall and encompassing view of the financial situation, the development of the business, the achievement of the defined strategy and objectives, the risk profile of the institution and the behaviour and prospective evolution of relevant markets. For this purpose, each entity of the Group develops, implements and maintains formal processes for obtaining and processing information that is appropriate to the respective size, nature and complexity of the activity carried out, developing communication processes and reporting lines that ensure an adequate and swift transmission of relevant information to the due intervenient, both internal and external.

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

The monitoring process includes all the control and assessment actions developed with a view to ensure the effectiveness and adequacy of the internal control system, namely through the identification of deficiencies in the system, either in terms of its design, implementation and/or use. The control and monitoring actions are implemented on a continuous basis and as an integral part of the Group's routines, being complemented with regular or exceptional autonomous assessments. Any deficiencies of material impact which might be detected through the control procedures are duly registered, documented and reported to the appropriate management and supervisory bodies.

Within this context, the internal audit function is performed by the Audit Division on a permanent and independent basis, assessing, at all times and pursuant to the established plan, the adequacy and effectiveness of the different components of the internal control system, as a whole, issuing recommendations based on the outcome of those assessments. Within this scope, the Audit Division is informed of the conclusions of the inspection and internal audit actions carried out in each entity of the Group, especially from those that assess the effectiveness and integrity of the entity's internal control system.




In terms of risks' management, these subsystems of the internal control system are managed by the Risk Office and the Compliance Office, complemented, for information and reporting, by the Planning, Research and ALM Division, the Treasury, Markets and International Division, the Accounting and Consolidation Division and by the areas responsible for accounting in the different subsidiaries which ensure the existence of the necessary procedures to obtain all relevant information for the consolidation process, for the accounting and financial information and for other elements that support the management, as well as for the monitoring and control of risks at Group level.

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



The activity of the Compliance Office is transversal to all Institutions of the Group, in terms of applicable compliance policies, with observance of the legal specificities of each jurisdiction. The Compliance Office has access to the preventive information systems on money laundering and terrorism financing adopted by the different entities of the Group, being equally informed and giving an opinion on all changes to the IT alert systems and the processes for identifying Customers and communication of irregular cases verified in the Group's entities, within the scope of the control of money laundering and terrorism financing, in order to promote an alignment of systems, methodologies and criteria with those used by BCP. The Risk Office, the Compliance Office, the Accounting and Consolidation Division, the Planning, Research and ALM Division and Audit Division ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at Group level - both of an accounting nature and relative to management support and risk monitoring and control - which should include:

- The definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, in accordance with the accounting policies and guidelines defined by the management body, as well as the dates when the reporting is required;
- The identification and control of the intra-Group operations;
- Assurance that the managerial information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, verify compliance with the objectives that have been established, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms;
- Validating and monitoring the implementation of the corrective measures to resolve internal control deficiencies that have a material potential impact.

Main Risks and Uncertainties

Risk	Sources of risk	Risk level	Trend	Interactions
ENVIRONMENT				
Banking sector regulation	<ul style="list-style-type: none"> Regular practice of conducting Stress Tests by the ECB European Commission and ECB guidelines on NPL provisioning EBA's guidelines on IRB models EC guidelines as regards impairments for NPL EBA guidelines about IRB models 	High		<ul style="list-style-type: none"> Total CET1 requirements in 2020: 8.83% (9.27% fully implemented) Approval of a set of measures aimed at temporarily easing capital requirements, in order to enable European banks to support the economy during the crisis motivated by the short of COVID-19 Most guidelines have already been translated into BCP's risk models, as a result of continuous dialogue with the ECB
Sovereign	<ul style="list-style-type: none"> Execution of the Recovery and Resilience Plan Interruption of the budgetary consolidation process and the reduction of public and private sector leverage, in Portugal Exposure to Portuguese, Mozambican and Angolan sovereign debt Low interest rates and spreads compression on interest earning assets in Portugal, as a result, mainly, of COVID-19 credit lines Execution of the vaccination plan 	High		<ul style="list-style-type: none"> From 2021-2026, Portugal is eligible to receive more than 30% of GDP in EU subsidies through the Recovery Plan for Europe (which does not require co-financing) and the EU Budget (which requires co-financing -financing). These funds will finance a set of projects along the following lines: digital transition, climate transition and resilience. Recovery of profitability limited by the low nominal interest rates and uncertainty as regards the timing of normalization of the ECB's monetary policy About 40% of the population has already completed the vaccination process and about 60% already have at least one dose, however Portugal has not yet reached group immunity
FUNDING AND LIQUIDITY				
Access to WSF markets and funding structure	<ul style="list-style-type: none"> IMM operating irregularly Widening of spreads and lack of liquidity in the WSF debt markets, as a result of increased volatility in the financial markets related to COVID-19 Cost of issuing debt to comply with MREL requirements Customers interest in off- BS applications due to the low level of interest rates 	Low		<ul style="list-style-type: none"> Balance sheet customer deposits and funds paramount in the funding structure Significant growth in total Customers funds due to the pandemic and confinement periods Need for access to the financial markets to meet MREL requirements, although the gap is manageable Increase in funding costs

Risk	Sources of risk	Risk level	Trend	Interactions
CAPITAL				
Credit risk	<ul style="list-style-type: none"> ▪ Possible interruption of the downward trend in NPAs, due to the economic impact of COVID-19 ▪ Increase in defaults by companies and individuals, in a scenario of slow economic recovery ▪ Increase in corporate indebtedness due to the usage of moratoriums and COVID-19 credit lines ▪ Still high NPA stock ▪ Execution Risk of the NPA Reduction Plans, including reduction of exposure to CRFs ▪ Exposure to real estate assets, directly or by participating in real estate investment or restructuring funds ▪ Significant exposure to sovereign debt, in a context of high indebtedness by countries ▪ Credit to Mozambican companies ▪ Exposure to emerging countries strongly dependent on commodities 	High		<ul style="list-style-type: none"> ▪ NPA reduction plan execution is critical, considering capital requirements (SREP) and regular assessments by Rating Agencies ▪ Significant participation in the distribution of COVID-19 credit lines (positively) and NPEs reduction (negatively) influencing loan book growth ▪ Need to reduce the length of credit and/or companies recovery processes ▪ Need to decrease exposure to real estate risk, despite the positive trend in real estate prices ▪ Need to reduce the exposure to CRFs ▪ Deterioration of the quality of loans granted directly to emerging countries or to companies in those countries or to Portuguese companies with business relationships with those countries
Market risk	<ul style="list-style-type: none"> ▪ Volatility in capital markets ▪ Increase of funding costs, risk premiums and refinancing risk, as a result of the increased volatility caused by the pandemic ▪ Low short-term interest rates environment ▪ Decrease of fair value of assets and collaterals ▪ Pension Fund performance 	Low		<ul style="list-style-type: none"> ▪ Market uncertainty ▪ Central Banks monetary policies ▪ Profitability of the assets of the pension fund ▪ Negative impact on NII ▪ Lower trading income
Operational risk	<ul style="list-style-type: none"> ▪ Restrictions on the normal working of financial institutions, as a result of the impact of COVID-19 ▪ Inherent to the Group's business ▪ Growth of cyber-risks 	Medium		<ul style="list-style-type: none"> ▪ Service restrictions at branches ▪ Remote work ▪ Streamlining processes ▪ Degrading controls ▪ Increased risk of fraud ▪ Data base security / cybersecurity ▪ Business Continuity
Concentration risk	<ul style="list-style-type: none"> ▪ Concentration of assets in some dimensions 	Medium		<ul style="list-style-type: none"> ▪ Need to reduce the weight of the main Customers in the total credit portfolio
Legal, Reputational and of Compliance	<ul style="list-style-type: none"> ▪ Inherent to the Group's business ▪ Development of Off-BS applications and investments activity ▪ Risks related to verdicts issued by polish courts in individual lawsuits against banks (including Bank Millennium) raised by borrowers of FX-indexed mortgage loans and respective impact on impairments 	High		<ul style="list-style-type: none"> ▪ Possible complaints from Customers ▪ Provisioning for legal risk in Poland ▪ Proposal by the Polish Financial Regulator (KNF) to out-of-court settlement of the conflict between banks and borrowers ▪ Possible sanctions or other unfavourable procedures resulting from inspections ▪ Instability and more demanding regulatory framework applicable to financial activity ▪ AML and counter terrorism financing rules

Risk	Sources of risk	Risk level	Trend	Interactions
CAPITAL				
Profitability	<ul style="list-style-type: none"> Interest rates at low levels in nominal terms and regulatory limitations and mediatic pressure on commissioning Cost of risk still at high levels Imposition of limitations on the coverage of problematic assets due to impairments Risks related to decisions issued by Polish courts in lawsuits, instituted against banks (including Bank Millennium) by borrowers on mortgage loans indexed to foreign currency Imposition of asymmetric regulatory limitations on the pricing policy for assets and liabilities More limited room to reduce spreads on time deposits in new production Exposure to emerging economies Competition from other market players as Bigtechs and Fintechs 	Medium		<ul style="list-style-type: none"> Negative impacts on net interest income: price effect, volume effect and overdue credit effect Negative impacts on commissions, in the event of a slowdown in banking activity or extraordinary measures taken to support companies Need to continue control over operating costs Increase in cost of risk Maintaining adequate coverage of problematic assets by provisions Reinforcement of provisioning related to legal risks associated to mortgage loans indexed to foreign currency Reformulation of the business model and digital transformation
Risks related to ESG / Sustainability	<ul style="list-style-type: none"> Regulatory initiatives for the reporting of ESG related impacts, with impacts not completely defined yet, namely in terms of capital requirements or RWAs Increasing inclusion of ESG criteria in the decision to invest in stocks or bonds Increasing scrutiny by analysts, including Rating Agencies, on the impact of ESG risks 	Low		<ul style="list-style-type: none"> 2021 Sustainability Master Plan with objectives and metrics that guide performance in the three ESG dimensions ESG criteria incorporated in Risk Appetite Statement Creation of a Sustainability Committee and an ESG-dedicated division Reinforcement of innovation and development of ESG solutions for Customers across segments Adoption of measures with environmental impact Improvement of the Gender Equality Plan

Risk management

Framework

Risk appetite

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

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

The RAS is composed by a set of 28 indicators that are considered of primary importance and representative of several risks classified as “material”, within the formal risks’ identification and quantification process, carried out at least once a year.

For each of the indicators concerned, two levels of limitation are established: an ‘alert level’, up to which the level of risk represented is acceptable and from which corrective measures must be taken immediately (in order to that the level of risk regained to an acceptable level) and a

‘level of breach’, which requires immediate measures with significant impact, aimed at correcting a risk situation considered unacceptable.

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

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

Risk strategy

The above definition of RAS - as the primary set of indicators that render and materialise the risk appetite - is one of the guiding vectors of the Group's "Risk Strategy", which is approved by the Board of Directors, by proposal of the Committee for Risk Assessment. Based on the RAS, several lines of action are established, to be developed by different organizational units of the Group, in order to address the mitigation or control of all material risks identified within the risks' identification and assessment process. These lines of action formally constitute the Group's Risk Strategy.

Hence, the RAS and the Risk Strategy are inseparable and central elements of the Group's risk management, both aiming to control and mitigate risks classified within the risks' identification process.

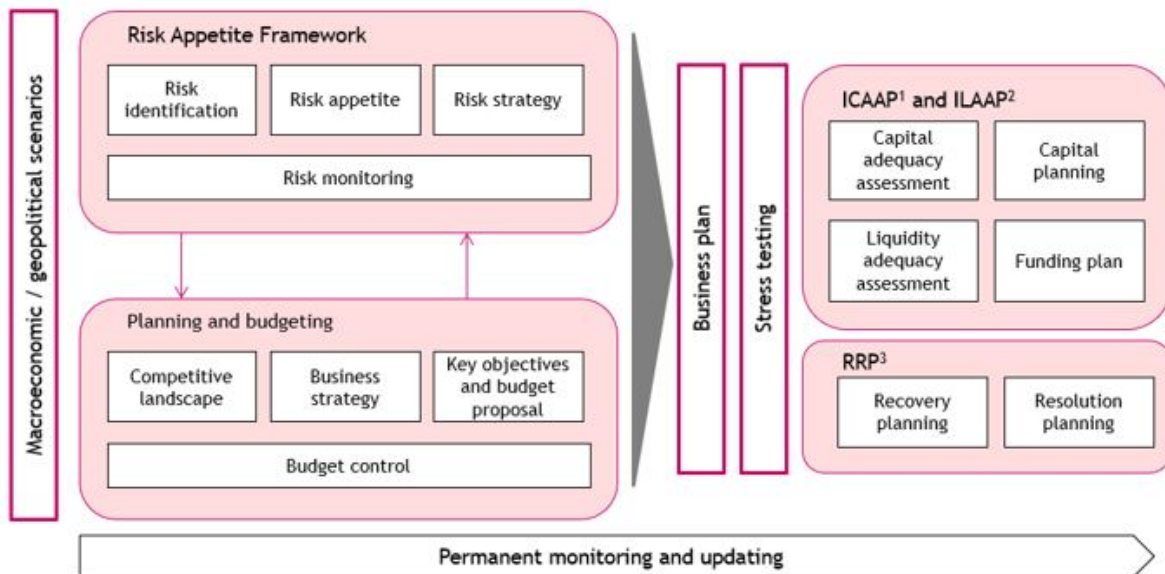
Integration between the business and risk management

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

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

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

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



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

Internal control

The Risk Management function is an integral part of the Group's Internal Control System (ICS), along with the Compliance and Internal Audit functions, contributing for a solid control and risk-limiting environment upon which the Group carries out its business (and business support) activities.

Within the ICS, the Risk Management and Compliance functions form the Group's Risk Management System (RMS), which substantiated in an integrated and comprehensive set of resources, standards and processes that ensure an appropriate framework to the nature and materiality of the risks underlying the activities carried out, so that the Group's business objectives are achieved in a sustainable and prudent manner.

In this sense, the ICS and the RMS provide the Group with the ability to identify, evaluate, monitor and control the risks - internal or external - to which the Group is exposed, in order to ensure that they remain at acceptable levels and within the limits defined by the management body.

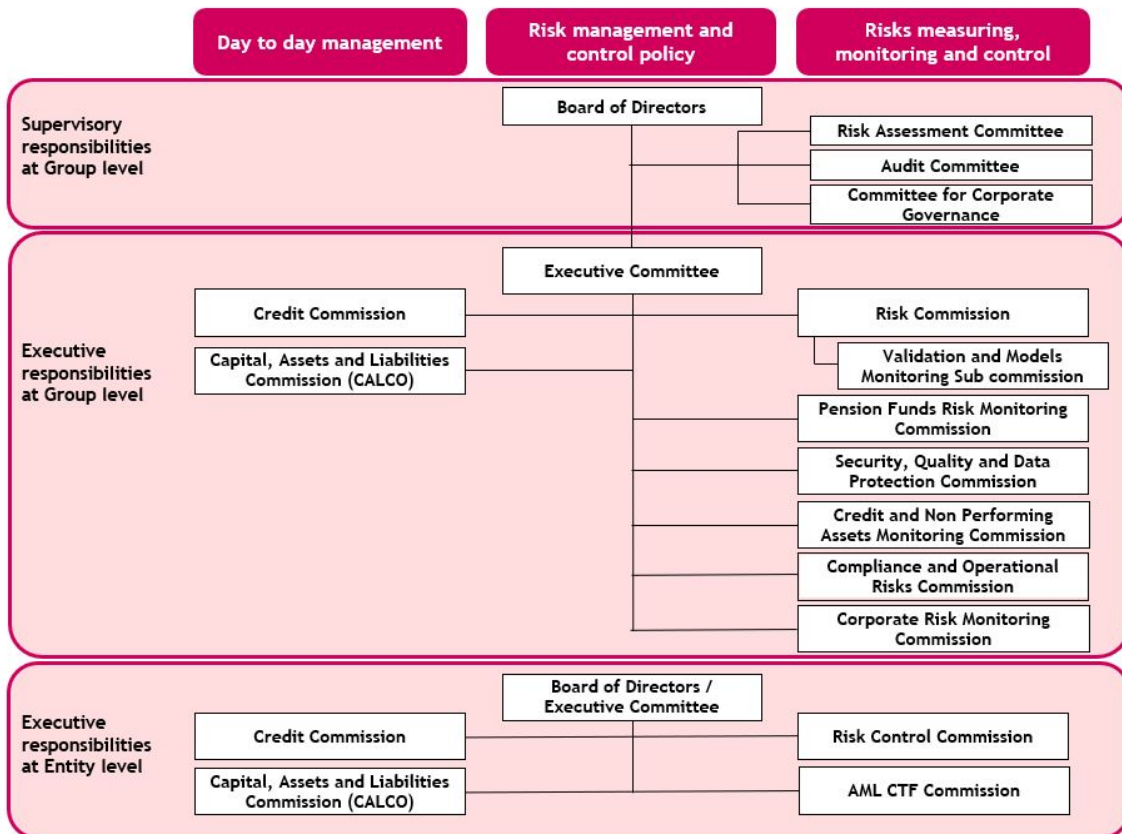
Thus, the RMS embodies the second Line of Defence in relation to the risks that impend over all the Group's activities. Under this approach, the first Line of Defence is ensured, on a day-to-day basis, by all of the Group's organizational units - based on adequate training and awareness of risks, as well as on the framing of activities through a complete and detailed regulations' structure - while the third Line of Defence is developed through the internal supervision/internal review function (IRF) ensured by the Internal Audit function.

It should also be mentioned that the ICS:

- Is supported by an information and communication system that ensures the collection, processing, sharing and disclosure - both internal and external - of relevant, comprehensive and consistent data about the business, the activities carried out and the impending risks on the latter, in a timely and reliable way. This data processing and management information infrastructure is aligned with the principles of the Basel Committee with respect to efficient aggregation of risk and risk reporting data (BCBS 239 - Principles for effective risk data aggregation and risk reporting);
- Is continuously monitored by the Group, accompanied and supervised by the Audit Committee and any situation of, insufficient internal control is registered (recommendations/ deficiencies or improvement opportunities) for correction/elimination and regulatory reporting.

Risk management Governance

The following figure represents the RMS's Governance, as at 30/06/2021, exerted through various organizational bodies and units with specific responsibilities in the area of risk management or internal supervision.



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

Board of Directors

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

The Board of Directors delegates the following risk management and control powers to the various Committees that emanate from it:

- In the Risk Assessment Committee: advise and support the Board of Directors in relation to the Group's risk appetite and risk strategy, including policies to identify, manage and control the Bank's risk.
- In the Audit Committee: inspect the existence of an adequate risk control organization, effective risk management and internal control systems at the level of the BCP Group.
- In the Executive Committee: define, implement, manage and control the general risk management and control framework, including the organizational structure and the approval of policies and risk limits.

The following figure represents the RMS's Governance, as at 30/06/2020¹, exerted through various organizational bodies and units with specific responsibilities in the area of risk management or internal supervision

Committee for Risk Assessment

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

- Advising the BoD on risk appetite and risk strategy, accompanying and intervening in the definition and review of the Group's Risk Appetite Framework and providing an opinion on its adequacy to the BoD;
- Monitoring the evolution of the RAS metrics, verifying their alignment with the defined thresholds and levels and monitoring the action plans designed to ensure compliance with the established risk limits;
- Advising the BoD on the policies regarding the risks' identification, management and control within the Group, monitoring the global risk levels in order to ensure that those are compatible with the goals, the available financial resources and the approved strategies for the development of the Group's activities;
- Monitoring the capital and liquidity planning processes (ICAAP and ILAAP), providing an opinion to the BoD concerning the respective conclusions, as well as analysing and approving the conclusions of the regular follow-up on these processes;
- Monitoring and intervening in the Recovery Plan review, providing an opinion to the BoD on the respective adequacy.

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

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

Audit Committee

The BoD's Audit Committee is elected by the Shareholders' General Meeting and is composed by three to five non-executive Directors. Within the risk management governance, this Committee has global corporate supervising capacities - e.g. in what concerns the risk levels follow-up - as well as those that are attributed within the ICS, namely:

- Supervising and controlling the effectiveness of the SGR, in conjunction with the Risk Assessment Committee; as well as the SCI internal control system in its different aspects and also the internal audit system itself;
- Analysing and regularly following-up of the financial statements and the main prudential indicators, the risk reports prepared by the Risk Office, the Compliance Office's activity, the Internal Audit's activity the handling of claims and complaints and the main correspondence exchanged with the Supervisory Authorities;
- Issuing an opinion in relation to operations of acquisition of goods and services and involving related parties, aiming to avoid conflicts of interests.

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

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

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

Committee for Corporate Governance, Ethics and Professional Conduct

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

Amongst other that may be delegated by the Board of Directors, the competences of the Committee for Corporate Governance, Ethics and Professional Conduct include:

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

Executive Committee

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

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

Risk Commission

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

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

The Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO), as well as, optionally, the Chief Operations Officer (COO) and the EC members responsible for the Corporate/ Investment Banking and the Retail business (Chief Corporate Officer/CCorpO and Chief Retail Officer/CRetO, respectively) are members of this Commission.

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

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

Credit and Non-Performing Assets Monitoring Commission

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

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

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

Pension Funds Risk Monitoring Commission

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

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

The Commission members are the CEO, the CFO, the CRO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The other Commission's members are the Heads of the following Divisions: ROFF, Research, Planning and ALM (DEPALM), Wealth Management (DWM) and Human Resources (DRH). Representatives of the Pension Funds management entity and of Ocidental Pensões also participate in the Commission's meetings, by invitation and without voting rights.

Compliance and Operational Risks Commission

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

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

The Commission members are the CEO, the COO, the CRO and the CRetO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The Heads of the following Divisions are also members of the Commission: Compliance Office (COFF), Risk Office (ROFF), IT (DIT), Operations (DO), Quality and Network Support (DQAR). The Head of DAU, the AML⁶ Officer and the managers responsible for the COFF areas that deal with the matters under discussion are also permanently invited members of this Commission, without voting rights.

Security, Quality and Data Protection Commission

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

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

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

Corporate Risk Monitoring Commission

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

- Monitor the evolution recorded by the main performing corporate Clients credit exposures, particularly assessing the implications from the COVID-19 pandemic versus the specific risk factors of each client (sector of activity, prior COVID-19 financial standing, cost structure, etc.), issuing opinions regarding the credit strategy to adopt;
- The members of this committee are: the CEO, CRO, CCorpO and CRetO. Any other members of the EC may participate in the meetings of this Committee, whenever they consider it convenient to do so. Members of this Committee are also primarily responsible for the following directorates: ROFF, Corporate

⁶ Anti-money laundering.

Network North and South, Large Corporates, Investment Banking Division, Institutional Banking Division, DRE, DCR, DRAT and Corporate and Business Marketing.

Credit Commission

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

The members of this Commission are the CEO, the CFO (optional), the CCorpO, the CRetO (optional), the CRO (with veto rights) and the COO (optional), as well as the Heads of the following Divisions: DCR, DAJC, DRAT, DCEI, Companies Network Coordination (North/South), Large Corporates, DAE, DRE and Investment Banking Coordination (DCBI), as well as Level 3 credit managers and, depending on the proposals to be decided upon, the coordination managers of other proposing areas (e.g., Private Banking, Retail, DRR) or members of the subsidiaries' Credit Commissions. The Company's Secretary, the Risk Officer and the Compliance Officer are permanently invited members of this Commission, without voting rights. Other Group Employees may also be invited to participate (without voting rights), if they are relevant for the matters under discussion.

Group CALCO

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

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

The Group CALCO meets every month and is composed of the following executive Directors: CEO (optional), CFO, CCorpO, CReto, CRO and COO (optional). The other members of the Group CALCO are the Risk Officer, the Chief Economist and the Heads of DEPALM, DIG, DTMI and DWM, the responsible for the ALM Department of DEPALM and 2 representatives nominated by the Retail and the Corporate & Investment Banking Commissions.

Risk Office

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

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

The Risk Officer is appointed by the BoD, reporting on a line basis to that body and its EC, also reporting functionally to the Committee for Risks Assessment.

Compliance Office

The Compliance Office (COFF) ensures typical functions of a second line of defence functions, within the scope of the so-called "3 Lines of Defence Model", in relation to compliance risk, i.e., the risk of non-compliance with applicable laws and regulations.

COFF's main missions, in relation to all Group entities, are the following:

- To foster the adoption and compliance with the internal and external regulations that frame the Group's activity, watching over the fulfilment of the relevant contractual commitments assumed;
- To promote the organization's ethical values and to contribute for an internal control culture, in order to mitigate the risk of sanctions being imposed or of the occurrence of property or reputational damages.

The Compliance Officer is appointed by the Board of Directors (BoD), reports hierarchically to the Executive Committee (EC) and, functionally, to the Audit Committee, exercising his/her functions in an independent, permanent and effective manner, defining the policies, guidelines and tools that are appropriate for a proactive and preventive risks' assessment.

As a second line of defence structure responsible for compliance risk, for the risks associated with money laundering and the financing of terrorism, with conduct and market abuse and for other risks of an operational nature, the COFF issues decisions, with binding force for its recipients, aiming at the legal and regulatory compliance of the various business and business support areas. The COFF's action is based on an approach to the risks of business, Customers and transactions, thus contributing for the promotion an effective internal control environment.

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

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

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

- The control and monitoring of compliance risks;
- The Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT);

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

It is also responsible for coordinating the process of structuring, drafting and approving the annual self-assessment reports on the effectiveness of the organisational culture and the governance and internal control systems, both individual and consolidated, and on the AML/CFT prevention system to be submitted to the Bank of Portugal and the Securities Market Commission, under the terms of the respective Notices and Regulations.

It also has the competence for the preparation and submission of reports to the management body, at least once a year, identifying the compliance flaws verified and the recommendations issued for their correction.

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

Audit Division

The Audit Department (DAU) provides functions of the third line of defense, under the scope called "Model of the 3 lines of defense" and is responsible for assessing the adequacy and effectiveness of the risk management process, the internal control system and the governance models. DAU performs its function on a permanent and independent basis and in accordance with the internationally accepted principles and best

practices of internal auditing, carrying out internal audit inspections to assess the systems and processes of internal control and risk management which can give rise to recommendations aimed at to improve its efficiency and effectiveness.

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

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

The Head of DAU has a reporting line to the Chairman of the Board of Directors and reports functionally to the Audit Committee, is responsible for the general supervision and coordination of the internal audit activities of the BCP Group subsidiaries and attends the meetings of the Audit Committee of the subsidiaries of the BCP Group.

Main developments and accomplishments in first semester 2021

In 2021, the focus of risk management activities was maintained on the continuous improvement of the Group's risk control environment, in addition to the permanent monitoring of the risk levels incurred in relation to the RAS tolerance limits - both at consolidated level and for each geography in which the Group operates - ensuring, at the same time, full compliance with regulatory and supervisory requirements and updating the internal regulations structure that is appropriate for risk management and control.

The most relevant activities developed during the first half of 2021 were, synthetically, as follows:

- Implementation of the action plan for identifying and measuring credit risk in the context of the COVID-19 pandemic and adopting operational measures to adequately respond to the impacts arising from the pandemic outbreak:
 - Development and deepening of the customer follow-up model in the context of the COVID-19 pandemic, with the aim of adequately responding to its impacts, namely the end of support measures for companies and individuals promoted by the Portuguese State. The approach defined by the Bank in this context involved setting up new areas/Task Forces to assess and monitor customer credit exposures and define and implement strategies suited to each specific case, which implied the segmentation of the entire Bank's loan portfolio, with the allocation of selected customers for follow-up to the different areas created in accordance with criteria approved by the Executive Committee;
 - Extension of the scope of the Credit and Non-Productive Assets Monitoring Committee to monitor the credit portfolio, with special focus on the impacts arising from the COVID-19 pandemic;
 - Ensure specific reports for monitoring the credit portfolio within the scope of the pandemic, including reports to the Supervisory Entities and management bodies.
- Focus on improving the effectiveness of the internal control system;
- Continuous improvement of the internal governance model, management, measurement and risk control at Group level, with special focus on strengthening credit risk monitoring;
- Monitoring the level of compliance with risk limits, in particular the RAS, at the level of the Group and the main geographies;
- Reinforcement of supervision and support for the BCP Group's subsidiaries, continuously promoting a solid and common risk management framework and implementing a daily reporting system of the main risk indicators in all geographies;
- Inclusion of new metrics in the RAS related to data quality risk;
- Completion of the ICAAP and ILAAP annual reports, their ongoing monitoring ensuring the Group's capital adequacy and liquidity on a continuous basis, and participation in other Bank planning processes such as the Strategic Plan, Funding and Capital Plan and planning;
- Implementation of the provisions and reporting system for backstop provisioning for non-performing operations, in accordance with SSM guidelines and guidelines, including in June/21 the regulatory perimeter cases (Pillar 1);
- Update of the goals of the NPA/NPE reduction plan for the period 2021-2023;
- Continuation of the project to implement the EBA guidelines on credit origination and monitoring;
- Continuation of the plan for the integration of sustainability issues (ESG) into the Bank's risk management framework and monitoring its implementation within the scope of the Bank's RAS;
- Continued redevelopment of the internal IRB models, reflecting the new definition of default and the ECB and EBA guidelines regarding the estimation of PD and LGD models;
- Continuous improvement of the liquidity and funding risk management and control systems at the Group level, including the annual review of the internal liquidity stress test framework and the improvement of the liquidity risk management framework at Banco Internacional de Moçambique and in the Bank Millennium in Poland, carrying out monthly liquidity stress tests and building a liquidity management framework in the context of resolution planning;
- Completion of the project to review the interest rate risk in the banking book's monitoring and control framework, in line with the most regulatory guidelines in this area;
- Participation in the EBA stress testing exercise with reference to December/20, covering prospective scenarios (baseline and adverse) for the period 2021-2023;

- Reinforcement of market risk monitoring and control processes and continuation of the FRTB implementation project - Fundamental Review of the Trading Book;
- Continuous improvement of the quality of the data supporting the Group's risk management decisions, notably participating in BCBS 239 related projects and in the upgrade of the Risk Office's technological platform;
- Launch of the Scenario Analysis exercise (operational risk), after approval by the Compliance and Operational Risk Committee;
- Presentation of the results of the annual self-assessment exercises of operational risks and ICT risks (Information and Communications Technologies);
- Continued monitoring of outsourcing risk for the most important contracts, in conjunction with the respective contract managers;
- Monitoring of Supervisory Entities' On-Site Inspections.

In 2021, the compliance function maintained its focus on the continuous improvement of the Group's compliance risk control environment, ensuring, full fulfillment with regulatory and supervisory requirements and updating the internal regulations structure that is appropriate for risk management and control.

The most relevant activities and initiatives developed during the first half of 2021 were, as follows:

- In the context of AML/TF, the compliance action, during the first half of 2021, based on a risk-based approach, included operations filtering, a process that ensured compliance with sanctions and embargoes regimes enacted by the competent national and supranational authorities, their monitoring, aiming to detect and prevent potentially irregular situations, but also the substantive and formal pre-validation process of opening and maintaining entities and accounts and credit operations. This functional perimeter, based on dedicated technological solutions, also envisage the definition and management of risk models based on the evolution of the various variables competing for the establishment of scorings to be applied to operations. Also noteworthy is the development of new, more efficient solutions, based on automation processes for the analysis of risk factors inherent to new account openings and transaction screening.
- Launch, on the Millenniumbcp and ActivoBank Apps, of a process that facilitates the collection and updating of Customers' personal information, namely the information defined in the regulatory framework.
- In relation to AML/CFT risk, we highlight the strengthening of control over the one-person companies' accounts that have beneficial owners originating from geographies outside the Schengen area.
- Reinforcement and specialization continuation of the Compliance Office teams within the scope of AML/FT in its various dimensions.
- Issuance of the 2020 Anti-Money Laundering and Terrorism Financing Report to the Supervisory Entities;
- Maintenance and optimization of work processes so that they can adequately respond to the operational challenges posed by the COVID 19 pandemic continued, ensuring the scrutiny and decision on Customer operations service level, as well as all internal controls and other functions of the Compliance Office's responsibility.
- Following the publication, on the 15th of July 2020, by Banco de Portugal, of Notice 3/2020 (Notice), referring to the adequacy and effectiveness of the organizational culture, governance and internal control systems, which has a significant impact on issues directly related to compliance risks, the Compliance Office prepared a plan of initiatives with the objective of aligning the organization and internal practices with the Notice, ensuring full compliance with all requirements. Of the initiatives undertaken in the first half of 2021, we highlight:
 - Changes of the management and supervisory bodies and delegated committees internal regulations;
 - Approval, in February, of the Group's Code of Conduct update, highlighting changes, among others, on topics such as personal data protection, gifts and irregularities reports, and a new section dedicated to non-discrimination and prohibition of harassment was introduced;
 - Issue, in February, of the first annual self-assessment report on the effectiveness of the organizational culture, governance and internal control systems, for Banco de Portugal (covering both the Group and its various Companies) and for CMVM (only Portugal);

- Code of Conduct training, applicable to all Employees and Outsourcers, with a completeness level above 90%, in June 2021;
 - Updating the internal regulations related with Notice themes, from which we highlight the cases of the Policy for the Prevention and Management of Conflicts of Interest and the whistleblowing communication policy, which includes updating the communication process resulting from the implementation of a new channel that ensures the source's anonymity;
 - Communication, on the Bank's internal portal, about the Notice importance and the nature of its main issues.
- Execution of the Communication Plan dedicated to the 1st lines of defence with the most important aspects to be taken into account both in terms of the risk of financial crime and in other risks of compliance and regulatory compliance.
 - Controls strengthening regarding the risk of market abuse.
 - Controls strengthening on regulatory requirements compliance regarding advertising campaigns.
 - With regard to the Group's activities, the strengthening of the risks monitoring of the various operations remains a priority, ensuring the monitoring of the AML/CFT risk through the International AML/CFT Committees, with the participation of management bodies and compliance function of the units, aiming to assess and monitor the specific compliance risk factors of each geography, as well as the existing business segments in each operation.
 - Development of joint Compliance Office projects with teams of subsidiaries and branches abroad in order to analyse and improve the effectiveness of existing controls for mitigating the main risks in the area of AML/CFT.
 - With regard to training, there was also a significant reinforcement of actions in compliance matters in the first half, with special emphasis, in addition to the above-mentioned Code of Conduct, to the new AML/CFT training, already considering the changes arising from the entry into force of Law No. 58/2020, addressed to the Bank's Employees, with a degree of completeness, by them, above 90%.

Credit risk

The materialisation of this risk arises from the losses occurred in the loan portfolio, due to the incapacity of borrowers (or their guarantors, when applicable), issuers of securities or contractual counterparts to comply with their credit obligations. This type of risk is very relevant, representing the largest part of the Group's overall exposure to risk.

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

Evolution and breakdown of the loan portfolio

The next table presents the evolution of the Group's portfolio subject to credit risk and counterparty credit risk between 31/12/2020 and 30/06/2021, in terms of EAD (Exposure at Default)*, in the three main geographies where the Group operates (Portugal, Poland and Mozambique), which represented almost the total Group's EAD by 30/06/2021.

Geography	Jun 21	Dec 20	Change	
			Amount	%
			(million euros)	
Portugal	62,678	59,708	2,970	5.0%
Poland ¹	23,798	22,050	1,748	7.9%
Mozambique	2,236	1,869	366	19.6%
TOTAL	88,712	83,627	5,085	6.1%

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

(1) Includes the adjustment to the balances of 2020 made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers", adjustment that reflects an adjustment to the fair value of loans and advances to customers).

Taking as basis for comparison the position as of 31/12/2020, the Group's loan portfolio, measured in euros (EUR), registered a growth of 6.1% during the first semester of 2021. Contrary to what happened in 2020, a year in which growth came mainly from Portugal, all geographies registered a positive evolution.

The dimension of the increase in Portugal is explained on the one hand by the Bank's continued support to corporates and retail (€477 million and €622 million, respectively), including the use of the state-sponsored protocol lines to respond to the impact of the COVID-19 pandemic outbreak, and on the other hand by exposure to Banks and Sovereigns, which increased by approximately €1.8 billion. It should be noted that this evolution was made in a context of a € 268 million reduction in the NPE portfolio.

The Polish loan portfolio increased by 7.9%, measured in EUR, largely due to the increase in exposure to Banks and Sovereigns, which represented an increase of € 997 million. Nevertheless, there was also a significant increase in Corporate and Retail exposures.

Likewise, with respect to Mozambique the credit portfolio increased by 19.6%, measured in EUR, mainly related to the increase in exposure to Banks and Sovereigns, totalling EUR 280 million.

PORTUGAL



POLAND



MOZAMBIQUE



In what concerns the structure of portfolios by counterparty segment, in Portugal the most significant portion continues to be assumed by the retail segment with 38.7% of the total, with 29.5% relating to exposures that benefit from mortgage guarantees. Corporate segment represents a weight of around 31.7%, slightly lower than at the end of 2020, with emphasis on the growth of the weight of the Banks and Sovereigns segment, which registered an increase in its representativeness to a level close to 29.6%, coming from a weight of 27.9% on 31/12/2020.

In Poland we highlight the retail segment, with a weight of 59.5%, observing a slight decrease in the weight of exposures that benefit from mortgage guarantees to 29.7%, a reduction in the representativity of the Corporate segment as opposed to an increase in the Banks and Sovereigns component, ending the first half of 2021 with weightings of 17.4% and 23.2%, respectively.

Regarding Mozambique, the structure has remained stable over the last six months, with emphasis on the importance of the weighting of the Banks and Sovereigns segment, which reached 80.1% of the portfolio. In turn, the corporate and retail segments assumed a representation of 13.6% and 6.3%, respectively.

Since the beginning of the year 2020, the occurrence of the pandemic outbreak COVID-19 should be noted. In order to assess the dimension of the Group's exposure in Portugal to the sectors considered most sensitive to the effects of the aforementioned pandemic, the table below presents the six sectors of activity considered most vulnerable, concluding that these represent 5.6% of the total domestic exposure.

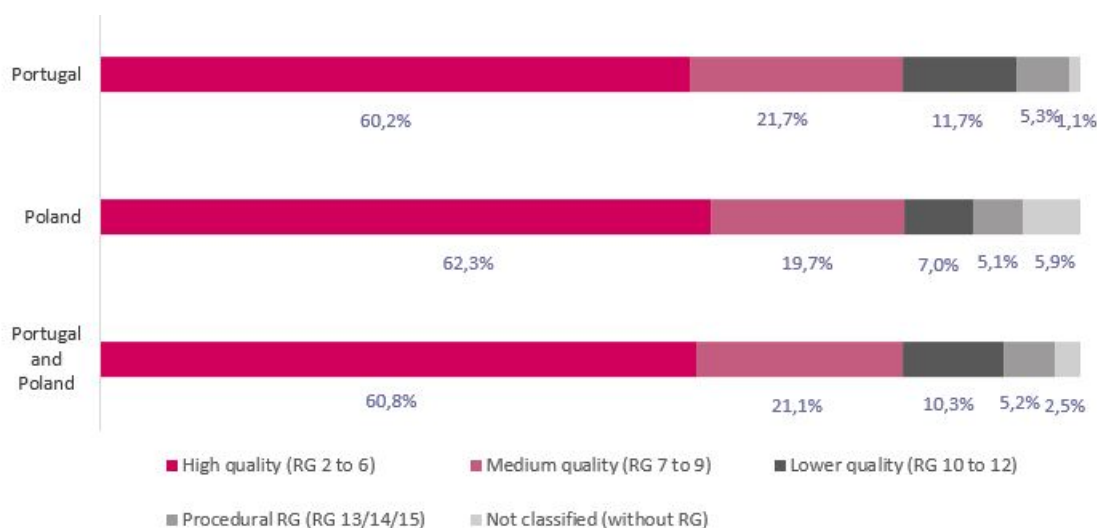
Exposure to sectors most sensitive to the pandemic:

(million EUR)	
Sector	Exposure
Accommodation	1,288
Food services	184
Collective passenger transport	130
Rent-a-Car	93
Travel Agencies	76
Arts, leisure, entertainment and organization of events	361
Total	2,131
% of Total	5.6%

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

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

The following graph illustrates the distribution of the portfolio amounts, in terms of Exposure at Default (EAD) by the risk grades (internal ratings) attributed to the holders of credit positions in Portugal and Poland, on 31/06/2021. These risk grades (RG) are defined on an internal scale, transversal to the Group (the Rating Master Scale), with 15 grades, corresponding to different levels of debtors' PD. Risk grades 13 to 15 are called "procedural" and correspond to problematic credit; RG 15 corresponds to the Default status.



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

Note: The figures above do not reflect the adjustment to the balances of 2020 made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

As shown in the graph above, the weight of EAD corresponding to risk grades of medium and high quality represented 81.9% of the total EAD on 30/06/2021, with a very similar structure in the two geographies, that compares with weights of 80.7% 76.8% and 73.6% at the end of 2020, 2019, and 2018, respectively. This positive and consistent evolution results mainly from the evolution of debtors' risk grades in Portugal.

With regards to the weight of the exposure held by Clients with procedural Risk Grade (without access to new credit), it reached a value of 5,2% on 30/06/2021 in the two geographies as a whole, a much lower weight than that registered at the end of the previous four years: 5,9% (2020), 7,8% (2019), 11,3% (2018) and 14,8% (2017). In Portugal, the decrease in the weight of EAD by Customers with procedural Risk Grade was even more pronounced in this period: 5,3 % (June 2021), 6,1% (2020), 8,8% (2019), 12,8% (2018) and 17,1% (2017).

Regarding the LGD parameters, representative of the expected losses in the case of Default and which, to a good extent, reflect not only the efficiency of credit recovery for the different types of credit segments/products, but also the collateralization levels of the loan operations' portfolio, the following table shows their respective average values (weighted by EAD) at the end of the first semester of 2021 and the end of 2020:

	Mortgages	SME Retail	Retail (other)	Real Estate Promotion	SME Corporate	Corporate	GLOBAL AVERAGE
Jun 2021	16.2%	31.7%	33.6%	38.0%	37.1%	42.1%	26.8%
2020	16.1%	32.0%	32.6%	37.8%	38.3%	42.8%	27.0%

Thus, in June 2021, the LGD parameters in Portugal show values close to those seen at the end of 2020, slightly improving in overall terms in the Corporate segments.

Main credit risk indicators

The following chart presents the quarterly evolution of the main credit risk indicators, between 31/12/2019 and 30/06/2021, for the Group and the portfolios of Portugal, Poland and Mozambique:

	Jun-21	Mar-21	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19
CONSOLIDATED							
NPE/Gross credit	5.2 %	5.5 %	5.9 %	6.5 %	7.0 %	7.2 %	7.7 %
NPL > 90 days / Gross credit	1.9 %	2.1 %	2.3 %	2.5 %	2.5 %	2.6 %	2.7 %
Past due credit / Gross credit	2.2 %	2.3 %	2.5 %	2.7 %	2.7 %	2.9 %	2.9 %
Impairment / Gross credit	3.5 %	3.6 %	3.7 %	4.1 %	4.1 %	4.0 %	4.5 %
PORTUGAL							
NPE/Gross credit	5.3 %	5.7 %	6.1 %	7.0 %	7.6 %	7.8 %	8.8 %
NPL > 90 days / Gross credit	1.9 %	2.1 %	2.4 %	2.4 %	2.5 %	2.7 %	3.0 %
Past due credit / Gross credit	1.9 %	2.2 %	2.4 %	2.5 %	2.5 %	2.8 %	3.0 %
Impairment / Gross credit	3.6 %	3.7 %	3.9 %	4.3 %	4.3 %	4.3 %	5.1 %
POLAND							
NPE/Gross credit	4.7 %	4.8 %	5.0 %	4.8 %	5.1 %	5.1 %	4.7 %
NPL > 90 days / Gross credit	1.9 %	2.0 %	2.1 %	2.2 %	2.3 %	2.1 %	2.0 %
Past due credit / Gross credit	2.6 %	2.6 %	2.7 %	2.8 %	2.9 %	2.8 %	2.5 %
Impairment / Gross credit	3.1 %	3.1 %	3.3 %	3.2 %	3.2 %	2.9 %	2.8 %
MOZAMBIQUE							
NPE/Gross credit	14.1 %	16.4 %	16.9 %	25.1 %	25.5 %	25.7 %	24.4 %
NPL > 90 days / Gross credit	6.4 %	6.7 %	6.2 %	12.4 %	12.1 %	11.4 %	8.4 %
Past due credit / Gross credit	6.7 %	6.8 %	6.3 %	12.5 %	12.2 %	11.5 %	8.4 %
Impairment / Gross credit	7.2 %	8.1 %	7.4 %	14.4 %	13.8 %	12.6 %	11.9 %

Gross credit = Direct credit to clients, including credit operations represented by securities, before impairment and fair value adjustments; NPE include loans to customers only.

Note: The figures above do not reflect the adjustment to the balances of 2020 made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

Despite the unfavourable impacts arising from the pandemic outbreak COVID-19, the evolution of credit risk indicators during the first half of 2021 was favourable at a consolidated level, in Portugal and Poland, particularly in the first quarter, and registered a slight degradation in overdue loans ratios in Mozambique. Globally the evolution is positive as shown in the NPL/Gross Loans ratio, with a reduction of 0.7 percentage points at consolidated level and 0.8 percentage points in Portugal. The same favourable evolution can be seen in the ratio of Overdue Loans and 90 Day Overdue Loans to Gross Loans, at domestic and consolidated level.

The dynamics of these ratios is the result of a positive effect that derives not only from the continued effort pursued in recent years to reduce loans classified as non-performing and overdue, but also from growth in Gross Loans, as presented above. In any case, it is important to note that this increase in the portfolio continues to be based on prudent concession criteria, with a view to preserving the quality of the portfolio in the long term, with emphasis on the high cover conferred by the guarantee underlying the operations undertaken in the said protocolled lines.

It should also be noted that between the end of 2020 and the end of June 2021 the consolidated 'Impairment / Gross Credit' ratio decreased to a lesser extent than the 'NPE / Gross Credit' ratio (0.2 vs. 0.7 percentage points), which also reflects the conservative provisioning policy.

Similarly to what happened in Portugal and at consolidated level, in Poland there was a drop in risk indicators, which was 0.3 percentage points in the 'NPE/Gross Credit' ratio and 0.1 percentage points in the 'Overdue Loans/Gross Credit' ratio.

Reflecting the persistence of a less favourable economic and financial environment, the operation in Mozambique, despite an improvement of 2.8 percentage points in the NPL/Gross Credit ratio, registered a deterioration of the remaining credit risk indicators in the first six months of 2021.

NPA/NPE Reduction Plan

The implementation of the Group's NPA Reduction Plan remained a priority throughout the first half of 2021, in its two aspects - problematic loans (NPE-non performing exposures) and FA-foreclosed assets - focusing mainly on the NPE loan portfolios and FA properties held for sale, in Portugal, although strongly conditioned by the uncertainty in the markets arising from the COVID-19 outbreak as from the end of the first quarter of 2020.

The NPA Reduction Plan is framed by a specific Governance model and by a robust management framework, organized by specialised areas of credit recovery and based on systematically defined recovery strategies - either stemming from automated analysis and decision models (for Retail) or based in the relationship of recovery managers with their Corporate Clients, allowing for tailor-made solutions. In order to respond to the challenges arising from the pandemic COVID-19, the Bank has been developing and strengthening the methodologies and installed capacity of the recovery areas, aiming to ensure an adequate monitoring of the exposures that prove to be the most impacted.

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

The NPA Reduction Plan also benefits from a technological environment that is supported on specific IT infrastructures for the activities connected with credits recovery, NPE reduction and FA management, with its monitoring being reinforced through the Operational Plan for NPA Reduction, that defines initiatives aiming at accelerating and conferring effectiveness to the recovery or sales' processes (both of loans and real estate properties), distributed throughout the several phases of the credit recovery and NPA reduction processes: prevention; collection; executions; insolvencies and, finally, FA reception, treatment and respective sales.

The fulfilment of the reduction targets for each area involved in NPA reduction is measured on a monthly basis, both in terms of management information for the respective dedicated structures, and of the specific focused activities and initiatives defined in the above-mentioned Operational Plan, with reporting to the top management.

Despite the pandemic crisis, the NPA Reduction Plan has consistently registered very positive results since December 2019.

The following table presents the evolution of NPE volumes between 31/12/2019 and 30/06/2021, for the Group and for Portugal:

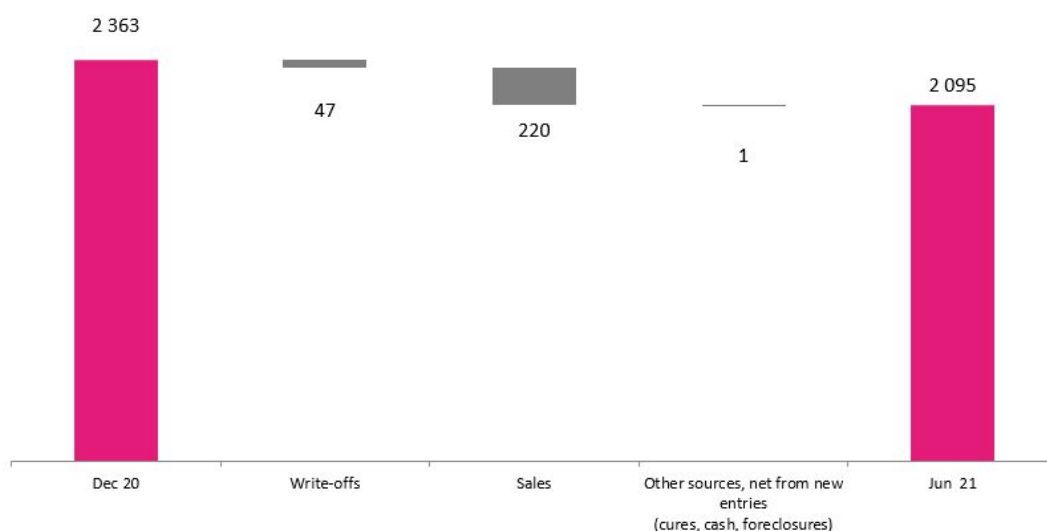
	(Million EUR)						
	Jun 21	Mar 21	Dec 20	Sep 20	Jun 20	Mar 20	Dec 19
CONSOLIDATED	3,003	3,100	3,295	3,663	3,934	3,928	4,206
Change YoY	-292		-911				
PORTUGAL	2,095	2,193	2,363	2,701	2,908	2,918	3,246
Change YoY	-268		-883				

Note: The figures above do not reflect the adjustment to the balances of 2020 made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

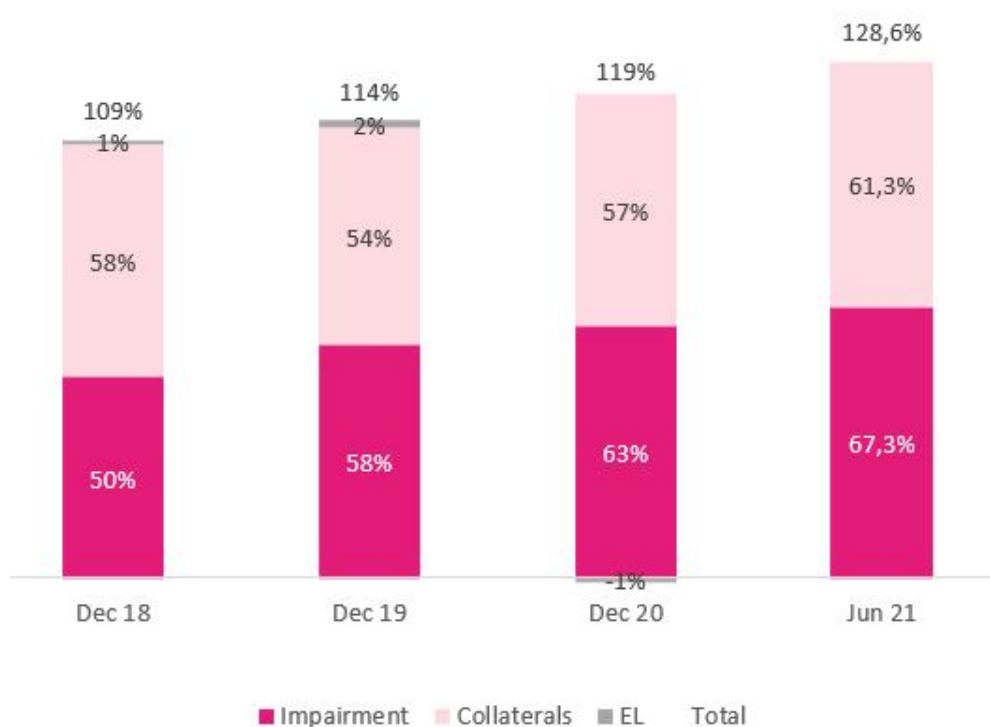
Comparing the value of Customers classified as NPE at the end of the first half of 2021 with the one at the end of 2020, there is a very favourable evolution, with a reduction of 292 million euros at the consolidated level and of 268 million euros in the activity in Portugal, which corresponds to a contraction relative rate of 8.9% and 11.4%, respectively. This result reflects the continuity of the success work carried out over the past few years in the identification and implementation of procedures that allow the reduction of these non-performing assets, even in an adverse environment.

It should be noted that this evolution was consistent with significant values in the first two quarters of the year, although with greater weight in the first quarter as a result of the completion of a relevant loan portfolio structured sale.

The following graph shows the main drivers that explain the reduction of NPE in Portugal during the first semester of 2021, where it is possible to highlight, as above-mentioned, the contribution of credit sales, which amounted to a gross value of € 220 million. The write-offs amounted to € 47 million, with the other sources of NPEs reduction representing a dimension very similar to the new entries resulting, namely, from the classification as unlikeliness to pay (UTP) of Customers, including those with activity more vulnerable to adverse effects of the COVID-19 pandemic.



The continued growth in coverage of the NPE portfolio - by impairment, collateral and Expected Loss Gap - should also be noted, both for Portugal and at the consolidated level, although this growth was more accentuated in Portugal, as illustrated by the following graph. NPE coverage increases ten percentage points, reaching around 128.6% at the end of June 2021, with an increase in the coverage by collaterals, to 61.3%, and 67.3% in the coverage ensured by impairment.



The trend observed in the first six months of 2021 with regard to the balance sheet assets resulting from credits repayment (foreclosed assets) was favourable, as shown in the following table, which presents the evolution of the total stock of Foreclosed Assets and the breakdown by type of assets, as well as the aggregate value of assets of this nature of the subsidiaries abroad (amounts before impairment):

	Jun-20	Dec-20	Dec-19	Dec-18
Real estate properties	687	809	1,020	1,474
Real estate Funds and companies	213	246	306	330
Other assets (non-Real estate)	90	92	87	156
SUB-TOTAL - Portugal	990	1,146	1,413	1,960
Other geographies Foreclosed Assets	63	40	52	58
GROUP TOTAL	1,053	1,186	1,465	2,019

Despite the persistence of a more adverse context in 2021 in the real estate sector, particularly for the sale of larger assets, on 30/06/2021 there was an 11.2% reduction in the AF portfolio compared to the position at the end of 2020. The overall value of the reduction in Portugal corresponded to an amount of EUR 156 million, essentially explained by the Real Estate component, which amounted to EUR 122 million.

The first half of 2021 was another period of reinforcement in the monitoring of FA for its preparation of assets for disposal. In this domain, the flow of new FA inflows during this period, which amounted to €24 million, should be highlighted, explained by the smaller size of the NPE portfolio and the lower activity of the courts in the pandemic context, consisting mostly of residential and commercial real estate assets, which are those that clearly have a greater liquidity.

Credit concentration risk

The following chart presents the weights, in total exposure, of the Group's 20 largest performing exposures, as at 30/06/2021 and 31/12/2020, in terms of EAD and using the concept of "Groups of Clients/Corporate Groups", excluding the risk classes of "Banks and Sovereigns":

	Jun 21	Dec-20
Client Groups	Exposure weight in total (EAD)	Exposure weight in total (EAD)
Client group 1	1%	0.8%
Client group 2	0.5%	0.6%
Client group 3	0.5%	0.5%
Client group 4	0.4%	0.5%
Client group 5	0.4%	0.4%
Client group 6	0.4%	0.4%
Client group 7	0.4%	0.4%
Client group 8	0.4%	0.3%
Client group 9	0.3%	0.3%
Client group 10	0.3%	0.3%
Client group 11	0.3%	0.3%
Client group 12	0.2%	0.3%
Client group 13	0.2%	0.3%
Client group 14	0.2%	0.3%
Client group 15	0.2%	0.2%
Client group 16	0.2%	0.2%
Client group 17	0.2%	0.2%
Client group 18	0.2%	0.2%
Client group 19	0.2%	0.2%
Client group 20	0.1%	0.2%
Total	6.4%	6.9%

Globally, this set of 20 largest ‘non-NPE’ exposures accounted for 6.4% of total EAD as of 30/06/2021, which compares with a global weight of 6.9% by the end of 2020. Hence, in terms of EAD, there was a reduction of credit concentration on the 20 largest performing exposures.

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

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

Operational risk

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

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

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

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

In the first half of 2021, a highlight should be made upon the following operational risk management and control features:

- The presentation of the results of the RSA exercise carried out in 2020 for the set of operational processes, which allow the assessment and monitoring of the evolution of the various risks affecting them, as well as the identification and design of the mitigation and control measures aimed at maintaining the levels of risk within the defined tolerance levels;
- The presentation of the results of the RSA exercise for ICT (Information and Communication Technology) risks carried out in the last quarter of 2020, in which critical technological assets were evaluated, from the point of view of the risks that may affect their availability, integrity and confidentiality (of the data processed).

The COVID-19 pandemic

The Group's operational capability, together with the protection of Clients and employees, continued to be ensured through the extensive use of telework, the distribution/installation of protective materials and rules for occupying spaces and moving them, using proper signage.

Operational losses capture

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

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

The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of processes to which

the losses are related, including the description of the respective cause-effect and, when applicable, the valuation of the loss and the description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause). For losses of amounts exceeding certain thresholds, “Lessons Learned” reports are presented to and discussed by the specialised governing body for operational risk (the EC’s Compliance and Operational Risks Commission).

The following graphs present the profile of the losses captured in the respective database in the first half of 2021:



The distributions of operational losses illustrated above do not show significant differences in relation to 2020, with a preponderance of losses stemming from external and procedural risks (c. 89% of the total losses registered in this period) and occurring in the Retail Banking and Commercial Banking segments (c. 96% of total losses in the semester), with regards to the cause of the operational losses and the business segments in which they occurred.

In what concerns the distribution of losses by range of amounts (in number of losses), the typical profile of a significantly higher number of loss events with small amounts and a much smaller number of loss events with large amounts was maintained.

Key risk indicators (KRI)

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

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

Business continuity management

Within the scope of Business Continuity Management in the first half of 2021 and in view of the impacts of the COVID-19 global pandemic, a priority effort was maintained in the safeguard of the health of the Group's employees, as well as in preserving full operational continuity regarding the services provided and products made available to Clients.

In Portugal, in accordance with the Business Continuity and Technological Recovery Plans, teleworking and rotating in-the-premises work were maintained at levels close to 90%, thus complying with the guidelines of the health authorities. Also noteworthy is the updating of the analysis of the Critical Processes within the scope of Business Continuity (in the final stage of execution) and the monitoring of the continuity plans of the Bank's service providers and suppliers.

In Poland and Mozambique, operational continuity within the pandemic context was also ensured through the aforementioned action vectors - teleworking and/or rotating in-the premises teams, preserving physical distance in the workplace.

Insurance contracting

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

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

Legal, Compliance, Conduct and Financial Crime risks

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

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

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

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

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

Pursuing the continuous improvement of the internal control processes, these risks' management system was enhanced along 2020, to enable the Bank to respond adequately to the demands of the future Banking business with origin in market dynamics changes and regulation evolution. From the set of initiatives, it is worth mentioning the following:

- Launch of a set of actions with the aim of ensuring compliance with Bank of Portugal Notice 3/2020, regarding the adequacy and effectiveness of the corporate culture and governance and internal control systems.
- Reinforcement continuation of resources and expertise of the operational AML/CFT model
- Launch, on the Millenniumbcp and ActivoBank Apps, of a process that facilitates the collection and updating of Customers' personal information, namely the information defined in the regulatory framework.
- In relation to AML/FT risk, we highlight the strengthening of control over the one-person companies' accounts that have beneficial owners originating from geographies outside the Schengen area.
- Strengthening of the AML/FT risk monitoring models for the Group's subsidiaries and branches, with the enrichment of risk indicators information arising from them.
- Strengthening of the internal communication strategy, with regular actions to the Bank's 1st Line of Defense, with innovative solutions, which include the regular participation of its Employees and on a wide spectrum of compliance and conduct risks.
- Update of the whistleblowing communication process as a result of the implementation of a new channel that ensures the source's anonymity.

- Strengthening the monitoring process of compliance with regulatory requirements in relation to advertising campaigns other Bank's behavioural matters.
- Foster a culture of rigor, ethics and good conduct, either through updating the Code of Conduct, in which new matters and requirements were introduced, or through training and specific internal communication.

Market risks

Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

For purposes of profitability analysis and market risks quantification and control, the following management areas are defined for each entity of the Group:

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

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

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

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

Trading Book market risks(*)

The Group uses an integrated market risk measurement that allows for the monitoring of all risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

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

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

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

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

The table below presents the amounts at risk for the Trading Book, between 30 June 2020 and 30 June 2021, as measured by the methodologies referred to above, that registered moderate levels along the period under analysis:

	Jun 21	Max of global risk in the period	Min of global risk in the period	Jun 20
(Thousand EUR)				
GENERIC RISK (VaR)	2,166	6,368	963	2,244
Interest rate risk	801	1,849	816	772
FX risk	1,905	5,714	446	1,972
Equity risk	611	380	185	63
<i>Diversification effects</i>	<i>1,151</i>	<i>1,575</i>	<i>484</i>	<i>563</i>
SPECIFIC RISK	41	33	23	84
NON-LINEAR RISK	0	0	2	0
COMMODITIES RISK	—	—	—	—
GLOBAL RISK	2,207	6,401	988	2,328

VaR model monitoring and validation

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

The VaR model's hypothetical backtesting exercise for the Portugal's Trading Book, during the 12-month period ended in 30 June 2021, resulted in nil negative excesses (and nil positive) over the results predicted by the model in 258 days of observation. Hence, in terms of the frequency of excesses verified, this back-testing results validate of the model as appropriate for measuring the risk at stake.

Trading Book Stress Tests

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

The results of these tests on the Group's Trading Book, as at 30 June 2021, in terms of impacts over this portfolio's results, were the following:

	Negative impact scenario	Impact
(Thousand EUR)		
STANDARD SCENARIOS		
Parallel shift of the yield curve by +/- 100 bps	+ 100 bp	-6,958
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 bps	+ 25 bp	-730
4 combinations of the previous 2 scenarios	+ 100 bp e + 25 bp	-7,577
	+ 100 bp e - 25 bp	-6,313
Variation in the main stock market indices by +/- 30%	+ 30%	-297
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	- 10%, - 25%	-3,199
Variation in swap spreads by +/- 20 bps	+ 20 bp	-274
NON-STANDARD SCENARIOS		
Widening/narrowing of the bid-ask spread	Narrowing	-805
Significant vertices (1)	VaR w/o diversification	-2,363
	VaR w/ diversification	-912
Historical scenarios (2)	7/May/2010	-5,946
	18/jul/11	-6,433

⁽¹⁾ Scenarios in which the more adverse variations of the last seven years, relative to the portfolio's five most significant risk factors for VaR, are applied to the current portfolio.

⁽²⁾ Scenarios in which past extreme markets variations are applied to the current portfolio; in this case, the significant dates refer to the Eurozone Sovereign Debt crisis (from 2010 onward)

These results show that the exposure of the Group's trading book to the different risk factors considered remains relatively limited and that the main adverse scenario to be taken into account refers to a general increase in interest rates, especially when accompanied by an increase in the slope of the yield curve (the case of a higher increase in longer terms than in shorter terms). In what concerns the non-standard scenarios, the main loss case refers to the variations occurred at 18 July 2011 when applied over the current portfolio.

Interest rate risk of the Banking Book

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

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

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

In order to identify the exposure of the Group's Banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the

respective expected cash-flows (principal and interest, without the spread component but including cost components for liquidity, capital, operations and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves. The impacts stemming from the Clients' behaviour are also considered, in particular, for the products for which this is especially relevant - namely, for products without defined maturity (checking accounts, revolving credit) - as well as the impacts resulting from changes in contractual cash flows (credits prepayments) and impacts of any potential prepayments on credits with defined maturity.

The result of this analysis for a +100 basis point change in the level of the Euro interest rates (for all maturities, i.e. assuming a parallel shift of the yield curve), on the Banking Book portfolio as at 30/06/2021 consists of a positive impact on the balance sheet's economic value of around 4,7 million euros. On the other hand, the impact of a generalized drop in Euro rates of -100 basis points and considering a floor of 0% for the cash flows discount rate, would be of around +71.3 million euros. Hence, on that date, the Group was positively exposed to interest rates' variations (increase or decrease).

Complementing the previous approach, the Bank calculates monthly the impact on net interest margin projected for the following 12 months, due to changes in market interest rates (NII method). For this purpose, all assets, liabilities and off-balance products that generate interest are considered and the calculation of interest cash flows is performed based on the repricing and amortization characteristics of the products and yield curves for 12 months. This exercise assumes a static balance for 12 months in which, for each amortization, an exposure with the same features of original maturity and price is generated. To capture the net interest margin sensitivity, several simulations are processed, corresponding to 10 different scenarios of the market's interest rates evolution. For a variation in interest rates of +100 basis points on June 30, 2021, the net interest income would have increased by around 96 million euros, however, the sensitivity to a decrease of 50 basis points. of about 1 million euros.

FX and equity risks of the Banking Book

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

The Group has a policy of hedging, partially or in whole, its holdings in convertible foreign currency. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, through a 'Fair Value Hedge' methodology, in this case.

Excluding the financial holdings from the participations in the foreign subsidiaries, the exposure to FX risk is quite limited, corresponding to 1.9 million euros in terms of VaR, as at 30 June 2021

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

Liquidity risk

Liquidity risk is the potential incapacity of the Group to meet its liabilities concerning funding repayment without incurring in significant losses, whether due to the deterioration of funding conditions (funding risk) or due to the sale of assets for amounts below market value (market liquidity risk).

The Group's Wholesale Funding (WSF) structure is defined for each annual period by the Liquidity Plan (which is an integral part of the budgeting process), formulated at consolidated level and for the main subsidiaries of the Group. The preparation of this plan is coordinated by the Group Treasurer and its implementation is monitored continuously throughout the year, being reviewed whenever necessary.

During the semester ended June 30, 2021, and following the trend observed since the quarter following the outbreak of the COVID-19 crisis, verified in March 2020, the two main operations of the Group, BCP and Bank Millennium, showed evidence of a significant reinforcement of the respective deposit bases, in both cases in

the retail segment and in the case of the Polish operation also in the corporate segment. Millennium Bim's deposit base remained stable over the period.

In terms of the financing structure, and following the ECB's decision to extend the use of the Targeted Long Term Refinancing Operation III ("TLTRO III") to 55% of eligible loans, BCP took in the first quarter of 2021 an additional tranche of 600 million euros, in addition to the 7.55 billion euros taken in June 2020, thus raising the total gross amount in this instrument to 8.15 billion euros.

Also with an impact on strengthening its liquidity position over the past six months, BCP took advantage of favourable market conditions prevailing during the first quarter of 2021 to anticipate the execution of a senior preferred issue, forecasted in the Liquidity Plan only for the third quarter, in the amount of 500 million euros, to comply with the requirements designated as "MREL".

The following table shows the evolution of the Group's wholesale funding structure between December 31, 2020 and June 30, 2021:

	Jun 21	Dec20	Change in weight
Money Market	1.6%	6.0%	-4.4%
ECB	56.5%	48.1%	8.5%
REPOS	0.0%	0.6%	-0.6%
Loan Agreements	6.1%	8.2%	-2.1%
EMTN	6.5%	0.8%	5.7%
Covered Bonds	11.7%	14.6%	-2.9%
Subordinated Debt	17.5%	21.6%	-4.3%
Total	100.0%	100.0%	

The financing decisions described above resulted in increases of 8.5% in the ECB's net funding, to 56.5%, and of 5.7%, to 6.5%, of the MTN.

The additional liquidity thus obtained, added to that resulting from the aforementioned reduction in the commercial gap in Portugal, continued to be applied as a priority to support the real economy and also, given its magnitude, to the reinforcement of 3.5 billion euros of the securities portfolio in Portugal. Liquidity deposited at Banco de Portugal decreased by 879 million euros, to 3.4 billion euros.

The growth in debt portfolios contributed to the 3.4 billion euros increase in the balance of eligible assets available for discount at the ECB, to 25.9 billion euros. Considering that the net funding from the ECB, in the same period, grew by 1.5 billion euros, to 4.8 billion euros, the liquidity buffer with the ECB increased by 1.8 billion euros, to 21.1 billion euros:

ECB liquidity buffer

(Million EUR)



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

Likewise, the main subsidiaries strengthened their liquidity positions throughout the first half of 2021, through the reinforcement of buffers available for discount at the respective central banks, which in the case of Bank Millennium grew by 1.1 billion euros, to a total of 5.1 billion euros, and in Millennium Bim increased 162 million euros, to 978 million euros. Accordingly, both operations were positioned, over the period under analysis, largely in the comfort zone of the liquidity risk indicators adopted across the Group, as well as in all regulatory indicators.

The Group's counterbalancing capacity is defined by the capacity to generate additional liquidity in the short term to face potential financial stress situations. Measures to strengthen it are described in the Recovery Plan and, as at 30 June 2021, totaled for Portugal an estimated value of 1.9 billion euros, sourced from the sale of corporate bonds, securitization of credit portfolios and the issuance of retained covered bonds to be mobilized for the ECB's monetary policy pool.

In consolidated terms, the refinancing risk medium-term liabilities will remain at very low levels in the coming years, as the debt maturity will reach 1.0 billion euros in 2022 alone, related to an issue of covered bonds in the same amount, the collateral of which will be integrated into the discountable liquidity buffer at the ECB after repayment, thus meaning a minor loss of liquidity.

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

Liquidity risk control

The Group's liquidity position is regularly assessed, identifying all the factors underlying the variations that have occurred.

The Group controls its liquidity profile from a structural and short-term perspective, regularly monitoring a set of internal and regulatory indicators that aim to characterize it, for which pre-established limits are defined and periodically reviewed, and which jointly define the Bank's appetite for liquidity risk, such as: the loans to deposits indicator (80% as of June 30, 2021, vs. 83% as of December 31, 2020), the regulatory

indicators LCR (liquidity coverage indicator) and NSFR (Net Stable Financing Indicator) - 270% and 148% as of June 30, 2021 vs. 230% and 140%, respectively, on December 31, 2020 (noting that, according with the BCBS' stable funding standard, came into effect in June 2021 the minimum regulatory requirement of 100% for the NSFR, as described in Article 428 of Regulation (EU) 2019/876); and also the size of the liquidity buffer available for discount at the European Union's central banks compared to the total customer deposits - an indicator whose values are comfortably within liquidity levels considered adequate, as defined in the Group's Risk Appetite Statement.

Pension Fund risk

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

In the first semester of 2021, the BCP Group Pension Fund registered slightly positive net performance of 0.01%. The component of shares, alternative investments and real estate contributed positively to this performance but component of bonds contributed negatively.

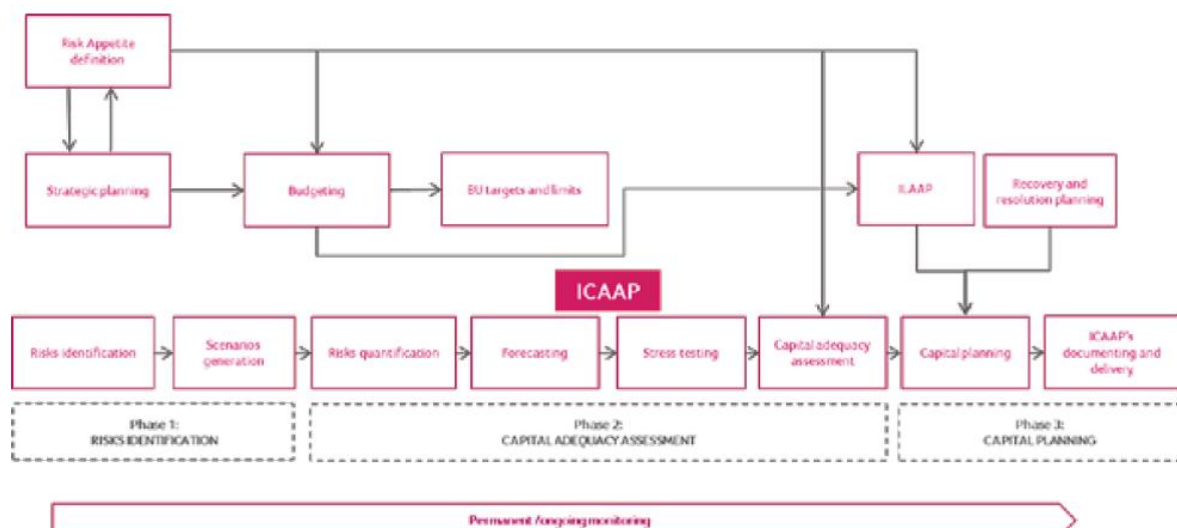
Despite the positive contribution recorded by international and European shares, the return of this component was influenced by the performance of EDP, which registered a devaluation of approximately 10% in this period. The tactical positioning in shares was characterized by overweight, which contrasts with the very conservative positioning at the end of 2020.

In the bonds component, there was a negative contribution in the first half of the year, with a negative performance in the fixed rate, explained by the upward movement in interest rates in the first half of the year. However, the variable rate component registered a positive performance due to the compression of credit spreads. Positioning during the first six months of the year was markedly underweight in the class and with a duration shorter than the benchmark. The preference for the peripheral versus core countries should be highlighted. By the end of the semester the Fund reduced the exposure to Portuguese public debt.

In the alternative investments and real estate component, the Fund maintained a significant underweight, but both classes showed positive returns in the first half of 2021.

Internal Capital Adequacy Assessment Process (ICAAP)

The adequacy of capital to cover the level of risks to which the Group's activity is subject is permanently monitored under the Internal Capital Adequacy Assessment Process (ICAAP). The following figure summarizes the process in question:



The ICAAP is a key process within the scope of the BCP Group's risk management function and developed under an internal governance model that ensures the involvement of the BoD (the body responsible for approving the results) and its Risks Assessment Committee, of the EC, of the Risk Commission and of the top management, along the various stages of the process.

The ICAAP's results enable the management bodies to test whether the Bank is appropriately capitalized to face the risks arising from its activity at present, as well as those inherent to the balance sheet projections and results of the strategic plan and budget, in order to ensure the Group's sustainability in the medium term, respecting the risk limits defined in the Risk Appetite Statement (RAS) approved by the BoD.

For this purpose, the ICAAP is rolled-out from a prospective vision of the impact estimates concerning the occurrence of risks over the Bank's capital (capital requirements), considering their scale or dimension, complexity, frequency, probability and materiality, against a background consisting of the medium term (3 years) projection for the developments of the Group's activities. The impacts are estimated for different scenarios, including stress scenarios, with a severely negative evolution of macro-economic indicators. Through this process it is possible to test the Group's resilience and to verify the adequacy of the capital levels to cover the risks to which its activity may become subject. To this effect, the different risks are modelled or incorporated into the Group's stress tests methodology framework.

The ICAAP's first stage is the identification of the material risks to which the Group's activity is subject, which involves the Bank's management and the management from the main subsidiaries abroad. For this purpose, the Group uses a methodological approach based on an internal taxonomy covering more than 60 different risks, considering the relevancy of each one by taking into consideration its probability of occurrence and the magnitude of the impacts of its occurrence - either before or after the implementation of risk mitigation measures.

The result of this stage is the list of risks to be incorporated in the ICAAP, as well as of the variables to be considered for the establishment of the base and the stressed scenarios. The approval of the results of the risks identification process is a competence of to the Committee for Risk Assessment (CRA).

Is worth mentioning the inclusion in the ICAAP of the impacts related to the Covid-19 pandemic, namely on credit risk, in particular with regard to the end of measures to support the economy, namely credit moratoria, and also with regard to the litigation risk in Poland's Swiss franc loan portfolio, given the legal developments in that country.

In addition to the risks considered material, the Group integrates in the ICAAP process all the risks considered in Pillar I of Basel, even if they do not reach levels considered to be materiality for the Group.

In parallel, the base and stressed scenarios that make the ICAAP's framework were defined, considering the main geographies where the Group operates. While the base scenario represents the Group's vision of the most probable evolution of the business constraints in the medium term, the stressed scenarios incorporate extreme conditions, with low probability of occurrence but with severe impact over the Group's activity. The approval of the scenarios to be considered in the ICAAP is also a responsibility of the CRA.

In the next stage of the ICAAP, the impact of the risks identified is modelled for the reference date and the capital requirements are calculated for that date. All of the material risks identified by the Bank are quantified in terms of their impact over the Risk Weighted Assets (RWA) level or over the P&L, in accordance with a set of methodologies and internal models, formally approved, documented, validated and audited, considering a significance level in line with the regulatory requirements (CRR or Solvency 2) and a time horizon of 1 year (which is lower for the trading portfolio, due to its business nature). The non-quantifiable or non-material risks are considered through an additional buffer to the capital. The approval of the estimation methodologies for the risks impacts in the Group's activity is a competence of the Risk Commission.

Once the impacts of the various risks over the Group's P&L and balance sheet and, in particular, over own funds - are estimated, the Group is able to assess the adequacy of its Risk-Taking Capacity (RTC) against the expected profile for its exposure.

The Group adopts a RTC that is aligned with the definitions of the regulatory capital ratios, pursuant to Directive 2013/36/EU and Regulation (EU) No 575/2013 (the CRR - Capital Requirements Regulation), including some adjustments in order to encompass other elements or capital instruments that the Group considers appropriate to cover the existing risks, prudently projected along the timeframe under analysis.

The ICAAP's results are assessed by the EC and by the CRA and approved by the BoD, being one of the main sources for the review of the Group's RAS.

Credit risk, given the nature of the Bank's activity, is the most relevant risk, justifying 50% of internal capital needs. The sovereign risk, including the default risk and the spread risk, represents 7%, influenced by the volume of investments of the Group's excess liquidity in public debt securities. The capital requirements for other risks correspond to 21% of the capital needs, and the estimated capital needs for the litigation risk associated with the Swiss franc mortgage loan portfolio at Bank Millennium represents around 55% of that value.

Quarterly, the Bank updates the quantification of the main material risks of the ICAAP, reporting the results to the Bank's management bodies. In case of significant changes in the Group's risk profile, the internal capital adequacy assessment model is fully processed.

The ICAAP is subject to independent validation carried out by the Model Assessment and Monitoring Office and audited by the Audit Division.

Quarterly, the Bank reviews the ICAAP's assumptions assessing, namely: the materiality of the risks that are considered as "non-material"; the validity of the projections considered under the macroeconomic scenarios; the analysis of deviations against the business plans; the quantification of the main material risks; and the RTC calculation. The results are reported to the Bank's management body, through the EC and the CRA.

The results of the ICAAP monitoring show that current capitalization levels remain both in the baseline scenario and in the adverse scenarios.

Models validation and monitoring

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

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

GAVM's scope of action encompasses, inter alia, the validation of the internal models for credit risk, market risk and for the risks included in the ICAAP, as well as the regular monitoring of their performance and evolution. The results of the monitoring and validation exercises are reported to the Models Monitoring and Validation Sub-Commission and to the Risk Commission. Additionally, GAVM participates in the Committee for Risk Assessment (CAvR) twice a year.

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

In the first semester of 2021, several actions were carried out to monitor and validate the internal models in use by the Bank, including the regulatory report of the templates on the validation results of the credit risk internal models, according with ECB instructions "Instructions for reporting the validation results of internal models". These actions aim, inter alia, to reinforce the confidence in the models, to monitor their performance and evolution, verifying their business adequacy and their compliance with applicable regulatory requirements and best practices, as well as to reinforce the identification and adaptability to changes in their predictive quality.

The validation highlights the activities completed in the first half of the year regarding the monitoring of the ICAAP (i.e. conclusion of the validation performed to the operation risk and the Limited Review) and, the validation of the interest rate risk (arising from non-trading book activities) behavioral models. Moreover, initial validation activities of the new credit risk models, under the IRB approach, are also underway.

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

As part of models monitoring, GAVM ensured, among others, quarterly presentations to the Risk Commission on the performance and quality of the models under the IRB approach for credit risk and IMA for market risk, the execution of the 2021 regulatory Credit Risk Benchmarking exercise promoted by EBA, as well as the realization of the Model Risk Assessment of the credit risk models (IRB) and of the market risk models (IMA) .

Recovery Plan

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

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

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

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

Ratings assigned to BCP

Banco de Portugal has revised upwards its GDP growth forecasts. GDP should grow 4.8% in 2021, 5.6% in 2022 and 2.4% in 2023. Nominal GDP should recover to the level of 2019 in 1st half of 2022. From 2021-2026, Portugal is eligible to receive more than 30% of GDP in EU subsidies through the Recovery Plan for Europe (which does not require co-financing) and the EU Budget (which requires co-financing). These funds will finance a set of projects along the following lines: digital transition, climate transition and resilience.

The consequences of the pandemic include a sharp increase in both government debt and corporate debt.

The travel and tourism sector, with a high weight in the Portuguese economy, is unlikely to return to 2019 levels by 2023.

During the 1st half of 2021, DBRS and Fitch Ratings reaffirmed the rating and Outlook of the Portuguese Republic, at Stable, on February 26th and May 14th, respectively.

Portuguese banks continued to pursue their activities within a challenging environment during the first half of 2021, with the ECB maintaining interest rates at historically low levels. These conditions constrain the evolution of net interest income. However, in some cases, the negative impact on net interest income was partially compensated by long-term refinancing operations (TLTRO III) announced by the ECB, trading gains and initiatives to control recurring operating costs. The main Portuguese banks, in their majority, have ongoing or will soon announce restructuring plans.

It is also important to highlight the progress in the improvement of Portuguese banks' asset quality - through the reduction of NPEs -, as well as the strengthening in capital and liquidity levels, contributing to a better outlook of the Portuguese banking sector's performance, even in an adverse context.

Notwithstanding the significant reduction in problematic assets by Portuguese banks, its amount remains high, which is, together with profitability and capitalization levels, one of rating agencies' main concerns.

In 2020, based on the unprecedented economic shock following the strict lockdown measures to contain the health crisis, which represents a key risk to the overall sector, three rating agencies took negative actions on BCP's Outlook:

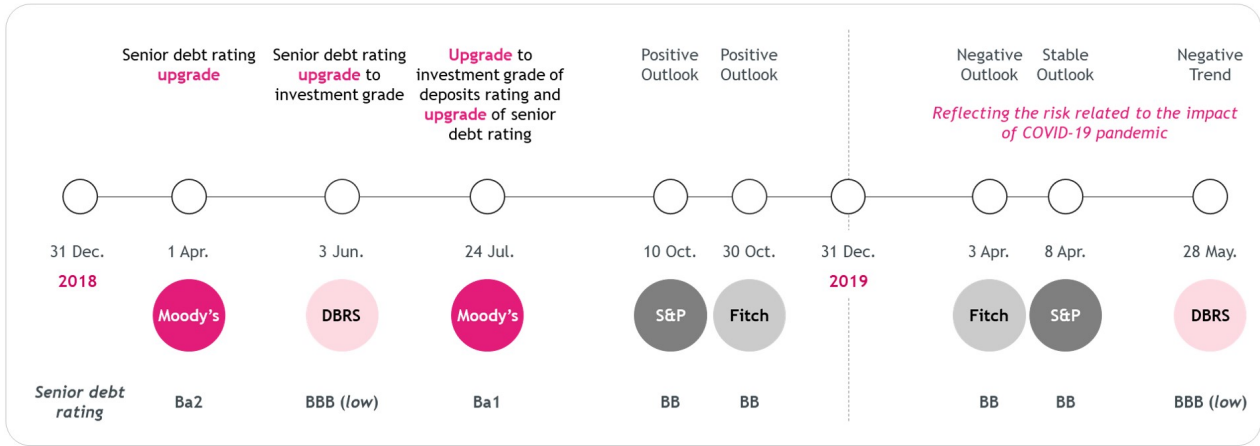
On April 3, Fitch Ratings revised BCP's Outlook, to Negative from Stable. On April 8, Standard & Poor's revised BCP's Outlook, to Stable from Positive. Finally, on May 28, DBRS revised BCP's Trend to Negative from Stable.

These actions taken by rating agencies - common across the entire sector - are based on the high degree of uncertainty caused by the current health, social and economic context, that results on increasing risk on asset quality evolution and possible profitability deterioration in the sector, in 2021. However, the Portuguese financial sector is better prepared to face this crisis than when it entered the previous global financial crisis. Portuguese banks have materially improved asset quality and its capitalization and liquidity levels, also presenting more efficient cost structures.

In the 1st half of 2021, there were no changes in the BCP's ratings, nor in BCP's Outlook.

Already, on 13 July 2021, Moody's rating agency, as an outcome of the revision of Moody's Advanced LGF analysis, in the scope of the revision of its methodology of assigning ratings to Banks, upgraded the junior senior unsecured programme rating of Banco Comercial Portugues, S.A. to (P)Ba2 from (P)Ba3.

Rating Agencies have taken negative rating actions on Portuguese banks since April 2020



Moody's

Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	Ba2
Counterparty Risk Assessment LT/ ST	Baa2(cr)/ P-2(cr)
Counterparty Risk LT / ST	Baa2/P-2
Deposits LT / ST	Baa3/ P-3
Senior Debt	Ba1 /NP
Senior Non Preferred	Ba2
Outlook deposits / senior	Stable
Subordinated Debt - MTN	(P)Ba3
Subordinated Debt	Ba3
Additional Tier 1	B2(hyb)
Other Short Term Debt	P(NP)
Covered Bonds	Aa3

Rating Actions**Standard & Poor's**

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

Rating Actions

8 April 2020 - Outlook downgrade, to stable from positive. SACP rating reaffirmed at 'bb', the Resolution Counterparty Credit Rating at 'BBB-/A-3' and the Issuer Credit Rating at 'BB/B'.

Fitch Ratings

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

Rating Actions

3 April 2020 - Outlook downgrade, to negative from stable.
7 April 2020 - Covered Bonds rating reaffirmed at 'BBB+'.
22 October 2020 - Viability Rating reaffirmed at 'bb', the Subordinated Debt Lower Tier 2 rating at 'B+', the Senior Debt rating at 'BB/B', the Senior Non Preferred rating at 'BB-' and the Deposits rating at 'BB+/B'.

DBRS

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

Rating Actions

28 May 2020 -Outlook downgrade, to negative from stable. Deposits rating reaffirmed at 'BBB/R-2 (high)'.

Capital

The CET1 estimated ratio as at 30 June 2021 stood at 11.7% phased-in and at 11.6% fully implemented, comparing with the 12.1% phased-in and fully implemented presented at the same period of 2020 and above the minimum required ratios under the SREP (Supervisory Review and Evaluation Process) for 2021 (CET1 8.828%, T1 10.75% and Total 13.313%).

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

SOLVENCY RATIOS

(Euro million)

	30 jun. 21	31 dec. 20	30 jun. 20	30 jun. 21	31 dec. 20	30 jun. 20
	PHASED-IN			FULLY IMPLEMENTED		
OWN FUNDS						
Common Equity Tier 1 (CET1)	5,530	5,657	5,605	5,488	5,651	5,602
Tier 1	6,066	6,194	6,138	6,024	6,187	6,135
TOTAL CAPITAL	7,088	7,212	7,172	7,047	7,213	7,176
RISK WEIGHTED ASSETS	47,387	46,413	46,218	47,302	46,322	46,141
CAPITAL RATIOS (*)						
CET1	11.7%	12.2%	12.1%	11.6%	12.2%	12.1%
Tier 1	12.8%	13.3%	13.3%	12.7%	13.4%	13.3%
Total	15.0%	15.5%	15.5%	14.9%	15.6%	15.6%

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

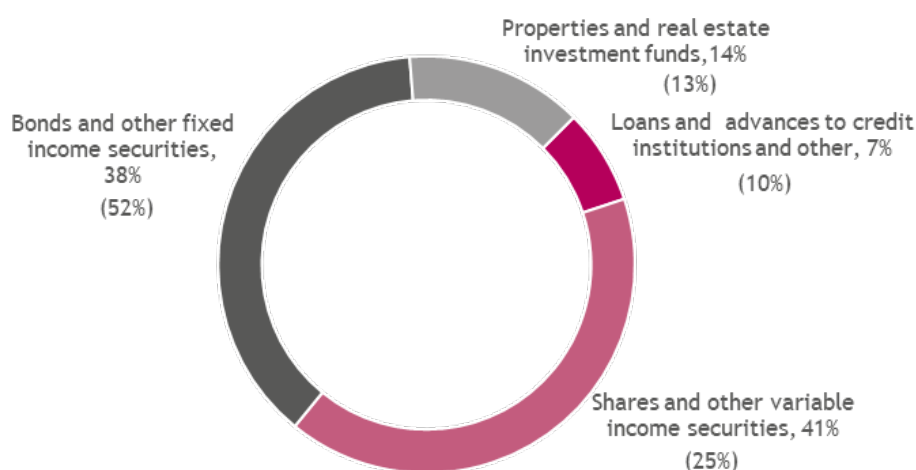
Pension Fund

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

As at 30 June 2021, the Group's liabilities stood at 3,394 million Euros, comparing to 3,658 million Euros at the end of previous year. The Pension Fund's assets which are financing the abovementioned liabilities reached 3,681 million Euros by the end of first semester of 2021 (3,751 million Euros as at 31 December 2020).

As at 31 June 2021 and 31 December 2020, the main asset categories in the Pension Fund's portfolio presented the following distribution:

STRUCTURE OF THE PENSION FUND'S ASSETS AS AT 30 JUNE 2021



(xx%) Proportion as at 31 December 2020

As at 30 June of 2021, the structure of the Pension Fund's asset portfolio shows, when compared to the end of previous year, a reduction in the bonds and other fixed income securities category, in contrast to the increase verified in exposure to securities investment funds.

The actuarial assumptions considered by the Group for calculating the liabilities with pension obligations were based on market indicators, particularly long-term debt yield of Euro Zone issuers considered to be at good risk, as well as the demographic characteristics of its employees. The main actuarial assumptions used to determine the Pension Fund's liabilities at the end of first half of 2021 and for the year ended in 2020 are shown below:

ASSUMPTIONS	1S21	2020
Discount rate	1.45%	1.05%
Increase in future compensation levels	0.75%	0.75%
Rate of pensions increase	0.50%	0.50%
Projected rate of return on fund's assets	1.45%	1.05%
Mortality tables		
Men	TV 88/90	TV 88/90
Women	TV 88/90 - 3 years	TV 88/90 - 3 years
Disability rate	Not applicable	Not applicable
Turnover rate	Not applicable	Not applicable
Normal retirement age	66 years and 6 months	66 years and 5 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1.00%	1.00%

The actuarial differences recorded in the first half of 2021 were positive by 195 million Euros, before taxes (negative in 89 million Euros, before taxes, as at 31 December 2020) and include 220 million Euros of actuarial gains as a consequence of the increase in the discount rate from 1.05% as at 31 December 2020 to 1.45% as at 30 June 2021. The actuarial deviations recognised in the first six months of the year also incorporate 29 million Euros of negative financial deviations related to the pension fund's return, in particular referring to the gap between the expected income and the effective income of the Pension Fund, whose marginally positive return rate of 0.01%, was below the expected annual rate of 1.05%, considered in the actuarial assumptions. Finally, positive deviations of 3 million Euros were also recorded as a result of differences between expected and actual liabilities.

The main indicators of the Pension Fund as at the end of first half of 2021 and at the end of 2020 are as follows:

MAIN INDICATORS	Million Euros	
	1S21	2020
Liabilities with pensions	3,394	3,658
Minimum level of liabilities to cover*	3,339	3,596
Value of the Pension Fund	3,681	3,751
Coverage rate	108.5%	102.5%
Coverage rate of the minimum level of liabilities*	110.2%	104.3%
Return on Pension Fund	0.01%	5.8%
Actuarial (gains) and losses	(195)	89

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

As of 31 June 2021, the Group's responsibilities showed a 108.5% coverage level, being funded at a higher level than the minimum set by Bank of Portugal.

It should also be noted that in 2021, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of the respective clauses, negotiations which are still ongoing.

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

Information on trends

Context

Banco de Portugal has revised upwards its GDP growth forecasts. GDP should grow 4.8% in 2021, 5.6% in 2022 and 2.4% in 2023. Nominal GDP should recover to the level of 2019 in 1st half of 2022.

From 2021-2026, Portugal is eligible to receive more than 30% of GDP in EU subsidies through the Recovery Plan for Europe (which does not require co-financing) and the EU Budget (which requires co-financing - financing). These funds will finance a set of projects along the following lines: digital transition, climate transition and resilience.

Portuguese banks continued to pursue their activities within a challenging environment during the first half of 2021, with the ECB maintaining interest rates at historically low levels. These conditions constrain the evolution of net interest income. However, in some cases, the negative impact on net interest income was partially compensated by long-term refinancing operations (TLTRO III) announced by the ECB, trading gains and initiatives to control recurring operating costs. The main Portuguese banks, in their majority, have ongoing or will soon announce restructuring plans.

It is also important to highlight the progress in the improvement of Portuguese banks' asset quality - through the reduction of NPEs -, as well as the strengthening in capital and liquidity levels, contributing to a better outlook of the Portuguese banking sector's performance, even in an adverse context. Notwithstanding the significant reduction in problematic assets by Portuguese banks, its amount remains high.

MREL

The Single Resolution Board (SRB) has not yet formally communicated the new MREL (Minimum Requirements for Own Funds and Eligible Liabilities) Targets to BCP. In order to do so, it awaits the transposition of BRRD2 to the legal and regulatory framework in Poland.

BCP will have established requirements (MREL Target) for 1 January 2022 (binding Intermediate Target), 1 January 2023 (Indicative Intermediate Target) and, permanently, from 1 January 2024 (binding Final Target).

According to the indications already received from the SRB the MREL Targets do not include minimum levels of subordination, to be confirmed at the time of the formal communication of the Targets and are compatible with the Group funding plan and are perfectly accommodated in a context where the markets are operating normally.

In February 2021, BCP carried out the first of the issues provided for in the aforementioned funding plan, a senior preferred issue under its Euro Note Programme. The issue, in the amount of €500 million, 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.

Resolution Fund

During the first half of 2021, the Group made regular contributions to the Resolution Fund in the amount of Euros 27,667 thousand. The amount related to the contribution on the banking sector, registered during the first half of 2021, was Euros 39,286 thousand. These contributions were recognized as a cost in the first half of 2021, in accordance with IFRIC no. 21 - Levies.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group made an initial contribution in the amount of Euros 31,364 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Group in the first half of 2021 was Euros 24,563 thousand, of which the Group delivered Euros 20,886 thousand and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including “processo dos lesados do BES”; and (v) the guarantee provided to secure the bonds issued by Oitante (in this case, the trigger mentioned is not expected in accordance to the most recent information communicated by the Resolution Fund in its annual accounts).

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the member of the Government responsible for finance a proposal with respect to the determination of amounts, time limits, payment methods, and any other terms related to the special contributions to be made by the institutions participating in the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

As published by Resolution no. 63-A/2021 of 27 May 2021 of the Council of Ministers, a number of national financial institutions offered to finance the Resolution Fund, under conditions considered as appropriate by it, increasing up to Euros 475 million the direct financing of banks to the Resolution Fund and waiving a State loan to the Resolution Fund. The funding costs of the Resolution Fund (from the State and from banks) will continue to be exclusively borne by periodic revenues, corresponding to the contributions paid by the banking sector. This new funding benefits from a *pari passu* treatment with the fulfilment of the payment obligations arising from the other loan agreements granted by the banks to the Resolution Fund within the scope of Banco Espírito Santo, S. A.’s resolution measures.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco under the Contingent Capitalization Agreement. The Resolution Fund paid Euros 317,012,629 associated to the 2020 financial accounts. This payment follows Novo Banco’s request, on 7 April 2021, of Euros 598,311,568.

The Resolution Fund considered that an adjustment in the amount of Euros 169,298,939 is due to the amount requested by Novo Banco, and therefore the amount calculated by the Resolution Fund for payment to Novo Banco is Euros 429,012,629, of which the authorization regarding a portion of Euros 112,000,000 was conditioned to the conclusion of a supplementary investigation which includes an external opinion regarding Novo Banco’s choice not to apply the hedge accounting policy to derivative financial instruments contracted to hedge interest rate risk resulting from the exposure to long-term sovereign debt obligations.

The payment to Novo Banco was fully funded with resources from a loan from seven domestic credit institutions, including BCP. The loan matures in 2046 and bears interest at a rate corresponding to the sovereign cost of funding for the period between the contract date (31 May 2021) and 31 December 2026, plus a margin of 15 b.p. The interest rate will be reviewed on 31 December 2026 and, after that, every five-years, corresponding to the sovereign five-year funding cost, plus a margin of 15 b.p.

The payment by the Resolution Fund required a budget amendment, which was authorized by Order of the Minister of State and Finance.

According to a statement from Novo Banco on 7 July 2021, Novo Banco says it will take legal steps towards the payment of the Euros 112 million.

CHF denominated loans

On 29 April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., in which the CJEU said that:

i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;

ii) article 6(1) and Article 7(1) of Directive 93/13 must be interpreted as meaning that, first, they do not preclude the national court from removing only the unfair element of a term in a contract concluded

between a seller or supplier and a consumer where the deterrent objective pursued by that directive is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. Second, those provisions preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance, which it is for that court to determine;

iii) the consequences of a judicial finding that a term of a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;

iv) it is for the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, to inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On 7 May 2021, the Supreme Court, composed of seven judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

i) an abusive contractual clause (art. 3851 § 1 of the Civil Code of Poland), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively;

ii) if without the ineffective clause the loan agreement cannot be binding, the consumer and the lender may apply for separate claims for reimbursement of all amounts paid to the other part under the loan agreement (art. 410 § 1 in relation to art. 405 of the Civil Code of Poland). The lender may demand the reimbursement of outstanding amounts from the moment the loan agreement becomes permanently ineffective.

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

The annulment of Bank Millennium's loan agreements currently subject to those lawsuits, without proper compensation for capital, can reach a cost, before tax, of up to PLN 3,003 million (Euros 665.03 million).

Non-financial information

Involvement of Stakeholders

Sustainability Policy

The BCP Group pursues dynamic strategies adapted to the new challenges imposed by the several interested parties with which it establishes relations. The main objective of the adopted sustainability policies, which foster a culture of Social Responsibility, has been to positively influence the organization's long-term value proposition, in balance with the well-being of people, the company and the communities in which it operates. and with the preservation of natural resources, the climate and the environment.

Within this framework, it is possible to divide the Bank's intervention into three major areas of intervention:

- Environment - implementation of measures that foster a fair and inclusive transition into a zero-carbon economic development model, including the incorporation of the environmental component in the Bank's risk models and in the offer of products and services;
- Social - involvement with both the external and the internal communities;
- Corporate Governance - integration of the principles of sustainability in the Bank's decision-making processes.

Therefore, as an integral part of its business model, Millennium bcp takes on the commitment to create social value by developing actions to - and with - the various stakeholder groups with the goal of directly and indirectly contribute to the economic and social development of the countries in which it operates.

In the wake of the subscription in 2005 of the United Nations Global Compact Principles, the BCP Group also commits to support its 10 Principles establishing a set of values in what concerns Human Rights, Labour Conditions, Environment and Anti-corruption.

BCP also recognises the importance of the United Nations Sustainable Development Goals (SDGs) as a unifying and aspirational reference framework that will enable the drafting of a new "social contract" and stimulate processes of change that the economic, social and environmental reality requires and demands, having identified, at this stage, as priorities for the implementation of the 2030 Agenda for Sustainable Development, the SDG 1 (End Poverty), 4 (Quality Education), 5 (Gender Equality), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 10 (Reduced Inequalities), 13 (Climate Action), 15 (Life on Land) and 17 (Partnerships for the Goals).

The continuation of BCP's strategy involves the establishment of Internal Codes and Corporate Policies, which are a reference in terms of behaviour principles and good practices and summarize the professional and conduct rules and practices that govern the Group's activity, being fundamental for the compliant and coherent performance of the function of each Employee.

In an increasingly challenging context, marked by growing market demands and a rapidly evolving regulatory framework, we decided to review and update some of the policies and principles in force in the BCP Group, namely: i) the Sustainability Policy; ii) the Environmental Policy; iii) the Social Impact Policy; and iv) the Human Rights Policy.

At the same time, two new corporate documents were also approved, the Anti-Corruption and Anti-Bribery Policy and the Principles of Responsible Financing, listing the excluded and conditioned sectors and projects, through which BCP recognizes the existence of sectors of activity/projects that do not meet the commitment assumed by the Group of preserving the environment, promote the socially sustainable development, fight against climate changes and preserve biodiversity.

**SABEMOS
O QUE CONTA**

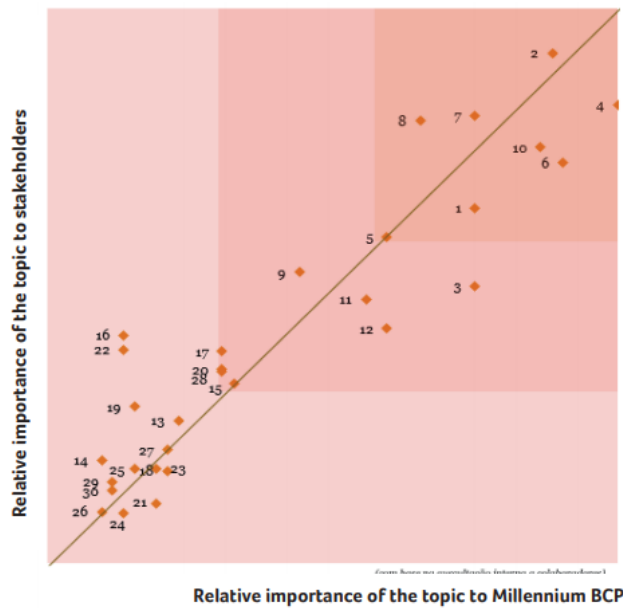
SUSTENTABILIDADE



Value added to each Stakeholder Group

Identification and Integration of Expectations

The strategy of Millennium bcp in terms of Sustainability is reflected in the Sustainability Master Plan (SMP), a commitment plan that constitutes the reference framework for the actions to be carried out by the Bank. The guidelines and the definition of the actions part of the SMP are based on a balanced relation between the identified relevant material issues, the Bank's available resources and the economic and market framework.



- | | |
|--|--|
| <ul style="list-style-type: none"> 1 – Sustainability Governance Model 2 – Economic performance, business and sustainability strategy 3 – Management of the brand and reputation 4 – Ethics and Conduct 5 – Fight against corruption and money laundering 6 – Risk Management 7 – Quality of service, customer satisfaction, and easy submission of claims and complaints 8 – Safety in information and data protection 9 – Transparency in the information provided to customers on products and services 10 – Innovation 11 – Development and training of human resources 12 – Capture and retention of talent 13 – Diversity and equal opportunities 14 – Occupational health and safety 15 – Conciliation between professional and personal life 16 – Respect for Human Rights 17 – Investment in the community | <ul style="list-style-type: none"> 18 – Corporate volunteering 19 – Financial Literacy 20 – Climate changes, energy efficiency and alternative energy sources 21 – Eco-efficiency 22 – Environmental awareness and education (employees, clients and community in general) 23 – Products/services with social benefits and providing support to companies 24 – Products/services with environmental benefits 25 – Financial inclusion 26 – Accessibility to individuals with a reduced mobility 27 – Integration of environmental and social criteria in the analysis of credit risk and investment management 28 – Preventing over-indebtedness 29 – Responsible management of suppliers 30 – Digital transformation in banking and its impact on sustainability |
|--|--|

The identification and the ongoing follow-up of the themes considered material by the Stakeholders of Millennium bcp - an example of which is the survey made in 2019 - enabled the Bank to know the areas that show better performances within the scope of Sustainability, but also to rapidly detect and characterize improvement opportunities representing a strong contribution for the adoption of an appropriate sustainability strategy adapted to new realities, challenges and requirements.

The Sustainability Master Plan foresees, in its different components, the following actions and initiatives:

Sustainability Master Plan

SUSTAINABILITY MASTER PLAN (SMP) 2021

Area	Action
Governance Model of Sustainability and Corporate Policies	<ul style="list-style-type: none"> - To implement a model of governance of the Sustainability Area that allows a multidisciplinary and transversal action on the organisation, including, whenever justified, international operations; - Review and update the Group's corporate policies; - To review evaluation and remuneration policies.
Training on Sustainability	<ul style="list-style-type: none"> - e-Learning Course on Sustainability (and Sustainable Finance).
Brand Management and Reputation	<ul style="list-style-type: none"> - Strengthen the positioning of Millennium bcp in the sustainability indexes; - Adhere to principles and commitments about sustainability; - Define the positioning of BCP in relation to SDGs; - Integrate sustainability into corporate events; - Strengthen the communication and promotion of Microcredit; - Improving sustainability reporting and communication.
Risk management, ethics and conduct	<ul style="list-style-type: none"> - Foster a culture of compliance and of a strict management of risk; - Ensure integration of environmental and social risks into the risk analysis process.
Information Security and data protection	<ul style="list-style-type: none"> - Ensure the management and information of employees.
Quality of service and customer satisfaction	<ul style="list-style-type: none"> - Optimise satisfaction levels; - Foster a culture of continuous improvement; - Creation of a Customer Charter.
Responsible supplier management	<ul style="list-style-type: none"> - Formalise compliance with social and environmental requirements in the relationship established with Suppliers.
Innovation	<ul style="list-style-type: none"> - Foster a culture of innovation.
Sustainable financing policies and regulation	<ul style="list-style-type: none"> - Monitor the development of the European Commission's Sustainable Finance Action Plan.
Transparency of information to customers on products and services	<ul style="list-style-type: none"> - Integrate sustainability aspects of the proposed investments into the communication with customers.
Risk management	<ul style="list-style-type: none"> - Integrate ESG risks into risk management procedures; - Promote climate changes awareness with corporate clients developing their activities in sectors more exposed to risks and environmental regulations; - Identify and classify Corporate Clients with greater environmental and social risks.
Provide an offer of inclusive and sustainable products	<ul style="list-style-type: none"> - Promote and launch products that observe social responsibility principles and cope with the new environmental challenges; - Develop an offer of ESG products, which promote the transition of the economy to a sustainable model.
Accessibilities	<ul style="list-style-type: none"> - Improve the implementation of differentiated working hours for customer service; - Improve digital accessibility of customers.
Attracting and retaining talent	<ul style="list-style-type: none"> - Support the adoption of healthy lifestyles; - Improve the mechanisms ensuring a greater proximity between the Employees and top managers; - Promotion of work-family balance.
Voluntary work	<ul style="list-style-type: none"> - Develop and approve a Voluntary Work Policy; - Voluntary work Programme.

Conscious Business Project	- Conscious organisation.
Human Rights	- Analyse and communicate the Group's positioning on human rights risk management.
Financial Literacy	- Financial Literacy Programme; - Implement social and/or environmental awareness actions common to the entire Group.
Investment in the community	- Develop campaigns together with non-governmental organisations and charitable institutions to foster a sustainable development; - Reinforce connection to Millennium bcp Foundation; - Reinforce and systematise partnerships with entities that stimulate and develop entrepreneurship in local communities; - Develop actions of social responsibility; - Measure the impact on the community.
Climate change, energy efficiency and alternative energies	- Contribute to limiting global warming to 2°C (Paris Agreement).
Environmental performance	- Minimise the environmental impact of operations.

Accordingly, the activities developed by Millennium bcp within the scope of Responsible Business practices during the first six months of 2021, summarized in this chapter, materialize the Bank's commitment towards compliance with the SMP in effect.

Ethics and Professional Conduct

BCP Group develops its activity, in all its operations, in a responsible manner towards Employees, Customers, Shareholders, Suppliers and remaining Stakeholders, always guiding its performance by the compliance with internal principles of rigour, with the applicable legislation and the regulations issued by the supervision and regulatory authorities:

In this sense, we must point out the publication, on July 15, 2020, of the notice of Banco de Portugal 3/2020 (Notice) on the adequacy and efficiency of organizational culture and governance and internal control systems, which has a significant impact on issues which are directly related to ethics and professional conduct, in particular with regard to the definition of requirements relating to the Code of Conduct, the functions of the management and supervisory bodies, internal control functions, related parties, conflicts of interest and communication of irregularities.

Given the importance of the Notice and the impact that its requirements mean for organizational culture, governance and internal control systems, during the last quarter of 2020, the Bank developed an initiatives plan with the aim of aligning the organization and internal practices with the Notice, ensuring, during 2021, full compliance with all requirements. From the initiatives carried out in the first six months of 2021, we point out the following:

- Amendment of the regulations of the management and supervisory bodies, including a series of changes arising from the requirements related to ethics and professional conduct;
- Approval in February of the update to the Group Code of Conduct, with changes, among others, on issues such as the protection of personal data, liberalities and the communication of irregularities, and the introduction of a new section on non-discrimination and prohibition of harassment;
- Issue, in February, of the first annual report of self-assessment of the effectiveness of organizational culture and of governance and internal control systems, addressed to Banco de Portugal, having as scope both the Group and its various Companies in Portugal and abroad and for the CMVM, in this case limited to the activity developed in Portugal;
- Training on the Code of Conduct applicable to all employees and outsourcers, achieving a completeness level above 90% in June 2021;
- Approval, in June, of the update of the Policy for the Prevention and Management of Conflicts of Interest, namely the new circuit for the approval of this policy, a new concept of the part related with conflict of interest and a new procedure for reporting conflicts of interest;
- Approval, in June, of the update of the policy for the communication of irregularities, namely the update of the communication process resulting from the implementation of a new channel that ensures the anonymity of the source;

Regarding other aspects of the Bank's activity related with ethics and professional conduct, we must highlight the following:

- Within the scope of prevention of money laundering and terrorism financing (ML&TF), the activities of the compliance area, during the first six months of 2021, based on a risk approach, included the filtering of operations a process that ensured the compliance with the sanctions and embargoes regimes imposed by the competent national and international authorities, monitoring them to prevent potentially irregular situations and also the prior validation, substantive and formal, of the opening and maintenance of entities, accounts and of credit operations. This functional perimeter, based on dedicated technological solutions, also includes the definition and management of risk models according to the evolution of the various competing variables to establish scorings to be applied to operations. We must also point out the development of new solutions, more efficient, based on automated processes, to analyse the risk factors inherent to new account openings and the screening of transactions
- During the first half of the year, we continued to face the challenge of ensuring that work processes respond to the operational challenges posed by the Covid-19 pandemic, ensuring the level of service of scrutiny and decision on customer operations, as well as all internal controls and other functions ensured by the Compliance Office;
- Monitoring mechanisms on conflict of interest risks have also been strengthened in order to comply with the new regulatory requirements.

In 2021, the strengthening of the compliance culture was one of the Bank's important initiatives, either through the normal development of the Training Plan and through proximity communication programs for all areas of the Bank, in particular commercial networks; The "100% Compliance", the "Compliance A to Z" and the "Alerta Compliance" and "Compliance Express" are the most visible faces of the transformation initiated in 2019 wherein, through regular actions addressed to all networks of the Bank, the Bank tried to convey information, explain and provide support on the most important aspects to consider in the component of financial crime risk and in all the remaining compliance and regulatory compliance risks, with a simple but informative and formative language. In addition, the bank continued to publish a monthly newsletter with a modern and appealing image approaching practical and current issues related with the management of compliance risks and with the rules of good conduct.



- In what training is concerned, there was also a significant strengthening of actions in matters of compliance and conformity, assuming special emphasis, in addition to the Code of Conduct mentioned above, the new training in PBCFT, already considering the changes resulting from the entry into effect of Law No. 58/2020, addressed to employees of the Bank, achieving a degree of completeness above 90%. It should also be noted that in March, the Compliance Office held a technical session on regulation applicable to advertising campaigns, which was attended by marketing and communication areas of Millennium bcp and ActivoBank.
- In the Group's activities plan, remains as a priority the enhancement of the monitoring of the risks of the several subsidiary companies, ensuring the follow-up and monitoring of the ML/TF risk, through the ML/TF International Commissions, with the participation of the management and compliance bodies of the subsidiary companies aiming at assessing and monitoring the specific compliance risk factors of each country, as well as the business segments of each subsidiary company.
- To complement the measure mentioned above, we must mention the projects made by the Compliance Office together with the teams of the Branches and subsidiary companies abroad, focused on the analysis and improvement of the efficiency of the controls in place to mitigate the most significant risks in terms of ML/TF.

Service Quality

Millennium bcp continues to focus on the model of assessment of Customer experiences. 24 hours after interaction with the Bank, the Customer is invited to answer a brief questionnaire to assess Customer satisfaction with this experience with the Bank and the corresponding level of recommendation.

- In the first six months of 2021, were assessed over 70,000 experiences of Customers who visited Branches or were contacted by Customer Managers.
- The Millennium bcp's NPS indicator (Net Promoter Score) - the difference between the percentage of Promoter Customers (who grade the Bank with 8 or 9 on a scale from 0 to 9) and the percentage of Detractor Customers (who grade the Bank with 0 to 5 using the same scale) - was computed using the answers to the questions on whether they recommend the Bank. This indicator has shown a positive performance since this process began in 2013, reaching its highest level ever at the first half of 2019, at 73.1 points.
- Another issue dealt with was the recommendation of the service provided by the Employee / Account Manager. This NPS Assistance indicator, with 85.0 points in the first six months of 2021, also records an ongoing and very positive performance.
- In the first half of the year, two Mystery Customer actions were carried out, as planned, in Mass Market branches. The 1st wave was carried out from January to March, involving 421 visits to branches of Millennium bcp and 90 visits to branches from OCI. The overall result of BCP was 73%, above the results obtained by OCIs targeted in these actions (Bank's Top5). The 2nd wave was carried out from April to June with 401 visits to branches and 90 visits to branches from OCI. The overall result of BCP was 81%. The purpose of these actions is to assess customer servicing to be able to continuously improve the experience of our customers when they visit our Branches. The results obtained in the 1st wave, 73%, are directly comparable with those of 2020, which recorded 74%. The results of the 2nd wave, on the other hand, have no comparability, given that the same wave was not carried out in 2020.
- The Bank carried out 22 surveys, using different approaches, for monitoring the satisfaction of the Customers with the several Direct Channels and Business Networks.

We continue to strengthen employee skills to improve customer servicing. After a deep diagnosis of the business segment, we launched on April 12, 2021 an intensive training program with a behavioural and technical nature, named "#1 Business - THE ONE" with the objective of improving the behavioural and technical skills of employees in this segment, based on a service model and commercial approach focused on Customer Experience. Within the scope of this program, the Branch Managers and Business Managers are subject to a certification process coordinated by an external company.



In the Mass Market and Prestige segments, a quarterly behavioural training "Training #1" was maintained in e-learning format and with contents prepared by an external expert. We also continued the project "Momento #1", promoting weekly videos on product features, use of tools and best practices in customer service with direct impact on improving customer service.

Also with the objective of enhancing the measurement of the satisfaction and loyalty of the several Customer segments, Millennium bcp continued to follow-up several external market studies made by specialized companies so as to obtain indicators enabling to position the Bank in the sector and assess, in an ongoing manner, the market's perception in what concerns the quality of the service provided, the Bank's image and the products, the services it trades and the customer satisfaction and loyalty. An example of these studies are the CSI Banca and BASEF (from Marktest), the BFin (from DataE), the BrandScore (from Scopen) and the Consumer Choice Large Banks (from Consumer Choice).



The BFin, made by DataE, focuses on the characterization of the banking industry in Portugal, according to the companies perspective, relating to products and services made available by the Banks. In the 2021 survey, Millennium bcp was, once more, considered the Main Bank for companies in Portugal. It is also referred to as the “Banco Mais Próximo dos Clientes Empresariais” (the bank closest to corporate customers), as the “Banco com os Produtos mais Adequados às Empresas” (the bank with the most appropriate products for companies).

We adopt as KPI's (Key Performance Indicators) of Quality the indicators of Global Satisfaction (NPS) and Bank Recommendation (NPS) of the Markttest BASEF Study, with the goal of positioning ourselves in the TOP3 among larger banks operating in Portugal. In this first half of 2021, we reached the TOP1 in the two Quality KPIs.

Proximity, Reporting and Recognition

Was also produced and published, also in a digital format, the 2020 Sustainability Report, a document providing an integrated view of BCP Group's performance in the Economic/Governance, Social and Environmental scales, but also a summary of each of its operations, namely Mozambique, Poland, Portugal and Switzerland.

The 2020 Sustainability Report from Bank Millennium was also made available, in this case with detailed information regarding the operation in Poland.

Millennium bcp, in addition to periodically reporting non-financial information included in the Sustainability area. It also responds to external and independent entities by completing specific questionnaires on these matters. The participation in these external evaluation processes has enabled, besides the comparison of performances between companies of the sector, the inclusion in sustainability indexes.



Hence, by the end of the 1HY 2021, Group BCP continued in the indexes “Ethibel Excellence Europe” and “Ethibel EXCELLENCE Investment Register” (analyst VigeoEiris) and “European Banks Index” (Standard Ethics), and joined the most recent edition of the “Gender-Equality Index” (Bloomberg).

In its most recent assessments, the analyst MCSI attributed the global rating of “A” to BCP Group's ESG (Environmental, Social and Governance) performance, while analyst Gaia Rating gave it a 78% rating and CDP - Carbon Disclosure Project - kept Group BCP in the “Leadership” band, rated “A-”.

Millennium bcp is part of the Financial Times and Statista's “Europe's Climate Leaders 2021” ranking, integrating the selected group of European companies showing the most progress in reducing greenhouse gas (GHG) emissions. Also in 2021, Group BCP returned to the Sustainability Yearbook, a reference publication in the area of Sustainability-, now edited every year by the analyst S&P based on the information gathered in the response of companies to Dow Jones Sustainability Indexes.



Sustainability Yearbook
Member 2021
S&P Global

In the sphere of the continuous communication flow directed at different target audiences on Sustainability themes and initiatives, the systematic dissemination of information was maintained, focusing on the diversity and frequency of publications on:

- external communication, by regularly updating the sustainability area in the institutional website and of content posted in social media, like Facebook and YouTube;
- internal communication made through the Bank's corporate channels.

Millennium bcp, as part of its sustainability communication strategy, it maintained in 2021, as a founding member, its partnership with editorial projects on sustainability and sustainable finance ECO Capital Verde and Jornal de Negócios Sustentabilidade.

Motivation and Training

In order to address the challenges placed by the market and as a way to comply with legal and regulatory demands, the Bank founded in January 2016 its corporate school, the Millennium Banking Academy (MBA), the first in-house academy of a Bank in Portugal and certified by the General-Directorate of Employment and Work Relations (DGERT).

In the first half of 2021 (until May), in Portugal, the MBA produced 175,325 hours of training directed to Employees (143,226 h) and Outsourcers (32,098 h) of the Bank. From these, 20.413 hours correspond to weblive training (17.273 hours addressed to employees and 3.140 to Outsourcers), 122.616 hours correspond to e-Learning (Employees 107.263 h and Outsourcers 15 253 h) and 32.295 hours to training programs using other methods (Employees 18 691 h and Outsourcers 13.604 h). 71.833 trainees (61.915 employees and 9.918 Outsourcers) participated in these training actions.

Regarding this period, we highlight the following initiatives:

Digital Academy

With the purpose of developing the digital skills of the Employees, the Digital Academy developed several initiatives, such as:

- Launching of an e-learning course on the Millennium App for all the Bank's employees;
- Conducting a training program on Microsoft's digital productivity tools with 11 one-hour sessions broadcast in Broadcast format, with the availability of sessions on the Bank's training platform, 7 of which accessible to all Employees and the remaining 4 to a restricted group with specific technical characteristics;
- The making of a webinar on Artificial Intelligence, made available through a video on the training platform;
- All Employees had the opportunity of attending a new course on Smartphones - Advanced Productivity.

Onboarding Training: New Employees / New Branch Managers

- In the first six months of 2021, we held two classes (in March and May) of Onboarding training for New Employees with the objective of giving an overview of the Bank and of what is expected of each in the exercise of his/her functions and, in the case of commercial areas, more specific training was provided at the technical and behavioural level. The training program lasted one or two and a half days depending on if the Employees are in Central Areas (7 hours) or in the commercial network (18 hours). 46 Employees were involved in this Training Program.
- In March, we implemented a specific Training Program for all new Branch Managers of the various Segments, with a two-days duration. This Program is targeted at reinforcing the technical and behavioural skills necessary for the exercise of the new function and had 14 participants.

Happiness / Emotional Intelligence

- We have developed a training module in Happiness and Success that we included in some of our Training Programs. In the Prestige Direct Training Program, we introduced a module "On the Way to Success", which involved 56 Employees, and, under the Ingenious Program, we included the module of "Happiness" lectured to 44 Employees. We also introduced the theme briefly in the module "From People to People" lectured to new Employees in the Onboarding training. The training on Happiness aims at understanding and reinforce the importance of the concept of happiness and identify practices to enhance it. During the sessions, the participants increased their knowledge and worked on the following themes: Success and Happiness, A scientific basis: Positive Psychology, Happiness at work, Happiness in challenging times (management of stress and expectations), the practice of Happiness.
- In June, we initiated a training program of 16 hours on Emotional Intelligence, which involved 19 employees, and will be continued in the second half of 2021. This program approaches 4 domains of emotional intelligence: self-awareness; self-management; awareness of others and management of relationships and leadership.

inGenious

- The 3rd edition of the program inGenious began on 22 March and will take place until November 2021. It will consist of 9 months of training, one week per month. After being considered the best Trainee program in Portugal in the year the same was launched, in this edition we have 52 young talents from the Bank's analytics and technology areas. They shall receive information on the culture and strategy of Millennium bcp and will be given the opportunity of increasing their technical and behavioural skills to prepare them to help the Bank in its digital transformation process.

M Power

- A new edition of the MPower is currently taking place, with the same ambition of continuing preparing the future leadership of Millennium bcp. The objective is to prepare and mobilize leaders, reinforcing the behavioural skills able of making a difference while facing new challenges. This program has the participation of 112 Employees with management functions and lasts for one year with various activities that include training workshops and individual and group coaching actions.

The One Business Training

- In April, we started the program #1 Customer Experience for the Business Segment. It is a program of behavioural training and improvement of technical skills in core areas, according to which each Manager will be able to choose the training modules according to his/her needs. The purpose of the program is to make Millennium the best bank in terms of Customer Experience in the Business Segment. So far, we have already carried out half of the Program (124 behavioural sessions and 66 technical sessions involving approximately 2,556 trainees). The Program will be continued during the 2nd half of 2021.

Prestige Direct Training

- The Program Prestige Direct Training involved around 160 employees from the Coordinating Areas North, Centre, South and Islands during April and May. The main purpose of the training was to ensure the alignment and reinforcement of skills in behavioural, technical and sales areas of the teams that were part of Prestige Direct 2.0 10 training classes with 11 modules were held, providing each Employee with approximately 30 hours of training. The training was highly appreciated by the participants and the modules were adjusted to the needs, responding to the challenge of preparing the new Teams of Prestige Direct, which grew from 30 employees to 160.

Other training/initiatives

- Under the protocol signed between Millennium bcp and Faculdade de Economia do Porto (FEP), we formed 4 training classes on Corporate Economic and Financial Analysis (Basic and Advanced Program). The training was made via Teams and lasted 14 hours.
- Within a partnership established with ISCTE Executive Education, we provided Training on Public Contracting with the objective of reinforcing skills in the area of public contracting in order to enhance the Bank's role in this business. The Program lasted 38 hours and had 18 participants.
- After the participation in the Inclusion Labs, we continued our contribution to the Journey for Qualification specifically in the project "Qualify to Employ", within the scope of the Inclusive Community Forum (ICF) promoted by NOVA SBE. Millennium bcp held another training session "Succeed in the World of Work", which aims to boost key concepts that improve social skills and the employability potential of disabled individuals (DI). In these sessions, we provided training on good practices with exercises that contribute for their professional and personal success. The training is targeted at pairs (people with disabilities and technicians who accompany them) and the associations Novamente, Somos Nós and Pais em Rede were represented in the last group (16 trainees: 10 DI and 6 technicians). Between the sessions and after the training, workbooks were sent to the participants, in order to facilitate the internalization of the concepts worked on in a virtual room. In this edition of the 2021 Module, we tried to make the sessions closer to the reality of the world of work, being able to include practical aspects of preparation for a job interview, through videos and exercises, a component that was highly valued by all participants.
- The Bank, aware of the demands that being a parent implies, implemented a Programme for the Protection of Parenting. This Program started in 2015, to create the necessary conditions to enable Employees to better reconcile work and family life. This programme, which celebrated the birth of around 52 babies in 2021, includes a set of benefits for Employees and their families, such as a Baby Millennium savings voucher, granted at the time of birth/adoption of the child, now amounting to 800 euros as of 1 January 2021 onwards. The possibility of taking the afternoon off on the birthday of their children up to 12 years old now enshrined in the employment agreement, benefited 886 Employees, in the course of the first six months of the year.
- The program Mil Ideias is an internal programme to generate ideas based on the recognition of Employees as a creative force able of originating innovative and valuable proposals. In the first six months of 2021, 11 new ideas from the Bank's employees were launched.
- In 2021, the widespread disclosure of the results of the Organizational Environment Questionnaire 2020, global and from each Division, was continued by publishing its results on the internal Human Resources website and by holding extended Human Resources meetings with the Bank's Divisions to analyse the results and define Action Plans to improve the indicators achieving a lower grade.

In an atypical year marked by the pandemic, the participation rate of employees in the survey reached a record percentage of 87% and all indicators of satisfaction and motivation recorded a positive evolution. In general, the trend of the main indicators of employee motivation and satisfaction improved, and it should be noted that the improvement in satisfaction with the Bank increased from 72 to 76 points

Products and Services

In the first half of the year, the Bank continued to support economic activity, extremely affected by the impact of the Covid-19 pandemic, through several measures to preserve the financial stability of businesses and households.

Individuals Support Solutions

Aiming to continue to support customers struggling with financial difficulties, and to avoid defaults, the Bank continued to promote the Financial Assistance Service (FAS). In the scope of FAS packages, during the first half of 2021, around 3,545 renegotiation operations were carried out, totalling a restructuring amount of 181 million euros.

Within the scope of the reinforcement of the Sustainable Offer, we launched two new products: Personal Credit Renewable Energies (for financing the acquisition of equipment for the production of renewable energies, such as photovoltaic solar panels, thermal panels, self-sustaining systems - water and energy -, among others) and Personal Energy Efficiency Credit (aimed at the acquisition of energy efficiency solutions., including electric bicycles, sustainable appliances A+ or higher, more efficient window placement, thermal insulation, more efficient lighting systems).

Aiming at reducing the potential factors of social exclusion, Millennium bcp was one of the first banking institutions to voluntarily offer the current account - Minimum Banking Services Account (SMB); with a maximum annual cost equivalent to 1% of the social aid index; it can be used with a debit card and allows intra-bank transfers and 24 annual interbank transfers within the European Union through homebanking. At the end of the first half of 2021, 14,598 Millennium bcp Customers benefited from this service.

University Loans - In Portugal, for students who decided to pursue their academic career, the Bank concluded, in the first six months of 2021, within the University Credit Line, 16 new loans totalling 187 thousand euros. The volume of credit granted to the 360 operations in the portfolio amounted to 2,842 thousand Euros.

Under the protocol signed between Millennium bcp and the Mutual Guarantee Societies, in line with the Programa Operacional Capital Humano (Human Capital Operational Programme) and the Portuguese Government, through the Foundation for Science and Technology, the University Credit Line with Mutual Guarantee was maintained. This line intends to support access to higher education with the aim of increasing participation and educational qualification. During the first half of 2021, 119 operations were financed, totalling 1,250 thousand Euros and the volume of credit granted to 1,823 operations in the portfolio totalled 11,349 thousand Euros.

Millennium bcp joined the “2020 Efficient House”, a programme launched by the Portuguese Government and co-funded by the European Investment Bank (EIB), with total funding to be made available by the Bank of 50 million Euros (25 million Euros from the EIB and 25 million Euros from the Bank). This program, the purpose of which is to grant loans under favourable conditions to operations promoting the improvement of environmental performance of private residences, giving a special attention to energy and hydro efficiency, as well as to urban waste is available since June 2018 - 7 operations (consumer loans) were carried out, with a total funding of 60 thousand Euros.



The credit card issued by Millennium bcp - Visa/ Mastercard network - continued to encourage social support through loyalty programs that enable exchanging the points of the card into donations for charitable organizations, namely Associação Acreditar, Ajuda de Berço, Associação Portuguesa dos Bombeiros Voluntários and AMI. In the first six months of 2021, 1,065 Euros were donated.

Materializing the Bank’s cultural commitment, the credit cards issued by Millennium bcp continued to allow their holders to take advantage of the partnership with NOS movie theatres, offering two tickets for the price of one. In the context of the pandemic, movie theatres NOS have suffered a sharp drop in attendance, a drop reflected in the results of the partnership established with the Bank. In the first six months of 2021, this partnership enabled the awarding of 6.988 tickets.

Providing an answer to the needs of Investors who consider important to include social and environmental risk factors in their investments, Millennium bcp has kept Socially Responsible Investing Funds (SRI - Socially Responsible Investing) available for subscription, either using Millenniumbcp online platform (5 environmental funds, related to energy, totalling in June 30 a portfolio of over 26,382 thousand euros), either from ActivoBank. A portion of the SRI funds traded may also be subscribed through the Millennium bcp and ActivoBank Apps.

Companies Support Solutions

To support corporate clients, the Bank has made available the first new lines in Portugal negotiated with the European Investment Fund (EIF) under the European Programme, Pan-European Guarantee Fund (EGF). It was the EIF’s largest operation in Portugal for a credit portfolio guarantee of 1,177 million euros. In this context, the Bank launched 2 FEI EGF Lines for financing the treasury or investment of Micro, Small and Medium Enterprises, having carried out 4,415 operations in the amount of 504 million euros.

Within the scope of protocols established with Banco Português de Fomento (BPF) and the Mutual Guaranty Companies (SGM), the Bank launched several credit lines in the form of Lines to Support Economy Covid 19 (ESL). The following lines of credit were made available to finance the treasury needs of Companies: i) Exporting Companies of Industry and Tourism; ii) Companies that organize Events; iii) Travel Agencies and Tour Operators; iv) Medium and Large Tourism Companies; v) Sports Federations and vi) Major Cultural Events. In what concerns ESL, were carried out a total of 1,295 operations in an overall amount of 280.248 thousand euros.

In order to facilitate the inclusion of Third Sector institutions in the financial system, the Bank makes available the FIS - Credit and the Economy Support Line Covid-19 - Social Sector. In the first six months of 2021, the Bank carried out 7, in a total value of 1,985 thousand Euros.

As for the support to Agriculture and Fisheries, the Bank maintained the possibility of financing, under a set of protocols signed with the Institute for Financing Agriculture and Fisheries (IFAP), through the Credit Lines - IFAP Short Term, Support for Fisheries 2020 (included in the set of Covid-19 lines), Flores 2020, Intempéries (Elements) 2020, Agricultural and Forestry Sector and also the General Protocol established with Agrogarante. Millennium bcp financed 6 operations totalling more than 10,479 million Euros.

Regarding the support to investment projects aimed at the creation of companies by the unemployed with subsidized financing conditions, within the scope of the protocol signed with the Institute of Employment and Professional Training (IEFP) and with the Mutual Guarantee Companies (SGM), the Bank financed, in the 1st half of 2021, through credit lines: i) Microinvest Line - 31 entrepreneurs, for a total of 463 thousand euros and ii) Invest+ Line - 6 entrepreneurs, for an overall amount of 265 thousand euros.

Under the protocol established Millennium bcp and Turismo de Portugal, the Bank continued to provide the credit line that enables companies to benefit from a credit line for projects aimed at the re-qualification of tourism undertakings and at the creation of new ones, of restaurants and leisure activities. 8 operations were financed, up to a total amount of 1,272 thousand Euros.

The Bank also made available the - Linha Capitalizar Mais -, a protocol established between Millennium bcp, the Instituição Financeira de Desenvolvimento (IFD) and the Mutual Guarantee Companies (SGM) that created a Credit Line with mutual guarantee to finance projects to be implemented in mainland Portugal and in the Autonomous Region of the Azores to help reinforce the entrepreneurial capacity of the SME for the development of goods and services that are innovative in terms of processes, products, organization or marketing. Millennium bcp financed 62 operations totalling 28,075 million Euros in credit.

Within the scope of Decarbonization and Circular Economy, the Bank offers a specific support line, with mutual guarantee.

In Portugal, within the scope of Entities that incorporate the social sector, Millennium bcp keeps available the Non-Profit Association Account, a current account with special conditions that does not require an opening minimum deposit and has no maintenance and overdraft fees. 138 accounts were opened in this period, adding up to 4,952 accounts in total on the Bank's portfolio.

Millennium bcp contracted with NOS a Commercial Paper Program in the amount of 90 million euros and a 5-year term, with financial conditions that consider the ESG rating attributed by the Carbon Disclosure Project (CDP) to NOS. While this commercial paper is in effect, NOS will benefit from more favourable price conditions in case it is able to improve its rating.

Microcredit

Over the past 15 years, Microcredit has asserted itself as one of the most consistent responses in implementing Millennium bcp's commitment to Social Responsibility. Aiming to identify, support and finance entrepreneurs with feasible business ideas, but who show difficulties in accessing traditional bank credit, Millennium bcp's Microcredit represents an instrument for boosting employment, promoting the local economy and social inclusion.

The first half of 2021 was conditioned by the pandemic, although the last months of the first half of 2021 have already revealed an expected trend of increased demand for Microcredit by micro entrepreneurs who intend to create their own business.

On the other hand, the partners of the Bank for Microcredit - entrepreneurial associations, municipalities, training and advising companies, entities of social economy -, also commenced to resume their activities and the disclosure and training initiatives. Thus, in the first six months of 2021, in terms of promotion of microcredit, the following initiatives took place:

- 49 meetings (face-to-face or through electronic means) to follow-up the relationship with existing partners;
- 23 meetings (face-to-face or electronic means) for the presentation of Microcredit to potential institutional partners;
- 12 new cooperation agreements (5 social economy entities; 4 municipalities; 2 consultants; 1 association);

- 12 Microcredit training and disclosure sessions involving 270 people (unemployed, in training courses or finalists in vocational education);
- 5 attendances in initiatives promoted by institutional partners.

The new economic and social scenario that the post pandemic will bring to Portuguese society, whose signs are already beginning to be identified, shows the relevance that instruments such as Microcredit will have, both in supporting economic recovery and in responding to the employment needs of part of the active population. As in other areas, in this new economic cycle, the microcredit of Millennium bcp will continue to assume its commitment towards Social Responsibility.

Sharing and Educating

Regular support to institutions through the donation of IT equipment and office furniture that is no longer used but is in condition to be reused. In this context, the agreement established with Entrajuda, has been maintained. In the first six months of 2021, the Bank donated 569 goods to 10 institutions, notably the 380-computer equipment delivered to 6 of them.

Culturally speaking, we must point out the 12th edition of Festival ao Largo, which every year presents on stage, this time at Palácio Nacional da Ajuda, and only with Portuguese artists, a series of shows with the best of opera, ballet, and symphonic music. The purpose of this action is to take art to increasingly inclusive audiences, thus contributing for the cultural enrichment of Portugal.

In terms of financial management and financial literacy, Millennium bcp contributed to increase the level of financial literacy and the adoption of adequate and informed financial behaviours, helping customers with their family budgets:

- In its institutional website, the Bank continued to promote the instruments - Savings Centre, Finance Managers and the Kit for unexpected expenses -, which, despite being independent tools, have the same purpose: help Customers manage their personal budget. In the website area, M Vídeos, it is also possible to find tutorials and savings suggestions;
- At the page - Millennium bcp - on Facebook, the Bank continued to regularly share contents related with financial planning;
- Also with the goal of stimulating saving habits, ActivoBank launched a live streaming video App on its Facebook page, called "Conversas Activo" (also available on Youtube), on issues that contribute for an increased knowledge on issues related with the provision of financial services.

The Bank also participated in the Work Group of Associação Portuguesa de Bancos (Portuguese Bank Association), together with several financial institutions and Instituto de Formação Bancária, whose mission is to develop and support initiatives for the promotion of the financial education of citizens. From the activity developed in 2021, we must point out another edition of the European Money Week, a digital competition promoted by the European Banking Federation to test the financial literacy of Europe's young people, aged between 13 and 15 years old. In Portugal, APB ensured the participation of around 2.000 students of 48 schools from all over the country.

Social aid within a Pandemic Context

The years 2020 and 2021 will be indelibly marked by the pandemic caused by the Covid-19. Since financial services are essential to the normal functioning of companies, businesses and citizens, Millennium bcp has always remained in operation, even during the State of Emergency. The Bank confirmed its capacity to adjust to unexpected challenges and, rapidly, adapted the way it operates. Even before the first confirmed case of Covid-19 in Portugal, Millennium bcp activated the Contingency Plan foreseen in the Business Continuity Plan, with two clear and prime objectives:

- Protect the health of people - Employees, Customers and of all those who contact with Millennium bcp;
- Ensure the continuance of a service of quality in line with the Customer's expectations.

In 2020, the speed in defining and implementing measures and the strong commitment to establish a direct communication with Employees allowed us to protect People and Business and, despite the necessary physical distance, we were close and present for those who needed us, internally and externally with measures to support families and businesses, in the participation in campaigns for the acquisition of clinical means to fight against

Covid-19, in actions to support the NHS and various contributions and donations to social institutions and associations to cope with the needs emerging from the country's pandemic situation.

Thus, in 2021 and still within a pandemic context, Millennium bcp remained a front-line player in the emergency response to the pandemic caused by Covid-19. The following initiatives stood out:

#Todos Juntos (All together) - Millennium bcp and other 9 banks of the Portuguese financial system joined ENTRAJUDA, an initiative of solidarity to support the most unprotected families within a context of social crisis provoked by the pandemic. The purpose of this initiative was to gather financial resources to support organizations with the capacity to immediately reach people facing the greatest difficulties. 2.5 million euros was the total amount raised for this campaign that will allow the purchase of basic food (milk, cereals, rice, olive oil, beans, pasta, tuna, ...) and 20% of the total amount will be allocated for the purchase of urgent medicaments.



Millennium bcp joined once again the Food Bank and invited all Employees and Clients to join this cause, in a campaign that took place from 27 May to 6 June.

In this action, which, in a pandemic context, took place in different ways than usual and did not have the traditional intervention of volunteers, the appeal was for the Portuguese to make their donations through Ajuda Vale at supermarket cashiers and/or the portal of online donation, alimentestaideia.pt. Under the motto, "At our table there is always room for one more", the Food Bank campaign intended to make the Portuguese aware of the urgency in the involvement of all - individually and collectively - in supporting People affected by food shortage scenarios.



Partnerships

The Bank also remained close to universities, creating conditions for the establishment of curricular internships. During the 1HY, 69 students had the opportunity to put into practice the acquired knowledge through a curricular internship.

During the first six months of 2021, the Bank promoted 1012 professional traineeships endeavouring to provide, through this contact with the professional life, an opportunity for the professional and personal enrichment of these young people which proves distinctive and able of enhancing their future employability.

Millennium bcp, provides once more its support to the campaign "PORTUGAL CHAMA", an initiative from AGIF - Agência para a Gestão Integrada de Fogos Rurais aiming at contributing for the prevention of forest fires and increase public awareness for all risk behaviours; Materializing its Corporate Social Responsibility policy and its commitment to preserving nature and mitigating climate change, the Bank, once again, participates in a campaign running from June to October - as happened since 2014 - in the national effort to reduce, through the prevention of risky behaviour, the number, extent and impact of forest fires.



Fundação Millennium BCP

Culture, Knowledge and Social Solidarity are the three main components of the activities performed by Fundação Millennium bcp. Within a context of significant uncertainty, it provided support to projects oriented towards these three areas. In Culture it oriented its initiatives towards the development of national museums, the rehabilitation of national architectural and art heritage and the disclosure of modern art and of new artistic talents.

In the area of Knowledge, the Foundation has been privileging scientific investigation, training and projects particularly on health issues and post-graduation programmes at Portuguese universities of reference which may contribute for the internationalization of schools, as well on an university education of excellence in areas connected with financial activities and arts..

Concerning Social Solidarity, it tried to promote relevant projects in social innovation and structuring social programs able of contributing for local development, namely in the assistance to the most vulnerable parts of society.

The extension and depth of the impacts provoked by Covid-19, that led to a quite significant aggravation of the living conditions and isolation of the most fragile populations, gave rise to a special follow-up and support to the projects launched in order to mitigate the effects of this pandemic.

During the first six months of 2021, the Foundation provided aid to around 47 projects.

Conservation and Disclosure of the Bank's Art Assets

- Continuance of the rehabilitation works of the Archeological Nucleus of Rua dos Correios (NARC), closed for that specific purpose on 1 June 2019; the architecture and design project that is currently being implemented has been developed by the art studio Brükner; The inauguration of this rehabilitated space is due to take place in the second half of 2021.
- In 9 June was inaugurated the exhibition “Francis Smith - Em busca do Tempo Perdido”, the first held within the scope of the protocol signed in 2018 between MNAC, the Institute of Art History/FCSH/NOVA and Fundação Millennium bcp which, among other objectives, aims to study in depth and in context of relevant artists common to the Millennium collection bcp and that of MNAC, as well as the holding of exhibitions by these artists This exhibition, held within the scope of the Shared Art program, seeks to make known part of the work of the Portuguese painter Francis Smith (1881-1961) where, among other factors, the evocative universe of suspended temporality stands out, standing between nostalgic crystallization of a popular Portugal and the daily life of modern French life.

We must highlight the inauguration, on 21 June, of the new Millennium bcp Gallery located at the Portuguese Museum of Contemporary Art (MNAC), in Chiado. This new space, resulting from a cooperation protocol established between the Bank and the Museum, will allow for a combined exhibition of works from the Millennium bcp painting collection and from the MNAC collection.

The inauguration involved the exhibition named “O caminho para a luz porque passa pela Luz”, curated by João Biscaíno, which presents 61 pieces that explore the cognitive systems of the human brain in relation to art and the dialogue between the artistic work and its observer.



Museum Activities

- Museu Nacional de Arte Antiga (MNA) (Portuguese Museum of Ancient Art) - support to the conservation and restoration of the Saint Vicent panels, in accordance with a TRIENNIAL PATRONAGE PROTOCOL to be in force from 2020 to 2022, signed by the Museum, the Grupo de Amigos do Museu Nacional de Arte Antiga, the General-Directorate for the Cultural Heritage and Fundação Millennium bcp. Within the scope of a partnership established with the MNA and the Público newspaper, a website was also launched, which will re-disclose and project to a wider public, in the digital universe, all the steps of the most important scientific restoration of a work of art carried out in Portugal;

- Museu Nacional de Arte Contemporânea - Museu do Chiado (MNAC) - support to the museum activities within the scope of the existing protocol. In addition, support was allocated for the edition of the catalogue of the exhibit “A Brasileira do Chiado”. The Foundation also contributed to the rehabilitation of the façade of the Museu Nacional de Arte Contemporânea, which, afterwards, involved an artistic intervention by the Portuguese plastic artist Pires Vieira. The inauguration of the façade of MNAC coincided with the 110th anniversary of the Museum and with the International Museum Day.
- Archaeology National Museum - Exhibit Olhares Milenares: The exhibition features 270 pieces, coming from national and international collections, which show the agro-pastoral communities of the 4th and 3rd millenniums BC in the Centre/South of the Iberian Peninsula.
- DGPC - Palácio Nacional da Ajuda - formalisation of the protocol to support the display in the museum of the collection placed in the spaces adjacent to the “queen’s dining-room”, in Palácio Nacional da Ajuda. This support recognises the existence of one of the most representative collection of objects related to the “table arts” which include very diverse items ranging from ceramics to gold smithery or textiles
- General-Directorate of Cultural Heritage- Palácio Nacional da Ajuda - support to the participation in the auction of the tiara that belonged to Queen D. Maria II (1819-1853). As it was not possible to buy the piece in the auction, this support was returned to the Foundation.

Restoration of Heritage

- General-Directorate of Cultural Heritage - Monastery of Jerónimos - Support to the conservation of the cloister involving treating the white limestone walls of the exterior vertical plans, of the two galleries and walls.
- Sociedade Histórica da Independência de Portugal (Historical Society of the Independence of Portugal) - support for the rehabilitation of the fountain in the Garden of Palácio da Independência, including the restoration of the tile panels that surround the fountain.

Other Cultural Initiatives

- Carpe Diem Art and Research -Arte Jovem 2021 - support aiming at the carrying out of the 6th edition of the award Young Art Fundação Millennium bcp” for final-year students of visual arts; This initiative intends to disclose the most recent proposals made by artists that initiated their art careers; thus, it provides a more extended vision of the Portuguese artistic production;
- Support for the publication of the exhibition catalog “Ar.Co Scholarships & Finalists’19” which was attended by 24 finalists and/or scholarship holders. It is an important document for the disclosure of the activities developed by Ar.Co and for exhibitors in the extent that, usually, it is the first institutional publication that includes its work.
- BOCA Associação Cultural - support for the holding of the Biennial of Contemporary Arts 2021 that will hold its 3rd edition in 2021. It is an international contemporary arts program focused on trans-disciplinarity. It establishes a synergy between cities (Lisbon, in dialogue with two other cities), cultural institutions (theatres, museums, galleries, material heritage), including actions in public spaces, artistic territories (performance, performing arts, visual arts, music) and their respective audiences.
- BOCA / Murmúrio Theatre - Futurama 2021 - an initiative that aims to implement between 4 neighbouring municipalities of Baixo Alentejo - Beja, Mértola, Serpa and Castro Verde - a cross-border, multidisciplinary and collaborative cultural and artistic ecosystem. The project includes activities related to Art Residencies, Cantexto (safeguard and contemporary regeneration of Cante Alentejano), Cultural Mediation (ongoing educational activities in schools and universities), Constellations (dialogues between traditional and contemporary practices) and the Futurama Festival. It also foresees the creation of a digital platform that maps the cultural and natural heritage of the region.
- AIR 351 - (Art Residences) - project for welcoming national and international artists in Portugal (visual arts) for the establishment of art residences;
- Fundação Eça de Queiroz -Literary Award Fundação Eça de Queiroz / Fundação Millennium bcp - this award aims to encourage the production of literary works in Portuguese, as well as honouring Eça de Queiroz, one of the major national and international figures in Portuguese literature and culture.
- Nuno Miguel Borges - support for the publication of the book “Termas Romanas de São Pedro do Sul”.
- A+A Books: support to the edition of the Architecture Guide on the works of architect Gonçalo Byrne.

- Martinho da Arcada - Edition of the book celebrating its 240 years of history - support for the publication of a book evocative of the more than two centuries of history of this emblematic café.
- Embassy of Portugal in Beijing - Support for the translation and edition of works from Portuguese writers in China. The goal of this initiative is to contribute to the creation of conditions that allow the Embassy of Portugal to promote in a systematic and coherent manner, the publication of works of Portuguese literature, both classical and contemporary.
- Universidade do Algarve -Support for the edition of volume 25 of the collection Promotoria Monográfica História da Arte, entitled “Retábulos na Diocese do Porto”.
- Rui Ochoa - Photo exhibition “Acasos” - support for the edition of the catalogue of the exhibition “Acasos” that will take place at the Sociedade Nacional de Belas Artes.
- Musical band from Alcobça /Alcobça Music Academy (CisterMúsica 2021) - support for the Cister Route program included in the 29th CisterMúsica Festival that takes place between June 25th and August 1st. With the Cister Route, the festival has gained a national dimension, as it takes part of its Main Program to the Cistercian heritage located throughout the country.
- Cascais and Oeiras Chamber Orchestra Association: 2nd Edition of Festival entre Quintas - the Festival Entre Quintas is a classical music festival held in two farms with a secular history and an incomparable beauty that came together in this cultural production.
- Tiago Nunes - VI Edition of the Coimbra Concerts Cycle - an event that aims to create points of (re)meeting between people, arts and cultures, in various reference spaces in this city near the Mondego river.
- Portuguese Platform of Performing Arts: project “O Espaço do Tempo”, created by the choreographer Rui Horta,, supporting national and international artists through its program of art residences (in Montemor-o-Novo) in the areas of theatre, dance, performance, music, visual arts and arts in general, especially addressed to emerging contemporary creation. This year, in its 7th edition, he held the PT 21 FEST Festival, from 8 to 13 June, representing 6 days of broadcast exclusively online, where some of the best works created by the artists over the past two years were presented.

Within Knowledge:

Scientific Research Projects

- Fundação Rui Osório Castro - Prémio Rui Osório de Castro / Millennium bcp - protocol established for the period of 2020 to 2022 aiming at, by means of an award, promoting the development of innovative scientific projects on paediatric oncology, able of encouraging and promote the improvement in health care provided to children with a cancer disease.
- Universidade Nova de Lisboa - support granted within the scope of the protocol signed with Universidade Nova de Lisboa and the DGPC for the attribution of a research scholarship in art history to study authors from the MBCP painting collection.
- I3S - Instituto de Biologia Molecular e Celular - support for the project “Para além das interações celulares entre neurónios na Doença de Alzheimer” (“Beyond cellular interactions between neurons in Alzheimer’s Disease) which, apart from its scientific component, also tries to integrate a component of social participation associated with the transmission of knowledge.
- Pedipédia / ASAU - PEDIPEDIA is a free-access digital literacy pedagogical tool in child health and well-being. Developed by ASAU (Associação de Apoio à Saúde, a Non-Governmental Organization for Development, incorporated and registered in 2015), PEDIPEDIA received the support from Instituto de Ciências da Saúde from Universidade Católica Portuguesa and its purpose is to contribute for the improvement of health care provided in Portugal and in Portuguese-speaking countries to children, young people and adolescents, disclosing scientifically correct, updated, clear, credible, succinct and oriented information for clinical practice.
- CCasa da América Latina - Support for a Chair to be awarded to a qualified professional selected by the IHMT/ UNL, which aims to carry out research projects on malaria, involving the teams from IHMT, researchers and international collaborators, as well as clinical research, together with the institution’s research laboratories, focused on travel assistance activities, namely through training programs in the area of tropical diseases.

University

- Scholarship Program from Fundação Millennium bcp, for students from Portuguese-speaking African Countries and from Timor (PALOP) - The management of the program, which foresees the annual attribution of up to 7 scholarships, was given to Instituto Camões through a cooperation protocol.
- Centro de Astrofísica da Universidade do Porto (Astrocamp 2021) - AstroCamp is an academic program in the field of astronomy and physics, for students in the last 3 years of pre-university education and organized by the Research Centre in Astronomy/Astrophysics of University of Porto (CAUP)..
- University of Trás-os-Montes and Alto Douro - Fernando Real Geology Museum - Support granted for the development of the various activities planned for 2021.
- Junior Achievement: this initiative aims to undertake entrepreneurial programmes with university students by creating new micro companies.

Basic Education

- Associação Empresários pela Inclusão Social (EPIS) - support to the promotion of initiatives addressed to the creation of work opportunities and social reintegration of persons, families or groups which are under situations of exclusion or of risk of social exclusion.

In what regards the **Social Solidarity** area, the Foundation supported different actions, among which:

- Food Bank - Support for the food collection campaigns carried out by this institution, which had, as one of its main priorities, ensuring an adequate response to the impact on many families caused by the COVID19 pandemic.
- ENTRAJUDA - Campaign #TodosJuntos - Initiative promoted by 10 banks of the Portuguese financial system and more than 30 companies that joined efforts to organize a solidarity action focused on providing food support to families.
- Associação Mais Proximidade Melhor Vida - Aid for the carrying out the 2021 activities of this Association that seeks to reduce the impact of loneliness and isolation and contribute to improve the quality of life of the elderly.
- Amigos da Estrela - Project SOUMA -Project aimed at helping people in situations of isolation and social exclusion, pursuing a vision centred on each Individual Being, to ensure a greater integration in Society.
- FAMSER Associação de Apoio às Famílias Desfavorecidas (Association for Supporting Disadvantaged Families)| Place to Be - the Association's mission is to promote support to families and individuals who, due to several circumstances and/or social impediments, aren't able to, temporarily, ensure the satisfaction of their basic and/or daily life needs. The Foundation gave its contribution for the carrying out of the activities planned for 2021 by the institution within the scope of the GPS project - Generating, Go Through and Socializing, developed from a residential shelter for young people aged between 12 and 18 years old.
- Terra dos Sonhos - WeGuide Cancer 360 Project - the mission of the project cancer360 is to improve the quality of life of cancer patients, working to improve the overall health of people diagnosed with cancer.
- BUS Association - Social Utility Assets: support for the development of 2021 activities which consist in the collection and distribution of useful goods to individuals/families in need.
- Abraço - support for the development of the 2021 activities of this association, which provides support to people infected and affected by HIV/AIDS, developing prevention actions aimed at reducing the number of new cases of HIV infection.
- Associação Salvador - support for the development of the association's activities, the mission of which is to promote the inclusion in society of people with physical disabilities and improve their quality of life, enhancing their talents and raising awareness for equal opportunities.

Environmental Impact

Climate Approach

The protection of environment, the preservation of natural resources and the rationalization of consumption are objectives which are part of the substance of the environmental policy of Millennium bcp.

It is within this context that the ongoing optimization, the tangible result of the improvement process that the bank is has undertaking throughout the last years, is based upon a strategy focused on the sustainability and adequate management of the available resources but also in the materialisation of energy efficiency policies, of which an example are some of the actions currently underway, planned or recently completed:

Production of Solar Energy - the photovoltaic solar energy plant at Taguspark - installed at the end of 2017 - with a power output of around 1 MW, is now fully functioning, being an decisive alternative to the consumption of energy from the public grid It should be noted that the implementation of a second Photovoltaic Plant is under analysis (proposals are currently being studied), also in Taguspark.



- LED lighting - The replacement of fluorescent lighting by LED lighting in the parking areas and garages of the Taguspark buildings is completed, a measure that allowed a 50% reduction in lighting consumption in these areas, thus continuing the optimization of energy performance in this complex of central buildings At the branches, the bank installed LED lighting at all Front Offices, with the refurbishment program almost complete.
- In 2021, all the electricity used by Millennium bcp in its premises in Portugal will be 100% green, through a mix of energy produced at the TagusPark's photovoltaic solar energy plant and energy acquired with a renewable origin energy certificate.

To minimize consumption in the various operations, the Bank has strengthened its performance in the following areas:

- Monitoring of consumption, as a form of defining a stricter energy policy according to specific consumption profiles and enable reaching the annual reduction goals.
- The Bank made regular communications on the corporate platforms, the internal campaign - Reduction in Consumptions / Environmental signposting. This initiative, fundamentally encompassing discretionary consumption of energy, water and paper, aims to contribute to the optimization of the Bank's operating costs, to improve environmental performance - by increasing the adoption of practices by all that allow a more rational use of these resources -, but also to increase the Employees' identification with an organization that has a strong environmental commitment;

In May 2021 we stopped consuming single-use coffee shops (cups and spoons), following the measure implemented in 2019 in which for these same items we had already eliminated the use of plastics. These actions avoid the annual consumption of about 3 million cups and almost 1 million spoons.

The Bank continued the program - Green IT -, promoted by the IT Division, an initiative that gathers a number of actions targeted at the correct management of the resources made available, through the identification and development of projects able of generating environmental and technological benefits and contribute to decrease the Bank's ecological footprint and for the consolidation of an ecological and social awareness at the organization.

Thus, we must highlight the initiatives carried out within the scope of the program Workplace Evolution - Office 365 & MS Teams intended to promote the digital development of the workplace, both in hardware and in the operating system, with the provision in the Cloud of the most modern collaboration and productivity tools;

In this sense, with a view to reducing CO2 emissions, during these six months, still atypical due to the Covid 19 pandemic with consequent adaptation to the new circumstances, with regard to the collaboration and

productivity tools MS Teams and Skype, the bank recorded until May a value of 197,321 with regard to the number of meeting sessions, 5,756,308 instant messaging sessions, 1,343,559 audio sessions and 51,903 video sessions.

Within the scope of technological projects, we must point out the continuance of the “GO Paperless” project, a transformation that is focused on the dematerialisation of operations as a way to innovate and optimize processes by resorting to solutions of production and electronic signature of documents which enabled the Bank to, in the first six months of 2021, save 805,655 prints, corresponding to a 9.3% decrease of prints made in branches, if compared with the same period in 2020, providing a monthly average of less 134,276 prints;

It should also be noted the implementation of initiatives aimed at the production and digital availability of documents supporting internal processes, with a view to the elimination of local prints, namely the creation of a new functionality that allows us to transfer documents between branches digitally, avoiding their physical circulation, allowing documents that require multiple signatures to be signed in different Branches.

In the first half of 2021, in view of the maintenance of the restrictions associated with Covid-19, the effort to increase the digital involvement of Customers with the Bank was intensified through actions to collect/update e-mails, subscription to the digital extract and activation/use of digital channels, with emphasis on the Millennium App. As a result of these efforts, the Bank was able to reach the historical mark of having 79% of current accounts with e-statement (figures reach 91% in case of holders of credit/debit cards).

The performance of the digital ombudsman, employees that, in each Branch, are responsible for making the entire team aware of the importance of fostering the use of digital solutions by Clients, contributed immensely for the results achieved.

Commitments

Millennium bcp, as part of its sustainability strategy, has established a set of commitments for climate action, contributing to fostering collective momentum that will enable the goals set by the Paris Agreement to be met and accelerate the path to carbon neutrality by 2050, of which we point out:



COMMITMENT 3 A3 SUMED

LISSBON EUROPEAN GREEN CAPITAL	OBJECTIVE	DEGREE OF ACHIEVEMENT
LED lighting - Installation of LED lighting in all buildings (indoor and outdoor, if applicable)	Dec 2025	80% (1)
Solar Photovoltaic - Installation of photovoltaic solar energy production equipment in buildings with an adequate sun exposure and availability	Dec 2030	50% (2)
Water re-use - Implementation of solutions for water re-use	Dec 2021	100%
Single-use plastics - Eliminate the use of single-use plastics	Dec 2021	100%
Awareness - Disclosure to the employees and/or associates of the Lisbon's objectives concerning environment and climate action	Dec 2020	100%
Electric vehicles - Increase the promotion of electric vehicles in private vehicles and in operational fleets.	2025: 30% 2030: 80%	4,1% (electric and hybrid)
Car Pool - Have at the employees' disposal a pool of cars that can be reserved and used as needed for business trips.	Have a car pool to be used by employees	22% of the current fleet
Business Mobility Pool for the City of Lisbon (PMEL) (3)	OBJECTIVE	DEGREE OF ACHIEVEMENT
Electric vehicles - Increase the promotion of electric vehicles in private use vehicle fleets and in operational fleets.	2025: 30% 2030: 80%	4,10%
Car Pool - Have at the employees' disposal a pool of cars that can be reserved and used as needed for business trips.	Have a car pool to be used by employees	22% of the current fleet
Engagement Letter for the Sustainable Funding	OBJECTIVE	DEGREE OF ACHIEVEMENT
Promote the debate on Sustainability and on the environmental, social and governance risks and opportunities at the level of the BoDs, so that these risks and opportunities are considered in the definition of the respective strategies	2030	Ongoing
Promote training in Sustainable Financing addressed to employees in different levels of the organization, with a focus on the area of credit risk analysis, financial products, commercial and/or production.	2030	Ongoing
Follow-up the review of the criteria of SME Leader/SME Excellence, to gradually incorporate sustainability issues into these criteria and accept the possibility of creating a Green SME or a Sustainable SME category	2030	Ongoing
Promote a gradual integration of environmental, social and governance criteria in investment assessments.	2030	Ongoing
Follow-up and participate in future works related with the Think tank on Sustainable Funding	2030	Ongoing

(1) Inside the Branches, the lamps are replaced by LED whenever respective maintenance is necessary

(2) The proposals for a Second Photovoltaic Plant are currently being analysed.

(3) Common goals with Lisbon European Green Capital

Fiscal Responsibility

A conscious and fair fiscal behaviour on the part of companies is one of the dimensions of the organizations' corporate social responsibility. In this context, the concept of tax governance emerges as a fundamental part of corporate social responsibility, requiring companies to adopt good tax governance practices, such as: (i) compliance and timely payment of their tax obligations; (ii) tax risk management and (iii) good relationship with tax authorities, shareholders, investors and other stakeholders.

Good corporate fiscal responsibility practices involve the promotion of principles such as fiscal transparency, careful and transparent definition of fiscal strategies and disclosure of fiscal governance practices. Aware of the relevance of this issue, BCP complies with the tax burden to which it is subject, having adopted a policy of fiscal transparency based on the good practice of disclosing the amount of its taxes and contributions, as expressed in notes 6 and 30 of the disclosure of the annex to the accounts of the First Half of 2021 Report and Accounts.

BCP assumes itself as an institution with a relevant contribution to the development of a more inclusive, fair, and sustainable society, namely through fiscal responsibility practices as defined in the Millennium bcp Principles in Tax Matters.

Consolidated financial statements

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2021 AND 2020

	30 June 2021	30 June 2020 (restated)
Interest and similar income	826,257	964,964
Interest expense and similar charges	(58,009)	(202,034)
NET INTEREST INCOME	768,248	762,930
Dividends from equity instruments	709	3,488
Net fees and commissions income	352,577	331,488
Net gains/(losses) from financial operations at fair value through profit or loss	(9,269)	(60,422)
Net gains/(losses) from foreign exchange	26,942	73,295
Net gains/(losses) from hedge accounting operations	1,424	(3,438)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	(2,993)	(11,198)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	63,658	33,548
Net gains/(losses) from insurance activity	4,841	6,043
Other operating income/(losses)	(113,855)	(119,681)
TOTAL OPERATING INCOME	1,092,282	1,016,053
Staff costs	374,241	317,722
Other administrative costs	149,168	162,310
Amortisations and depreciations	68,342	68,519
TOTAL OPERATING EXPENSES	591,751	548,551
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	500,531	467,502
Impairment of financial assets at amortised cost	(158,774)	(242,536)
Impairment of financial assets at fair value through other comprehensive income	(4,192)	(10,569)
Impairment of other assets	(26,781)	(23,080)
Other provisions	(272,107)	(75,160)
NET OPERATING INCOME	38,677	116,157
Share of profit of associates under the equity method	29,286	42,897
Gains/(losses) arising from sales of subsidiaries and other assets	1,038	(5,519)
NET INCOME BEFORE INCOME TAXES	69,001	153,535
Income taxes		
Current	(50,374)	(55,542)
Deferred	(52,592)	(2,734)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	(33,965)	95,259
Income arising from discontinued or discontinuing operations	3,260	3,531
NET INCOME AFTER INCOME TAXES	(30,705)	98,790
Net income for the period attributable to:		
Bank's Shareholders	12,266	75,958
Non-controlling interests	(42,971)	22,832
NET INCOME FOR THE PERIOD	(30,705)	98,790
Earnings per share (in Euros)		
Basic	(0.001)	0.008
Diluted	(0.001)	0.008

The balances for the first semester of 2020 were restated under the changes in accounting policies described in note 58 of notes to consolidated accounts and in the classification of Banque Privée as a discontinuing operation, as detailed in note 57 of notes to consolidated accounts.

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
ASSETS		
Cash and deposits at Central Banks	4,688,434	5,303,864
Loans and advances to credit institutions repayable on demand	256,424	262,395
Financial assets at amortised cost		
Loans and advances to credit institutions	671,309	1,015,087
Loans and advances to customers	53,994,754	52,022,357
Debt securities	8,330,961	6,234,545
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,704,537	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	1,290,058	1,315,467
Financial assets at fair value through other comprehensive income	13,882,942	12,140,392
Hedging derivatives	55,853	91,249
Investments in associated companies	436,290	434,959
Non-current assets held for sale	905,016	1,026,481
Investment property	6,714	7,909
Other tangible assets	620,831	640,825
Goodwill and intangible assets	242,660	245,954
Current tax assets	14,333	11,676
Deferred tax assets	2,663,653	2,633,790
Other assets	1,599,737	1,296,812
TOTAL ASSETS	91,364,506	85,714,963
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	9,056,077	8,898,759
Resources from customers	68,101,260	63,000,829
Non subordinated debt securities issued	1,751,893	1,388,849
Subordinated debt	1,199,743	1,405,172
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	372,225	278,851
Financial liabilities at fair value through profit or loss	1,481,477	1,599,405
Hedging derivatives	173,690	285,766
Provisions	404,940	345,341
Current tax liabilities	6,590	14,827
Deferred tax liabilities	7,253	7,242
Other liabilities	1,423,094	1,103,652
TOTAL LIABILITIES	83,978,242	78,328,693
EQUITY		
Share capital	4,725,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	259,528	254,464
Treasury shares	—	(40)
Reserves and retained earnings	855,470	642,397
Net income for the period attributable to Bank's Shareholders	12,266	183,012
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,268,735	6,221,304
Non-controlling interests	1,117,529	1,164,966
TOTAL EQUITY	7,386,264	7,386,270
TOTAL LIABILITIES AND EQUITY	91,364,506	85,714,963

The balances for the year 2020 were restated under the changes in accounting policies described in note 58 of notes to consolidated accounts.

Alternative performance measures

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

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

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

	Euro million	
	30 Jun. 21	30 Jun. 20
Loans to customers (net) (1)	55,885	53,687
Balance sheet customer funds (2)	69,621	65,009
(1) / (2)	80.3%	82.6%

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	
	6M21	6M20
Net income (1)	12	76
Non-controlling interests (2)	(43)	23
Average total assets (3)	88,883	83,302
[(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	
	6M21	6M20
Net income (1)	12	76
Average equity (2)	5,805	5,775
	[(1), annualised] / (2)	
	0.4%	2.6%

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	
	6M21	6M20
Operating costs (1)	592	549
of which: specific items (2)	87	21
Net operating revenues (3)*	1,123	1,053
	[(1) - (2)] / (3)	
	44.9%	50.1%

* Excludes the specific items, recognized in the Polish subsidiary, in the first half of 2020, related to costs with the acquisition, merger and integration of Euro Bank S.A., of an immaterial amount.

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

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

	Euro million	
	6M21	6M20
Loans to customers at amortised cost, before impairment (1)	57,488	55,602
Loan impairment charges (net of recoveries) (2)	157	237
	[(2), annualised] / (1)	
	55	85

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

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

	Euro million	
	30 Jun. 21	30 Jun. 20
Non-Performing Exposures (1)	3,004	3,934
Loans to customers (gross) (2)	57,885	55,960
	(1) / (2)	
	5.2%	7.0%

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

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

		Euro million
	30 Jun. 21	30 Jun. 20
Non-Performing Exposures (1)	3,004	3,934
Loans impairments (balance sheet) (2)	2,000	2,274
	(2) / (1)	66.6% 57.8%

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net commissions - net fees and commissions income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounts and Notes to the Interim Condensed Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2021 AND 2020

(Thousands of euros)

	Notes	30 June 2021	30 June 2020 (restated)
Interest and similar income	2	826,257	964,964
Interest expense and similar charges	2	(58,009)	(202,034)
NET INTEREST INCOME		768,248	762,930
Dividends from equity instruments	3	709	3,488
Net fees and commissions income	4	352,577	331,488
Net gains/(losses) from financial operations at fair value through profit or loss	5	(9,269)	(60,422)
Net gains/(losses) from foreign exchange	5	26,942	73,295
Net gains/(losses) from hedge accounting operations	5	1,424	(3,438)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	5	(2,993)	(11,198)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	5	63,658	33,548
Net gains/(losses) from insurance activity		4,841	6,043
Other operating income/(losses)	6	(113,855)	(119,681)
TOTAL OPERATING INCOME		1,092,282	1,016,053
Staff costs	7	374,241	317,722
Other administrative costs	8	149,168	162,310
Amortisations and depreciations	9	68,342	68,519
TOTAL OPERATING EXPENSES		591,751	548,551
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		500,531	467,502
Impairment of financial assets at amortised cost	10	(158,774)	(242,536)
Impairment of financial assets at fair value through other comprehensive income	11	(4,192)	(10,569)
Impairment of other assets	12	(26,781)	(23,080)
Other provisions	13	(272,107)	(75,160)
NET OPERATING INCOME		38,677	116,157
Share of profit of associates under the equity method	14	29,286	42,897
Gains/(losses) arising from sales of subsidiaries and other assets	15	1,038	(5,519)
NET INCOME BEFORE INCOME TAXES		69,001	153,535
Income taxes			
Current	30	(50,374)	(55,542)
Deferred	30	(52,592)	(2,734)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		(33,965)	95,259
Income arising from discontinued or discontinuing operations	16	3,260	3,531
NET INCOME AFTER INCOME TAXES		(30,705)	98,790
Net income for the period attributable to:			
Bank's Shareholders		12,266	75,958
Non-controlling interests	44	(42,971)	22,832
NET INCOME FOR THE PERIOD		(30,705)	98,790
Earnings per share (in Euros)			
Basic	17	(0.001)	0.008
Diluted	17	(0.001)	0.008

The balances for the first semester of 2020 were restated under the changes in accounting policies described in note 58 and in the classification of Banque Privée as a discontinuing operation, as detailed in note 57.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

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

	(Thousands of euros)	
	2nd Quarter 2021	2nd Quarter 2020 (restated)
Interest and similar income	423,020	465,936
Interest expense and similar charges	(29,992)	(87,126)
NET INTEREST INCOME	393,028	378,810
Dividends from equity instruments	679	3,432
Net fees and commissions income	181,526	158,853
Net gains/(losses) from financial operations at fair value through profit or loss	(10,075)	(54,447)
Net gains/(losses) from foreign exchange	7,404	9,231
Net gains/(losses) from hedge accounting operations	391	273
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	417	3,170
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	39,496	13,120
Net gains/(losses) from insurance activity	2,764	2,836
Other operating income/(losses)	(89,482)	(81,323)
TOTAL OPERATING INCOME	526,148	433,955
Staff costs	232,086	158,134
Other administrative costs	72,407	76,887
Amortisations and depreciations	34,330	34,060
TOTAL OPERATING EXPENSES	338,823	269,081
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	187,325	164,874
Impairment of financial assets at amortised cost	(47,852)	(155,834)
Impairment of financial assets at fair value through other comprehensive income	(2,761)	(11,304)
Impairment of other assets	(18,622)	(11,712)
Other provisions	(149,787)	29,137
NET OPERATING INCOME	(31,697)	15,161
Share of profit of associates under the equity method	13,934	32,104
Gains/(losses) arising from sales of subsidiaries and other assets	2,078	(1,056)
NET INCOME BEFORE INCOME TAXES	(15,685)	46,209
Income taxes		
Current	(27,975)	(28,923)
Deferred	(17,670)	35,957
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	(61,330)	53,243
Income arising from discontinued or discontinuing operations	1,563	1,561
NET INCOME AFTER INCOME TAXES	(59,767)	54,804
Net income for the period attributable to:		
Bank's Shareholders	(45,549)	40,659
Non-controlling interests	(14,218)	14,145
NET INCOME FOR THE PERIOD	(59,767)	54,804

The balances for the second quarter of 2020 were restated under the changes in accounting policies described in note 58 and in the classification of Banque Privée as a discontinuing operation, as detailed in note 57.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2021 AND 2020

(Thousands of euros)

	30 June 2021				
	Continuing operations	Discontinued operations	Total	Attributable to	
				Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	(33,965)	3,260	(30,705)	12,266	(42,971)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	(71,027)	–	(71,027)	(49,065)	(21,962)
Reclassification of (gains)/losses to profit or loss	(63,658)	–	(63,658)	(62,480)	(1,178)
Cash flows hedging					
Gains/(losses) for the period	(162,382)	–	(162,382)	(158,042)	(4,340)
Other comprehensive income from investments in associates and others	(3,403)	–	(3,403)	(3,405)	2
Exchange differences arising on consolidation	98,733	(22)	98,711	61,064	37,647
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(76)	–	(76)	(76)	–
Fiscal impact	85,853	–	85,853	80,723	5,130
	(115,960)	(22)	(115,982)	(131,281)	15,299
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period (note 43)	471	–	471	453	18
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	(196)	–	(196)	(196)	–
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund (note 49)	194,960	–	194,960	194,960	–
Pension Fund - other associated companies	(1,826)	–	(1,826)	(1,826)	–
Fiscal impact	(7,887)	–	(7,887)	(7,881)	(6)
	185,522	–	185,522	185,510	12
Other comprehensive income/(loss) for the period	69,562	(22)	69,540	54,229	15,311
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	35,597	3,238	38,835	66,495	(27,660)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	30 June 2020 (restated)				
	Continuing operations	Discontinued operations	Total	Attributable to	
				Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	95,259	3,531	98,790	75,958	22,832
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	96,182	(2)	96,180	64,034	32,146
Reclassification of (gains)/losses to profit or loss	(33,548)	–	(33,548)	(27,912)	(5,636)
Cash flows hedging					
Gains/(losses) for the period	111,244	39	111,283	112,134	(851)
Other comprehensive income from investments in associates and others					
Exchange differences arising on consolidation	(138,652)	1	(138,651)	(74,706)	(63,945)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(1,228)	–	(1,228)	(1,228)	–
Fiscal impact	(48,219)	(6)	(48,225)	(43,370)	(4,855)
	(7,453)	32	(7,421)	35,741	(43,162)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period (note 43)	(4,816)	–	(4,816)	(4,673)	(143)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)					
	988	–	988	988	–
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund (note 49)	19,506	–	19,506	19,506	–
Pension Fund - other associated companies	(1,609)	–	(1,609)	(1,609)	–
Fiscal impact	1,751	(158)	1,593	1,566	27
	15,820	(158)	15,662	15,778	(116)
Other comprehensive income/(loss) for the period	8,367	(126)	8,241	51,519	(43,278)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	103,626	3,405	107,031	127,477	(20,446)

The balances for the first semester of 2020 were restated under the changes in accounting policies described in note 58 and in the classification of Banque Privée as a discontinuing operation, as detailed in note 57.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

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

(Thousands of euros)

	2nd Quarter 2021				
	Continuing operations	Discontinued operations	Total	Attributable to	
				Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	(61,330)	1,563	(59,767)	(45,549)	(14,218)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	(39,914)	—	(39,914)	(28,106)	(11,808)
Reclassification of (gains)/losses to profit or loss	(39,496)	—	(39,496)	(38,491)	(1,005)
Cash flows hedging					
Gains/(losses) for the period	(42,724)	—	(42,724)	(41,298)	(1,426)
Other comprehensive income from investments in associates and others					
	2,855	—	2,855	2,851	4
Exchange differences arising on consolidation	62,781	1	62,782	27,993	34,789
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	104	—	104	104	—
Fiscal impact	34,781	—	34,781	32,059	2,722
	(21,613)	1	(21,612)	(44,888)	23,276
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period	156	—	156	86	70
Changes in own credit risk of financial liabilities at fair value through profit or loss					
	(76)	—	(76)	(76)	—
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund	194,960	—	194,960	194,960	—
Pension Fund - other associated companies	(1,960)	—	(1,960)	(1,960)	—
Fiscal impact	(7,850)	—	(7,850)	(7,834)	(16)
	185,230	—	185,230	185,176	54
Other comprehensive income/(loss) for the period	163,617	1	163,618	140,288	23,330
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	102,287	1,564	103,851	94,739	9,112

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	2nd Quarter 2020 (restated)				
	Continuing operations	Discontinued operations	Total	Attributable to	
				Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	53,243	1,561	54,804	40,659	14,145
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	185,717	(1)	185,716	159,970	25,746
Reclassification of (gains)/losses to profit or loss	(13,120)	–	(13,120)	(9,106)	(4,014)
Cash flows hedging					
Gains/(losses) for the period	36,047	28	36,075	39,260	(3,185)
Other comprehensive income from investments in associates and others					
Exchange differences arising on consolidation	2,214	–	2,214	2,232	(18)
Exchange differences arising on consolidation	5,631	(7)	5,624	(10,706)	16,330
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(575)	–	(575)	(575)	–
Fiscal impact	(60,692)	(5)	(60,697)	(57,184)	(3,513)
	155,222	15	155,237	123,891	31,346
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period	(3,543)	–	(3,543)	(3,628)	85
Changes in own credit risk of financial liabilities at fair value through profit or loss					
	(366)	–	(366)	(366)	–
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund	20,977	–	20,977	20,977	–
Pension Fund - other associated companies	(1,609)	–	(1,609)	(1,609)	–
Fiscal impact	2,723	–	2,723	2,739	(16)
	18,182	–	18,182	18,113	69
Other comprehensive income/(loss) for the period	173,404	15	173,419	142,004	31,415
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	226,647	1,576	228,223	182,663	45,560

The balances for the second quarter of 2020 were restated under the changes in accounting policies described in note 58 and in the classification of Banque Privée as a discontinuing operation, as detailed in note 57.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

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

		(Thousands of euros)	
	Notes	30 June 2021	31 December 2020 (restated)
ASSETS			
Cash and deposits at Central Banks	18	4,688,434	5,303,864
Loans and advances to credit institutions repayable on demand	19	256,424	262,395
Financial assets at amortised cost			
Loans and advances to credit institutions	20	671,309	1,015,087
Loans and advances to customers	21	53,994,754	52,022,357
Debt securities	22	8,330,961	6,234,545
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	1,704,537	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	23	1,290,058	1,315,467
Financial assets at fair value through other comprehensive income	23	13,882,942	12,140,392
Hedging derivatives	24	55,853	91,249
Investments in associated companies	25	436,290	434,959
Non-current assets held for sale	26	905,016	1,026,481
Investment property	27	6,714	7,909
Other tangible assets	28	620,831	640,825
Goodwill and intangible assets	29	242,660	245,954
Current tax assets		14,333	11,676
Deferred tax assets	30	2,663,653	2,633,790
Other assets	31	1,599,737	1,296,812
TOTAL ASSETS		91,364,506	85,714,963
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	9,056,077	8,898,759
Resources from customers	33	68,101,260	63,000,829
Non subordinated debt securities issued	34	1,751,893	1,388,849
Subordinated debt	35	1,199,743	1,405,172
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	372,225	278,851
Financial liabilities at fair value through profit or loss	37	1,481,477	1,599,405
Hedging derivatives	24	173,690	285,766
Provisions	38	404,940	345,341
Current tax liabilities		6,590	14,827
Deferred tax liabilities	30	7,253	7,242
Other liabilities	39	1,423,094	1,103,652
TOTAL LIABILITIES		83,978,242	78,328,693
EQUITY			
Share capital	40	4,725,000	4,725,000
Share premium	40	16,471	16,471
Other equity instruments	40	400,000	400,000
Legal and statutory reserves	41	259,528	254,464
Treasury shares	42	–	(40)
Reserves and retained earnings	43	855,470	642,397
Net income for the period attributable to Bank's Shareholders		12,266	183,012
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,268,735	6,221,304
Non-controlling interests	44	1,117,529	1,164,966
TOTAL EQUITY		7,386,264	7,386,270
TOTAL LIABILITIES AND EQUITY		91,364,506	85,714,963

The balances for the year 2020 were restated under the changes in accounting policies described in note 58.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2021 AND 2020

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	780,770	830,758
Commissions received	418,126	436,517
Fees received from services rendered	35,294	33,430
Interests paid	(89,817)	(128,831)
Commissions paid	(66,204)	(83,653)
Recoveries on loans previously written off	11,447	12,889
Net earned insurance premiums	10,229	9,666
Claims incurred of insurance activity	(2,995)	(3,059)
Payments (cash) to suppliers and employees (*)	(606,613)	(662,978)
Income taxes (paid)/received	(37,443)	(52,436)
	452,794	392,303
Decrease/(increase) in operating assets:		
Receivables from/(Loans and advances to) credit institutions	200,059	(83,013)
Deposits held with purpose of monetary control	143,711	(111,526)
Loans and advances to customers receivable/(granted)	(2,394,125)	(1,567,738)
Short term trading securities	(703,054)	(1,493,006)
Increase/(decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(40,838)	(104,782)
Deposits from credit institutions with agreed maturity date	237,944	2,740,032
Loans and advances to customers repayable on demand	4,192,929	4,301,581
Deposits from customers with agreed maturity date	664,590	(1,703,581)
	2,754,010	2,370,270
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of investments held in associated companies	14,525	–
Dividends received	16,421	5,932
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	86,592	101,989
Sale of financial assets at fair value through other comprehensive income and at amortised cost	4,659,698	13,322,425
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(29,874,480)	(29,462,793)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	21,528,279	13,217,569
Acquisition of tangible and intangible assets	(24,881)	(23,143)
Sale of tangible and intangible assets	5,655	4,470
Decrease/(increase) in other sundry assets	(413,769)	232,330
	(4,001,960)	(2,601,221)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	282	–
Reimbursement of subordinated debt	(213,100)	(139,092)
Issuance of debt securities	500,051	115
Reimbursement of debt securities	(149,625)	(169,357)
Issuance of commercial paper and other securities	57,578	43,837
Reimbursement of commercial paper and other securities	(12,886)	(149,458)
Dividends paid to non-controlling interests	(17,516)	(22,974)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(18,500)	(18,500)
Increase/(decrease) in other sundry liabilities and non-controlling interests (**)	381,554	(9,515)
	527,838	(464,944)
Exchange differences effect on cash and equivalents	98,711	(138,651)
Net changes in cash and equivalents	(621,401)	(834,546)
Cash (note 18)	579,997	636,048
Deposits at Central Banks (note 18)	4,723,867	4,530,503
Loans and advances to credit institutions repayable on demand (note 19)	262,395	320,857
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,566,259	5,487,408
Cash (note 18)	516,192	516,883
Deposits at Central Banks (note 18)	4,172,242	3,785,761
Loans and advances to credit institutions repayable on demand (note 19)	256,424	350,218
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	4,944,858	4,652,862

(*) As at 30 June 2021 this balance includes the amount of Euros 343,000 (30 June 2020: Euros 1,254,000) related to short-term lease contracts and the amount of Euros 1,329,000 (30 June 2020: Euros 1,216,000) related to lease contracts of low value assets.

(**) As at 30 June 2021 this balance includes the amount of Euros 21,387,000 (30 June 2020: Euros 30,935,000) corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2021 AND 2020

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non-controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	400,000	240,535	(102)	435,823	302,003	6,119,730	1,261,524	7,381,254
Net income for the period	–	–	–	–	–	–	75,958	75,958	22,832	98,790
Other comprehensive income	–	–	–	–	–	51,519	–	51,519	(43,278)	8,241
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	51,519	75,958	127,477	(20,446)	107,031
Results application:										
Legal reserve	–	–	–	13,929	–	(13,929)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	302,003	(302,003)	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	–	–
Interests of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	–	(18,500)	–	(18,500)	–	(18,500)
Taxes on interests of the perpetual subordinated bonds (AT1)	–	–	–	–	–	3,885	–	3,885	–	3,885
Sale of subsidiaries	–	–	–	–	–	–	–	–	(1,080)	(1,080)
Dividends (a)	–	–	–	–	–	–	–	–	(22,974)	(22,974)
Treasury shares	–	–	–	–	32	–	–	32	–	32
Other reserves	–	–	–	–	–	41	–	41	(5)	36
BALANCE AS AT 30 JUNE 2020	4,725,000	16,471	400,000	254,464	(70)	760,842	75,958	6,232,665	1,217,019	7,449,684
Net income for the period	–	–	–	–	–	–	107,054	107,054	2,521	109,575
Other comprehensive income	–	–	–	–	–	(95,588)	–	(95,588)	(54,171)	(149,759)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(95,588)	107,054	11,466	(51,650)	(40,184)
Interests of the perpetual subordinated bonds (AT1)	–	–	–	–	–	(18,500)	–	(18,500)	–	(18,500)
Taxes on interests of the perpetual subordinated bonds (AT1)	–	–	–	–	–	(3,885)	–	(3,885)	–	(3,885)
Reversal of deferred tax assets related with expenses with the capital increase	–	–	–	–	–	(96)	–	(96)	–	(96)
Treasury shares (note 42)	–	–	–	–	30	–	–	30	–	30
Other reserves (note 43)	–	–	–	–	–	(376)	–	(376)	(403)	(779)
BALANCE AS AT 31 DECEMBER 2020	4,725,000	16,471	400,000	254,464	(40)	642,397	183,012	6,221,304	1,164,966	7,386,270
Net income for the period	–	–	–	–	–	–	12,266	12,266	(42,971)	(30,705)
Other comprehensive income	–	–	–	–	–	54,229	–	54,229	15,311	69,540
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	54,229	12,266	66,495	(27,660)	38,835
Results application:										
Legal reserve (note 41)	–	–	–	5,064	–	(5,064)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	183,012	(183,012)	–	–	–
Interests of the perpetual subordinated bonds (AT1)	–	–	–	–	–	(18,500)	–	(18,500)	–	(18,500)
Settlement of subsidiaries	–	–	–	–	–	–	–	–	(1,883)	(1,883)
Dividends (a)	–	–	–	–	–	–	–	–	(17,516)	(17,516)
Treasury shares (note 42)	–	–	–	–	40	–	–	40	–	40
Other reserves (note 43)	–	–	–	–	–	(604)	–	(604)	(378)	(982)
BALANCE AS AT 30 JUNE 2021	4,725,000	16,471	400,000	259,528	–	855,470	12,266	6,268,735	1,117,529	7,386,264

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

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these interim condensed consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the six-month periods ended on 30 June 2021 and 2020.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). The IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The interim condensed consolidated financial statements and the accompanying notes were approved on 6 August 2021 by the Bank's Board of Directors and are presented in thousands of euros, rounded to the nearest thousand.

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

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

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

A1. Comparative information

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

However, according to the described in note 47, under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of the subsidiary Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinuing in June 2021. With reference to 30 June 2021 and 31 December 2020, the total assets and liabilities of this subsidiary are reflected in the consolidated balance sheet in the respective lines, while the income and expenses for the six-month periods ended on 30 June 2021 and 2020 are presented in a single line denominated "Income arising from discontinued and discontinuing operations". The financial statements of Banque Privée BCP (Suisse) S.A. that have been incorporated are detailed in note 57.

In the first semester of 2021, the Group changed the presentation of provisions for individual court cases related to CHF mortgage loans. Commencing from the first quarter of 2021, the Group allocates the portfolio provisions for future legal issues and recognizes it as a reduction of the gross carrying amount of loans for which a decrease in future cash flows is expected in accordance with IFRS 9 "Financial Instruments". Considering that, as in the case of the portfolio provisions, a decrease in cash flows is also expected in the case of exposures subject to individual litigations, the Group, starting from 30 June 2021, increased the scope of the allocated provisions by provisions for individual litigations (previously provisions for individual litigations used to be recognized in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as provisions for pending legal issues). As a result of the above change, the solution in line with IAS 37 will be continued only with regard to disputes relating to already repaid receivables not included in the Group's balance sheet. In order to ensure comparability, the Group has made appropriate adjustments to comparable data in the balance sheet, as detailed in note 58.

Consequently, the Group also changed the presentation of interest on derivatives not associated with strategies of formal hedge accounting. Bearing in mind that these instruments, although they are included in the trading book, are mainly concluded in order to establish economic hedging against the risk of other financial assets or liabilities, the Group, from the first semester of 2021, presents the interest in the Income statement as part of the "Net interest income", while previously this interest was included in the item "Results on financial assets and liabilities held for trading". In order to ensure comparability, the Group has made appropriate adjustments to the comparable data in the Income statement, as detailed in note 58.

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

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

B. Basis of consolidation

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

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

B1. Investments in subsidiaries

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

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

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

B2. Investments in associates

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

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

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

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

B3. Goodwill

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

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

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

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

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

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

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

B4. Purchases and dilution of non-controlling interests

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

B5. Loss of control

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

B6. Investments in foreign subsidiaries and associates

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

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

The income and expenses of these subsidiaries are converted to euros at an approximate rate of the rates on the dates of the transactions, using a monthly average considering the initial and final exchange rates of each month. Exchange differences from the conversion to euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in "Reserves and retained earnings - exchange differences resulting from the consolidation of Group's companies". The exchange rates used by the Group are detailed in note 53.

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

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

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

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

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

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

B7. Transactions eliminated on consolidation

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

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

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

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

The classification is made taking into consideration the following aspects:

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

Business Model Evaluation

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

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

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

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

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

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

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

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

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

C1.1.1. Financial assets at amortised cost

Classification

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

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

Classification

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

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

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

Classification

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

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

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

a) "Financial assets held for trading"

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

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

C1.2. Reclassification between categories of financial assets

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

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

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

C1.3. Modification and derecognition of financial assets

General principles

- i) The Group shall derecognise a financial asset when, and only when:
 - the contractual rights to the cash flows from the financial asset expire; or,
 - it transfers the financial asset as set out in notes ii) and iii) below and the transfer qualifies for derecognition in accordance with note iv).
- ii) The Group transfers a financial asset if, and only if, it either:
 - transfers the contractual rights to receive the cash flows of the financial asset; or,
 - retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions presented in note iii).
- iii) When the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay these cash flows to one or more entities (the 'eventual recipients'), the Group shall treat the transaction as a transfer of a financial asset if all of the following three conditions are met:
 - the Group does not have any obligation to pay amounts to the eventual recipients, unless it collects equivalent amounts from the original asset. Short-term advances with the right of full recovery of the amount lent, plus accrued interest at market rates, do not violate this condition;
 - the Group is contractually prohibited from selling or pledging the original asset other than as a security to the eventual recipients due its obligation to pay them cash flows; and,
 - the Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, it is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 - Statement of Cash Flows) during the short settlement period from the collection date until the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

- iv) When the Group transfers a financial asset (see note ii above), it shall evaluate the extent to which it retains the risks and benefits arising from owning the financial asset. In this case:
- if the Group transfers substantially all the risks and benefits arising from owning the financial asset, it shall derecognise the financial asset and recognise separately any rights and obligations created or retained in the transfer, as assets or liabilities;
 - if the Group retains substantially all the risks and benefits arising from owning the financial asset, it shall continue to recognise the financial asset;
 - if the Group neither transfers nor retains substantially all the risks and benefits arising from owning the financial asset, it shall determine whether it retained control of the financial asset. In this case:
 - a) if the Group did not retain control, it shall derecognise the financial asset and recognise separately, as assets or liabilities, any rights and obligations created or retained in the transfer;
 - b) if the Group retained control, it shall continue to recognise the financial asset to the extent of its continued involvement in the financial asset.
- v) The transfer of risks and benefits (see prior note) is evaluated by comparing the Group's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.
- vi) The question of whether the Group retained or not control (see note iv above) over the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally without needing to impose additional restrictions on the transfer, the entity did not retain control. In all other cases, the entity retained control.

Derecognition criteria

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

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

- creation of a new exposure that results from a debt consolidation, without any of the derecognised instruments having a nominal amount higher than 90% of the nominal amount of the new instrument;
- double extension of residual maturity, provided that the extension is not shorter than 3 years compared to the residual maturity in the moment of modification;
- increase of on-balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);
- change in qualitative features, namely:
 - a) change of currency, unless the exchange rate between the old and the new currency is pegged or managed within limits restricted by law or the relevant monetary authorities;
 - b) exclusion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be exercised over its term;
 - c) transfer of the instrument's credit risk to another borrower, or a significant change in the structure of borrowers within the instrument.

Loans written-off

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

C1.4. Purchased or originated credit-impaired assets

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

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

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

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

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

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

C1.5.1.1. Financial assets at amortised cost

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

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

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

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

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

C1.5.2. Classification of financial instruments by stages

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

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

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

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

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

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

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

a) Delay over 90 days of material payment:

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

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

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

b) Signs of low probability of payment:

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

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

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

Customers in default	Customers in litigation or insolvency, if the total exposure of the group members in these situations exceeds Euros 1 million
	Customers integrated into groups with an exposure over Euros 5 million, if they have a risk grade 15
Groups or customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or customers with an exposure over Euros 5 million, if a group member has a risk grade 14
	Groups or customers with an exposure over Euros 5 million, if a member of the group has a restructured loan and a risk grade 13
	Groups or customers with an exposure over Euros 10 million, if at least one member of the group is in stage 2
	Groups or customers not included in the preceding paragraphs, whose exposure exceeds Euros 25 million

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

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

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

4. The individual analysis includes the following procedures:

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

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

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

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

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

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

8. The recovery estimation referred to in the previous point should be influenced by future prospects (forward-looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty regarding the expected recovery estimation are identified.
9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:
 - for Going Concern strategies (i.e., the estimation is based on the cash flows of the business), the possibility of applying the 2 additional macroeconomic scenarios (optimistic and pessimistic) should be analysed in a global way, to ascertain if there is the risk of a skewed view of the expected losses from the consideration of only one scenario;
 - for Gone Concern strategies (i.e., the recovery estimation is based on the realization of the collateral), the impact of the macroeconomic scenario on collaterals should be analysed, for example, to what extent the projected real estate index indicates significant changes ahead for the current valuation values.
10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt.
11. For the purposes of the preceding paragraphs, the Studies, Planning and ALM Department shall disclose the macroeconomic data that allow the estimations to be made.
12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.
13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:
 - recovery of collateral in geographies in which the Bank has no relevant recovery experience;
 - recovery of debt related to geographies in which there is strong political instability;
 - recovery of non-real estate collateral for which there is no evidence of market liquidity;
 - recovery of related collateral or government guarantees in a currency other than the country's own;
 - recovery of debt related to debtors for whom there is a strong negative public exposure.
14. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, and for the final decision on the customer's impairment.
15. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12 months equivalent to the risk grade of the customer.
16. The individual impairment analysis must be carried out at least annually. In case significant signs of deterioration or improvement in the customer's economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review of the expected impairment of this customer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

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

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

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

Classification

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

a) “Financial liabilities held for trading”

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

C2.1.2. Financial guarantees

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

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

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

C2.1.3. Financial liabilities at amortised cost

Classification

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

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

Initial recognition and subsequent measurement

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

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

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

C3. Interest recognition

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

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

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

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

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

C4. Hedge accounting

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

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

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

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

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

C4.1. Fair value hedge

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

C4.2. Cash flow hedge

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

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

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

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

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

C4.3. Hedge effectiveness

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

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

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

C5. Embedded Derivatives

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

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

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

D. Securitization operations

D1. Traditional securitizations

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

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

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

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

D2. Synthetic securitizations

Currently, the Group has two synthetic securitization operations.

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

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

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

E. Equity instruments

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

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

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

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

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

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

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

F2. Repurchase agreements

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

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

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

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

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

G1. Non-operating real estate (INAE)

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

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

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

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

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

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

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

H. Lease transactions (IFRS 16)

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

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

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

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

Lease definition

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

Impacts from the lessee's perspective

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

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

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

Subsequently, lease payments are measured as follows:

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

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

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

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

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

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

- in the consolidated income statement:
 - (i) recording in "Interest Income" the interest expenses related to lease liabilities;
 - (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
 - (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.
- in the consolidated balance sheet:
 - (i) recording in "Financial assets at amortised cost - Loans and advances to customers" the recognition of financial assets related to sublease operations measured accordingly to IFRS 9;
 - (ii) recording in "Other tangible assets" the recognition of right-to-use assets; and,
 - (iii) recording in "Other liabilities" the amount of recognised lease liabilities.
- in the consolidated statement of cash flows, the balance "Cash flows arising from operating activities - Payments (cash) to suppliers and employees" includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance "Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests" includes amounts related to payments of lease liabilities' capital portions, as detailed in the interim condensed consolidated statement of cash flows.

Impact from the lessor's perspective

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

Subleases

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

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

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

I. Recognition of income from services and commissions

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

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

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

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

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

K. Fiduciary activities

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

L. Other tangible assets

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

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

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

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

M. Investment property

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

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

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

N. Intangible assets

01. Research and development expenditure

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

02. Software

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

O. Cash and cash equivalents

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

P. Offsetting

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

Q. Foreign currency transactions

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

R. Employee benefits

R1. Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

R3. Defined contribution plan

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

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

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

R4. Variable remuneration paid to employees

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

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

R5. Share-based compensation plan

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

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

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

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

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

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

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

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

S. Income taxes

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

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

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

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

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

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

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

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

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

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

T. Segmental reporting

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

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

Portugal activity:

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

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

Foreign activity:

- Poland;
- Mozambique;
- Other.

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

U. Provisions, Contingent liabilities and Contingent assets

U1. Provisions

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

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

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

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

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

U2. Contingent assets

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

U3. Contingent liabilities

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

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

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

V. Earnings per share

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

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

W. Insurance contracts

W1. Classification

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

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

W2. Recognition and measurement

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

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

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

W3. Premiums

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

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

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

W5. Liability adequacy test

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

X. Insurance or reinsurance intermediation services

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

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

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

Y. Accounting estimates and judgments in applying accounting policies

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

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

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

Y1. Entities included in the consolidation perimeter

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

Y2. Goodwill impairment

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

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

Y3. Income taxes

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

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

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

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

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

- in the financial year of 2022, if, as of 1 January 2022, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 10% compared to the amount recognised on 31 December 2018;
- in the financial year of 2023, if, as of 1 January 2023, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 20% compared to the amount recognised on 31 December 2018.

In the calculation of 2020's taxable income and in the estimation of taxable income of the period, it was considered the maintenance of the tax rules in force until 2018, since the option of applying the new regime was not exercised.

Following changes provided for in Law no. 27-A/2020, of 24 July, within the scope of the Supplementary Budget for 2020, the period for reporting tax losses in Portugal is now 14 years for losses occurred in 2014, 2015 and 2016 and 7 years for tax losses occurred in 2017, 2018 and 2019. Tax losses occurred in the years of 2020 and 2021 have a reporting period of 12 years, which can be deducted up to 2032 and 2033, respectively. The limit for deducting tax losses increases from 70% to 80% when the difference results from the deduction of tax losses recorded in the tax periods of 2020 and 2021.

In the projections of future taxable income, namely for the analysis of the recoverability of deferred tax assets carried out with reference to 30 June 2021, it was considered the approximation between accounting and tax rules as foreseen by Law no. 98/2019, of 4 September, resulting from not exercising earlier its application over the adaptation period of 5 years provided by the referred law, as well as the changes regarding the use of tax losses foreseen in the referred Law no. 27-A/2020, of 24 July.

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

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

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

The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

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

Y5. Pension and other employees' benefits

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

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

Y6. Financial instruments - IFRS 9

Y6.1. Classification and measurement

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

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

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

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

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

Significant increase in credit risk:

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

In order to comply with the Supervisors' guidelines, namely with regard to the identification and measurement of credit risk in the context of the COVID-19 pandemic, the Bank proceeded to record additional impairments in relation to the current models of collective impairment calculation (overlays), according to note 53.

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

Definition of groups of assets with common credit risk characteristics:

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

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

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

Probability of default:

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

Loss given default:

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

Y6.3. Fair value of derivative financial instruments

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

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

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

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

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

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

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

Y8. Leases (IFRS 16)

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

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

Z. Subsequent events

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

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

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

2. Net interest income

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	(3,409)	842
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	16,988	17,924
Loans and advances to customers	682,548	755,940
Debt securities	56,771	64,233
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	1,948	8,287
Financial assets not held for trading mandatorily at fair value through profit or loss	7,801	9,828
Financial assets designated at fair value through profit or loss	–	569
Interest on financial assets at fair value through other comprehensive income	36,142	68,760
Interest on hedging derivatives	25,221	36,871
Interest on other assets	2,247	1,710
	826,257	964,964
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	36,522	(1,402)
Resources from customers	(41,766)	(133,884)
Non subordinated debt securities issued	(8,733)	(8,898)
Subordinated debt	(30,517)	(36,694)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives associated to financial instruments at fair value through profit or loss	80	(739)
Financial liabilities at fair value through profit or loss		
Resources from customers	(1,542)	(1,272)
Non subordinated debt securities issued	(320)	(2,146)
Interest on hedging derivatives	(7,793)	(12,833)
Interest on leasing	(2,692)	(3,048)
Interest on other liabilities	(1,248)	(1,118)
	(58,009)	(202,034)
	768,248	762,930

The balance Interest on loans and advances to credit institutions repayable on demand has accounted for, in the first semester of 2021, a negative amount of Euros 3,457,000 associated with demand deposits with the Bank of Portugal.

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 7,683,000 (30 June 2020: Euros 17,457,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1.C3. The balance also includes the amount of Euros 28,463,000 (30 June 2020: Euros 34,953,000) related to interests income arising from customers classified in stage 3.

The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 12,314,000 (30 June 2020: Euros 18,729,000), as referred in note 21 and Euros 47,000 (30 June 2020: Euros 27,000), as referred in note 22, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 1,313,000 and Euros 3,265,000, respectively (30 June 2020: Euros 2,103,000 and Euros 3,898,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1.C3.

According to note 32, the balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions has recorded in the first semester of 2021 a negative cost of Euros 39,610,000 associated with the TLTRO III operation.

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

3. Dividends from equity instruments

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Dividends from financial assets through other comprehensive income	709	3,488
	709	3,488

The balances Dividends from financial assets through other comprehensive income include dividends and income from investment fund units received during the period.

4. Net fees and commissions income

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Fees and commissions received		
Banking services provided	207,831	202,287
Management and maintenance of accounts	74,262	62,076
Bancassurance	60,995	61,869
Securities operations	32,396	33,837
Guarantees granted	21,905	24,615
Commitments to third parties	2,657	2,266
Insurance activity commissions	474	406
Fiduciary and trust activities	17	34
Other commissions	21,931	18,239
	422,468	405,629
Fees and commissions paid		
Banking services provided by third parties	(52,239)	(59,849)
Securities operations	(4,441)	(3,924)
Guarantees received	(404)	(2,969)
Insurance activity commissions	(509)	(498)
Other commissions	(12,298)	(6,901)
	(69,891)	(74,141)
	352,577	331,488

5. Net gains/(losses) on financial operations

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Net gains/(losses) from financial operations at fair value through profit or loss		
Net gains/(losses) from financial assets held for trading	111,497	(59,294)
Net gains/(losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(15,512)	(74,091)
Net gains/(losses) from financial assets and liabilities designated at fair value through profit or loss	(105,254)	72,963
	(9,269)	(60,422)
Net gains/(losses) from foreign exchange	26,942	73,295
Net gains/(losses) from hedge accounting	1,424	(3,438)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	(2,993)	(11,198)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	63,658	33,548
	79,762	31,785

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

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Net gains/(losses) from financial assets held for trading		
<i>Gains</i>		
Debt securities portfolio	4,629	5,492
Equity instruments	3	10
Derivative financial instruments	162,758	200,173
Other operations	619	876
	168,009	206,551
<i>Losses</i>		
Debt securities portfolio	(4,788)	(3,871)
Equity instruments	(73)	(177)
Derivative financial instruments	(51,272)	(261,383)
Other operations	(379)	(414)
	(56,512)	(265,845)
	111,497	(59,294)
Net gains/(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
<i>Gains</i>		
Loans and advances to customers	16,326	13,193
Debt securities portfolio	3,275	2,899
Equity instruments	2,498	–
	22,099	16,092
<i>Losses</i>		
Loans and advances to customers	(17,645)	(19,163)
Debt securities portfolio	(19,966)	(71,020)
	(37,611)	(90,183)
	(15,512)	(74,091)

(continues)

(continuation)

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Net gains/(losses) from financial assets and liabilities designated at fair value through profit or loss		
<i>Gains</i>		
Resources from customers	176	418
Debt securities issued		
Certificates and structured securities issued	–	77,147
Other debt securities issued	1,425	1,751
	<u>1,601</u>	<u>79,316</u>
<i>Losses</i>		
Debt securities portfolio	–	(874)
Resources from customers	–	(169)
Debt securities issued		
Certificates and structured securities issued	(105,918)	(5,278)
Other debt securities issued	(937)	(32)
	<u>(106,855)</u>	<u>(6,353)</u>
	<u>(105,254)</u>	<u>72,963</u>

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

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

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Net gains/(losses) from foreign exchange		
Gains	1,015,672	1,083,890
Losses	(988,730)	(1,010,595)
	<u>26,942</u>	<u>73,295</u>
Net gains/(losses) from hedge accounting		
<i>Gains</i>		
Hedging derivatives	83,111	26,598
Hedged items	15,770	45,127
	<u>98,881</u>	<u>71,725</u>
<i>Losses</i>		
Hedging derivatives	(20,393)	(67,531)
Hedged items	(77,064)	(7,632)
	<u>(97,457)</u>	<u>(75,163)</u>
	<u>1,424</u>	<u>(3,438)</u>
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost		
<i>Gains</i>		
Credit sales	706	5,383
Debt securities issued	333	902
Others	127	181
	<u>1,166</u>	<u>6,466</u>
<i>Losses</i>		
Credit sales	(3,433)	(16,213)
Debt securities issued	(256)	(1,020)
Others	(470)	(431)
	<u>(4,159)</u>	<u>(17,664)</u>
	<u>(2,993)</u>	<u>(11,198)</u>

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

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income		
Debt securities portfolio		
Gains	65,684	68,253
Losses	(2,026)	(34,705)
	63,658	33,548

The balance Net gains/(losses) arising from financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 33,353,000 (30 June 2020: Euros 50,573,000) related to gains resulting from the sale of Portuguese Treasury bonds.

The balance Net gains/(losses) from hedge accounting includes a net gain of Euros 4,748,000 (30 June 2020: Euros 4,003,000) as a result of the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, which are offset in the balance Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income.

6. Other operating income/(losses)

The amount of this account is comprised of

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Operating income		
Gains on leasing operations	2,189	2,028
Income from services provided	13,391	11,915
Rents	1,675	1,884
Sales of cheques and others	4,577	4,727
Other operating income	23,272	10,016
	45,104	30,570
Operating costs		
Donations and contributions	(2,220)	(2,513)
Contribution over the banking sector	(39,286)	(29,571)
Contributions for Resolution Funds	(27,667)	(28,301)
Contribution for the Single Resolution Fund	(20,886)	(19,394)
Contributions to Deposit Guarantee Fund	(7,749)	(12,564)
Tax for the Polish banking sector	(33,474)	(31,906)
Taxes	(7,294)	(8,222)
Losses on financial leasing operations	(45)	(42)
Other operating costs	(20,338)	(17,738)
	(158,959)	(150,251)
	(113,855)	(119,681)

The balance Contribution over the banking sector in Portugal is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contributions for Resolution Funds includes the periodic contributions that must be paid to the Portuguese Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile based on the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contributions for Resolution Funds also includes the mandatory contributions made by Bank Millennium, S.A to the Bank Guarantee Fund in Poland. The current principles of financing the deposit guarantee system and resolution in Poland, as defined in the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee system and forced restructuring, and are effective from 2017.

The method of calculating contributions regarding the resolution fund of banks in Poland was defined in the Delegated Regulation of the European Commission No. 2015/63 (amended by regulation 2016/1434), which applies directly to all European Union countries. The contribution for a given year from each entity is calculated by BFG in accordance with this regulation and the entity is notified by 1 May, each year.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF consider the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) No 2015/63 and European Parliament and of the Council Regulation (EU) No 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution. In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

The Group delivered, in the first semester of 2021, the amount of Euros 20,886,000 (30 June 2020: Euros 19,394,000) to the Single Resolution Fund. The total value of the contribution attributable to the Group amounted to Euros 24,563,000 (30 June 2020: Euros 22,808,000) and the Group opted to constitute an irrevocable commitment, through the constitution of a bailment for this purpose, in the amount of Euros 3,677,000 (30 June 2020: Euros 3,414,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014. As at 30 June 2021, the total amount of irrevocable commitments constituted is Euros 20,953,000 (31 December 2020: Euros 17,276,000), registered in Other assets - Deposit account applications (note 31).

7. Staff costs

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Remunerations	230,979	252,023
Mandatory social security charges		
Post-employment benefits (note 49)		
Service cost	(7,279)	(7,666)
Net interest cost/(income) in the liability coverage balance	3,014	3,238
Cost with early retirement programs	4,807	2,922
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	—	(140)
	542	(1,646)
Other mandatory social security charges	53,892	54,997
	54,434	53,351
Voluntary social security charges	5,065	5,610
Other staff costs	83,763	6,738
	374,241	317,722

The balance Remuneration included in the first semester of 2020 the amount of Euros 5,281,000 related to the distribution of profits to Bank's employees.

In the first semester of 2021, the Group accounted for in Other staff costs, an estimate of costs in the amount of Euros 81,373,000, corresponding to restructuring costs regarding the reduction of the Bank's employees which is currently being implemented (note 39).

The balance Other staff costs includes severance payments in the amount of Euros 3,857,000 (30 June 2020: Euros 5,039,000), of which the highest amounts to Euros 318,000 (30 June 2020: Euros 400,000).

8. Other administrative costs

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Water, electricity and fuel	6,070	7,783
Credit cards and mortgage	148	1,662
Communications	10,510	13,211
Maintenance and related services	7,253	8,242
Legal expenses	1,773	1,369
Travel, hotel and representation costs	1,045	2,463
Advisory services	10,577	6,289
Training costs	329	769
Information technology services	20,918	23,009
Consumables	1,524	2,129
Outsourcing and independent labour	37,997	37,195
Advertising	11,002	11,278
Rents and leases	10,198	13,152
Insurance	1,854	1,869
Transportation	4,014	4,628
Other specialised services	12,982	13,378
Other supplies and services	10,974	13,884
	149,168	162,310

The balance Rents and leases includes, the amount of Euros 343,000 (30 June 2020: Euros 1,254,000) related to short-term lease contracts and the amount of Euros 1,329,000 (30 June 2020: Euros 1,216,000) related to lease contracts of low-value assets, as described in the accounting policy 1.H.

9. Amortisations and depreciations

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Amortisations of intangible assets (note 29)		
Software	16,580	13,448
Other intangible assets	1,848	1,994
	18,428	15,442
Depreciations of other tangible assets (note 28)		
Properties	7,471	8,474
Equipment		
Computers	8,525	8,910
Security equipment	441	520
Installations	1,360	1,384
Machinery	644	508
Furniture	1,422	1,474
Motor vehicles	2,386	2,418
Other equipment	754	722
Right-of-use		
Real estate	26,852	28,557
Vehicles and equipment	59	110
	49,914	53,077
	68,342	68,519

10. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Loans and advances to credit institutions (note 20)		
Charge for the period	–	1,436
Reversals for the period	(25)	–
	(25)	1,436
Loans and advances to customers (note 21)		
Charge for the period	411,937	466,146
Reversals for the period	(244,340)	(221,151)
Recoveries of loans and interest charged-off	(11,447)	(12,889)
	156,150	232,106
Debt securities (note 22)		
<i>Associated to credit operations</i>		
Charge for the period	786	5,216
<i>Not associated to credit operations</i>		
Charge for the period	2,441	3,875
Reversals for the period	(578)	(97)
	1,863	3,778
	2,649	8,994
	158,774	242,536

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

The detail of these balances is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Impairment of financial assets at fair value through other comprehensive income (note 23)		
Charge for the period	4,341	11,693
Reversals for the period	(149)	(1,124)
	4,192	10,569

12. Impairment of other assets

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Impairment of non-current assets held for sale (note 26)		
Charge for the period	23,043	23,739
Reversals for the period	(626)	(4,899)
	22,417	18,840
Impairment of goodwill of subsidiaries (note 29)		
Charge for the period	—	180
Impairment of other assets (note 31)		
Charge for the period	10,327	9,523
Reversals for the period	(5,963)	(5,463)
	4,364	4,060
	26,781	23,080

13. Other provisions

This balance is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Provision for guarantees and other commitments (note 38)		
Charge for the period	19,092	27,104
Reversals for the period	(20,664)	(19,005)
	(1,572)	8,099
Other provisions for liabilities and charges (note 38)		
Charge for the period	288,999	70,232
Reversals for the period	(15,320)	(3,171)
	273,679	67,061
	272,107	75,160

The balance Other provisions for liabilities and charges - Charge for the period refers essentially to provisions for legal risk accounted for by Bank Millennium, related foreign currency-indexed mortgage loans, as described in note 56.

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

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

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current period	110	1,688
Appropriation relating to the previous period	(1,620)	(27)
Annulment of the gains arising from properties sold to Group entities	–	(93)
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (*)	(216)	883
	<u>(1,726)</u>	<u>2,451</u>
Banque BCP, S.A.S.	2,391	2,147
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	17,895	31,144
SIBS, S.G.P.S, S.A.	8,596	5,096
Unicre - Instituição Financeira de Crédito, S.A.	2,356	2,414
Other companies	(226)	(355)
	<u>31,012</u>	<u>40,446</u>
	<u>29,286</u>	<u>42,897</u>

(*) Based on the requirements of IAS 29, Angola was considered as a high inflation economy until 31 December 2018, for the purposes of presentation of consolidated financial statements, as described in accounting policy 1 B6. This classification is no longer applied since 1 January 2019.

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

The amount of this item is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Gain arising on sale of participation in Cold River's Homestead, S.A.	219	–
Other assets	819	(5,519)
	<u>1,038</u>	<u>(5,519)</u>

During the first semester of 2021, the Group sold the 50% held in Cold River's Homestead, S.A., which generate a consolidated gain of Euros 219,000.

The balance Other assets includes the gains arising from the sale of assets held by the Group and classified as non-current assets held for sale, which, in the first semester of 2021, corresponds to a gain of Euros 1,613,000 (30 June 2020: loss of Euros 4,426,000).

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

The amount of this item is comprised of:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Banque Privée BCP (Suisse) S.A.		
Net income before taxes	3,811	4,132
Taxes	(551)	(601)
	<u>3,260</u>	<u>3,531</u>

According to the described in note 47, under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinued in June 2021, and the impact on results presented in a separate line of the income statement named "Income / (loss) arising from discontinued or discontinuing operations". The financial statements of Banque Privée BCP (Suisse) S.A. that have been incorporated are detailed in note 57.

17. Earnings per share

The earnings per share are calculated as follows:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Continuing operations		
Net income after income taxes from continuing operations	(33,965)	95,259
Non-controlling interests	42,971	(22,832)
Appropriated net income	9,006	72,427
Interests of the perpetual subordinated bonds (Additional Tier 1)	(18,500)	(18,500)
Taxes on interests of the perpetual subordinated bonds (Additional Tier 1)	–	3,885
Adjusted net income	<u>(9,494)</u>	<u>57,812</u>
Discontinued or discontinuing operations (note 16)		
Appropriated net income	3,260	3,531
Adjusted net income	<u>(6,234)</u>	<u>61,343</u>
Average number of shares	<u>15,113,989,952</u>	<u>15,113,989,952</u>
Basic earnings per share (Euros):		
from continuing operations	(0.001)	0.008
from discontinued or discontinuing operations	0.000	0.000
	<u>(0.001)</u>	<u>0.008</u>
Diluted earnings per share (Euros):		
from continuing operations	(0.001)	0.008
from discontinued or discontinuing operations	0.000	0.000
	<u>(0.001)</u>	<u>0.008</u>

The Bank's share capital, as at 30 June 2021, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

There were not identified another dilution effects of the earnings per share as at 30 June 2021 and 2020, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Cash	516,192	579,997
Central Banks		
Bank of Portugal	3,417,348	4,296,161
Central Banks abroad	754,894	427,706
	4,688,434	5,303,864

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

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

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Credit institutions in Portugal	12,162	10,288
Credit institutions abroad	159,517	182,976
Amounts due for collection	84,745	69,131
	256,424	262,395

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

20. Loans and advances to credit institutions

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Loans and advances to Central Banks abroad	147,958	291,669
Loans and advances to credit institutions in Portugal		
Very short-term deposits	25,304	–
Term deposits	49,990	–
Loans	16,795	30,942
Term deposits to collateralise CIRS and IRS operations (*)	–	2,850
Other	107	811
	92,196	34,603
Loans and advances to credit institutions abroad		
Very short-term deposits	116,490	–
Term deposits	209,587	383,874
Loans	–	95
Term deposits to collateralise CIRS and IRS operations (*)	91,957	276,722
Other	13,398	28,426
	431,432	689,117
	671,586	1,015,389
Overdue loans - Over 90 days	–	2
	671,586	1,015,391
Impairment	(277)	(304)
	671,309	1,015,087

(*) Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"), these deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Group.

The changes occurred in Impairment on Loans and advances to credit institutions are analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Balance on 1 January	304	368
Transfers	(2)	–
Impairment charge for the period (note 10)	–	1
Reversals for the period (note 10)	(25)	(65)
Balance at the end of the period	277	304

21. Loans and advances to customers

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Mortgage loans	27,681,741	26,729,157
Loans	18,170,664	17,113,707
Finance leases	4,016,947	3,921,747
Factoring operations	2,438,848	2,566,220
Current account credits	1,225,977	1,255,304
Overdrafts	1,040,399	885,449
Discounted bills	157,959	189,259
	54,732,535	52,660,843
Overdue loans - less than 90 days	118,596	118,767
Overdue loans - Over 90 days	1,107,137	1,279,269
	55,958,268	54,058,879
Loans impairment	(1,963,514)	(2,036,522)
	53,994,754	52,022,357

The balance Loans and advances to customers, as at 30 June 2021, is analysed as follows:

	(Thousands of euros)				
	30 June 2021				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	667,907	252	668,159	(1,933)	666,226
Asset-backed loans	31,577,033	577,696	32,154,729	(965,138)	31,189,591
Other guaranteed loans	6,170,204	96,696	6,266,900	(200,766)	6,066,134
Unsecured loans	7,344,097	347,568	7,691,665	(471,989)	7,219,676
Foreign loans	2,517,499	120,746	2,638,245	(133,554)	2,504,691
Factoring operations	2,438,848	7,688	2,446,536	(34,737)	2,411,799
Finance leases	4,016,947	75,087	4,092,034	(155,397)	3,936,637
	54,732,535	1,225,733	55,958,268	(1,963,514)	53,994,754

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

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

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

(Thousands of euros)

	31 December 2020 (restated)				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	532,580	1	532,581	(1,939)	530,642
Asset-backed loans	30,291,474	607,836	30,899,310	(969,019)	29,930,291
Other guaranteed loans	5,527,794	149,256	5,677,050	(250,277)	5,426,773
Unsecured loans	7,317,673	405,931	7,723,604	(487,609)	7,235,995
Foreign loans	2,503,355	125,743	2,629,098	(127,900)	2,501,198
Factoring operations	2,566,220	22,587	2,588,807	(53,145)	2,535,662
Finance leases	3,921,747	86,682	4,008,429	(146,633)	3,861,796
	52,660,843	1,398,036	54,058,879	(2,036,522)	52,022,357

As at 30 June 2021, the balance Loans and advances to customers includes the amount of Euros 11,775,911,000 (31 December 2020: Euros 11,692,831,000) regarding mortgage loans assigned to the cover pool backing the Group's covered bond programme issuances.

As part of the liquidity risk management, the Group holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As referred in note 50, the Group provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 2% or more of the share capital identified in the Board of Directors report and in note 40.

As at 30 June 2021, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 85,475,000 (31 December 2020: Euros 79,993,000), as referred in note 50 a). The amount of impairment recognised for these contracts amounts to Euros 908,000 (31 December 2020: Euros 526,000).

The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee.

As at 30 June 2021, the item Finance leases includes the amount of Euros 7,482,000 (31 December 2020: Euros 8,087,000) relative to sublease operations, as referred in accounting policy 1.H.

The analysis of loans and advances to customers, as at 30 June 2021, by sector of activity, is as follows:

(Thousands of euros)

	30 June 2021					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	437,902	6,011	443,913	(8,767)	435,146	0.79%
Fisheries	39,137	9	39,146	(2,644)	36,502	0.07%
Mining	80,981	2,018	82,999	(2,300)	80,699	0.15%
Food, beverage and tobacco	803,171	10,766	813,937	(20,444)	793,493	1.46%
Textiles	530,991	8,821	539,812	(19,833)	519,979	0.97%
Wood and cork	268,463	5,939	274,402	(10,359)	264,043	0.49%
Paper, printing and publishing	182,959	1,111	184,070	(3,613)	180,457	0.33%
Chemicals	822,456	22,979	845,435	(37,704)	807,731	1.51%
Machinery, equipment and basic metallurgical	1,479,635	25,547	1,505,182	(42,774)	1,462,408	2.69%
Electricity and gas	317,051	421	317,472	(1,690)	315,782	0.57%
Water	232,351	544	232,895	(17,318)	215,577	0.42%
Construction	1,625,341	43,651	1,668,992	(71,059)	1,597,933	2.98%
Retail business	1,741,719	29,582	1,771,301	(44,838)	1,726,463	3.17%
Wholesale business	2,287,021	40,404	2,327,425	(83,917)	2,243,508	4.16%
Restaurants and hotels	1,692,990	35,809	1,728,799	(144,159)	1,584,640	3.09%
Transports	1,239,505	11,692	1,251,197	(21,131)	1,230,066	2.24%
Post offices	18,239	290	18,529	(495)	18,034	0.03%
Telecommunications	442,626	1,511	444,137	(13,883)	430,254	0.79%
Services						
Financial intermediation	1,772,992	75,833	1,848,825	(146,779)	1,702,046	3.30%
Real estate activities	1,885,080	7,520	1,892,600	(80,316)	1,812,284	3.38%
Consulting, scientific and technical activities	1,004,266	14,240	1,018,506	(75,428)	943,078	1.82%
Administrative and support services activities	626,010	10,827	636,837	(71,061)	565,776	1.14%
Public sector	966,100	252	966,352	(3,333)	963,019	1.73%
Education	145,471	1,808	147,279	(7,207)	140,072	0.26%
Health and collective service activities	394,897	939	395,836	(12,693)	383,143	0.71%
Artistic, sports and recreational activities	345,868	40,860	386,728	(118,941)	267,787	0.69%
Other services	223,568	243,199	466,767	(232,134)	234,633	0.83%
Consumer loans	5,195,089	310,650	5,505,739	(352,047)	5,153,692	9.84%
Mortgage credit	27,042,068	164,172	27,206,240	(200,342)	27,005,898	48.62%
Other domestic activities	898	693	1,591	(103)	1,488	0.00%
Other international activities	887,690	107,635	995,325	(116,202)	879,123	1.78%
	54,732,535	1,225,733	55,958,268	(1,963,514)	53,994,754	100%

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

(Thousands of euros)

	31 December 2020 (restated)					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	400,801	10,745	411,546	(10,026)	401,520	0.76%
Fisheries	32,684	37	32,721	(471)	32,250	0.06%
Mining	67,358	3,183	70,541	(2,347)	68,194	0.13%
Food, beverage and tobacco	802,531	11,533	814,064	(25,204)	788,860	1.50%
Textiles	464,250	11,553	475,803	(25,476)	450,327	0.88%
Wood and cork	254,338	7,064	261,402	(10,152)	251,250	0.48%
Paper, printing and publishing	188,993	1,290	190,283	(14,802)	175,481	0.35%
Chemicals	757,863	26,590	784,453	(36,147)	748,306	1.45%
Machinery, equipment and basic metallurgical	1,353,637	37,250	1,390,887	(52,218)	1,338,669	2.57%
Electricity and gas	315,464	218	315,682	(1,899)	313,783	0.58%
Water	229,535	590	230,125	(17,167)	212,958	0.43%
Construction	1,688,915	89,560	1,778,475	(139,292)	1,639,183	3.28%
Retail business	1,698,861	35,419	1,734,280	(50,156)	1,684,124	3.20%
Wholesale business	2,123,122	52,981	2,176,103	(99,976)	2,076,127	4.02%
Restaurants and hotels	1,367,548	41,264	1,408,812	(72,474)	1,336,338	2.60%
Transports	1,188,061	29,432	1,217,493	(46,022)	1,171,471	2.25%
Post offices	20,311	338	20,649	(490)	20,159	0.04%
Telecommunications	485,910	4,710	490,620	(20,206)	470,414	0.91%
Services						
Financial intermediation	1,643,196	86,865	1,730,061	(192,376)	1,537,685	3.20%
Real estate activities	1,829,513	18,684	1,848,197	(85,187)	1,763,010	3.41%
Consulting, scientific and technical activities	937,548	36,415	973,963	(81,482)	892,481	1.80%
Administrative and support services activities	599,543	13,112	612,655	(72,693)	539,962	1.13%
Public sector	994,296	1	994,297	(3,643)	990,654	1.84%
Education	142,028	1,718	143,746	(7,016)	136,730	0.27%
Health and collective service activities	365,092	1,215	366,307	(9,643)	356,664	0.68%
Artistic, sports and recreational activities	365,929	11,030	376,959	(102,056)	274,903	0.70%
Other services	226,772	243,426	470,198	(180,430)	289,768	0.87%
Consumer loans	5,075,357	336,475	5,411,832	(368,720)	5,043,112	9.99%
Mortgage credit	26,189,158	173,835	26,362,993	(188,524)	26,174,469	48.86%
Other domestic activities	1,020	620	1,640	(60)	1,580	0.00%
Other international activities	851,209	110,883	962,092	(120,167)	841,925	1.78%
	52,660,843	1,398,036	54,058,879	(2,036,522)	52,022,357	100%

The item total credit portfolio, which includes further than loans and advances to customers, the guarantees granted, split by stage according with IFRS 9, is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Total credit	60,463,836	58,561,359
Stage 1		
Gross amount	49,572,227	46,907,124
Impairment	(184,692)	(171,091)
	49,387,535	46,736,033
Stage 2		
Gross amount	7,572,314	8,016,640
Impairment	(234,667)	(240,207)
	7,337,647	7,776,433
Stage 3		
Gross amount	3,319,295	3,637,595
Impairment	(1,625,445)	(1,704,124)
	1,693,850	1,933,471
Adjustment to the gross value (*)	—	(98,458)
	58,419,032	56,445,937

(*) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

The total credit portfolio includes, as at 30 June 2021, loans and advances to customers in the amount of Euros 55,958,268,000 (31 December 2020: Euros 54,058,879,000) and guarantees granted and commitments to third parties (note 45) in the amount of Euros 4,505,568,000 (31 December 2020: Euros 4,404,022,000).

The items of Impairment were determined in accordance with the accounting policy described in note 1.C1.5, including as at 30 June 2021, the provision for Guarantees and other commitments to third parties (note 38), associated with guarantees granted, in the amount of Euros 81,290,000 (31 December 2020: Euros 78,900,000).

The analysis of the exposure covered by collaterals associated with loans and advances to customers' portfolio, by stage according with IFRS 9, considering the collaterals' fair value, is as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Stage 1		
Securities and other financial assets	1,462,033	1,433,956
Residential real estate	22,565,828	21,495,826
Other real estate	3,506,859	3,374,091
Other guarantees	7,054,677	6,235,972
	34,589,397	32,539,845
Stage 2		
Securities and other financial assets	244,424	243,411
Residential real estate	2,504,153	2,484,267
Other real estate	1,341,373	1,207,376
Other guarantees	1,212,624	1,464,912
	5,302,574	5,399,966
Stage 3		
Securities and other financial assets	84,916	117,829
Residential real estate	609,029	667,030
Other real estate	617,108	566,166
Other guarantees	396,601	405,359
	1,707,654	1,756,384
	41,599,625	39,696,195

The balance Other guarantees include first-demand guarantees issued by the Bank and other entities, with an internal risk rating of 7 or better; personal guarantees, when the guarantors are classified with internal risk grade 7 or better. This item also includes pledges, assets subject to financial leasing operations and personal guarantees, among others.

Considering the policy of risk management of the Group (note 53), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. To reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Group continued to negotiate additional physical and financial collaterals with its customers.

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may include in a reinforce of guarantees, liquidation of part of the credit as well as changes in the payment plan and/or in interest rate. The analysis of the outstanding restructured loans, by sector of activity, is as follows:

	30 June 2021			31 December 2020 (restated)		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	13,020	(2,689)	10,331	20,927	(4,045)	16,882
Fisheries	3,645	(1,531)	2,114	123	(41)	82
Mining	7,992	(374)	7,618	2,149	(337)	1,812
Food, beverage and tobacco	25,425	(7,232)	18,193	26,403	(8,238)	18,165
Textiles	13,235	(5,007)	8,228	16,297	(6,333)	9,964
Wood and cork	6,122	(1,321)	4,801	6,732	(1,412)	5,320
Paper, printing and publishing	4,875	(1,255)	3,620	16,006	(12,296)	3,710
Chemicals	20,441	(9,606)	10,835	21,960	(8,843)	13,117
Machinery, equipment and basic metallurgical	59,239	(12,322)	46,917	60,584	(12,710)	47,874
Electricity and gas	397	(115)	282	396	(31)	365
Water	48,895	(13,923)	34,972	49,711	(13,689)	36,022
Construction	110,167	(27,134)	83,033	237,988	(83,589)	154,399
Retail business	44,680	(16,197)	28,483	46,592	(16,983)	29,609
Wholesale business	84,604	(13,731)	70,873	91,949	(18,459)	73,490
Restaurants and hotels	173,988	(64,367)	109,621	76,538	(13,968)	62,570
Transports	21,980	(3,114)	18,866	13,327	(3,109)	10,218
Post offices	209	(108)	101	198	(97)	101
Telecommunications	27,732	(5,814)	21,918	15,406	(11,071)	4,335
Services						
Financial intermediation	146,181	(76,107)	70,074	156,677	(85,960)	70,717
Real estate activities	113,016	(48,593)	64,423	125,807	(44,921)	80,886
Consulting, scientific and technical activities	244,720	(55,893)	188,827	264,177	(63,332)	200,845
Administrative and support services activities	85,240	(58,408)	26,832	86,532	(59,016)	27,516
Public sector	56,700	(387)	56,313	50,120	(1,113)	49,007
Education	19,278	(4,909)	14,369	19,825	(4,775)	15,050
Health and collective service activities	25,231	(7,467)	17,764	25,388	(4,970)	20,418
Artistic, sports and recreational activities	157,708	(82,996)	74,712	152,110	(73,126)	78,984
Other services	253,165	(176,537)	76,628	255,108	(176,808)	78,300
Consumer loans	275,893	(81,708)	194,185	274,548	(82,768)	191,780
Mortgage credit	462,746	(63,903)	398,843	518,666	(54,732)	463,934
Other domestic activities	23	(1)	22	23	(1)	22
Other international activities	5,647	(4,980)	667	32,677	(26,061)	6,616
	2,512,194	(847,729)	1,664,465	2,664,944	(892,834)	1,772,110

The variation in the Construction and Restaurants and Hotels sectors, between December 2020 and June 2021, refers mainly to changes in a client's activity code.

The breakdown of the restructured loans as at 30 June 2021, by restructuring measure, is as follows:

(Thousands of euros)

30 June 2021						
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Extension of the repayment term	41,517	570,256	81,159	651,415	(142,866)	508,549
Introduction of the grace period for capital and/or interest	5,704	543,125	360,044	903,169	(408,915)	494,254
Interest rate reduction	4,259	263,151	13,185	276,336	(137,407)	138,929
Payment plan change	6,858	143,318	11,589	154,907	(27,162)	127,745
Debt relief	159	2,544	1,935	4,479	(1,781)	2,698
Debt-asset swaps	9	26,002	1,272	27,274	(19,231)	8,043
Other restructured loans	10,902	411,417	83,197	494,614	(110,367)	384,247
	69,408	1,959,813	552,381	2,512,194	(847,729)	1,664,465

The breakdown of the restructured loans as at 31 December 2020, by restructuring measure, is as follows:

(Thousands of euros)

31 December 2020 (restated)						
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Extension of the repayment term	42,480	516,649	84,849	601,498	(132,947)	468,551
Introduction of the grace period for capital and/or interest	5,896	523,953	361,783	885,736	(432,888)	452,848
Interest rate reduction	5,442	289,493	16,990	306,483	(121,153)	185,330
Payment plan change	7,030	153,126	16,064	169,190	(26,245)	142,945
Debt relief	312	3,016	6,821	9,837	(5,657)	4,180
Debt-asset swaps	15	26,032	26,242	52,274	(18,963)	33,311
Other restructured loans	14,778	512,373	127,553	639,926	(154,981)	484,945
	75,953	2,024,642	640,302	2,664,944	(892,834)	1,772,110

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms and considering new collaterals.

The Group has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Group's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructuring due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations);
- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined.

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client. In the case of credits marked as Non-Performing Exposure (NPE), this 2-year period will only start on the date of classification of the credit as performing.

The definition of Non-Performing Loans for more than 90 days (NPL > 90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. As at 30 June 2021, the amount calculated is Euros 1,463,142,000 (31 December 2020: Euros 1,766,328,000).

All customers who check at least one of the following conditions are marked in default and therefore in Non-Performing Exposure (NPE):

- Material payment delay of more than 90 days in the amounts of principal, interest or unpaid commissions on the due date that, cumulatively, represent:

a) More than 100 euros (retail) or more than 500 euros (non-retail); and b) More than 1% of the total debt (direct liabilities).

- Indications of low probability of payment:

a) Credit restructuring due to financial difficulties with loss of value; b) Delay after restructuring due to financial difficulties; c) Recurrence of restructuring due to financial difficulties; d) Credit with signs of impairment (or Stage 3 of IFRS 9); e) Insolvency or equivalent process; f) Litigation; g) Guarantees of operations in default; h) Loss of credit sales; i) Credit fraud; j) Unpaid credit status; k) Breach of covenants in a credit agreement; l) Contagion of default in an economic group; m) Cross default in the BCP Group.

As at 30 June 2021, the NPE amounts to Euros 3,003,478,000 (31 December 2020: Euros 3,939,109,000).

The changes occurred in Loans impairment are analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Balance on 1 January	2,036,522	2,417,022
Charge for the period in net income interest (note 2)	12,314	34,335
Transfers resulting from changes in the Group's structure	—	(8)
Other transfers	4,554	7,097
Impairment charge for the period (note 10)	411,937	1,102,851
Reversals for the period (note 10)	(244,340)	(576,588)
Loans charged-off	(267,719)	(899,133)
Exchange rate differences	10,246	(49,054)
Balance at the end of the period	1,963,514	2,036,522

As at 31 December 2020, the balance Transfers includes the amount of Euros 14,885,000 related to provisions for guarantees and other commitments, which were transferred to Loans impairment due to the fact that the guarantees granted were converted into loans and advances to customers (note 38).

This balance also includes the transfer of impairments from credit to other assets, in the amount of Euros 16,858,000 (note 31).

According to note 38, regarding the proceedings related to foreign currency-indexed mortgage loans, Bank Millennium wrote-off the amount of Euros 365,359,000 from the gross carrying amount of loans portfolio (31 December 2020: Euros 194,012,000), of which Euros 169,426,000 were written-off in the first semester of 2021.

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Agriculture and forestry	1,924	443
Fisheries	51	359
Mining	844	111
Food, beverage and tobacco	4,636	9,097
Textiles	3,490	10,937
Wood and cork	505	146
Paper, printing and publishing	11,155	229
Chemicals	6,688	1,665
Machinery, equipment and basic metallurgical	15,575	3,718
Electricity and gas	124	23
Water	314	605
Construction	29,875	144,292
Retail business	9,466	15,287
Wholesale business	20,428	33,585
Restaurants and hotels	3,539	53,213
Transports	21,430	4,706
Post offices	75	94
Telecommunications	6,668	564
Services		
Financial intermediation	13,590	315,038
Real estate activities	5,291	43,068
Consulting, scientific and technical activities	23,025	120,673
Administrative and support services activities	4,630	9,771
Public sector	4	–
Education	36	122
Health and collective service activities	207	466
Artistic, sports and recreational activities	4,495	(3,159)
Other services	436	63,213
Consumer loans	53,751	55,934
Mortgage credit	1,799	4,576
Other domestic activities	23,553	5,740
Other international activities	115	4,617
	267,719	899,133

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

The analysis of loans charged-off, by type of credit, is as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Asset-backed loans	9,302	6,011
Other guaranteed loans	2,148	71,337
Unsecured loans	223,742	782,430
Factoring operations	14,866	726
Finance leases	17,661	38,629
	267,719	899,133

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

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Agriculture and forestry	151	252
Food, beverage and tobacco	48	36
Textiles	110	15
Wood and cork	4	3
Paper, printing and publishing	1	–
Chemicals	26	414
Machinery, equipment and basic metallurgical	259	39
Water	9	1
Construction	897	291
Retail business	772	368
Wholesale business	180	472
Restaurants and hotels	82	66
Transports	34	94
Telecommunications	3	2
Services		
Financial intermediation	22	1,085
Real estate activities	59	54
Consulting, scientific and technical activities	22	1,413
Administrative and support services activities	13	11
Education	–	35
Health and collective service activities	1	1
Artistic, sports and recreational activities	1	10
Other services	10	13
Consumer loans	7,122	5,880
Mortgage credit	415	196
Other domestic activities	1,183	3
Other international activities	23	2,135
	11,447	12,889

The analysis of recovered loans and interest occurred during the first semester of 2021 and 2020, by type of credit, is as follows:

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Asset-backed loans	400	243
Other guaranteed loans	548	3,329
Unsecured loans	9,212	8,147
Foreign loans	1,180	899
Factoring operations	22	45
Finance leases	85	226
	11,447	12,889

The balance Loans and advances to customers includes the effect of traditional securitization transactions made through Special Purpose Entities (SPE) consolidated following the application of IFRS 10, in accordance with accounting policy 1 B and synthetic securitization. The characterization of these operations is described in note 1.D.

Traditional securitizations

The securitization transaction engaged by the Group and still ongoing, refer to mortgage loans portfolios and are set through securitization funds and special purpose entities (SPEs). As referred in accounting policy 1.B, when the substance of the relationships with the referred SPEs indicates that the Group holds control of its activities, this is consolidated by the full method.

Magellan Mortgages No. 3

On 24 June 2005, the Bank transferred, through securitization funds, an owned mortgage loans portfolio to the SPE "Magellan Mortgages No. 3 PLC". Considering that, by having acquired part of the subordinated tranche of the bonds issued by that SPE, the Bank holds the control of the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1.B. As at 30 June 2021, the SPE's credit portfolio associated with this operation amounts to Euros 229,111,000 (31 December 2020: Euros 242,670,000), and bonds issued with different subordination levels amount to Euros 170,941,000 (this amount excludes bonds hold by the Group in the amount of Euros 76,934,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

Synthetic securitizations

The Group has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by Bank, mainly to small and medium companies. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 477,935,000 as at 30 June 2021. The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 197,754,000 and the registered cost in the first semester amounts to Euros 630,000.

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The legal maturity date is 21 September of 2043 and, as at 30 June 2021, the operation amounts to Euros 680,070,000. The fair value of the relative CDS is recorded as a positive amount of Euros 63,519,000 and their registered cost in the first semester amounts to Euros 402,000.

In both operations, the Bank hired a CDS with a Special Purpose Vehicle (SPV), buying by this way the protection for part of the credit risk inherent to the referenced portfolio. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The total of mezzanine and part of the equity (20%) were placed in the market through an SPE, and the subscription by investors, the Credit Linked Notes (CLN). The Bank retained the senior risk and part of the equity remaining (80%). In both structures, the correspondent product of the CLN issue was invested by the referred SPE the constitution of a deposit that collateralizes, in full, their responsibilities towards its creditors under the operation, including the Bank under the CDS context.

These operations involve the Bank's to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, but it did not transfer to third parties most of the rights and obligations arising from the credits included in them, thus not meeting the derecognition criteria in the accounting policy presented in note 1.C1.3.

22. Debt securities

The balance Debt securities is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	201,545	214,421
Commercial paper	1,253,409	1,334,236
Foreign issuers		
Bonds	29,569	30,398
Commercial paper	45,151	28,160
	1,529,674	1,607,215
Overdue securities - over 90 days	40	1,761
	1,529,714	1,608,976
Impairment	(10,133)	(11,021)
	1,519,581	1,597,955
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	3,667,667	3,758,016
Foreign issuers	2,504,995	378,285
Bonds issued by other entities		
Portuguese issuers	152,938	178,405
Foreign issuers	97,096	100,833
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	396,015	226,383
	6,818,711	4,641,922
Impairment	(7,331)	(5,332)
	6,811,380	4,636,590
	8,330,961	6,234,545

(*) Includes the amount of Euros 18,419,000 (31 December 2020: Euros 28,794,000) related to adjustments resulting from the application of fair value hedge accounting.

In 2020, under the terms of IFRS 9, the Bank took the decision to establish, the balance Debt securities held not associated with credit operations - Bonds issued by Portuguese public issuers, a portfolio of securities whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value as at 30 June 2021 amounts to Euros 3,463,663,000 (31 December 2020: Euros 3,544,918,000).

As at 30 June 2021, the item Debt securities held not associated with credit operations - Bonds issued by other Portuguese entities includes the amount of Euros 139,250,000 (31 December 2020: Euros 139,085,000) related to public sector companies.

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Debt securities held associated with credit operations		
Agriculture and forestry	4,898	4,877
Mining	15,116	27,646
Food, beverage and tobacco	70,782	85,174
Textiles	60,680	61,725
Wood and cork	5,582	6,438
Paper, printing and publishing	7,445	9,295
Chemicals	107,174	105,146
Machinery, equipment and basic metallurgical	47,203	54,108
Electricity and gas	209,171	198,291
Water	12,406	12,417
Construction	16,294	16,650
Retail business	63,485	48,377
Wholesale business	69,985	70,625
Restaurants and hotels	9,230	9,394
Transports	93,055	62,811
Telecommunications	5,540	5,572
Services		
Financial intermediation	83,546	88,292
Real estate activities	34,027	28,139
Consulting, scientific and technical activities	501,339	616,512
Administrative and support services activities	10,945	10,754
Artistic, sports and recreational activities	12,357	12,455
Other services	4,601	5,055
Other international activities	74,720	58,202
	1,519,581	1,597,955
Debt securities held not associated with credit operations		
Chemicals	—	25,578
Electricity and Gas	3,495	3,589
Water	39,434	39,394
Retailing	5,548	5,566
Transports (*)	99,593	99,504
Services		
Financial intermediation	483,666	317,847
Consulting, scientific and technical activities	13,444	13,483
	645,180	504,961
Government and Public securities	6,166,200	4,131,629
	6,811,380	4,636,590
	8,330,961	6,234,545

(*) Corresponds to securities from public sector companies

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Debt securities held associated with credit operations		
Balance on 1 January	11,021	12,431
Charge for the period in net income interest (note 2)	47	54
Transfers	–	(7,756)
Charge for the period (note 10)	786	6,292
Loans charged-off	(1,721)	–
Balance at the end of the period	10,133	11,021
Debt securities held not associated with credit operations		
Balance on 1 January	5,332	2,100
Transfers	(46)	(57)
Charge for the period (note 10)	2,441	4,089
Reversals for the period (note 10)	(578)	(480)
Exchange rate differences	182	(320)
Balance at the end of the period	7,331	5,332

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

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,196,717	486,276
Equity instruments	25,938	1,318
Trading derivatives	481,882	543,607
	1,704,537	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	370,188	354,309
Debt instruments	897,044	917,132
Equity instruments	22,826	44,026
	1,290,058	1,315,467
Financial assets at fair value through other comprehensive income		
Debt instruments	13,848,613	12,107,431
Equity instruments	34,329	32,961
	13,882,942	12,140,392
	16,877,537	14,487,060

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 30 June 2021, is analysed as follows:

(Thousands of euros)

	30 June 2021			Total
	At fair value through profit or loss		At fair value through other comprehensive income	
	Held for trading	Not held for trading mandatorily at fair value through profit or loss		
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	–	–	4,358,838	4,358,838
Foreign issuers	25,298	–	7,147,418	7,172,716
Bonds issued by other entities				
Portuguese issuers	5,489	16,734	729,116	751,339
Foreign issuers	43,047	–	970,273	1,013,320
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	1,122,883	–	6,025	1,128,908
Foreign issuers	–	–	636,943	636,943
Shares of foreign companies (a)	–	19,981	–	19,981
Investment fund units (b)	–	860,329	–	860,329
	1,196,717	897,044	13,848,613	15,942,374
Equity instruments				
Shares				
Portuguese companies	438	–	16,914	17,352
Foreign companies	63	22,826	17,413	40,302
Investment fund units	–	–	2	2
Other securities	25,437	–	–	25,437
	25,938	22,826	34,329	83,093
Trading derivatives	481,882	–	–	481,882
	1,704,537	919,870	13,882,942	16,507,349
Level 1	1,216,265	–	12,832,263	14,048,528
Level 2	215,558	–	383,499	599,057
Level 3	272,714	919,870	667,180	1,859,764

(a) Under IFRS 9 these shares were considered as debt instruments because they do not fall within the definition of SPPI.

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

The portfolios are recorded at fair value in accordance with the accounting policy described in note 1.C. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

As at 30 June 2021, the balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1 C.5, in the amount of Euros 1,000.

As at 30 June 2021, the balances Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 4, referred in note 1.D, in the amount of Euros 93,000 (31 December 2020: Euros 96,000).

As at 30 June 2021, the balance Financial assets at fair value through other comprehensive income - Bonds issued by other entities includes the amount of Euros 179,169,000 (31 December 2020: Euros 318,856,000) related to public sector companies.

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	31 December 2020 (restated)			Total
	At fair value through profit or loss		At fair value through other comprehensive income	
	Held for trading	Not held for trading mandatorily at fair value through profit or loss		
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	101	–	3,602,910	3,603,011
Foreign issuers	59,078	–	6,893,507	6,952,585
Bonds issued by other entities				
Portuguese issuers	6,539	16,778	900,019	923,336
Foreign issuers	42,609	–	654,981	697,590
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	377,949	–	6,014	383,963
Foreign issuers	–	–	50,000	50,000
Shares of foreign companies (a)	–	17,952	–	17,952
Investment fund units (b)	–	882,402	–	882,402
	486,276	917,132	12,107,431	13,510,839
Equity instruments				
Shares				
Portuguese companies	438	–	16,522	16,960
Foreign companies	54	44,026	16,437	60,517
Investment fund units	–	–	2	2
Other securities	826	–	–	826
	1,318	44,026	32,961	78,305
Trading derivatives	543,607	–	–	543,607
	1,031,201	961,158	12,140,392	14,132,751
Level 1	481,107	–	11,764,197	12,245,304
Level 2	258,821	–	215,818	474,639
Level 3	291,273	961,158	160,377	1,412,808

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

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

The impairment movements, on balance sheet, of the financial assets at fair value through other comprehensive, that occurred during the period, are analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Balance on 1 January	1,097	1,177
Transfers to fair value changes (note 43)	(4,192)	(10,360)
Impairment through profit and loss (note 11)	4,341	11,485
Reversals through profit and loss (note 11)	(150)	(1,125)
Exchange rate differences	12	(80)
Balance at the end of the period	1,108	1,097

As at 30 June 2021, the accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 18,036,000 and is recognised against the item Fair value reserves (31 December 2020: Euros 13,823,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 30 June 2021, is analysed as follows:

	(Thousands of euros)			
	30 June 2021			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	4,323,271	(2,081)	37,648	4,358,838
Foreign issuers	7,121,982	3,045	22,391	7,147,418
Bonds issued by other entities				
Portuguese issuers	704,679	8,172	16,265	729,116
Foreign issuers	943,912	8,231	18,130	970,273
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	6,023	–	2	6,025
Foreign issuers	637,331	–	(388)	636,943
	13,737,198	17,367	94,048	13,848,613
Equity instruments				
Shares				
Portuguese companies	38,631	–	(21,717)	16,914
Foreign companies	28,388	–	(10,975)	17,413
Investment fund units	1	–	1	2
	67,020	–	(32,691)	34,329
	13,804,218	17,367	61,357	13,882,942

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

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2020, is analysed as follows:

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

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

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

(Thousands of euros)		
	30 June 2021	31 December 2020 (restated)
Public sector	24	25
Unsecured loans	361,457	347,188
	361,481	347,213
Overdue loans - less than 90 days	2,845	2,133
Overdue loans - Over 90 days	5,862	4,963
	370,188	354,309

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 30 June 2021, is as follows:

(Thousands of euros)

	30 June 2021			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Fisheries	1,427	–	–	1,427
Mining	–	15	–	15
Paper, printing and publishing	54,801	1	–	54,802
Chemicals	–	2	–	2
Machinery, equipment and basic metallurgical	4,062	441	–	4,503
Electricity and gas	34,210	–	–	34,210
Water	10,342	–	–	10,342
Construction	22,142	5	20,542	42,689
Retail business	35,073	4	–	35,077
Wholesale business	54,990	7,758	–	62,748
Restaurants and hotels	999	1,068	–	2,067
Transports	82,553	–	–	82,553
Telecommunications	12,550	2,771	–	15,321
Services				
Financial intermediation (*)	1,616,272	49,599	843,589	2,509,460
Real estate activities	–	1	15,335	15,336
Consulting, scientific and technical activities	438,040	114	–	438,154
Administrative and support services activities	12,471	9,243	–	21,714
Public sector	–	–	416	416
Artistic, sports and recreational activities	16,683	–	–	16,683
Other services	4,987	6,613	5,886	17,486
	2,401,602	77,635	885,768	3,365,005
Government and Public securities	12,660,462	–	–	12,660,462
	15,062,064	77,635	885,768	16,025,467

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 805,422,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 46.

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2020, is as follows:

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

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 827,976,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 46.

The analysis of trading derivatives, by maturity, as at 30 June 2021, is as follows:

	(Thousands of euros)					
	30 June 2021					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate derivatives:						
OTC Market:						
Forward rate agreement	–	–	–	–	80	–
Interest rate swaps	439,546	331,644	4,468,340	5,239,530	188,247	349,597
Interest rate options (purchase)	–	96,754	236,546	333,300	231	17
Interest rate options (sale)	–	13,337	236,445	249,782	–	247
	439,546	441,735	4,941,331	5,822,612	188,558	349,861
Stock Exchange transactions:						
Interest rate futures	16,632	–	33,440	50,072	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	280,732	339,231	30,657	650,620	1,849	6,093
Currency swaps	1,744,404	424,485	24,735	2,193,624	26,107	8,794
	2,025,136	763,716	55,392	2,844,244	27,956	14,887
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	2,340	31,852	635,234	669,426	2,261	1,087
Shares/indexes options (sale)	186,674	–	19,178	205,852	–	–
	189,014	31,852	654,412	875,278	2,261	1,087
Stock exchange transactions:						
Shares futures	–	–	800,892	800,892	–	–
Shares/indexes options (purchase)	100,926	85,537	83,265	269,728	3,780	–
Shares/indexes options (sale)	47,735	22,792	1,892	72,419	–	71
	148,661	108,329	886,049	1,143,039	3,780	71
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	–	–	1	1	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	273,831	273,831	259,326	–
Other credit derivatives (sale)	85,164	–	–	85,164	–	–
	85,164	–	273,831	358,995	259,326	–
Total derivatives traded in:						
OTC Market	2,738,860	1,237,303	5,924,966	9,901,129	478,101	365,835
Stock Exchange	165,293	108,329	919,490	1,193,112	3,780	71
Embedded derivatives					1	3,862
	2,904,153	1,345,632	6,844,456	11,094,241	481,882	369,768

The analysis of trading derivatives, by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	31 December 2020 (restated)					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate derivatives:						
OTC Market:						
Forward rate agreement	–	175,427	–	175,427	29	–
Interest rate swaps	480,392	1,272,413	4,862,575	6,615,380	225,530	235,325
Interest rate options (purchase)	2,959	92,213	201,003	296,175	28	–
Interest rate options (sale)	–	8,796	200,939	209,735	–	58
	483,351	1,548,849	5,264,517	7,296,717	225,587	235,383
Stock Exchange transactions:						
Interest rate futures	6,375	–	1,360,300	1,366,675	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	273,786	312,557	48,039	634,382	10,202	6,078
Currency swaps	2,110,964	405,011	23,614	2,539,589	22,341	18,096
	2,384,750	717,568	71,653	3,173,971	32,543	24,174
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	115,135	204,134	680,815	1,000,084	2,691	562
Shares/indexes options (sale)	299,859	–	18,401	318,260	–	–
Others shares/indexes options (purchase)	16,864	–	–	16,864	16,589	–
Others shares/indexes options (sale)	16,864	–	–	16,864	–	–
	448,722	204,134	699,216	1,352,072	19,280	562
Stock exchange transactions:						
Shares futures	–	–	667,738	667,738	–	–
Shares/indexes options (purchase)	90,378	157,188	107,114	354,680	4,467	–
Shares/indexes options (sale)	11,096	17,040	8,541	36,677	–	101
	101,474	174,228	783,393	1,059,095	4,467	101
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	–	–	1	1	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	275,720	275,720	261,730	–
Other credit derivatives (sale)	81,523	–	–	81,523	–	–
	81,523	–	275,720	357,243	261,730	–
Total derivatives traded in:						
OTC Market	3,398,346	2,470,551	6,311,106	12,180,003	539,140	260,119
Stock Exchange	107,849	174,228	2,143,694	2,425,771	4,467	101
Embedded derivatives					–	4,426
	3,506,195	2,644,779	8,454,800	14,605,774	543,607	264,646

24. Hedging derivatives

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

	30 June 2021		31 December 2020 (restated)	
	Assets	Liabilities	Assets	Liabilities
Swaps	55,853	173,690	91,249	285,766

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these derivatives are classified in level 2. The Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39, using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

During the first semester of 2021, the relationships that follow the fair value hedge model recorded ineffectiveness of a positive amount of Euros 2,103,000 (31 December 2020: positive amount of Euros 1,732,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a positive amount of Euros 182,000 (31 December 2020: negative amount of Euros 2,042,000).

During the first semester of 2021, there were made reclassifications from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 28,580,000 (31 December 2020: positive amount of Euros 72,606,000). The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is detailed in note 53.

The analysis of hedging derivatives portfolio, by maturity, as at 30 June 2021, is as follows:

	30 June 2021					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	212,251	666,578	12,337,495	13,216,324	36,764	60,919
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Other currency contracts (CIRS)	171,221	248,819	—	420,040	4,783	2,709
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	—	—	13,230,935	13,230,935	3,179	70,198
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Other currency contracts (CIRS)	126,340	412,136	1,335,416	1,873,892	8,438	34,891
Hedging derivatives related to net investment in foreign operations						
OTC Market						
Currency and interest rate swap	302,090	—	—	302,090	2,689	4,973
Total derivatives traded by						
OTC Market	811,902	1,327,533	26,903,846	29,043,281	55,853	173,690

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)						
31 December 2020 (restated)						
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	196,734	608,023	5,598,796	6,403,553	5,396	97,342
Stock Exchange transactions						
Interest rate Futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Other currency contracts (CIRS)	162,661	273,418	–	436,079	34	26,365
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	–	109,642	11,667,681	11,777,323	69,275	10,020
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency swaps	274,584	–	–	274,584	–	6,385
Other currency contracts (CIRS)	442,564	610,622	2,225,527	3,278,713	4,779	143,465
	717,148	610,622	2,225,527	3,553,297	4,779	149,850
Hedging derivatives related to net investment in foreign operations						
OTC Market						
Currency and interest rate swap	574,266	–	–	574,266	11,765	2,189
Total derivatives traded by						
OTC Market	1,650,809	1,601,705	19,492,004	22,744,518	91,249	285,766
Stock Exchange transactions	–	–	197,400	197,400	–	–

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)		
	30 June 2021	31 December 2020 (restated)
Portuguese credit institutions	37,484	40,114
Foreign credit institutions	141,123	139,095
Other Portuguese companies	285,292	287,285
Other foreign companies	21,372	21,024
	485,271	487,518
Impairment	(48,981)	(52,559)
	436,290	434,959

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Balance on 1 January	52,559	60,773
Impairment charge for the period (note 12)	–	4,735
Amounts charged-off	(4,557)	–
Exchange rate differences	979	(12,949)
Balance at the end of the period	48,981	52,559

The balance Investments in associated companies is analysed as follows:

	(Thousands of euros)				31 December 2020 (restated)
	30 June 2021				
	Ownership on equity	Goodwill	Impairment	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	240,509	–	–	240,509	228,956
Banco Millennium Atlântico, S.A.	53,317	44,666	(30,970)	67,013	66,521
Banque BCP, S.A.S.	43,140	–	–	43,140	42,583
Cold River's Homestead, S.A.	–	–	–	–	14,530
SIBS, S.G.P.S, S.A.	44,342	–	–	44,342	38,881
Unicre - Instituição Financeira de Crédito, S.A.	30,049	7,435	–	37,484	40,114
Webspectator Corporation	–	18,011	(18,011)	–	86
Others	3,802	–	–	3,802	3,288
	415,159	70,112	(48,981)	436,290	434,959

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

The Group's companies included in the consolidation perimeter are presented in note 59. During the first semester of 2021, the Group sold its participation in Cold River's Homestead, S.A.

The main indicators of the principal associated companies, as at 30 June 2021, are analysed as follows:

	(Thousands of euros)					
	30 June 2021 (a)					
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the period
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49%	11,055,216	10,273,076	251,719	32,471
Banco Millennium Atlântico, S.A. (*)	Angola	22.73%	2,363,758	2,132,494	68,352	405
Banque BCP, S.A.S.	France	18.99%	4,373,951	4,146,748	63,879	12,085
SIBS, S.G.P.S, S.A. (**)	Portugal	23.3%	365,198	177,882	121,701	20,321
Unicre - Instituição Financeira de Crédito, S.A. (**)	Portugal	32%	367,265	255,296	73,346	11,957

(a) Non audited accounts

(*) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29 (note 14).

(**) Provisional values.

The main indicators of the principal associated companies, as at 31 December 2020, are analysed as follows:

(Thousands of euros)						
31 December 2020 (restated)						
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the period
Millenniumpcp Ageas Grupo						
Segurador, S.G.P.S., S.A.	Portugal	49%	11,352,919	10,590,360	461,226	81,248
Banco Millennium Atlântico, S.A. (*)	Angola	22.73%	2,186,378	1,962,795	292,310	23,505
Banque BCP, S.A.S.	France	19.82%	4,454,861	4,239,715	121,729	12,792
SIBS, S.G.P.S, S.A.	Portugal	23.3%	365,198	177,882	243,402	40,642
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	32%	367,265	255,296	146,691	23,914

(*) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29 (note 14).

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Banco Millennium Atlântico, S.A., is analysed as follows:

(Thousands of euros)		
	30 June 2021	31 December 2020 (restated)
Ownership held by BCP on equity of the associated company as at 1 January	66,521	93,044
Application of IAS 29 for the period:		
Net non-monetary assets of the BMA		
Effect of exchange rate variations (note 43)	461	(7,676)
Amortization of the effect of IAS 29 application calculated as at 31 December 2018 (note 14)	(216)	(3,944)
Goodwill of the merger operation of the BMA		
Effect of exchange rate variations (note 43)	441	(6,476)
Impairment of investments in associated companies	–	(3,826)
Appropriation of the net income of the associated companies (note 14)	(1,510)	7,300
Appropriation of the net income of previous periods (note 14)	–	(27)
Annulment of the gains arising from properties sold to Group entities (note 14)	–	6,067
Other comprehensive income attributable to BCP	103	(114)
Exchange differences		
Effect on BMA's equity	1,658	(23,436)
Goodwill associated with investment in BMA	537	(7,881)
Impairment of investments in associated companies (note 43)	(979)	12,950
Annulment of the gains arising from the sale of properties to Group entities	–	540
Others	(3)	–
Investment held at the end of the period	67,013	66,521

The following table presents the financial statements of Banco Millennium Atlântico, S.A, prepared in accordance with IFRS, modified by the consolidation adjustments:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Income	68,352	283,529
Net profit for the period	486	32,107
Comprehensive income	453	(501)
Total comprehensive income attributable to Shareholders of the associated company	939	31,606
Application of IAS 29 (*)	(950)	(17,346)
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	(11)	14,260
Attributable to the BCP Group	(3)	3,242
Balance sheet		
Financial assets	2,046,302	1,918,456
Non-financial assets	317,537	299,883
Financial liabilities	(2,053,115)	(1,951,208)
Non-financial liabilities	(79,379)	(36,886)
Attributable to Shareholders of the associated companies	231,345	230,245
Application of IAS 29 (*)	63,430	62,351
Other changes	(13)	—
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	294,762	292,596
Attributable to the BCP Group	67,013	66,521
Goodwill of the merge	30,970	29,991
impairment of investments in associated companies	(30,970)	(29,991)
Attributable to the BCP Group adjusted of consolidation items	67,013	66,521

(*) The impact of the IAS 29 adoption was calculated from the date of the merger (April 2016).

The amounts presented do not include adjustments arising from the application of IAS 29. Based on the requirements of IAS 29, Angola was considered a hyperinflationary economy until 31 December 2018, for the purpose of presenting the consolidated financial statements, as described in accounting policy 1 B6. This classification ceased to be applied on 1 January 2019.

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Ownership held by BCP on equity of the associated company as at 1 January	228,956	174,348
Appropriation of the net income of the associated company (note 14) (*)	17,895	44,344
Other comprehensive income attributable to BCP	(6,342)	10,264
Investment held at the end of the period	240,509	228,956

(*) Includes adjustments according to BCP GAAP.

The following table presents the financial statements of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., prepared in accordance with IFRS, modified by the consolidation adjustments:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Income	251,719	460,420
Net profit for the period	32,471	81,248
Comprehensive income	(12,943)	20,947
Total comprehensive income attributable to Shareholders of the associated company	19,528	102,195
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*))	4,048	9,250
Attributable to Shareholders of the associated company adjusted to BCP GAAP	23,576	111,445
Attributable to the BCP Group	11,552	54,608
Balance sheet		
Financial assets	10,700,345	10,928,566
Non-financial assets	428,694	424,353
Financial liabilities	(10,156,896)	(10,466,340)
Non-financial liabilities	(190,003)	(124,020)
Total equity	782,140	762,559
Attributable to non-controlling interests	11,619	11,567
Attributable to Shareholders of the associated companies	770,521	750,992
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*))	351,215	347,167
Attributable to Shareholders of the associated company adjusted to BCP GAAP	1,121,736	1,098,159
Attributable to the BCP Group	549,651	538,098
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)
Attributable to the BCP Group adjusted of consolidation items	240,509	228,956

(*) VOBA corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition. The value of the acquired business (VOBA) is recognised in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortised over the period of recognition of the income associated with the policies acquired.

The Group owns 49% of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), being accounted as investment in an associate under the equity method.

According to IFRS 4, there is the possibility to differ the application of IFRS 9 to insurance entities, i.e. although IFRS 9 is in force on 1 January 2018, the insurance companies can choose for the temporary exemption until 31 December 2022.

The Group chose for the temporary exemption until 31 December 2022, following the approach of Mbcp Ageas, and as far it fulfils the requirements to be accomplished with the temporary exemption until 31 December 2022 which are:

- The entity didn't adopt previously the IFRS 9;
- The liabilities measured according IFRS 4 are significant;
- The weight of IFRS4 liabilities in total liabilities of entity is more than 90%;
- Non-related activities with insurance activity isn't significant.

This exception and based on paragraph 20P b) and 200 a) of IFRS 4, allows the Group to apply IFRS 9 in its consolidated accounts and to have Mbcp Ageas not applying IFRS 9 in its individual accounts (which are integrated into the consolidated accounts using the equity method).

Regarding to the evaluation of the impacts arising from the adoption of IFRS 9, the Ageas Group Portugal has a project in progress to determine the impacts of adopting IFRS 9. Based on the evaluation made on this date, the total impact of IFRS 9, as at 30 June 2021, net of Participation of Benefits (PB) and net of Tax (29%) in consolidation in BCP Group is a positive amount of Euros 460,000 (2020: positive amount of Euros 461,000).

26. Non-current assets held for sale

This balance is analysed as follows:

	(Thousands of euros)					
	30 June 2021			31 December 2020 (restated)		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	749,426	(146,734)	602,692	848,277	(146,372)	701,905
Assets belong to investments funds and real estate companies	289,877	(48,641)	241,236	309,547	(52,465)	257,082
Assets for own use (closed branches)	24,206	(5,579)	18,627	26,122	(6,654)	19,468
Equipment and other	35,251	(8,382)	26,869	38,131	(10,158)	27,973
Other assets	15,592	–	15,592	20,053	–	20,053
	1,114,352	(209,336)	905,016	1,242,130	(215,649)	1,026,481

The assets included in this balance are accounted for in accordance with the accounting policy described in note 1.G.

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from process of recovered loans or judicial auction being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 53.

These assets are available for sale in a period less than one year and the Group has a strategy for its sale, according to the characteristic of each asset. However, considering the formal constraints, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Group having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market. The Group requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

The referred balance includes real estate for which the Group has already established contracts for the sale in the amount of Euros 18,282,000 (31 December 2020: Euros 27,367,000, of which Euros 167,000 relate to properties held by investment funds). The impairment associated with all the established contracts is Euros 7,033,000 (31 December 2020: Euros 10,140,000, of which Euros 52,000 relate to properties held by investment funds) which was calculated considering the value of the respective contracts.

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Balance on 1 January	215,649	263,891
Transfers	(788)	779
Charge for the period (note 12)	23,043	78,355
Reversals for the period (note 12)	(626)	(11,645)
Amounts charged-off	(29,332)	(113,941)
Exchange rate differences	1,390	(1,790)
Balance at the end of the period	209,336	215,649

27. Investment property

As at 30 June 2021, the balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1.N, based on independent assessments and compliance with legal requirements.

The rents received related to these assets amounted to Euros 160,000 (31 December 2020: Euros 391,000), and the maintenance expenses related to rented or not rented real estate, amount to Euros 34,000 (31 December 2020: Euros 188,000).

The changes occurred in this balance are analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Balance on 1 January	7,909	13,291
Transfers from/(to) non-current assets held for sale	–	(1,225)
Revaluations	(231)	115
Disposals	(964)	(4,272)
Balance at the end of the period	6,714	7,909

28. Other tangible assets

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Real estate	730,387	725,639
Equipment:		
Computer equipment	332,985	330,853
Security equipment	70,334	69,812
Interior installations	146,651	144,693
Machinery	50,100	49,452
Furniture	85,009	84,962
Motor vehicles	30,018	29,448
Other equipment	31,268	30,886
Right of use		
Real estate	345,296	334,608
Vehicles and equipment	911	929
Work in progress	17,076	18,021
Other tangible assets	290	248
	1,840,325	1,819,551
Accumulated depreciation		
Relative to the current period (note 9)	(49,914)	(104,813)
Relative to the previous periods	(1,169,580)	(1,073,913)
	(1,219,494)	(1,178,726)
	620,831	640,825

As at 30 June 2021, the balance Real Estate includes the amount of Euros 115,952,000 (31 December 2020: Euros 118,532,000) related to real estate held by the Group's real estate investment funds.

The balance Right-of-use essentially corresponds to real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the lease term of each contract, as described in the accounting policy 1.H.

The changes occurred in Other tangible assets during the first semester of 2021 are analysed as follows:

(Thousands of euros)						
2021						
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 30 June
Real estate	725,639	88	(7,079)	(949)	12,688	730,387
Equipment:						
Computer equipment	330,853	1,497	(8,058)	2,952	5,741	332,985
Security equipment	69,812	170	(289)	(65)	706	70,334
Interior installations	144,693	278	(537)	309	1,908	146,651
Machinery	49,452	1,545	(1,760)	293	570	50,100
Furniture	84,962	1,146	(1,492)	(491)	884	85,009
Motor vehicles	29,448	1,801	(2,597)	–	1,366	30,018
Other equipment	30,886	1,433	(2,163)	777	335	31,268
Right of use						
Real estate	334,608	11,699	(4,533)	5	3,517	345,296
Vehicles and equipment	929	15	(32)	–	(1)	911
Work in progress	18,021	3,765	(70)	(5,426)	786	17,076
Other tangible assets	248	–	(1)	–	43	290
	<u>1,819,551</u>	<u>23,437</u>	<u>(28,611)</u>	<u>(2,595)</u>	<u>28,543</u>	<u>1,840,325</u>
Accumulated depreciation						
Real estate	(431,312)	(7,494)	4,755	1,030	(4,041)	(437,062)
Equipment:						
Computer equipment	(291,414)	(8,541)	7,960	(36)	(4,335)	(296,366)
Security equipment	(65,662)	(441)	289	89	(597)	(66,322)
Interior installations	(128,864)	(1,360)	361	442	(1,208)	(130,629)
Machinery	(41,333)	(678)	512	(256)	(428)	(42,183)
Furniture	(77,162)	(1,422)	1,464	118	(592)	(77,594)
Motor vehicles	(17,215)	(2,385)	2,246	74	(939)	(18,219)
Other equipment	(23,586)	(754)	810	(163)	(282)	(23,975)
Right of use						
Real estate	(101,475)	(27,315)	3,808	–	(1,376)	(126,358)
Vehicles and equipment	(668)	(116)	32	–	–	(752)
Other tangible assets	(35)	–	1	–	–	(34)
	<u>(1,178,726)</u>	<u>(50,506)</u>	<u>22,238</u>	<u>1,298</u>	<u>(13,798)</u>	<u>(1,219,494)</u>
	<u>640,825</u>	<u>(27,069)</u>	<u>(6,373)</u>	<u>(1,297)</u>	<u>14,745</u>	<u>620,831</u>

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

(Thousands of euros)

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

29. Goodwill and intangible assets

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	106,428	105,385
Euro Bank, S.A. (Poland)	42,547	42,130
Others	14,305	14,260
	163,280	161,775
Impairment		
Others	(13,572)	(13,573)
	149,708	148,202
Intangible assets		
Software	205,973	201,918
Other intangible assets	69,504	67,777
	275,477	269,695
Accumulated amortisation		
Charge for the period (note 9)	(18,428)	(32,336)
Charge for the previous periods	(164,097)	(139,607)
	(182,525)	(171,943)
	92,952	97,752
	242,660	245,954

According to the accounting policy described in note 1.B, the recoverable amount of the Goodwill is annually assessed in the second semester of each year or whenever there are indications of eventual loss of value. In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2020, valuations of their investments for which there is goodwill recognised considering among other factors:

- (i) an estimate of future cash flows generated by each cash generating unit;
- (ii) an expectation of potential changes in the amounts and timing of cash flows;
- (iii) the time value of money;
- (iv) a risk premium associated with the uncertainty by holding the asset; and
- (v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods. The assumptions made for these valuations might vary with the change in economic conditions and in the market.

During the first semester of 2021, there were no factors pointing to the deterioration of the value of those financial participations that could lead to impairment charges in respect of goodwill, nor to the improvement of the value of those financial participations that could lead to a reversion of previously booked impairments to the goodwill.

Bank Millennium, S.A. (Poland)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved at the end of 2020 by the Executive Committee up to 2025. After that date, a perpetuity was considered based on the average long-term expected adjusted rate of return for this activity in the Polish market. Additionally, the market performance of Bank Millennium, S.A. in the Polish capital market was taken into consideration and the direct percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded that there is no need for impairment charges related to the goodwill of this participation.

The above mentioned business plan of Bank Millennium, S.A. comprises a five-year period, from 2021 to 2025, considering, along this period, a compound annual growth rate of 6.2% for Total Assets and of 8.4% for Total Equity, while considering a ROE evolution from 2.9% by the end of 2021 to 9.2% by the end of 2025 and 11.0% in perpetuity. The exchange rate EUR/PLN considered was 4.5603 as at 31 December 2020. The Cost of Equity considered was 8.875% for the period 2021 to 2025 and in perpetuity. The annual growth rate in perpetuity (g) was 2.37%.

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

(Thousands of euros)						
2021						
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 30 June
Goodwill - Differences arising on consolidation	161,775	–	(1)	–	1,506	163,280
impairment of goodwill	(13,573)	–	1	–	–	(13,572)
	148,202	–	–	–	1,506	149,708
Intangible assets						
<i>Software</i>	201,918	13,158	(12,423)	(1,130)	4,450	205,973
Other intangible assets	67,777	–	(81)	1,130	678	69,504
	269,695	13,158	(12,504)	–	5,128	275,477
Accumulated depreciation						
<i>Software</i>	(115,415)	(16,673)	11,317	207	(2,808)	(123,372)
Other intangible assets	(56,528)	(1,848)	–	(207)	(570)	(59,153)
	(171,943)	(18,521)	11,317	–	(3,378)	(182,525)
	97,752	(5,363)	(1,187)	–	1,750	92,952
	245,954	(5,363)	(1,187)	–	3,256	242,660

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

(Thousands of euros)						
2020						
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	165,904	180	(444)	–	(3,865)	161,775
impairment of goodwill	(13,837)	(180)	444	–	–	(13,573)
	152,067	–	–	–	(3,865)	148,202
Intangible assets						
<i>Software</i>	189,031	44,505	(15,102)	(5,362)	(11,154)	201,918
Other intangible assets	67,214	–	–	5,226	(4,663)	67,777
	256,245	44,505	(15,102)	(136)	(15,817)	269,695
Accumulated depreciation						
<i>Software</i>	(108,690)	(29,100)	14,951	221	7,203	(115,415)
Other intangible assets	(56,992)	(3,236)	–	(221)	3,921	(56,528)
	(165,682)	(32,336)	14,951	–	11,124	(171,943)
	90,563	12,169	(151)	(136)	(4,693)	97,752
	242,630	12,169	(151)	(136)	(8,558)	245,954

30. Income tax

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

	30 June 2021			31 December 2020 (restated)		
	Assets	Liabilities	Net	Assets	Liabilities	Net
(Thousands of euros)						
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	983,177	–	983,177	983,177	–	983,177
Employee benefits	835,616	–	835,616	836,909	–	836,909
	1,818,793	–	1,818,793	1,820,086	–	1,820,086
Deferred taxes depending on the future profits						
Impairment losses (b)	655,032	(50,303)	604,729	723,864	(50,303)	673,561
Tax losses carried forward	193,356	–	193,356	176,885	–	176,885
Employee benefits	74,579	(8,635)	65,944	55,268	(542)	54,726
Financial assets at fair value through other comprehensive income	56,916	(121,873)	(64,957)	38,000	(189,359)	(151,359)
Derivatives	–	(4,653)	(4,653)	–	(4,451)	(4,451)
Intangible assets	49	–	49	49	–	49
Other tangible assets	10,730	(4,191)	6,539	10,992	(4,081)	6,911
Others	65,052	(28,452)	36,600	68,885	(18,745)	50,140
	1,055,714	(218,107)	837,607	1,073,943	(267,481)	806,462
Total deferred taxes	2,874,507	(218,107)	2,656,400	2,894,029	(267,481)	2,626,548
Offset between deferred tax assets and deferred tax liabilities	(210,854)	210,854	–	(260,239)	260,239	–
Net deferred taxes	2,663,653	(7,253)	2,656,400	2,633,790	(7,242)	2,626,548

(a) Special Regime applicable to deferred tax assets

(b) The amounts of 2021 and 2020 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

As at 30 June 2021, the balance deferred tax assets amounts to Euros 2,663,653,000, of which Euros 2,488,357,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 669,592,000 that depends of the existence of future profitable profits (deferred tax assets not eligible under the special regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August), including:

- Euros 475,889,000 related to impairment losses; and

- Euros 162,402,000 resulting from tax losses carried forward from 2016 and 2020, which, considering the changes established in Law no. 27-A/2020, of July 24, within the scope of the Supplementary Budget for 2020, may be used until 2030 and 2032, respectively.

Special regime applicable to deferred tax assets

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

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to part of expenses and negative equity variations associated with them. Pursuant to Law No. 23/2016, of 19 August, this special regime is not applicable to expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits recorded in the periods taxation commencing on or after 1 January 2016, nor to deferred tax assets to these associates.

The special regime applicable to deferred tax assets provides for an optional framework and with the possibility of subsequent waiver, under which:

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, until the competition taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted as a result of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP Group, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,527,041,000 (31 December 2020: Euros 1,471,614,000).

- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In situations of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity capital, and a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights attributable to the State of equivalent value, rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or an entity based in Portugal within the same prudential consolidation perimeter or included in the same group of entities for which are applied the Special Tax Regime for Groups of Companies) or reimbursed by the State.

Pursuant to the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law No. 61/2014, of 26 August, is not dependent on future profits.

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

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantially approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset with each other and when the deferred taxes are related to the same tax.

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

	30 June 2021	31 December 2020 (restated)
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000	9%	9%

The deferred tax rate related to the Bank's tax losses is 21% (31 December 2020: 21%).

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

In accordance with the amendments provided for in Law No. 27-A/2020, of 24 July, under the Supplementary Budget for 2020, the reporting period for tax losses in Portugal, is now 14 years for the losses of 2014, 2015 and 2016 and 7 years for the tax losses of 2017, 2018 and 2019. The tax losses calculated in 2020 and 2021 have a reporting period of 12 years, which may be deducted until 2032 and 2033 respectively. The limit for the deduction of tax losses is increased from 70% to 80%, when the difference results from the deduction of tax losses determined in the tax periods of 2020 and 2021.

In Poland, the term is 5 years, in Mozambique it is 5 years and in Switzerland it is 7 years.

Banco Comercial Português, S.A. applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under IRC, in which it's the dominant company.

The balance of Deferred tax assets not depending on the future profits (covered by the regime approved by Law no. 61/2014, of 26 August) includes the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to impairment losses in loans accounted until 31 December 2014.

The deferred income tax assets associated to tax losses, by expiry date, are presented as follows:

	(Thousands of euros)	
Expiry date	30 June 2021	31 December 2020 (restated)
2021-2026	30,930	29,043
2030-2033	162,426	147,842
	193,356	176,885

Following the publication of the Notice of Bank of Portugal No. 5/2015, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA), since 1 January 2016 began to apply the International Financial Reporting Standards as adopted in the European Union, including, among others, the Bank's individual financial statements.

As a result of this change, in the Bank's individual financial statements, the loans portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses calculated in accordance with the requirements of International Accounting Standards (IAS 39 until 31 December 2017 and IFRS 9 since 1 January 2018), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal's Notice No. 3/95.

The Regulatory Decrees No. 5/2016, of 18 November, No. 11/2017, of 28 December, and No. 13/2018, of 28 December, established the maximum limits of impairment losses and other corrections of value for specific credit risk that are deductible for the purpose of calculating the taxable profit under IRC in 2016, 2017 and 2018, respectively. These Decrees declare that Bank of Portugal Notice No. 3/95 (Notice that was relevant for determining provisions for credit in the financial statements presented on an NCA basis) should be considered for the purpose of calculating the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively.

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

Regardless the previously referred option, the new regime's application will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- In the financial year of 2022, if, since 1 January 2022, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 10% comparatively to the amount recorded on 31 December 2018;
- In the financial year of 2023, if, since 1 January 2023, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 20% comparatively to the amount recorded on 31 December 2018.

In the calculation of the taxable income for the year 2020 and in the estimation of taxable income by reference to 30 June 2021 it was considered the maintenance of the tax rules in force until 2018, since the option for the application of the new regime was not exercised.

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

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Y.3) and with the requirements of IAS 12, the deferred tax assets were recognised based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried based on the respective estimated financial statements, prepared under the budgetary process for 2021, which support the expected future taxable income, considering the macroeconomic and competitive environment then analysed.

Also considered in the evaluation made relating to 30 June 2021, the strategic plan approved by the elected governing bodies, the impacts resulting from the updating of the reference interest rate at that date according to the current market interest rate curve and the updating of the projection of personnel costs due to the ongoing restructuring process.

To estimate taxable net income for the periods of 2021 to 2033, the following main assumptions were considered:

- It was considered the approximation between accounting and tax rules predicted by Law No. 98/2019, of 4 September, assuming the Group will not exercise its application earlier over the adaptation period of 5 years that the referred Law predicts. In the application of these rules, the following assumptions were considered, in general terms:

a) non-deductible expenses related to increase of credit impairments for the years between 2021 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2020, compared to the amounts of net impairment increases recorded in these years;

b) the expenses with credit impairment's increases beginning in 2024 were considered deductible for tax purposes according to the new fiscal regime;

c) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2021-2023 submitted to the supervisory authority in March 2020, and also on the average reversal percentage observed in the last years of 2016 to 2020;

d) the referred average percentages were calculated separately, according to the presence or not of a mortgage security, the eligibility for the special regime applicable to deferred tax assets and according to the clients' rating as Non-Performing Exposures.

-The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- Reversals of impairment of non-financial assets not accepted for tax purposes were projected considering the expected periods of disinvestment in certain real estate. For the remaining assets without a forecasted term for disinvestment, the reversals were estimated based on the average percentage of reversal observed in the years from 2016 to 2020. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated on the basis of the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2020, compared to the amounts of reinforcements net of impairment recorded in those years.

- The deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

- The realization of changes in the fair value of real estate investment funds was projected based on the information available in the regulations of the funds in question for the period expected for the respective liquidation.

The projections made reflect the effects of changes in the macroeconomic, competitive and legal/regulatory framework caused by the pandemic. The constraints on the development of the activity imposed by the crisis, on the one hand, and the impacts that the same crisis will have on credit portfolios and other assets, with immediate profitability, on the other, prevent the financial targets of the 2018-2021 strategic plan from being achieved in the timeframe originally foreseen. To this extent, the projections assume, beyond the initial years of the crisis, a convergence towards medium/long-term metrics and trends consistent with commercial positioning and the ambitious capture of efficiency gains, to which the Group remains committed, and enshrined in the revision of the strategic plan approved by the governing bodies, with emphasis on:

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

- increase in commission income based on efficient and judicious management of commissioning and pricing, and, regarding the Individuals segment, the growth of off-balance sheet products;

- normalization of the cost of risk to levels aligned with the current activity of the Bank and reduction of negative impacts produced by the devaluation or sale of non-current assets, with the progressive reduction of the historical NPE, foreclosed assets and specialized funds in credit recovery portfolios;

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

The performed analyse allow the conclusion of total recoverability of the deferred tax assets recognized as at 30 June 2021.

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Tax losses carried forward		
2021-2025	111,769	111,985
2026	40,660	40,214
2027-2029	164,055	161,685
2030-2033	330,953	328,329
	647,437	642,213

The impact of income taxes in Net income / (loss) and in other balances of Group's equity, as at 30 June 2021, is analysed as follows:

	30 June 2021			
	Net income for the period	Reserves	Exchange differences	Discontinuing operations (b)
Deferred taxes				
Deferred taxes not depending on the future profits (a)				
Employee benefits	(1,288)	(5)	–	–
Deferred taxes depending on the future profits				
Impairment losses	(69,767)	–	935	–
Tax losses carried forward	12,873	109	3,489	–
Employee benefits	20,501	(9,577)	288	6
Financial assets at fair value through other comprehensive income	–	85,642	760	–
Derivatives	–	–	(202)	–
Other tangible assets	(421)	–	49	–
Others	(14,490)	1,794	(844)	–
	(51,304)	77,968	4,475	6
	(52,592)	77,963	4,475	6
Current taxes				
Current period	(50,406)	3	–	(551)
Correction of previous periods	32	–	–	–
	(50,374)	3	–	(551)
	(102,966)	77,966	4,475	(545)

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity variations recorded in reserves that contribute to the calculation of taxable income.

(b) Relates to Banque Privée, S.A.

The impact of income taxes in Net income / (loss) and in other balances of Group's equity, as at 30 June 2020, is analysed as follows:

	30 June 2020 (restated)			
	Net income for the period	Reserves	Exchange differences	Discontinuing operations (b)
Deferred taxes depending on the future profits				
Impairment losses	(23,321)	–	(4,006)	–
Tax losses carried forward	22,098	2,850	(1,192)	–
Employee benefits	(146)	(1,732)	92	(102)
Financial assets at fair value through other comprehensive income	–	(46,723)	772	–
Derivatives	–	–	1,280	–
Intangible assets	635	–	28	–
Other tangible assets	452	–	(68)	–
Others	(2,452)	(308)	(2,379)	5
	(2,734)	(45,913)	(5,473)	(97)
	(2,734)	(45,913)	(5,473)	(97)
Current taxes				
Current period	(55,722)	3,330	–	(623)
Correction of previous periods	180	–	–	–
	(55,542)	3,330	–	(623)
	(58,276)	(42,583)	(5,473)	(720)

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity variations recorded in reserves that contribute to the calculation of taxable income.

(b) Relates to Banque Privée, S.A.

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

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Net income/(loss) before income taxes	69,001	153,535
Current tax rate (%)	31.5%	31.5%
Expected tax	(21,735)	(48,364)
Tax benefits	7,327	6,988
Non-deductible impairment and provisions (a)	(53,391)	(9,940)
Correction of previous periods	(5,712)	3,526
Interests on other equity instruments (b)	5,828	–
Effect of the difference between the tax rate and deferred tax	(14,856)	(5,750)
Effect of recognition/derecognition net of deferred taxes	(6,437)	843
Non-deductible costs and other corrections	(722)	1,706
Results of companies accounted by the equity method	9,225	13,513
Autonomous tax	(271)	(566)
Contribution to the banking sector (c)	(22,222)	(20,232)
Total	(102,966)	(58,276)
Effective rate (%)	149.22%	37.96%

(a) In 2021 includes the negative amount of Euros 38,179,000 (30 June 2020: negative Euros 8,008,000) related to the impact of the non-deductibility for tax purposes of the provisions related to legal risks associated with the mortgage loans portfolio granted in foreign currency by the Polish subsidiary.

(b) Relates to the impact of the deduction for taxable income purposes of interest paid in respect of perpetual bonds representing subordinated debt issued in 2019.

(c) Refers to taxes on the banking sector in Portugal and Poland.

31. Other assets

This balance is analysed as follows:

	30 June 2021	(Thousands of euros) 31 December 2020 (restated)
Deposit account applications	274,671	324,501
Associated companies	334	425
Subsidies receivables	12,574	9,750
Prepaid expenses	24,767	24,186
Debtors for futures and options transactions	126,994	281,991
Insurance activity	3,835	5,355
Debtors		
Residents		
Prosecution cases/agreements with the Bank	13,667	14,023
SIBS	3,897	4,832
Receivables from real estate, transfers of assets and other securities	108,760	105,003
Others	34,081	18,579
Non-residents	53,892	96,346
Dividends to receive	—	4,672
Interest and other amounts receivable	85,934	64,320
Amounts receivable on trading activity	298,421	498
Gold and other precious metals	3,837	3,743
Other recoverable tax	12,752	16,393
Artistic patrimony	28,817	28,817
Capital supplementary contributions	165	165
Reinsurance technical provision	8,360	21,071
Obligations with post-employment benefits (note 49)	287,460	93,041
Capital supplies	242,335	239,735
Amounts due for collection	54,128	74,119
Amounts due from customers	21,806	21,278
Sundry assets	156,216	109,311
	1,857,703	1,562,154
Impairment of other assets	(257,966)	(265,342)
	1,599,737	1,296,812

As referred in note 46, the Capital supplies include the amount of Euros 235,018,000 (31 December 2020: Euros 232,421,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

The Deposit account applications includes the amount of Euros 231,731,000 (31 December 2020: Euros 286,315,000) on the Clearing houses/Clearing derivatives.

The Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Group's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is registered in the income statement.

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Balance on 1 January	265,342	247,916
Transfers	(14)	15,464
Charge for the period (note 12)	10,327	17,184
Reversals for the period (note 12)	(5,963)	(9,636)
Amounts charged-off	(11,805)	(5,381)
Exchange rate differences	79	(205)
Balance at the end of the period	257,966	265,342

32. Resources from credit institutions

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Resources and other financing from Central Banks		
Bank of Portugal	8,070,403	7,510,013
Central Banks abroad	80,376	94,713
	8,150,779	7,604,726
Resources from credit institutions in Portugal		
Sight deposits	54,544	97,151
Term Deposits	131,733	313,560
CIRS and IRS operations collateralised by deposits (*)	310	120
Other resources	5	229
	186,592	411,060
Resources from credit institutions abroad		
Very short-term deposits	22,555	–
Sight deposits	116,575	110,625
Term Deposits	98,031	216,818
Loans obtained	439,671	467,353
CIRS and IRS operations collateralised by deposits (*)	28,125	25,211
Sales operations with repurchase agreement	9,897	54,507
Other resources	3,852	8,459
	718,706	882,973
	9,056,077	8,898,759

(*) Under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

Considering the characteristics of the financing and the nature of the respective lender, the Group accounts for the TLTRO III operation under IFRS9. The Group considers that the operation constitutes variable rate financing, indexed to variable rates administratively fixed by the ECB. Specifically for the period between 24 June 2020 and 23 June 2021, the Group considers that, with a high degree of probability, it will fulfil the conditions required for application to the financing an interest rate corresponding to the average Deposit Rate Facility in effect in the period minus 0.50%, with a maximum of -1%. As a consequence, it recognizes in the financial statements, for the referred interest counting period, the rate of -1%. For the period between 24 June 2021 and 23 June 2022, the Bank considers that, with a high degree of probability, it will meet the conditions required for applying to the financing an interest rate corresponding to the average of the Deposit Rate Facility in force for the period less 0.50%, with a maximum of -1%.

Consequently, it recognizes in the financial statements, for the said interest counting period, the rate of -1%. As at 30 June 2021, the balance Resources and other financing from Central Banks - Bank of Portugal includes a financing associated with this program in the amount of Euros 8,150,070,000 (31 December 2020: Euros 7,550,070,000).

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

33. Resources from customers and other loans

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Deposits from customers		
Repayable on demand	47,287,008	43,094,367
Term deposits	14,490,255	14,186,698
Saving accounts	5,660,500	5,278,672
Treasury bills and other assets sold under repurchase agreement	26,400	15,890
Cheques and orders to pay	576,897	364,994
Other	60,200	60,208
	68,101,260	63,000,829

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

34. Non subordinated debt securities issued

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Bonds	70,745	126,953
Covered bonds	998,550	997,765
Medium term notes (MTN)	521,115	91,811
Securitisations	158,632	167,801
	1,749,042	1,384,330
Accruals	2,851	4,519
	1,751,893	1,388,849

As described in note 47, Banco Comercial Português, S.A. issue senior preferred debt securities, under its Euro Note Programme, in the amount of Euros 500 million.

35. Subordinated debt

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Bonds		
Non-Perpetual	1,176,751	1,385,218
Accruals	22,992	19,954
	1,199,743	1,405,172

As at 30 June 2021, the subordinated debt issues are analysed as follows:

(Thousands of euros)						
Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non-Perpetual Bonds						
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	300,000	299,281	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	447,599	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1.79% + 2.30%	155,018	155,018	59,589
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 1.79% + 2.30%	183,808	183,808	70,655
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	92,550	91,001	1,659
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,176,751	881,903
Accruals					22,992	-
					1,199,743	881,903

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

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

As at 31 December 2020, the subordinated debt issues are analysed as follows:

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

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

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

36. Financial liabilities held for trading

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Short selling securities	2,457	14,205
Trading derivatives (note 22):		
Swaps	359,479	253,983
Options	335	159
Embedded derivatives	3,862	4,426
Forwards	6,092	6,078
	369,768	264,646
	372,225	278,851
Level 1	44	218
Level 2	365,850	257,275
Level 3	6,331	21,358

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

The balance Financial liabilities held for trading includes the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1.C.5. in the amount of Euros 3,862,000 (31 December 2020: Euros 4,426,000). This note should be analysed together with note 23.

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

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Deposits from customers	–	258,528
Debt securities at fair value through profit and loss		
Medium term notes (MTN)	647,997	662,016
Accruals	6	1
	648,003	662,017
Certificates	833,474	678,860
	1,481,477	1,599,405

38. Provisions

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Provision for guarantees and other commitments (note 21)	102,586	103,830
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	7,931	5,774
Life insurance	2,410	2,020
For participation in profit and loss	127	104
Other technical provisions	14,131	25,922
Other provisions for liabilities and charges	277,755	207,691
	404,940	345,341

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Balance on 1 January	103,830	116,560
Other transfers (note 21)	–	(14,885)
Charge for the period (note 13)	19,092	43,204
Reversals for the period (note 13)	(20,664)	(39,986)
Exchange rate differences	328	(1,063)
Balance at the end of the period	102,586	103,830

The balance Other transfers included the amount of Euros 14,885,000 as at 31 December 2020 corresponded to provisions for guarantees and other commitments, which was transferred to impairment for credit risks due the conversion of guarantees granted into loans and advances to customers.

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Balance on 1 January	207,691	140,777
Transfers resulting from changes in the Group's structure	–	(50)
Transfers	(4,618)	41
Charge for the period (note 13)	288,999	238,181
Reversals for the period (note 13)	(15,320)	(3,107)
Amounts charged-off	(26,204)	(19,750)
Allocation to loan's portfolio (note 21)	(169,426)	(147,245)
Exchange rate differences	(3,367)	(1,156)
Balance at the end of the period	277,755	207,691

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date in order to reflect the best estimate of the amount and respective probability of payment.

This balance includes provisions for lawsuits, frauds and tax contingencies. As at 30 June 2021, the provisions constituted to cover tax contingencies totalled Euros 45,995,000 (31 December 2020: Euros 62,720,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

As at 31 December 2020 this balance also included provisions for contingencies in the sale of Millennium Bank (Greece) in the amount of Euros 23,507,000. During the first semester of 2021, a final indemnity agreement was reached regarding a compensation payable to Piraeus Bank, S.A. (Greece), resulting in a payment of Euros 9,045,000 (including expenses), with the remaining amount of Euros 14,462,000 being reverted in results.

As at 30 June 2021, this balance also includes the amount of PLN 330,065,000 corresponding to Euros 73,094,000 (31 December 2020: PLN 75,291,000 corresponding to Euros 16,510,000) which refers to provisions for legal risk accounted for by Bank Millennium, related to foreign currency-indexed mortgage loans, as described in note 56.

Under this scope, Bank Millennium allocated to Loans and advances to customers portfolio (note 21) during the first semester of 2021, the amount of PLN 765,062,000 corresponding to Euros 169,426,000. Regarding 2020, the balance Allocation to loan's portfolio in the amount of PLN 671,484,000 corresponding to Euros 147,245,000 includes the amount of Euros 51,691,000 resulting from the Changes occurred in accounting policies as described in note 58. The Balance on 1 January 2020 was restated in Euros 50,160,000.

As at 30 June 2021, the Loans and advances to customers portfolio in CHF has a net amount of approximately Euros 2,611,169,000 (31 December 2020: Euros 3,047,083,000).

The variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

39. Other liabilities

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Creditors:		
Associated companies	—	98
Suppliers	28,366	31,718
From factoring operations	29,734	40,045
For futures and options transactions	10,359	6,852
For direct insurance and reinsurance operations	5,739	12,636
Deposit account and other applications	45,277	38,701
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	91,722	14,481
Rents to pay	222,077	238,868
Other creditors		
Residents	29,690	30,691
Non-residents	79,912	55,953
Holidays, subsidies and other remuneration payable	57,910	54,645
Interests and other amounts payable	145,217	142,747
Operations to be settled - foreign, transfers and deposits	152,411	94,594
Amounts payable on trading activity	204,596	51,158
Other administrative costs payable	5,874	4,438
Deferred income	4,980	8,593
Loans insurance received and to amortised	80,223	79,322
Public sector	32,966	32,292
Other liabilities	196,041	165,820
	1,423,094	1,103,652

The balance Liabilities not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 3,974,000 (31 December 2020: Euros 4,153,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees.

The Bank's Board of Directors approved in April 2021 the employee reduction plan. The decision was taken based on a thorough analysis of needs and existing capacity, considering the specifics of the Bank, the changes in behaviour and needs of customers, the impact of new technologies on business models and processes, as well as the developments that are expected for the Bank.

The implementation of this plan began by mid June, in a phased approach, and all the employees covered by the programme, which includes early retirements and terminations, will be contacted .

Considering the initiatives already developed, the Bank considered that the requirements defined in IAS 37 - Provisions, Contingent Liabilities and Contingent Assets for the recognition of restructuring costs in its accounts for the first half of 2021 are fulfilled. Accordingly, as at 30 June 2021, a total amount of Euros 90,037,000 was recorded in Staff costs (note 7) related to the estimated cost of this restructuring plan, of which Euros 3,857,000 refers to agreements already signed with some employees, Euros 4,807,000 of costs with early retirements and a liability of Euros 81,373,000 for the processes still in progress, which are reflected in the balance Liabilities not covered by the Group's Pension Fund - amounts payable by the Group.

The balance Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

The Group has several operating leases for properties, being registered in the item Rents to pay the amount of lease liabilities recognised under IFRS 16, as described in the accounting policy 1 H. The analysis of this balance, by maturity, is as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Until 1 year	23,690	25,305
1 to 5 years	85,718	92,175
Over 5 years	120,793	130,552
	230,201	248,032
Accrued costs recognised in Net interest income	(8,124)	(9,164)
	222,077	238,868

40. Share capital, Share premium and Other equity instruments

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

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

The Other equity instruments, in the amount of Euros 400,000,000 corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1E. This operation without fixed term has the option of early repayment by the Bank as from the end of the 5th year, and an annual interest rate of 9.25% during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

As at 30 June 2021, the shareholders who individually or jointly hold 2% or more of the capital of the Bank, are the following:

Shareholder	Number of shares	% share capital	% voting rights
Fosun Group - Chiado (Luxembourg) S.a.r.l. held by Fosun International Holdings Ltd	4,523,384,503	29.93%	29.93%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
BlackRock, Inc. (*)	404,590,600	2.68%	2.68%
EDP Pension Fund (**)	311,616,144	2.06%	2.06%
Total Qualified Shareholdings	8,185,945,161	54.16 %	54.16 %

(*) In accordance with the announcement on 30 April 2021 (last information available).

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

41. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. Such reserve is not normally distributable. In accordance with the proposal for the appropriation of net income for the 2020 financial year approved at the General Shareholders' Meeting held on 20 May 2021, the Bank increased its legal reserves in the amount of Euros 5,064,000. Thus, as at 30 June 2021 the Legal Reserves amount to Euros 259,528,000 (31 December 2020: Euros 254,464,000).

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

42. Treasury shares

This balance is analysed as follows:

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

As at 30 June 2021, Banco Comercial Português, S.A. does not hold treasury shares and did not purchase or sold own shares during the period. However, as at 31 December 2020, this balance included 323,738 shares owned by clients. Considering that, for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients were considered as treasury shares, and, in accordance with the accounting policies, deducted to equity.

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

As at 30 June 2021, regarding treasury shares owned by associated companies of the BCP Group, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. owns 142,601,002 BCP shares in the amount Euros 19,251,000 (31 December 2020: Euros 17,568,000), according to note 50.

43. Reserves and retained earnings

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	94,047	205,592
Equity instruments	(32,690)	(38,366)
Of associated companies and other changes	39,280	42,685
Cash-flow hedge	107,445	265,487
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	397	593
	208,479	475,991
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(28,872)	(60,662)
Equity instruments	6,376	6,581
Cash-flow hedge	(34,766)	(83,698)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(124)	(186)
	(57,386)	(137,965)
	151,093	338,026
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(66,833)	(70,614)
BIM - Banco Internacional de Moçambique, S.A.	(174,805)	(229,851)
Banco Millennium Atlântico, S.A.	(170,402)	(172,450)
Others	2,592	2,403
	(409,448)	(470,512)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	37,535	37,611
Others	(3,965)	(3,965)
	33,570	33,646
Other reserves and retained earnings	1,080,255	741,237
	855,470	642,397

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

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1.C.

During the first semester of 2021, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	Balance as at 1 January 2021	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 30 June 2021
Financial assets at fair value through other comprehensive income (nota 23)						
Debt instruments						
Debt securities - Portuguese public issuers	90,611	(36,649)	16,063	1,188	(33,563)	37,650
Others	114,981	(50,090)	17,419	3,004	(28,917)	56,397
	205,592	(86,739)	33,482	4,192	(62,480)	94,047
Equity instruments	(38,366)	453	–	–	5,223	(32,690)
Associated companies and others						
Millenniumbcp Ageas	36,560	(6,342)	–	–	–	30,218
Others	6,125	2,937	–	–	–	9,062
	42,685	(3,405)	–	–	–	39,280
	209,911	(89,691)	33,482	4,192	(57,257)	100,637

During 2020, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	Balance as at 1 January 2020	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2020
Financial assets at fair value through other comprehensive income (nota 23)						
Debt instruments						
Debt securities - Portuguese public issuers	39,110	26,390	79,604	1,824	(56,317)	90,611
Others	39,739	109,522	(13,710)	8,536	(29,106)	114,981
	78,849	135,912	65,894	10,360	(85,423)	205,592
Equity instruments	(33,913)	(9,794)	–	–	5,341	(38,366)
Associated companies and others						
Millenniumbcp Ageas	26,268	10,292	–	–	–	36,560
Others	2,937	3,188	–	–	–	6,125
	29,205	13,480	–	–	–	42,685
	74,141	139,598	65,894	10,360	(80,082)	209,911

The item Disposals refers to the derecognition of debt securities and equity instruments at fair value through other comprehensive income.

44. Non-controlling interests

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Fair value changes		
Debt instruments	6,128	29,268
Equity instruments	3,084	3,066
Cash-flow hedge	(9,200)	(4,860)
Other	12	10
	<u>24</u>	<u>27,484</u>
Deferred taxes		
Debt instruments	(1,238)	(5,543)
Equity instruments	(594)	(588)
Cash-flow hedge	1,748	923
	<u>(84)</u>	<u>(5,208)</u>
	<u>(60)</u>	<u>22,276</u>
Exchange differences arising on consolidation	(175,250)	(212,897)
Actuarial losses (net of taxes)	59	59
Other reserves and retained earnings	1,292,780	1,355,528
	<u>1,117,529</u>	<u>1,164,966</u>

The balance Non-controlling interests is analysed as follows:

	(Thousands of euros)			
	Balance Sheet		Income Statement	
	30 June 2021	31 December 2020 (restated)	30 June 2021	30 June 2020 (restated)
Bank Millennium, S.A.	925,614	994,741	(56,237)	8,088
BIM - Banco Internacional de Moçambique, SA (*)	162,763	139,590	12,865	14,531
Other subsidiaries	29,152	30,635	401	213
	<u>1,117,529</u>	<u>1,164,966</u>	<u>(42,971)</u>	<u>22,832</u>

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

The following table presents a summary of financial information for the main subsidiaries included in this balance, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

	(Thousands of euros)			
	Bank Millennium Group		BIM - Banco Internacional de Moçambique Group	
	30 June 2021	30 June 2020 (restated)	30 June 2021	30 June 2020 (restated)
Total income	411,847	531,499	131,157	146,527
Net profit for the period	(112,700)	16,209	37,868	42,483
Net profit for the period attributable to the shareholders	(56,463)	8,121	25,252	28,330
Net profit for the period attributable to non-controlling interests	(56,237)	8,088	12,616	14,153
Other comprehensive income attributable to the shareholders	(12,566)	(24,603)	54,384	(36,767)
Other comprehensive income attributable to non-controlling interests	(12,515)	(24,504)	27,166	(18,368)
Total comprehensive income	(137,781)	(32,898)	119,418	(12,652)
	30 June 2021	31 December 2020 (restated)	30 June 2021	31 December 2020 (restated)
Balance sheet				
Financial assets	22,492,192	20,869,151	2,206,417	1,854,623
Non-financial assets	562,779	472,161	204,040	179,755
Financial liabilities	(20,577,614)	(18,819,580)	(1,842,519)	(1,529,173)
Non-financial liabilities	(622,385)	(528,228)	(85,130)	(93,270)
Equity	1,854,972	1,993,504	482,808	411,935
Equity attributed to the shareholders	929,358	998,763	321,963	274,701
Equity attributed to the non-controlling interests	925,614	994,741	160,845	137,234
Cash flows arising from:				
operating activities	755,742	(688,025)	49,176	49,472
investing activities	(991,254)	446,415	(4,348)	(13,170)
financing activities	(83,591)	(233,436)	(73,939)	(23,464)
Net increase/(decrease) in cash and equivalents	(319,103)	(475,046)	(29,111)	12,838
Dividends paid during the period:				
attributed to the shareholders	—	—	31,744	44,965
attributed to the non-controlling interests	—	—	15,859	22,463
	—	—	47,603	67,428

45. Guarantees and other commitments

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Guarantees granted		
Guarantees	3,927,367	3,958,676
Stand-by letter of credit	57,318	56,990
Open documentary credits	384,458	251,221
Bails and indemnities	136,425	137,135
	4,505,568	4,404,022
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	1,522	–
Irrevocable credit lines	4,813,574	4,955,454
Securities subscription	72,973	75,362
Other irrevocable commitments	131,271	117,175
Revocable commitments		
Revocable credit lines	5,505,041	5,327,914
Bank overdraft facilities	938,360	982,992
Other revocable commitments	107,584	170,206
	11,570,325	11,629,103
Guarantees received	28,932,507	27,133,779
Commitments from third parties	13,392,854	12,947,778
Securities and other items held for safekeeping	78,605,670	78,055,537
Securities and other items held under custody by the Securities Depository Authority	88,105,618	83,866,357
Other off-balance sheet accounts	127,840,072	125,337,843

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

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

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

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

46. Transfers of assets

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

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

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

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

The value of the junior securities is equivalent to the difference between the fair value that was based on the valuation of the senior security and the value of the transferred receivables. These junior securities, being subscribed by the Group, will entitle the Group to a contingent positive value if the value of the assets transferred exceeds the amount of the senior tranches plus the remuneration on them. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

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

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

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

The results are calculated on the date of transfer of the assets. During the first semester of 2021 and 2020, no credits were sold to specialized funds in credit recovery.

The amounts accumulated as at 30 June 2021, related to these operations, are analysed as follows:

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

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

As at 30 June 2021, the assets received under the scope of these operations are comprised of:

	(Thousands of euros)			
	30 June 2021			
	Senior securities	Junior securities		Total
Participation units (note 23)	Capital supplies (note 31)	Supplementary capital contributions		
Fundo Recuperação Turismo FCR				
Gross value	277,870	33,364	–	311,234
Impairment and other fair value adjustments	(93,968)	(33,364)	–	(127,332)
	183,902	–	–	183,902
Fundo Reestruturação Empresarial FCR				
Gross value	60,963	–	33,280	94,243
Impairment and other fair value adjustments	(37,282)	–	(33,280)	(70,562)
	23,681	–	–	23,681
FLIT-PTREL				
Gross value	250,021	38,154	–	288,175
Impairment and other fair value adjustments	(31,230)	(38,154)	–	(69,384)
	218,791	–	–	218,791
Fundo Recuperação FCR				
Gross value	188,518	81,643	–	270,161
Impairment and other fair value adjustments	(110,405)	(81,643)	–	(192,048)
	78,113	–	–	78,113
Fundo Aquarius FCR				
Gross value	127,137	–	–	127,137
Impairment and other fair value adjustments	(17,997)	–	–	(17,997)
	109,140	–	–	109,140
Discovery Real Estate Fund				
Gross value	157,056	–	–	157,056
Impairment and other fair value adjustments	(5,497)	–	–	(5,497)
	151,559	–	–	151,559
Fundo Vega FCR				
Gross value	48,454	81,857	–	130,311
Impairment and other fair value adjustments	(8,218)	(81,857)	–	(90,075)
	40,236	–	–	40,236
Total Gross value	1,110,019	235,018	33,280	1,378,317
Total impairment and other fair value adjustments	(304,597)	(235,018)	(33,280)	(572,895)
	805,422	–	–	805,422

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

The book value of these assets resulted from the communication by the respective Management Company relating the Global Net Asset Value (NAV) of the Fund which, as at 30 June 2021, corresponds to the NAV estimated with reference to that date for 2 funds, the NAV reported on 31 March 2021 for 3 funds and on 31 December 2020 for 2 funds. Additionally, the Group has registered a provision for liabilities and charges in the amount of Euros 11.9 million to cover the NAV updates received recently by the Group, with reference to 30 June 2021.

The following aspects should also be mentioned, among others: (i) these are funds whose latest Limited Audit Reports available (with reference to 30 June 2021) includes a related emphasis such as the impacts and uncertainties of COVID-19 (for 1 fund) and a scope limitation reserve (for 1 fund) whose potential negative impact was considered in the valuation reflected in the consolidated accounts at 30 June 2021, and the latest available Audit Reports (with reference to 31 December 2020) for 5 funds include an emphasis related to the impacts and uncertainties of COVID-19 (for 1 fund) and no reservations; (ii) the funds are subject to supervision by the competent authorities. Additionally, the Group has no intention to sell these assets for a lower value than the respective NAV.

There are currently ongoing sale processes of funds/assets managed by ECS Capital (FLIT-PTREL, FRT and three assets/property of Fundo FR) and of Fundo Discovery, no binding offers have been received to date, nor having consequently taken any decision by the Group on its conclusion.

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

	(Thousands of euros)			
	31 December 2020 (restated)			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Supplementary capital contributions	Total
Fundo Recuperação Turismo FCR				
Gross value	277,351	33,134	–	310,485
Impairment and other fair value adjustments	(89,962)	(33,134)	–	(123,096)
	187,389	–	–	187,389
Fundo Reestruturação Empresarial FCR				
Gross value	65,609	–	33,280	98,889
Impairment and other fair value adjustments	(40,396)	–	(33,280)	(73,676)
	25,213	–	–	25,213
FLIT-PTREL				
Gross value	249,007	38,154	–	287,161
Impairment and other fair value adjustments	(24,898)	(38,154)	–	(63,052)
	224,109	–	–	224,109
Fundo Recuperação FCR				
Gross value	188,262	80,696	–	268,958
Impairment and other fair value adjustments	(106,978)	(80,696)	–	(187,674)
	81,284	–	–	81,284
Fundo Aquarius FCR				
Gross value	127,138	–	–	127,138
Impairment and other fair value adjustments	(11,012)	–	–	(11,012)
	116,126	–	–	116,126
Discovery Real Estate Fund				
Gross value	157,057	–	–	157,057
Impairment and other fair value adjustments	(4,193)	–	–	(4,193)
	152,864	–	–	152,864
Fundo Vega FCR				
Gross value	48,075	80,437	–	128,512
Impairment and other fair value adjustments	(7,084)	(80,437)	–	(87,521)
	40,991	–	–	40,991
Total Gross value	1,112,499	232,421	33,280	1,378,200
Total impairment and other fair value adjustments	(284,523)	(232,421)	(33,280)	(550,224)
	827,976	–	–	827,976

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

The book value of these assets resulted from the last communication by the respective Management Company relating the Global Net Asset Value (NAV) of the Fund which, as at 30 December 2020, corresponds to the estimated NAV with reference to that date. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Limited Audit Reports available (with reference to 30 June 2020 for 5 funds), includes a related emphasis such as the impacts and uncertainties of COVID 19 (for 4 funds), a limitation reserve whose potential negative impact was considered in the valuation reflected in the consolidated accounts as of 31 December 2020 and to 30 June 2020 and the latest Audit reports available with reference to 31 December 2019 for 2 funds, which include an emphasis related to COVID 19 impacts and uncertainties (for 1 fund) and without reservations; (ii) the funds are subject to supervision by the competent authorities. Additionally, the Group has no intention to sell these assets for a lower value than the respective NAV.

As a result of the consideration of the final NAVs as at 31 December 2020, the Group recognised a negative impact of Euros 72,370,000 under the balance Gains/(losses) in financial operations at fair value through profit or loss.

47. Relevant events occurred during the first semester of 2021

Sale of Banque Privée BCP (Suisse) SA

Banco Comercial Português, S.A. (“BCP”) entered into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA (“Banque Privée”). The completion of the transaction is subject to the verification of the usual conditions for carrying out this type of transaction, including the non-opposition of the relevant local supervisory bodies.

The impact of the transaction on the Group's solvency ratios, estimated on a pro forma basis as of 31 March 2021, is an increase of 15 b.p. in CET1 ratio and 16 b.p. in the total capital ratio.

BCP estimates that the sale price and the (positive) impact on consolidated results for the current year, on a pro forma basis as of 31 March 2021, were between CHF 130 and 140 million and between CHF 45 and 55 million respectively (with reference to the exchange rate set by the ECB on 29 June 2021 (EUR/CHF 1.0965), the sale price and the impact on the current year's consolidated results, on a pro forma basis as at 31 March 2021, are situated, respectively, between Euros 119 and 128 million and Euros 41 and 50 million). These amounts are subject to adjustments arising from the evolution of assets under management and the activity of Banque Privée, and will only be definitively fixed after the date of completion of the transaction.

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded today, exclusively through electronic means, with 64.88% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One - Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2020, including the Corporate Governance Report;

Item Two - Approval of the proposal for the appropriation of profit regarding the 2020 financial year;

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

Item Four - Approval of the Dividend Policy;

Item Five - Approval of the remuneration policy of Members of Management and Supervisory Bodies;

Item Six - Approval of the policy for the selection and appointment of the statutory auditor or Audit Firm and well as for the engagement of non-audit services that are not prohibited under the terms of the applicable legislation;

Item Seven - Re-appointment of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A., as the Single Auditor, that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the triennial 2021/2023;

Item Eight - Re-appointment of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A., to perform functions of External in the triennial 2021/2023;

Item Nine - Approval of the renewal of the authorisation granted by Article 5 (1) of the Bank's Articles of Association;

Item Ten - Approval of the maintenance of the voting limitations foreseen in articles 25 and 26 of the Banks's Articles of Association;

Item Eleven - Approval of the acquisition and sale of own shares and bonds.

Amendments of terms of the Covered Bonds

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

Issue of senior preferred debt securities

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

48. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Bank's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, as the future business evolution. Therefore, the values presented cannot be understood as an estimate of the economic value of the Bank.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is -1% (ECB deposit rate - 50 bp) as at 30 June 2021 and 31 December 2020.

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Bank on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Bank for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

Resources from customers and other loans

The fair value of these financial instruments is calculated based on the discounted cash flows of capital and interest expected in the future for these instruments. It is considered that the instalment payments occur on the dates contractually defined. The discount rate used reflects the current conditions applied by the Bank in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Bank. This was calculated from the average production of the three most recent months compared to the reporting date.

The average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions		Loans and advances to customers		Resources from credit institutions		Resources from customers	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
EUR	0.21%	0.53%	2.15%	1.84%	0.29%	0.17%	-0.18%	-0.17%
AOA	21.57%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.32%	0.29%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.58%	0.59%
CHF	n.a.	n.a.	2.39%	2.20%	n.a.	n.a.	-0.36%	-0.37%
CNY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.38%	2.35%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.10%	-0.12%
GBP	n.a.	n.a.	n.a.	3.19%	0.12%	n.a.	0.23%	0.22%
HKD	n.a.	n.a.	0.33%	0.43%	n.a.	n.a.	0.06%	0.07%
MOP	n.a.	n.a.	0.25%	0.37%	n.a.	n.a.	0.06%	0.43%
MZN	14.78%	11.36%	17.70%	11.48%	14.68%	n.a.	11.28%	6.39%
NOK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.72%	0.79%
PLN	-0.30%	-0.13%	4.94%	4.51%	0.52%	0.10%	0.07%	0.10%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.22%	0.29%
USD	0.65%	0.68%	1.54%	1.40%	0.51%	0.58%	-0.10%	0.05%
ZAR	5.78%	6.77%	9.89%	9.55%	n.a.	n.a.	2.12%	1.79%

Financial assets and liabilities measured at fair value through profit or loss (except derivatives), financial assets at fair value through other comprehensive income

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets measured at amortised cost - Debt securities

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Debt securities non subordinated issued and subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate remunerated instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised. For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded, when applicable. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non-institutional customers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average of the reference rates of the yield curve obtained from the market prices of the different currencies used in the determination of the fair value of the issues is analysed as follows:

	30 June 2021		31 December 2020 (restated)	
	EUR	PLN	EUR	PLN
Placed in the institutional market				
Subordinated	4.46%	0.13%	5.53%	0.14%
Senior	1.59%	—	1.57%	—
Covered bonds	-0.05%	—	-0.03%	—
Placed in retail				
Subordinated	—	—	1.90%	—
Senior and collateralised	-0.10%	1.58%	-0.10%	0.84%

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a positive amount of Euros 19,971,000 (31 December 2020: a positive amount of Euros 20,513,000) and includes a payable amount of Euros 3,381,000 (31 December 2020: a payable amount of Euros 4,426,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading (note 23 and 36).

The following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the financial assets and liabilities of the Group:

	30 June 2021				31 December 2020 (restated)			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	-0.55%	0.15%	0.09%	0.02%	-0.55%	0.33%	0.09%	0.04%
7 days	-0.55%	0.17%	0.09%	0.02%	-0.54%	0.34%	0.09%	0.04%
1 month	-0.55%	0.20%	0.11%	0.08%	-0.54%	0.31%	0.11%	0.10%
2 months	-0.54%	0.21%	0.12%	0.09%	-0.53%	0.30%	0.11%	0.10%
3 months	-0.53%	0.21%	0.13%	0.11%	-0.52%	0.30%	0.12%	0.11%
6 months	-0.51%	0.31%	0.16%	0.15%	-0.49%	0.32%	0.15%	0.15%
9 months	-0.49%	0.31%	0.20%	0.16%	-0.47%	0.34%	0.17%	0.15%
1 year	-0.50%	0.18%	0.23%	0.42%	-0.52%	0.19%	0.18%	0.14%
2 years	-0.46%	0.32%	0.37%	0.84%	-0.52%	0.20%	0.03%	0.21%
3 years	-0.40%	0.56%	0.51%	1.12%	-0.51%	0.24%	0.09%	0.32%
5 years	-0.25%	0.94%	0.70%	1.45%	-0.46%	0.43%	0.19%	0.61%
7 years	-0.11%	1.18%	0.83%	1.62%	-0.38%	0.65%	0.28%	0.83%
10 years	0.10%	1.40%	0.97%	1.77%	-0.27%	0.92%	0.40%	1.09%
15 years	0.36%	1.60%	1.08%	2.10%	-0.07%	1.18%	0.52%	1.47%
20 years	0.48%	1.69%	1.11%	2.25%	0.01%	1.31%	0.57%	1.57%
30 years	0.48%	1.73%	1.10%	2.25%	-0.03%	1.40%	0.57%	1.57%

The following table shows the fair value of financial assets and liabilities of the Group, as at 30 June 2021:

	(Thousands of euros)				
	30 June 2021				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	4,688,434	4,688,434	4,688,434
Loans and advances to credit institutions repayable on demand	–	–	256,424	256,424	256,424
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	671,309	671,309	657,790
Loans and advances to customers (i)	–	–	53,994,754	53,994,754	53,463,712
Debt securities	–	–	8,330,961	8,330,961	8,389,283
Financial assets at fair value through profit or loss					
Financial assets held for trading	1,704,537	–	–	1,704,537	1,704,537
Financial assets not held for trading mandatorily at fair value through profit or loss	1,290,058	–	–	1,290,058	1,290,058
Financial assets at fair value through other comprehensive income	–	13,882,942	–	13,882,942	13,882,942
Hedging derivatives (ii)	55,853	–	–	55,853	55,853
	3,050,448	13,882,942	67,941,882	84,875,272	84,389,033
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	9,056,077	9,056,077	9,056,215
Resources from customers (i)	–	–	68,101,260	68,101,260	68,090,171
Non subordinated debt securities issued (i)	–	–	1,751,893	1,751,893	1,771,997
Subordinated debt (i)	–	–	1,199,743	1,199,743	1,207,866
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	372,225	–	–	372,225	372,225
Financial liabilities designated at fair value through profit or loss	1,481,477	–	–	1,481,477	1,481,477
Hedging derivatives (ii)	173,690	–	–	173,690	173,690
	2,027,392	–	80,108,973	82,136,365	82,153,641

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;

(ii) - Includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2020:

(Thousands of euros)					
31 December 2020 (restated)					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	5,303,864	5,303,864	5,303,864
Loans and advances to credit institutions repayable on demand	–	–	262,395	262,395	262,395
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	1,015,087	1,015,087	1,006,561
Loans and advances to customers (i)	–	–	52,022,357	52,022,357	51,616,636
Debt securities	–	–	6,234,545	6,234,545	6,320,581
Financial assets at fair value through profit or loss					
Financial assets held for trading	1,031,201	–	–	1,031,201	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	1,315,467	–	–	1,315,467	1,315,467
Financial assets at fair value through other comprehensive income	–	12,140,392	–	12,140,392	12,140,392
Hedging derivatives (ii)	91,249	–	–	91,249	91,249
	2,437,917	12,140,392	64,838,248	79,416,557	79,088,346
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	8,898,759	8,898,759	8,899,871
Resources from customers (i)	–	–	63,000,829	63,000,829	63,008,920
Non subordinated debt securities issued (i)	–	–	1,388,849	1,388,849	1,409,362
Subordinated debt (i)	–	–	1,405,172	1,405,172	1,419,565
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	278,851	–	–	278,851	278,851
Financial liabilities designated at fair value through profit or loss	1,599,405	–	–	1,599,405	1,599,405
Hedging derivatives (ii)	285,766	–	–	285,766	285,766
	2,164,022	–	74,693,609	76,857,631	76,901,740

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;

(ii) - Includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Group classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13. The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued based on the prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

- i) - There is a firm daily enforceable quotation for the financial instruments concerned, or;
- ii) - There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;
- iii) - Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

Level 2 - Valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

- i) - Failure to comply with the rules defined for level 1, or;
- ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)), in particular with MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant. In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (i.e. internal ratings, default probabilities determined by internal models, etc.) incorporated in valuation of CVA is not significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

Level 3 - Valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:
 - i) - They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;
 - ii) - They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);
 - iii) - They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities/real estate/ other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSAs), and whose unobservable market data component incorporated in the valuation of CVA is significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 30 June 2021:

	(Thousands of euros)			
	30 June 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	4,688,434	–	–	4,688,434
Loans and advances to credit institutions repayable on demand	256,424	–	–	256,424
Financial assets at amortised cost				
Loans and advances to credit institutions	–	–	657,790	657,790
Loans and advances to customers	–	–	53,463,712	53,463,712
Debt securities	3,752,256	589,983	4,047,044	8,389,283
Financial assets at fair value through profit or loss				
Financial assets held for trading	1,216,265	215,558	272,714	1,704,537
Financial assets not held for trading mandatorily at fair value through profit or loss	–	–	1,290,058	1,290,058
Financial assets at fair value through other comprehensive income	12,832,263	383,499	667,180	13,882,942
Hedging derivatives	–	55,853	–	55,853
	22,745,642	1,244,893	60,398,498	84,389,033
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	–	–	9,056,215	9,056,215
Resources from customers	–	–	68,090,171	68,090,171
Non subordinated debt securities issued	–	–	1,771,997	1,771,997
Subordinated debt	–	–	1,207,866	1,207,866
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	44	365,850	6,331	372,225
Financial liabilities designated at fair value through profit or loss	833,474	–	648,003	1,481,477
Hedging derivatives	–	173,690	–	173,690
	833,518	539,540	80,780,583	82,153,641

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 31 December 2020:

	(Thousands of euros)			
	31 December 2020 (restated)			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	5,303,864	–	–	5,303,864
Loans and advances to credit institutions repayable on demand	262,395	–	–	262,395
Financial assets at amortised cost				
Loans and advances to credit institutions	–	–	1,006,561	1,006,561
Loans and advances to customers	–	–	51,616,636	51,616,636
Debt securities	3,852,938	475,237	1,992,406	6,320,581
Financial assets at fair value through profit or loss				
Financial assets held for trading	481,107	258,821	291,273	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	–	–	1,315,467	1,315,467
Financial assets at fair value through other comprehensive income	11,764,197	215,818	160,377	12,140,392
Hedging derivatives	–	91,249	–	91,249
	21,664,501	1,041,125	56,382,720	79,088,346
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	–	–	8,899,871	8,899,871
Resources from customers	–	–	63,008,920	63,008,920
Non subordinated debt securities issued	–	–	1,409,362	1,409,362
Subordinated debt	–	–	1,419,565	1,419,565
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	218	257,275	21,358	278,851
Financial liabilities designated at fair value through profit or loss	678,860	–	920,545	1,599,405
Hedging derivatives	–	285,766	–	285,766
	679,078	543,041	75,679,621	76,901,740

49. Post-employment benefits and other long-term benefits

The Group assumed the liability to pay to their employees' pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1.R.

The number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	30 June 2021	31 December 2020
Number of participants		
Pensioners	16,948	17,011
Former Attendees Acquired Rights	3,279	3,282
Employees	7,054	7,138
	27,281	27,431

In accordance with the accounting policy described in note 1.R, the Group's retirement pension liabilities and other benefits and the respective coverage, based on the Projected Unit Credit method are analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
Actual amount of the past services		
Pensioners	2,300,006	2,432,628
Former attendees acquired rights	224,227	246,981
Employees	869,503	977,918
	3,393,736	3,657,527
Pension fund value	(3,681,195)	(3,750,567)
Net (assets)/liabilities in balance sheet (note 31)	(287,459)	(93,040)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,468,549	3,663,509

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which under the scope of the fund is called an Additional Complement, which as at 30 June 2021 amounts to Euros 267,824,000 (31 December 2020: Euros 285,422,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

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

With regard to the 2021 update of the wage scales and other monetary clauses of the Collective Bargaining Agreements under negotiation, the Bank received on 17 February 2021 a proposal from SNQTB - Sindicato Nacional dos Quadros e Técnicos Bancários, SIB - Sindicato Independente da Banca (Independent Banking Union) and SBN - Sindicato dos Trabalhadores do Sector Financeiro de Portugal and on 30 March 2021, a proposal from Mais Sindicato do Sector Financeiro and SBC - Sindicato Bancários do Centro, with no counterproposal having been presented by the Bank to date.

The change in the projected benefit obligations is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
Balance as at 1 January	3,657,527	3,490,341
Service cost	(7,279)	(15,235)
Interest cost/(income)	18,878	49,847
Actuarial losses/(gains)		
Not related to changes in actuarial assumptions	(3,343)	30,841
Related to changes in assumptions	(220,470)	197,943
Payments	(60,123)	(115,901)
Early retirement programmes and terminations by mutual agreement	4,807	11,799
Contributions of employees	3,771	7,892
Transferring Between Plans	(32)	–
Balance at the end of the period	3,393,736	3,657,527

As at 30 June 2021, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 60,123,000 (31 December 2020: Euros 115,901,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 313,739,000 as at 30 June 2021 (31 December 2020: Euros 335,401,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Occidental Vida the acquisition of perpetual annuities for which the total liability as at 30 June 2021 amounts to Euros 41,721,000 (31 December 2020: Euros 41,018,000), in order to pay:

- i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
- ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planned that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Occidental Vida is 100% owned by Millenniumbcp Ageas Group which is 49% owned by the BCP Group.

The changes in the pension fund can be presented as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
Balance as at 1 January	3,750,567	3,500,869
Contributions to the Fund	–	173,594
Employees' contributions	3,771	7,892
Actuarial gains/(losses)	(28,852)	140,139
Payments	(60,123)	(115,901)
Expected return on plan assets	15,864	43,548
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	–	426
Others	(32)	–
Balance at the end of the period	3,681,195	3,750,567

The elements of the Pension Fund's assets are analysed as follows:

Asset class	(Thousands of euros)					
	30 June 2021			31 December 2020		
	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	368,572	98,566	467,138	420,572	105,095	525,667
Bonds and other fixed income securities	1,387,828	4,660	1,392,488	1,934,823	4,608	1,939,431
Participations units in investment funds	–	1,041,725	1,041,725	–	398,740	398,740
Participation units in real estate funds	–	267,854	267,854	–	261,574	261,574
Properties	–	239,838	239,838	–	239,844	239,844
Loans and advances to credit institutions and others	–	272,153	272,153	–	385,312	385,312
	1,756,400	1,924,796	3,681,196	2,355,395	1,395,173	3,750,568

The balance Shares includes an investment of 2.73% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 30 June 2021 amounts to Euros 97,464,000 (31 December 2020: Euros 103,642,000). This valuation was determined by the Management Company based on the last independent valuation carried out by Achmea solicitation.

The balance Properties includes buildings owned by the Fund and used by the Group's companies which, as at 30 June 2021 and 31 December 2020, amounts to Euros 239,838,000.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
Shares	3,966	–
Loans and advances to credit institutions and others	233,687	413,238
Bonds and other fixed income securities	15,485	12,230
	253,138	425,468

The evolution of net (assets)/liabilities in the balance sheet is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
Balance as at 1 January	(93,040)	(10,528)
Recognised in the income statement:		
Service cost	(7,279)	(15,235)
Interest cost/(income) net of the balance liabilities coverage	3,014	6,299
Cost with early retirement programs	4,807	11,799
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	–	(426)
	542	2,437
Recognised in the statement of comprehensive income:		
Actuarial (gains)/losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	28,852	(140,139)
Difference between expected and effective obligations	(3,343)	30,841
Arising from changes in actuarial assumptions	(220,470)	197,943
	(194,961)	88,645
Contributions to the fund	–	(173,594)
Balance at the end of the period	(287,459)	(93,040)

In accordance with IAS 19, the Group registered cost/(income) with post-employment benefits, which is analysed as follows:

	(Thousands of euros)	
	30 June 2021	30 June 2020
Current service cost	(7,279)	(7,666)
Net interest cost in the liability coverage balance	3,014	3,238
Cost with early retirement programs	4,807	2,922
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	—	(140)
(Income)/Cost of the period	542	(1,646)

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB/CLA regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the period is recognised under the heading "Current service costs".

Board of Directors Plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with: i) the retirement pensions of former Group's Executive Board Members; and ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Occidental Vida to purchase constant immediate life annuity insurance policies. These policies do not cover the update of contracted responsibilities through perpetual annuities policies.

Considering the market indicators, particularly the inflation rate estimates and the long-term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	30 June 2021	31 December 2020
Salary growth rate (c)	0.75 %	0.75 %
Pensions growth rate (c)	0.5 %	0.5 %
Discount rate / Projected Fund's rate of return	1.45 %	1.05 %
Mortality tables		
Men	TV 88/90	TV 88/90
Women (a)	TV 88/90-3 years	TV 88/90-3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 6 months	66 years and 5 months
Total salary growth rate for Social Security purposes	1.75 %	1.75 %
Revaluation rate of wages / pensions of Social Security	1 %	1 %

(a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

(b) The retirement age is variable. In 2021, it is 66 years and 6 months (2020: 66 years and 5 months) and will increase by 1 month for each calendar year. This age cannot be higher than the normal retirement age in force in the General Social Security System (RGSS). The normal retirement age in RGSS is variable and depends on the evolution of the average life expectancy at 65 years. For the purposes of the actuarial calculation, it was assumed that the increase in life expectancy in future years will be one year in every 10 years. However, as a prudential factor it was used a maximum age of 67 years and 2 months.

(c) This rate refers to the growth for the years following the reporting year. For the reporting year, an update of the salary table was incorporated, consistent with the proposal that the Group intends to make to the Bank's employees representative trade unions, in the context of the ongoing salary negotiations.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund, regarding the defined benefit pension plans of its employees and managers, was determined based on an analysis performed over the market yield of a bond portfolio issues with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities), denominated in Euros and related to a sundry and representative range of issuers. With reference to 30 June 2021, the Group used a discount rate of 1.45% (31 December 2020: 1.05%).

The Actuarial (gains)/losses are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)				
	Actuarial (gains)/losses			
	30 June 2021		31 December 2020	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		(3,343)		30,841
Changes on the assumptions:				
Discount rate		(220,470)		197,943
Deviation between expected income and income from funds	0.01%	28,852	5.77%	(140,139)
		(194,961)		88,645

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)				
	Impact resulting from changes in financial assumptions			
	30 June 2021		31 December 2020	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	134,740	(127,029)	152,812	(143,761)
Pension's increase rate	(147,240)	155,316	(158,701)	167,405
Salary growth rate	(37,927)	41,113	(40,905)	44,341

(Thousands of euros)				
	Impact resulting from changes in demographic assumptions			
	30 June 2021		31 December 2020	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	124,187	(122,455)	138,611	(137,599)

(*) The impact of 1 year reduction in the mortality table implies an increase in the average life expectancy

Defined contribution plan

According to what is described in accounting policy 1.R3, in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made during the first semester of 2021 and during 2020, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) the previous year BCP's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. The Group accounted as staff costs in the first semester of 2021 the amount of Euros 130,000 (30 June 2020: Euros 113,000) related to this contribution.

50. Related parties

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 59 - List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties, people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

As the transactions with subsidiaries are eliminated in consolidation, these are not included in the notes to the Group's consolidated financial statements.

According to Portuguese law, namely under Article no. 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 40.

A) Balances and transactions with qualified shareholders

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
Assets		
Financial assets at amortised cost		
Loans and advances to customers	84,566	79,467
Debt instruments	112,840	137,685
Financial assets at fair value through profit or loss		
Financial assets held for trading	3,122	5,243
Financial assets at fair value through other comprehensive income	137,769	134,527
Others	52	53
	338,349	356,975
Liabilities		
Resources from customers	87,168	307,631
	87,168	307,631

Loans and advances to customers are net of impairment in the amount of Euros 908,000 (31 December 2020: Euros 526,000).

During the first semester of 2021 and 2020, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

	(Thousands of euros)	
	30 June 2021	30 June 2020
Income		
Interest and similar income	4,980	6,196
Commissions	2,750	2,550
	7,730	8,746
Costs		
Interest and similar expenses	-	2
Commissions	43	41
	43	43

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
Guarantees granted	44,346	44,173
Revocable credit lines	108,966	66,248
Irrevocable credit lines	150,000	151,000
	303,312	261,421

B) Balances and transactions with members of the Board of Directors and key management members

The balances with related parties discriminated in the following table, included on the consolidated balance sheet, are analysed as follows:

	(Thousands of euros)			
	Loans and advances to customers		Resources from customers	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Board of Directors				
Non-executive directors	3	3	6,805	5,540
Executive Committee (*)	70	78	1,926	937
Closely related people	245	259	2,240	1,575
Controlled entities	—	—	4	31
Key management members				
Key management members	6,040	6,921	9,664	8,856
Closely related people	664	838	6,322	4,306
Controlled entities	9	8	2,467	2,298
	7,031	8,107	29,428	23,543

(*) The item Loans to Customers corresponds to mortgage loans granted prior to the respective election and to the amount used from private credit cards which must be settled on the maturity date.

In accordance with Article 85, no. 9, of RGICSF, no credits were granted during the first semester of 2021 and in 2020.

During the first semester of 2021 and 2020, the transactions with related parties discriminated in the following table, included in income items of the consolidated income statement, are as follows:

	(Thousands of euros)			
	Interest and similar income		Commissions' income	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Board of Directors				
Non-executive directors	—	—	28	9
Executive Committee	—	—	5	4
Closely related people	1	—	4	2
Key management members				
Key management members	12	11	29	19
Closely related people	5	5	23	17
Controlled entities	—	—	5	4
	18	16	94	55

During the first semester of 2021 and 2020, the transactions with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

	(Thousands of euros)			
	Interest and similar expense		Commissions' expense	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Board of Directors				
Non-executive directors	3	68	–	–
Key management members				
Key management members	3	5	2	–
Controlled entities	–	–	1	1
	6	73	3	1

The revocable credit lines granted by the Group to the following related parties are as follows:

	(Thousands of euros)	
	Revocable credit lines	
	30 June 2021	31 December 2020
Board of Directors		
Non-executive directors	89	47
Executive Committee (*)	161	162
Closely related people	51	39
Key management members		
Key management members	719	799
Closely related people	242	226
Controlled entities	30	22
	1,292	1,295

(*) Corresponds to the maximum authorized and unused limit of private credit cards and overdraft authorization in a salary account under the same regime as all the Bank's other employees.

The fixed remuneration and social charges paid to members of the Board of Directors and key management members are analysed as follows:

	(Thousands of euros)					
	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Fixed remuneration	1,528	1,528	958	952	3,326	3,386
Variable remuneration	557	129	–	–	428	573
Supplementary retirement pension	305	305	69	69	6	5
Post-employment benefits	(1)	2	–	–	(68)	(57)
Other mandatory social security charges	367	367	228	227	854	841
	2,756	2,331	1,255	1,248	4,546	4,748

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions performed in subsidiaries or governing bodies for which they have been designated by indication or in representation of the Bank, in the latter case, the net amount of the remuneration annually received by each member of the Executive Committee will be deducted from the fixed annual remuneration attributed by the Bank.

During the first semester of 2021, the amount of remuneration paid to the Executive Committee includes Euros 45,000 (31 December 2020: Euros 108,000), as well as to the Board of Directors Euros 17,000 (31 December 2020: Euros 34,000) that were supported by subsidiaries or companies whose governing bodies represent the Group's interests.

In the first semester of 2021, the variable remuneration comprises the amount of Euros 246,000 and shares in the amount of Euros 172,000, as well as deferred variable remuneration for 2019 in the amount of Euros 89,000 and shares in the amount of Euros 49,000.

In 2020, the Bank distributed variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employees, approved for 2019, as described in accounting policies 1.R4 and 1.R5.

In 2020, the variable remuneration attributed to the Executive Committee regarding the financial year of 2019 amounted to Euros 1,232,000. By CRP's deliberation, the payment was postponed to the year in which the payment of dividends to shareholders is resumed.

No indemnities was paid during the first semester of 2021 and in 2020.

During the first semester of 2021, the remunerations and social security charges supported with the Bank's key management members are, by segment, as follows:

(Thousands of euros)

	30 June 2021				
	Retail	Corporate	Private Banking	Others	Total
Fixed remuneration	369	874	225	1,858	3,326
Variable remuneration	60	86	16	265	427
Retirement supplement	—	3	—	2	5
Post-employment benefits	(23)	9	6	(60)	(68)
Other mandatory social security charges	107	215	55	477	854
	513	1,187	302	2,542	4,544
Number of beneficiaries	6	10	2	30	48

As described in accounting policies 1.R4 and 1.R5, during the first semester of 2021 key management members were awarded variable remuneration resulting from the application of the Remuneration Policies for Employees, approved for the financial year 2020.

During the first semester 2021, the balance Variable remuneration includes the amount of Euros 156,000 and shares in the amount of Euros 106,000, as well as deferred variable remuneration for 2020 in the amount of Euros 38,000 and shares for 2020 and 2019 in the amount of Euros 128,000. It was also attributed to the 48 key-management elements a deferred variable remuneration, over a period of 5 years, in the amount of Euros 163,000.

During the first semester 2021 no indemnity was paid for cessation of employment to key management elements.

During the first semester of 2020, the remunerations and social security charges supported with the Bank's key management members are, by segment, as follows:

(Thousands of euros)

	30 June 2020				
	Retail	Corporate	Private Banking	Others	Total
Fixed remuneration	429	868	225	1,864	3,386
Variable remuneration	80	116	22	355	573
Retirement supplement	—	3	—	2	5
Post-employment benefits	(20)	11	7	(54)	(56)
Other mandatory social security charges	106	213	54	467	840
	595	1,211	308	2,634	4,748
Number of beneficiaries	6	10	2	29	47

As described in accounting policies 1.R4 and 1.R5, during the first semester of 2020 in accordance with the remuneration policies for employees considered key management members, approved for 2018, it was assigned a variable remuneration deferred over a 3-year period in the amount of Euros 542,000.

During the first semester of 2020, the balance Variable remuneration includes the amount of Euros 346,000 and shares in the amount of Euros 139,000, as well as 2019's deferred variable remuneration in shares in the amount of Euros 88,000. It was also attributed to the 47 key-management elements a deferred variable remuneration, over a period of 5 years, in the amount of Euros 387,000.

During the first semester 2020 no indemnity was paid for cessation of employment to key management elements.

The shareholder and bondholder position of members of the Board of Directors, key management members and people closely related to the previous categories, as well as the movements occurred during the first semester of 2021, are as follows:

Shareholders/Bondholders	Security	Number of securities		Acquisitions	Disposals	Date	Unit price Euros
		30 June 2021	31 December 2020				
MEMBERS OF BOARD OF DIRECTORS							
Ana Paula Alcobia Gray	BCP Shares	0	0				
Cidália Maria Mota Lopes (1)	BCP Shares	2,184	2,184				
Fernando da Costa Lima	BCP Shares	18,986	18,986				
João Nuno Oliveira Jorge Palma	BCP Shares	426,957	268,687	279,135 (a)	120,865	25/6/2021	0.1422
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	88,500				
	Bonds (e)	1	1				
José Manuel Elias da Costa	BCP Shares	0	0				
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	332,081	207,863	222,608 (a)	98,390	25/6/2021	0.1422
Lingjiang Xu	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos (3)	BCP Shares	396,914	221,325	219,478 (a)	43,889	25/6/2021	0.1422
Miguel de Campos Pereira de Bragança	BCP Shares	763,422	602,626	280,613 (a)	119,817	25/6/2021	0.1422
Miguel Maya Dias Pinheiro	BCP Shares	800,692	621,467	320,034 (a)	140,809	25/6/2021	0.1422
Nuno Manuel da Silva Amado	BCP Shares	1,525,388	1,525,388				
	Bonds (e)	2	2				
Rui Manuel da Silva Teixeira (2)	BCP Shares	376,663	244,199	237,387 (a)	104,923	25/6/2021	0.1422
Teófilo César Ferreira da Fonseca	BCP Shares	10,000	10,000				
Valter Rui Dias de Barros	BCP Shares	0	0				
Wan Sin Long	BCP Shares	0	0				
Xiao Xu Gu	BCP Shares	0	0				
KEY MANAGEMENT MEMBERS							
António Ricardo Fery Salgueiro Antunes	BCP Shares	15,035	6,035	14,778 (b)	5,778	25/6/2021	0.1422
Alexandre Manuel Casimiro de Almeida	BCP Shares	55,865	31,878	23,987 (b)		25/6/2021	0.1422
Américo João Pinto Carola (7)	BCP Shares	61,269	25,459	35,810 (c)		25/6/2021	0.1422
Ana Isabel dos Santos de Pina Cabral (4)	BCP Shares	96,648	70,507	45,227 (b)	19,086	25/6/2021	0.1422
Ana Maria Jordão F. Torres Marques Tavares (6)	BCP Shares	161,758	134,652	42,620 (b)	15,514	25/6/2021	0.1422
André Cardoso Meneses Navarro	BCP Shares	106,697		23,550 (c)		25/6/2021	0.1422
			290,091		206,944	10/5/2021	0.1383
António Augusto Amaral de Medeiros	BCP Shares	100,077	55,139	44,938 (c)		25/6/2021	0.1422
António José Lindeiro Cordeiro	BCP Shares	32,631	16,314	25,656 (b)	9,339	25/6/2021	0.1422
António Luís Duarte Bandeira (5)	BCP Shares	239,209	210,905	49,744 (b)	21,440	25/6/2021	0.1422
Artur Frederico Silva Luna Pais	BCP Shares	396,760	365,663	31,097 (c)		25/6/2021	0.1422
Belmira Abreu Cabral	BCP Shares	57,285	37,841	30,863 (b)	11,419	25/6/2021	0.1422
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	25,999	15,015	18,125 (b)	7,141	25/6/2021	0.1422
Chi Wai Leung (Timothy)	BCP Shares	9,852	0	9,852 (c)		25/6/2021	0.1422
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	85,467	57,309	49,661 (b)	21,503	25/6/2021	0.1422
Francisco António Caspa Monteiro (8)	BCP Shares	137,027	87,283	49,744 (c)		25/6/2021	0.1422
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	78,390	53,591	40,923 (b)	16,124	25/6/2021	0.1422
Hugo Miguel Martins Resende	BCP Shares	92,696	65,527	45,357 (b)	18,188	25/6/2021	0.1422
João Brás Jorge	BCP Shares	91,709	91,709				
João Manuel Taveira Pinto Santos Paiva	BCP Shares	103,739	58,429	45,310 (c)		25/6/2021	0.1422
José Laurindo Reino da Costa (13)	BCP Shares	751,100	751,100				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	85,498	47,495	38,003 (c)		25/6/2021	0.1422
Jorge Manuel Machado de Sousa Góis	BCP Shares	73,203	39,316	33,887 (c)		25/6/2021	0.1422
Jorge Manuel Nobre Carreteiro	BCP Shares	27,648	14,701	20,357 (b)	7,410	25/6/2021	0.1422
José Carlos Benito Garcia de Oliveira	BCP Shares	37,941	30,321	12,807 (b)	5,187	25/6/2021	0.1422
José Gonçalo Prior Regalado (10)	BCP Shares	83,836	42,438	41,398 (c)		25/6/2021	0.1422

The paragraphs stated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people who they are associated with in the category "People closely related to the previous categories".

- (a) - identifies the increment and sell-cover of shares up to 30 June 2021 corresponding to variable compensation deferred in 2019 and awarded in 2021.
(b) - identifies the increment and sell-cover of shares up to 30 June 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.
(c) - identifies share increment through 30 June 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.
(d) - joint ownership of the account in which the Member of Governing Bodies is not the 1st holder, with the 1st holder holding 96,240 shares.
(e) - Tejo Project - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

Shareholders/Bondholders	Security	Number of securities		Acquisitions	Disposals	Date	Unit price Euros
		30 June 2021	31 December 2020				
José Guilherme Potier Raposo Pulido Valente	BCP Shares	208,437	186,063	40,096 (b)	17,722	25/6/2021	0.1422
José Maria Gonçalves Pereira Brandão de Brito	BCP Shares	23,878	13,158	15,696 (b)	4,976	25/6/2021	0.1422
José Manuel Moser Cardoso Salgado (14)	BCP Shares	37,500	37,500				
Luis Miguel Manso Correia dos Santos	BCP Shares	125,615	82,903	53,390 (b)	10,678	25/6/2021	0.1422
Maria Helena Soledade Nunes Henriques	BCP Shares	199,132	188,015	18,621 (b)	7,504	25/6/2021	0.1422
Maria Manuela de Araujo Mesquita Reis (9)	BCP Shares	152,857	132,646	31,779 (b)	11,568	25/6/2021	0.1422
Maria Rita Sítima Fonseca Lourenço	BCP Shares	112,778	79,222	33,556 (c)		25/6/2021	0.1422
Maria de Los Angeles Sanchez Sanchez	BCP Shares	19,191	8,192	18,486 (b)	7,487	25/6/2021	0.1422
Mário António Pinho Gaspar Neves	BCP Shares	73,963	56,522	29,214 (b)	11,773	25/6/2021	0.1422
Mário Madeira Robalo Fernandes	BCP Shares	79,512	43,702	35,810 (c)		25/6/2021	0.1422
Nelson Luís Vieira Teixeira	BCP Shares	59,343	32,840	45,227 (b)	18,724	25/6/2021	0.1422
Nuno Alexandre Ferreira Pereira Alves (12)	BCP Shares	101,156	59,982	41,174 (c)		25/6/2021	0.1422
Nuno Miguel Nobre Botelho	BCP Shares	33,366		30,630 (c)		25/6/2021	0.1422
			33,366		30,630	25/6/2021	0.1425
Pedro José Mora de Paiva Beija	BCP Shares	107,673	57,929	49,744 (c)		25/6/2021	0.1422
Pedro Manuel Francisco da Silva Dias (11)	BCP Shares	50,473	27,583	22,890 (c)		25/6/2021	0.1422
Pedro Manuel Macedo Vilas Boas	BCP Shares	79,512	43,702	35,810 (c)		25/6/2021	0.1422
Pedro Manuel Rendas Duarte Turras	BCP Shares	61,176	41,596	32,151 (b)	12,571	25/6/2021	0.1422
Pedro Trigo de Moraes de Albuquerque Reis	BCP Shares	71,205	37,108	34,097 (c)		25/6/2021	0.1422
Ricardo Potes Valadares	BCP Shares	65,195	32,102	33,093 (c)		25/6/2021	0.1422
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	68,127	41,168	45,310 (b)	18,351	25/6/2021	0.1422
Rui Emanuel Agapito Silva	BCP Shares	60,219	33,078	45,310 (b)	18,169	25/6/2021	0.1422
Rui Fernando da Silva Teixeira	BCP Shares	145,098	113,674	31,424 (c)		25/6/2021	0.1422
Rui Manuel Pereira Pedro	BCP Shares	252,786	203,538	49,248 (c)		25/6/2021	0.1422
Rui Miguel Alves Costa	BCP Shares	217,920	194,493	23,427 (c)		25/6/2021	0.1422
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	60,954	32,151	49,661 (b)	20,858	25/6/2021	0.1422
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	70,740	39,316	31,424 (c)		25/6/2021	0.1422
Vânia Alexandra Machado Marques Correia	BCP Shares	66,426	39,316	33,887 (b)	6,777	25/6/2021	0.1422

MEMBROS PRÓXIMOS DA FAMÍLIA

Maria Helena Espassandim Catão (2)	BCP Shares	576	576				
José Manuel de Vasconcelos Mendes Ferreira (4)	BCP Shares	1,616	1,616				
Ana Margarida Rebelo A.M. Soares Bandeira (5)	BCP Shares	2,976	2,976				
António da Silva Bandeira (5)	BCP Shares	20,000	20,000				
Álvaro Manuel Coreia Marques Tavares (6)	BCP Shares	25,118	25,118				
Francisco Jordão Torres Marques Tavares (6)	BCP Shares	1,016	1,016				
Maria Avelina V C L J Teixeira Diniz (6)	BCP Shares	16,770	16,770				
Ana Isabel Salgueiro Antunes (7)	BCP Shares	29	29				
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184				
Ricardo Miranda Monteiro (8)	BCP Shares	1,639	1,639				
Rita Miranda Monteiro (8)	BCP Shares	1,639	1,639				
José Francisco Conceição Monteiro (8)	BCP Shares	18,002	18,002				
Luís Filipe da Silva Reis (9)	BCP Shares	280,000	280,000				
Américo Simões Regalado (10)	BCP Shares	880	880				
Ricardo Gil Monteiro Lopes de Campos (3)	BCP Shares	396,914	221,325 (d)				
Filomena Maria Brito Francisco Dias (11)	BCP Shares	4,290	4,290				
António Henrique Leite Pereira Alves (12)	BCP Shares	73,926	73,926				
Maria Raquel Sousa Candeias Reino da Costa (13)	BCP Shares	10,000	10,000				
José Manuel Espírito Santo Salgado (14)	BCP Shares	10,000	10,000				
Matilde Espírito Santo Salgado (14)	BCP Shares	20,000	20,000				
Mariana Espírito Santo Salgado (14)	BCP Shares	18,000	18,000				

The notes stated in the table above for the categories "Members of Board of Directors" and "Key management members" identify the people who they are related to in the category "People closely related to the previous categories".

(b) - identifies the increment and sell-cover of shares up to 30 June 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.

(c) - identifies share increment through 30 June 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.

(d) - joint ownership of the account in which the Member of Governing Bodies is not the 1st holder, with the 1st holder holding 96,240 shares.

C) Balances and transactions with associated companies

The balances with associated companies included in the consolidated balance sheet items, except for investments in associated companies, are as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
Assets		
Loans and advances to credit institutions repayable on demand	2,379	2,364
Financial assets at amortised cost		
Loans and advances to credit institutions	16,982	82,475
Loans and advances to customers	87,301	64,253
Financial assets at fair value through profit or loss		
Financial assets held for trading	476	53,553
Other assets	12,926	12,958
	120,064	215,603
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	50,899	94,040
Resources from customers	510,173	423,256
Non subordinated debt securities issued	15,197	17,855
Subordinated debt	56	213,368
Financial liabilities held for trading	219,816	43,224
Other liabilities	8	25
	796,149	791,768

As at 30 June 2021, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 142,601,002 BCP shares (31 December 2020: 142,601,002 shares) in the amount of Euros 19,251,000 (31 December 2020: Euros 17,568,000).

During the first semester of 2021 and 2020, the transactions with associated companies included in the consolidated income statement items are as follows:

	(Thousands of euros)	
	30 June 2021	30 June 2020
Income		
Interest and similar income	1,659	3,918
Commissions	29,556	29,519
Other operating income	399	582
	31,614	34,019
Costs		
Interest and similar expenses	4,514	12,300
Commissions	22	11
Other operating losses	72	121
Losses from financial operations	536	—
Other administrative costs	625	172
	5,769	12,604

The guarantees granted and revocable and irrevocable credit lines by the Group over associated companies are as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
Guarantees granted	7,800	8,193
Revocable credit lines	327,280	327,733
Irrevocable credit lines	600	600
	335,680	336,526

Under the scope of the Group's insurance mediation activities, the remuneration from services provided is analysed as follows:

	(Thousands of euros)	
	30 June 2021	30 June 2020
Life insurance		
Saving products	16,548	17,519
Mortgage and consumer loans	9,551	8,944
Others	15	15
	26,114	26,478
Non-Life insurance		
Accidents and health	9,964	9,560
Motor	1,992	1,967
Multi-Risk Housing	3,539	3,373
Others	735	673
	16,230	15,573
	42,344	42,051

Remuneration from insurance intermediation services was received through bank transfers and resulted from insurance intermediation with the subsidiaries of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, SA. The Group does not collect insurance premiums on behalf of Insurance Companies nor performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported related to the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activities, by nature, are analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
Funds receivable for payment of life insurance commissions	12,777	12,857
Funds receivable for payment of non-life insurance commissions	7,929	8,187
	20,706	21,044

The commissions received result from insurance mediation contracts and investment contracts, under the terms established in the contracts in force. The mediation commissions are calculated according to the nature of the contracts subject to mediation, as follows:

- insurance contracts - use of fixed rates on gross premiums issued;
- investment contracts - use of fixed rates on the responsibilities assumed by the insurance company under the commercialisation of these products.

D) Transactions with the Pension Fund

The balances with the Pension Fund included in items of the consolidated balance sheet are as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
Liabilities		
Resources from customers	245,390	417,950
Financial liabilities measured at amortised cost		
Non subordinated debt securities issued	26,019	20,630
Other liabilities	208	1,772
	271,617	440,352

During the first semester 2021 and 2020, there were no transactions related to other financial instruments between the Group and the Pension Fund.

During the first semester of 2021 and 2020, income and expenses with the Pension Fund included in the items of the consolidated income statement are as follows:

	(Thousands of euros)	
	30 June 2021	30 June 2020
Income		
Commissions	538	871
Expenses		
Interest expense and similar charges	911	233
Other administrative costs	7,135	7,135
	8,046	7,368

The balance Other administrative costs corresponds to the amount of rents incurred under the scope of the Pension Fund's properties in which the tenant is the Group.

As at 30 June 2021 and 31 December 2020, the amount of guarantees granted by the Group to the Pension Fund amounts to Euros 5,000.

51. Consolidated Balance sheet and Income statement by geographic and operational segments

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for management purposes by the Executive Committee. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal and ActivoBank.

Portugal activity includes the following segments: i) Retail Banking; ii) Companies, Corporate & Investment Banking; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than Euros 2.5 million. The Retail network strategic approach is to target "Mass Market" customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal based on innovation and personalisation, requiring a dedicated Account Manager;

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

Companies, Corporate and Investment Banking segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;
- Large Corporate network that assures the relationship and the monitoring of a set of Groups/Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;
- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment, in order to defend the value and managing credit risk, in a sustainable medium and long term perspective;
- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term, in particular with regard to Project and Structured Finance;
- Trade Finance Department (from Treasury and Markets International Division), which coordinates the business with banks and financial institutions, boosting international business with the commercial networks of the Bank;
- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1 million);
- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for the purposes of geographical segments, comprises:

- Private Banking Division in Portugal, which ensures the monitoring of clients with high net worth, based on a commitment to excellence and a personalized relationship with clients;
- Wealth Management Division, which provides advisory services and portfolio management for clients in the Private Banking network and the affluent segment.

For the purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation.

All other businesses not previously discriminated are allocated to the Other segment (Portugal) and include centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other amounts not allocated to segments.

Foreign Business includes the following segments:

- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;
- Mozambique, where the Group is represented by BIM - Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and
- Other, which includes other countries activity such as Switzerland where the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law and Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets (Affluent segment). The Other segment also includes the contribution of the associate in Angola.

B. Business Segments

For the purposes of business segments reporting, Foreign Business segment comprises the Group's operations developed in other countries already mentioned excluding the activity of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands which, in this context, are considered in Private Banking segment.

Business segments activity

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

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 30 June 2021, 31 December 2020 and 30 June 2020 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

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

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 30 June 2021. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical).

Following the agreement signed as at 29 June 2021 with Union Bancaire Privée, UBP S.A. regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A., the contribution of this subsidiary to the result of the Private Banking (geographical segments) and Other Foreign Businesses (operating segments) is reflected as results from discontinued or discontinuing operations, and the historical information has been restated in order to information was restated in order to ensure its comparability. The relevance of the assets and liabilities of the Banque Privée BCP (Suisse) S.A. was not changed in relation to the criteria considered in the financial statements published in previous periods.

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 30 June 2021, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business ⁽¹⁾	Total				
INCOME STATEMENT							
Interest and similar income	225,845	397,918	623,763	132,754	4,586	65,154	826,257
Interest expense and similar charges	(2,347)	(40,479)	(42,826)	(5,609)	(559)	(9,015)	(58,009)
Net interest income	223,498	357,439	580,937	127,145	4,027	56,139	768,248
Commissions and other income	219,146	160,148	379,294	79,993	17,342	360	476,989
Commissions and other costs	(23,453)	(90,058)	(113,511)	(9,884)	(2,149)	(107,173)	(232,717)
Net commissions and other income ⁽²⁾	195,693	70,090	265,783	70,109	15,193	(106,813)	244,272
Net gains arising from trading activity ⁽³⁾	10,093	11,741	21,834	161	694	57,073	79,762
Share of profit of associates under the equity method	–	(1,726)	(1,726)	–	–	31,012	29,286
Gains/(losses) arising from the sale of subsidiaries and other assets	–	152	152	4	–	882	1,038
Net operating revenue	429,284	437,696	866,980	197,419	19,914	38,293	1,122,606
Operating expenses	233,888	201,924	435,812	59,005	9,745	87,189	591,751
Impairment for credit and financial assets ⁽⁴⁾	(44,526)	(30,163)	(74,689)	(76,200)	3,436	(15,513)	(162,966)
Other impairments and provisions ⁽⁵⁾	(21)	(236,069)	(236,090)	–	–	(62,798)	(298,888)
Net income/(loss) before income tax	150,849	(30,460)	120,389	62,214	13,605	(127,207)	69,001
Income tax	(47,025)	(49,036)	(96,061)	(19,444)	(4,277)	16,816	(102,966)
Income/(loss) after income tax from continuing operations	103,824	(79,496)	24,328	42,770	9,328	(110,391)	(33,965)
Income/(loss) arising from discontinued operations	–	–	–	–	3,260	–	3,260
Net income/(loss) for the period	103,824	(79,496)	24,328	42,770	12,588	(110,391)	(30,705)
Non-controlling interests ⁽⁶⁾	–	43,372	43,372	–	–	(401)	42,971
Net income/(loss) for the period attributable to Bank's Shareholders	103,824	(36,124)	67,700	42,770	12,588	(110,792)	12,266

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

(5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

(6) Includes the non-controlling interests of BIM Group related to SIM - Seguradora Internacional de Moçambique, SARL.

As at 30 June 2021, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

BALANCE SHEET							
Cash and Loans and advances to credit institutions	11,491,579	1,369,232	12,860,811	1,854,040	3,039,468	(12,138,152)	5,616,167
Loans and advances to customers ⁽¹⁾	24,333,659	17,406,917	41,740,576	12,242,682	675,669	1,225,596	55,884,523
Financial assets ⁽²⁾	719,802	5,919,099	6,638,901	–	83,020	16,652,661	23,374,582
Other assets	59,460	942,279	1,001,739	6,518	12,000	5,468,977	6,489,234
Total Assets	36,604,500	25,637,527	62,242,027	14,103,240	3,810,157	11,209,082	91,364,506
Resources from other credit institutions ⁽³⁾	396,584	223,376	619,960	3,285,017	456	5,150,644	9,056,077
Resources from customers ⁽⁴⁾	33,635,490	21,725,146	55,360,636	9,503,484	3,170,357	66,783	68,101,260
Debt securities issued ⁽⁵⁾	1,331,326	68,804	1,400,130	1,237	144,778	1,687,225	3,233,370
Other financial liabilities ⁽⁶⁾	–	413,849	413,849	–	44	1,331,765	1,745,658
Other liabilities ⁽⁷⁾	46,191	723,516	769,707	59,959	16,515	995,696	1,841,877
Total Liabilities	35,409,591	23,154,691	58,564,282	12,849,697	3,332,150	9,232,113	83,978,242
Total Equity	1,194,909	2,482,836	3,677,745	1,253,543	478,007	1,976,969	7,386,264
Total Liabilities and Equity	36,604,500	25,637,527	62,242,027	14,103,240	3,810,157	11,209,082	91,364,506
Number of employees	4,350	9,897	14,247	581	237	1,856	16,921

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

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

(3) Includes resources and other financing from central banks and resources from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 June 2020, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business ⁽¹⁾	Total				
INCOME STATEMENT							
Interest and similar income	273,333	512,137	785,470	152,822	14,824	11,848	964,964
Interest expense and similar charges	(10,125)	(130,287)	(140,412)	(35,675)	(2,703)	(23,244)	(202,034)
Net interest income	263,208	381,850	645,058	117,147	12,121	(11,396)	762,930
Commissions and other income	205,628	145,434	351,062	77,760	14,223	6,407	449,452
Commissions and other costs	(20,714)	(99,041)	(119,755)	(12,202)	(988)	(95,169)	(228,114)
Net commissions and other income ⁽²⁾	184,914	46,393	231,307	65,558	13,235	(88,762)	221,338
Net gains arising from trading activity ⁽³⁾	12,191	28,661	40,852	177	376	(9,620)	31,785
Share of profit of associates under the equity method	—	2,452	2,452	—	—	40,445	42,897
Gains/(losses) arising from the sale of subsidiaries and other assets	8	1,230	1,238	—	—	(6,757)	(5,519)
Net operating revenue	460,321	460,586	920,907	182,882	25,732	(76,090)	1,053,431
Operating expenses	235,454	229,665	465,119	58,568	11,625	13,239	548,551
Impairment for credit and financial assets ⁽⁴⁾	(37,059)	(79,656)	(116,715)	(156,561)	1,189	18,982	(253,105)
Other impairments and provisions ⁽⁵⁾	(7)	(67,042)	(67,049)	(1)	—	(31,190)	(98,240)
Net income/(loss) before income tax	187,801	84,223	272,024	(32,248)	15,296	(101,537)	153,535
Income tax	(57,496)	(35,605)	(93,101)	10,691	(4,458)	28,592	(58,276)
Income/(loss) after income tax from continuing operations	130,305	48,618	178,923	(21,557)	10,838	(72,945)	95,259
Income arising from discontinued operations	—	(122)	(122)	—	3,653	—	3,531
Net income/(loss) for the period	130,305	48,496	178,801	(21,557)	14,491	(72,945)	98,790
Non-controlling interests ⁽⁶⁾	—	(22,620)	(22,620)	—	—	(212)	(22,832)
Net income/(loss) for the period attributable to Bank's Shareholders	130,305	25,876	156,181	(21,557)	14,491	(73,157)	75,958

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

(5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

(6) Includes the non-controlling interests of BIM Group related to SIM - Seguradora Internacional de Moçambique, SARL.

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

(Thousands of Euros)

BALANCE SHEET							
Cash and Loans and advances to credit institutions	10,506,127	1,208,961	11,715,088	1,445,196	2,995,837	(9,574,775)	6,581,346
Loans and advances to customers ⁽¹⁾	23,493,301	16,635,790	40,129,091	11,989,542	629,549	1,226,439	53,974,621
Financial assets ⁽²⁾	720,892	4,876,098	5,596,990	—	64,838	13,198,762	18,860,590
Other assets	52,027	721,363	773,390	5,958	16,302	5,502,756	6,298,406
Total Assets	34,772,347	23,442,212	58,214,559	13,440,696	3,706,526	10,353,182	85,714,963
Resources from other credit institutions ⁽³⁾	426,640	304,873	731,513	3,520,818	2	4,646,426	8,898,759
Resources from customers ⁽⁴⁾	31,763,585	19,397,541	51,161,126	8,603,654	3,116,443	378,134	63,259,357
Debt securities issued ⁽⁵⁾	1,316,912	122,483	1,439,395	1,430	93,592	1,195,309	2,729,726
Other financial liabilities ⁽⁶⁾	—	536,722	536,722	—	218	1,432,849	1,969,789
Other liabilities ⁽⁷⁾	45,055	634,300	679,355	68,905	17,280	705,522	1,471,062
Total Liabilities	33,552,192	20,995,919	54,548,111	12,194,807	3,227,535	8,358,240	78,328,693
Total Equity	1,220,155	2,446,293	3,666,448	1,245,889	478,991	1,994,942	7,386,270
Total Liabilities and Equity	34,772,347	23,442,212	58,214,559	13,440,696	3,706,526	10,353,182	85,714,963
Number of employees	4,447	10,236	14,683	583	232	1,837	17,335

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

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

(3) Includes resources and other financing from central banks and resources from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 June 2021, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal				Total	Poland	Mozambique	Other ⁽¹⁾	Consolidated
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other					
INCOME STATEMENT									
Interest and similar income	225,845	132,754	3,040	65,154	426,793	295,138	102,780	1,546	826,257
Interest expense and similar charges	(2,347)	(5,609)	(559)	(9,015)	(17,530)	(13,818)	(26,678)	17	(58,009)
Net interest income	223,498	127,145	2,481	56,139	409,263	281,320	76,102	1,563	768,248
Commissions and other income	219,146	79,993	17,308	360	316,807	133,072	27,076	34	476,989
Commissions and other costs	(23,453)	(9,884)	(1,072)	(107,173)	(141,582)	(82,362)	(7,696)	(1,077)	(232,717)
Net commissions and other income ⁽²⁾	195,693	70,109	16,236	(106,813)	175,225	50,710	19,380	(1,043)	244,272
Net gains arising from trading activity ⁽³⁾	10,093	161	703	57,073	68,030	5,668	6,073	(9)	79,762
Share of profit of associates under the equity method	–	–	–	31,012	31,012	–	–	(1,726)	29,286
Gains/(losses) arising from the sale of subsidiaries and other assets	–	4	–	882	886	46	106	–	1,038
Net operating revenue	429,284	197,419	19,420	38,293	684,416	337,744	101,661	(1,215)	1,122,606
Operating expenses	233,889	59,005	9,278	87,188	389,360	157,241	44,684	466	591,751
Impairment for credit and financial assets ⁽⁴⁾	(44,526)	(76,200)	3,436	(15,513)	(132,803)	(26,719)	(3,444)	–	(162,966)
Other impairments and provisions ⁽⁵⁾	(21)	–	–	(62,798)	(62,819)	(230,646)	(2,224)	(3,199)	(298,888)
Net income/(loss) before income tax	150,849	62,214	13,578	(127,207)	99,434	(76,861)	51,309	(4,881)	69,001
Income tax	(47,025)	(19,444)	(4,277)	16,816	(53,930)	(35,839)	(13,191)	(6)	(102,966)
Income / (loss) after income tax from continuing operations	103,824	42,770	9,301	(110,391)	45,504	(112,700)	38,118	(4,887)	(33,965)
Income / (loss) arising from discontinued operations	–	–	–	–	–	–	–	3,260	3,260
Net income/(loss) for the period	103,824	42,770	9,301	(110,391)	45,504	(112,700)	38,118	(1,627)	(30,705)
Non-controlling interests ⁽⁶⁾	–	–	–	(401)	(401)	56,237	(12,865)	–	42,971
Net income/(loss) for the period attributable to Bank's Shareholders	103,824	42,770	9,301	(110,792)	45,103	(56,463)	25,253	(1,627)	12,266

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

(5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

(6) Includes the non-controlling interests of BIM Group related to SIM - Seguradora Internacional de Moçambique, SARL.

As at 30 June 2021, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

BALANCE SHEET									
Cash and Loans and advances to credit institutions	11,491,579	1,854,040	2,408,860	(12,138,152)	3,616,327	726,795	642,403	630,642	5,616,167
Loans and advances to customers ⁽¹⁾	24,333,659	12,242,682	303,782	1,225,596	38,105,719	16,789,045	617,872	371,887	55,884,523
Financial assets ⁽²⁾	719,802	–	–	16,652,661	17,372,463	4,976,352	942,781	82,986	23,374,582
Other assets	59,460	6,518	1,254	5,468,977	5,536,209	562,779	207,400	182,846	6,489,234
Total Assets	36,604,500	14,103,240	2,713,896	11,209,082	64,630,718	23,054,971	2,410,456	1,268,361	91,364,506
Resources from other credit institutions ⁽³⁾	396,584	3,285,017	–	5,150,644	8,832,245	164,389	47,945	11,498	9,056,077
Resources from customers ⁽⁴⁾	33,635,490	9,503,484	2,489,983	66,783	45,695,740	19,930,572	1,794,574	680,374	68,101,260
Debt securities issued ⁽⁵⁾	1,331,326	1,237	144,778	1,687,225	3,164,566	68,804	–	–	3,233,370
Other financial liabilities ⁽⁶⁾	–	–	–	1,331,765	1,331,765	413,849	–	44	1,745,658
Other liabilities ⁽⁷⁾	46,191	59,959	1,090	995,696	1,102,936	622,386	85,129	31,426	1,841,877
Total Liabilities	35,409,591	12,849,697	2,635,851	9,232,113	60,127,252	21,200,000	1,927,648	723,342	83,978,242
Equity and non-controlling interests	1,194,909	1,253,543	78,045	1,976,969	4,503,466	1,854,971	482,808	545,019	7,386,264
Total Liabilities, Equity and Non-controlling interests	36,604,500	14,103,240	2,713,896	11,209,082	64,630,718	23,054,971	2,410,456	1,268,361	91,364,506
Number of employees	4,350	581	150	1,856	6,937	7,286	2,611	87	16,921

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

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

(3) Includes resources and other financing from central banks and resources from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 June 2020, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal				Total	Poland	Mozambique	Other ⁽¹⁾	Consolidated
	Retail banking	Companies, Corporate and investment banking	Private banking	Other					
INCOME STATEMENT									
Interest and similar income	273,333	152,822	13,093	11,848	451,096	398,574	113,563	1,731	964,964
Interest expense and similar charges	(10,125)	(35,675)	(2,703)	(23,244)	(71,747)	(98,046)	(32,090)	(151)	(202,034)
Net interest income	263,208	117,147	10,390	(11,396)	379,349	300,528	81,473	1,580	762,930
Commissions and other income	205,628	77,760	14,187	6,407	303,982	116,688	28,746	36	449,452
Commissions and other costs	(20,714)	(12,202)	(886)	(95,169)	(128,971)	(91,005)	(8,036)	(102)	(228,114)
Net commissions and other income ⁽²⁾	184,914	65,558	13,301	(88,762)	175,011	25,683	20,710	(66)	221,338
Net gains arising from trading activity ⁽³⁾	12,191	177	372	(9,620)	3,120	22,394	6,267	4	31,785
Share of profit of associates under the equity method	–	–	–	40,445	40,445	–	–	2,452	42,897
Gains/(losses) arising from the sale of subsidiaries and other assets	8	–	–	(6,757)	(6,749)	1,144	86	–	(5,519)
Net operating revenue	460,321	182,882	24,063	(76,090)	591,176	349,749	108,536	3,970	1,053,431
Operating expenses	235,454	58,568	11,075	13,239	318,336	181,449	48,216	550	548,551
Impairment for credit and financial assets ⁽⁴⁾	(37,059)	(156,561)	1,165	18,982	(173,473)	(72,464)	(7,191)	23	(253,105)
Other impairments and provisions ⁽⁵⁾	(7)	(1)	–	(31,190)	(31,198)	(53,818)	(425)	(12,799)	(98,240)
Net income/(loss) before income tax	187,801	(32,248)	14,153	(101,537)	68,169	42,018	52,704	(9,356)	153,535
Income tax	(57,496)	10,691	(4,458)	28,592	(22,671)	(25,809)	(9,843)	47	(58,276)
Income/(loss) after income tax from continuing operations	130,305	(21,557)	9,695	(72,945)	45,498	16,209	42,861	(9,309)	95,259
Income arising from discontinued operations	–	–	–	–	–	–	–	3,531	3,531
Net income/(loss) for the period	130,305	(21,557)	9,695	(72,945)	45,498	16,209	42,861	(5,778)	98,790
Non-controlling interests ⁽⁶⁾	–	–	–	(212)	(212)	(8,088)	(14,531)	(1)	(22,832)
Net income/(loss) for the period attributable to Bank's Shareholders	130,305	(21,557)	9,695	(73,157)	45,286	8,121	28,330	(5,779)	75,958

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

(5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

(6) Includes the non-controlling interests of BIM Group related to SIM - Seguradora Internacional de Moçambique, SARL.

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

(Thousands of Euros)

BALANCE SHEET									
Cash and Loans and advances to credit institutions	10,506,127	1,445,196	2,368,614	(9,574,775)	4,745,162	471,914	737,012	627,258	6,581,346
Loans and advances to customers ⁽¹⁾	23,493,301	11,989,542	275,817	1,226,439	36,985,099	16,147,916	487,874	353,732	53,974,621
Financial assets ⁽²⁾	720,892	–	–	13,198,762	13,919,654	4,249,321	626,811	64,804	18,860,590
Other assets	52,027	5,958	1,292	5,502,756	5,562,033	472,161	182,682	81,530	6,298,406
Total Assets	34,772,347	13,440,696	2,645,723	10,353,182	61,211,948	21,341,312	2,034,379	1,127,324	85,714,963
Resources from other credit institutions ⁽³⁾	426,640	3,520,818	–	4,646,426	8,593,884	286,432	5,574	12,869	8,898,759
Resources from customers ⁽⁴⁾	31,763,585	8,603,654	2,475,887	378,134	43,221,260	17,873,943	1,523,599	640,555	63,259,357
Debt securities issued ⁽⁵⁾	1,316,912	1,430	93,592	1,195,309	2,607,243	122,483	–	–	2,729,726
Other financial liabilities ⁽⁶⁾	–	–	–	1,432,849	1,432,849	536,722	–	218	1,969,789
Other liabilities ⁽⁷⁾	45,055	68,905	1,084	705,522	820,566	528,229	93,271	28,996	1,471,062
Total Liabilities	33,552,192	12,194,807	2,570,563	8,358,240	56,675,802	19,347,809	1,622,444	682,638	78,328,693
Equity and non-controlling interests	1,220,155	1,245,889	75,160	1,994,942	4,536,146	1,993,503	411,935	444,686	7,386,270
Total Liabilities, Equity and Non-controlling interests	34,772,347	13,440,696	2,645,723	10,353,182	61,211,948	21,341,312	2,034,379	1,127,324	85,714,963
Number of employees	4,447	583	146	1,837	7,013	7,645	2,591	86	17,335

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

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

(3) Includes resources and other financing from central banks and resources from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non-subordinated debt securities at amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

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

	(Thousands of euros)	
	30 June 2021	30 June 2020 (restated)
Net contribution		
Retail banking in Portugal	103,824	130,305
Companies, Corporate and Investment banking	42,770	(21,557)
Private Banking	9,301	9,695
Foreign business (continuing operations)	(79,469)	49,761
Non-controlling interests ⁽¹⁾	43,372	(22,620)
	119,798	145,584
Income arising from discontinued and discontinuing operations	3,260	3,531
	123,058	149,115
Amounts not allocated to segments		
Net interest income of the bond portfolio	12,531	(30,132)
Net interest income - TLTRO	39,610	7,835
Foreign exchange activity	15,950	48,727
Gains/(losses) arising from sales of subsidiaries and other assets	881	(6,757)
Equity accounted earnings	31,012	40,445
Impairment and other provisions ⁽²⁾	(78,310)	(12,207)
Operational costs ⁽³⁾	(87,190)	(13,240)
Gains on sale of Portuguese public debt	33,827	15,576
Mandatory contributions	(77,221)	(64,199)
Loans sale	(2,574)	(10,830)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss ⁽⁴⁾	(17,817)	(69,813)
Taxes ⁽⁵⁾	16,817	28,592
Non-controlling interests	(401)	(212)
Others ⁽⁶⁾	2,093	(6,942)
Total not allocated to segments	(110,792)	(73,157)
Consolidated net income	12,266	75,958

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, and in Mozambique.

(2) Includes impairments for non-current assets held for sale, impairments for other assets, provisions for administrative infractions, various contingencies and other impairments and/or provisions not allocated to business segments.

(3) Mostly corresponds to restructuring costs recognized in the first semesters of 2021 and 2020.

(4) Includes gains/(losses) from corporate restructuring funds.

(5) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.

(6) It includes other operations not allocated to business segments, namely the financing of non-interest bearing assets and strategic financial investments assets and strategic financial participations.

52. Solvency

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV/CRR).

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted anticipated dividends and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach, goodwill and other intangible assets and the additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value, adjustments related to minimum commitment with collective investments undertakings and insufficient coverage for non-performing exposures. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund and the additional coverage for non-performing exposures, are also deducted, due to SREP (*Supervisory Review and Evaluation Process*) recommendation.

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

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

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for the deferred tax already recorded on the balance sheet of 1 January 2014 and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, which period ends in 2023 and 2021, respectively.

With the IFRS9 introduction the Group has decided to gradually recognise the impacts, according to art^o 473^o-A of CRR.

CRD IV/CRR establishes Pillar 1 capital requirements for CET1, Tier 1 and Total Capital. However, under the scope of SREP, European Central Bank notified BCP about the need to comply with phased-in capital ratios, during 2019, including additional Pillar 2 requirements, O-SII and capital conservation buffer, as following:

2020 Minimum Capital Requirements								
BCP Consolidated	Phased-in	of which:			Fully implemented	of which:		
		Pillar 1	Pillar 2	Buffers		Pillar 1	Pillar 2	Buffers
CET1	8.83%	4.50%	1.27%	3.06%	9.27%	4.50%	1.27%	3.50%
T1	10.75%	6.00%	1.69%	3.06%	11.19%	6.00%	1.69%	3.50%
Total	13.31%	8.00%	2.25%	3.06%	13.75%	8.00%	2.25%	3.50%

The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

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

	(Thousands of euros)	
	30 June 2021	31 December 2020 (restated)
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Ordinary own shares	–	(40)
Reserves and retained earnings	1,114,578	1,067,595
Non-controlling interests eligible to CET1	650,482	688,322
Regulatory adjustments to CET1	(976,479)	(840,058)
	5,530,052	5,657,290
Tier 1		
Capital Instruments	400,000	400,000
Non-controlling interests eligible to AT1	135,730	136,700
	6,065,782	6,193,990
Tier 2		
Subordinated debt	751,659	765,490
Non-controlling interests eligible to Tier 2	309,613	311,573
Other	(39,511)	(58,800)
	1,021,761	1,018,263
Total own funds	7,087,543	7,212,253
RWA - Risk weighted assets		
Credit risk	40,465,702	40,003,475
Market risk	2,789,805	2,322,058
Operational risk	4,014,374	4,014,374
CVA	116,664	73,141
	47,386,545	46,413,048
Capital ratios		
CET1	11.7%	12.2%
Tier 1	12.8%	13.3%
Tier 2	2.2%	2.2%
	15%	15.5%

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

53. Risk Management

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line. Under this scope, the monitoring and control of the main types of financial risks to which the Group's business is subject to - credit, market, liquidity and operational - is particularly relevant.

Main types of risk

Credit - Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market - Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

Liquidity - Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational - Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

Real Estate market - Real Estate market risk is related to the potential loss in which the Bank may incur due to changes in the prices of real estate assets owned by the Group.

Pension fund - Pension fund risk consists in the potential losses in which the Bank may incur due to risk related to the uncertainty about required contributions for defined benefit pension plans or to market rates fluctuations that might cause direct financial losses or indirect in the pension fund's assets.

Business and strategy - The risk related to business and strategy consists in the potential losses due to unpredictable changes in the economic and competitive framework in which the Group develops its activity, changes in the business strategy, risk of depreciation on strategic shareholdings that are out of the consolidation perimeter, and misalignment between IT's structure and the Bank's strategy.

Legal and compliance - Legal and compliance risk is related to losses that the Bank may incur as a result of violations or non-compliance with laws and regulations, encompassing the risk of financial crime (related to violations or non-conformities arising from obligations in matters prevention of money laundering and financing of terrorism), the risk of conduct (related to violations or non-compliance with applicable legislation and regulations in force originating, in particular, from fraud, negligent behaviour or design of products and services), the risk associated with non-compliance with personal data protection and the risk of litigation.

Risk of foreign currency loans conversion in Poland - This risk is related to eventual losses for the Group due to approval of law regarding rules of conversion into zlotys of loans originally based in foreign currency.

Internal organisation

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval of the principles and rules of the highest level to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee and Committee for Risk Assessment, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention and repression of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Group's exposure to credit risk (original exposure) is presented in the following table:

Risk items	(Thousands of euros)	
	30 June 2021	31 December 2020
Central Governments or Central Banks	22,711,064	19,727,771
Regional Governments or Local Authorities	1,233,983	1,262,288
Administrative and non-profit Organisations	482,907	300,668
Multilateral Development Banks	21,728	40,029
Other Credit Institutions	3,239,368	3,134,714
Retail and Corporate customers	71,587,315	69,148,394
Other items (*)	8,695,400	9,269,479
	107,971,765	102,883,343

(*) In addition to positions in equity, collective investment and securitization, the Other items contain other assets subject to credit risk in accordance with Article 134 of the CRR.

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

The evaluation of the risk associated to the loan portfolio and quantification of the respective losses expected, considers the following methodological notes.

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognised stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, it can be applied the substitution principle by replacing the Risk Grade of the client by the Risk Grade of the guarantor, (if the Risk of Grade Degree of the guarantor is better than the client's), when the protection is formalized through:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, there is a recovery agreement of the provider);
- Credit derivatives;
- Formalization of the clause of the contracting party in leasing contracts in which it is an entity that is in a relationship of dominion or group with the lessee.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and before decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices - income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Bank of Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following two methods:

- i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;
- ii) - review of the property value by external valuers, depending on the value of the credit operation, and in accordance with the established standards from ECB and Bank of Portugal.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews with the minimum periodicities in accordance with the Regulation (EU) 575/2013, in the case of offices, commercial spaces, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer, preserving the referred i) above.

For the remaining real estate (land or countryside buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients' assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division - a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee

The following table lists the equivalence between the internal rating levels (Rating Master Scale) and the external ratings of the international rating agencies:

Internal risk grade	External ratings			
	Fitch	S&P	Moody's	DBRS
1	AAA	AAA	Aaa	AAA
1	AA+	AA+	Aa1	AA (high)
2	AA	AA	Aa2	AA
2	AA-	AA-	Aa3	AA (low)
3	A+	A+	A1	A (high)
3	A	A	A2	A
4	A-	A-	A3	A (low)
4	BBB+	BBB+	Baa1	BBB (high)
5	BBB	BBB	Baa2	BBB
6	BBB-	BBB-	Baa3	BBB (low)
7	BB+	BB+	Ba1	BB (high)
8	BB	BB	Ba2	BB
9	BB-	BB-	Ba3	BB (low)
10	B+	B+	B1	B (high)
11	B	B	B2	B
12	≤ B-	≤ B-	≤ B3	≤ B-

c) Impairment and Write-offs

The credit impairment calculation as at 30 June 2021 and 31 December 2020 integrates the general principles defined in International Financial Reporting Standards (IFRS 9) and the guidelines issued by the Bank of Portugal through Circular Letter CC/2018/00000062, in order to align the calculation process used in the Group with the best international practices in this area.

As at 30 June 2021, the financial instruments subject to impairment requirements under IFRS 9, (do not include equity instruments as accounting policy 1.C1.1.2, analysed by stage, are detailed in the following tables:

(Thousands of euros)

Category	30 June 2021				
	Gross exposure				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	671,085	501	—	—	671,586
Loans and advances to customers (note 21)	46,063,475	6,907,444	2,915,584	71,765	55,958,268
Debt instruments (note 22)	8,206,005	128,516	13,904	—	8,348,425
Debt instruments at fair value through other comprehensive income (note 23) (*)	13,848,613	—	1,108	—	13,849,721
Guarantees and other commitments (note 45) (**)	13,853,924	1,614,236	401,967	—	15,870,127
Total	82,643,102	8,650,697	3,332,563	71,765	94,698,127

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments

(Thousands of euros)

Category	30 June 2021				
	Impairment losses				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	161	116	–	–	277
Loans and advances to customers (note 21)	182,496	240,443	1,522,945	17,630	1,963,514
Debt instruments (note 22)	12,249	1,059	4,156	–	17,464
Guarantees and other commitments (note 38)	11,859	7,949	82,778	–	102,586
Total	206,765	249,567	1,609,879	17,630	2,083,841

(Thousands of euros)

Category	30 June 2021				
	Net exposure				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	670,924	385	–	–	671,309
Loans and advances to customers (note 21)	45,880,979	6,667,001	1,392,639	54,135	53,994,754
Debt instruments (note 22)	8,193,756	127,457	9,748	–	8,330,961
Debt instruments at fair value through other comprehensive income (note 23) (*)	13,848,613	–	1,108	–	13,849,721
Guarantees and other commitments (note 45) (**)	13,842,065	1,606,287	319,189	–	15,767,541
Total	82,436,337	8,401,130	1,722,684	54,135	92,614,286

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments.

As at 31 December 2020, the financial instruments subject to impairment requirements under IFRS 9 (do not include equity instruments as accounting policy 1.C1.1.2, analysed by stage, are detailed in the following tables:

(Thousands of euros)

Category	31 December 2020 (restated)					
	Gross exposure					
	Stage 1	Stage 2	Stage 3	POCI	Others (1)	Total
Financial assets at amortised cost						
Loans and advances to credit institutions (note 20)	1,014,782	607	2	–	–	1,015,391
Loans and advances to customers (note 21)	43,702,669	7,179,503	3,188,808	86,357	(98,458)	54,058,879
Debt instruments (note 22)	6,110,703	124,389	15,806	–	–	6,250,898
Debt instruments at fair value through other comprehensive income (note 23) (*)	12,107,432	–	1,097	–	–	12,108,529
Guarantees and other commitments (note 45) (**)	13,406,121	1,992,253	442,214	–	–	15,840,588
Total	76,341,707	9,296,752	3,647,927	86,357	(98,458)	89,274,285

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments.

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

(Thousands of euros)

Category	31 December 2020 (restated)				
	Impairment losses				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	239	64	1	–	304
Loans and advances to customers (note 21)	169,103	247,252	1,607,223	12,944	2,036,522
Debt instruments (note 22)	9,627	802	5,924	–	16,353
Guarantees and other commitments (note 38)	12,360	10,365	81,105	–	103,830
Total	191,329	258,483	1,694,253	12,944	2,157,009

(Thousands of euros)

Category	31 December 2020 (restated)					
	Net exposure					
	Stage 1	Stage 2	Stage 3	POCI	Others (1)	Total
Financial assets at amortised cost						
Loans and advances to credit institutions (note 20)	1,014,543	543	1	–	–	1,015,087
Loans and advances to customers (note 21)	43,533,566	6,932,251	1,581,585	73,413	(98,458)	52,022,357
Debt instruments (note 22)	6,101,076	123,587	9,882	–	–	6,234,545
Debt instruments at fair value through other comprehensive income (note 23) (*)	12,107,432	–	1,097	–	–	12,108,529
Guarantees and other commitments (note 45) (**)	13,393,761	1,981,888	361,109	–	–	15,736,758
Total	76,150,378	9,038,269	1,953,674	73,413	(98,458)	87,117,276

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

The maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

	30 June 2021	31 December 2020 (restated)
Financial assets held for trading (note 23)		
Debt instruments	1,196,717	486,276
Derivatives	555,911	603,644
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 23)	897,044	917,132
Hedging derivatives (note 24)	119,030	158,418
Total	2,768,702	2,165,470

- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value;

- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

During the first semester of 2021, the changes occurred in Loans and advances to customers - gross amount are as follows:

(Thousands of euros)

30 June 2021						
Financial assets at amortised cost - Loans and advances to customers - Gross amount						
	Stage 1	Stage 2	Stage 3	POCI	Others (1)	Total
Gross amount as at 1 January	43,702,669	7,179,503	3,188,808	86,357	(98,458)	54,058,879
Changes in gross book value:						
Transfers from stage 1 to stage 2	(1,277,071)	1,277,071	–	–	–	–
Transfers from stage 1 to stage 3	(100,983)	–	100,983	–	–	–
Transfers from stage 2 to stage 1	1,516,855	(1,516,855)	–	–	–	–
Transfers from stage 2 to stage 3	–	(198,947)	198,947	–	–	–
Transfers from stage 3 to stage 1	19,853	–	(19,853)	–	–	–
Transfers from stage 3 to stage 2	–	74,367	(74,367)	–	–	–
Write-offs	(371)	(1,206)	(91,100)	(2,683)	–	(95,360)
Net balance of new financial assets and derecognised financial assets and other variations	2,202,523	93,511	(387,834)	(11,909)	98,458	1,994,749
Gross amount at the end of the period	46,063,475	6,907,444	2,915,584	71,765	–	55,958,268

(1) Adjustment to the balances of 2020 made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

During the first semester of 2021, the changes occurred in Loans and advances to customers - impairment are as follows:

(Thousands of euros)

30 June 2021					
Financial assets at amortised cost - Loans and advances to customers impairment					
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January	169,103	247,252	1,607,223	12,944	2,036,522
Change in impairment losses:					
Transfer to Stage 1	52,831	(47,327)	(5,502)	(2)	–
Transfer to Stage 2	(8,275)	20,780	(12,505)	–	–
Transfer to Stage 3	(2,059)	(21,672)	23,741	(10)	–
Changes occurred due to changes in credit risk	(47,146)	46,080	160,421	4,135	163,490
Write-offs	(371)	(1,206)	(91,100)	(2,683)	(95,360)
Changes due to new financial assets and derecognised financial assets and other variations	18,413	(3,464)	(159,333)	3,246	(141,138)
Impairment losses at the end of the period	182,496	240,443	1,522,945	17,630	1,963,514

During 2020, the changes occurred in Loans and advances to customers - gross amount are as follows:

(Thousands of euros)

	31 December 2020 (restated)					
	Financial assets at amortised cost - Loans and advances to customers - Gross amount					
	Stage 1	Stage 2	Stage 3	POCI	Others (1)	Total
Gross amount as at 1 January	40,864,110	7,220,484	4,058,116	122,141	–	52,264,851
Changes in gross book value:						
Transfers from stage 1 to stage 2	(1,572,866)	1,572,866	–	–	–	–
Transfers from stage 1 to stage 3	(233,821)	–	233,821	–	–	–
Transfers from stage 2 to stage 1	1,812,445	(1,812,445)	–	–	–	–
Transfers from stage 2 to stage 3	–	(493,640)	493,640	–	–	–
Transfers from stage 3 to stage 1	44,494	–	(44,494)	–	–	–
Transfers from stage 3 to stage 2	–	161,272	(161,272)	–	–	–
Write-offs	(2,055)	(5,936)	(255,651)	(293)	–	(263,935)
Net balance of new financial assets and derecognised financial assets and other variations	2,790,362	536,902	(1,135,352)	(35,491)	(98,458)	2,057,963
Gross amount at the end of the period	43,702,669	7,179,503	3,188,808	86,357	(98,458)	54,058,879

(1) Adjustment to the balances of 2020 made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

During 2020, the changes occurred in Loans and advances to customers - impairment are as follows:

(Thousands of euros)

	31 December 2020 (restated)				
	Financial assets at amortised cost - Loans and advances to customers impairment				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January	94,766	190,878	2,117,756	13,622	2,417,022
Change in impairment losses:					
Transfer to Stage 1	48,668	(32,331)	(16,333)	(4)	–
Transfer to Stage 2	(7,706)	27,165	(19,459)	–	–
Transfer to Stage 3	(3,063)	(27,404)	30,769	(303)	(1)
Changes occurred due to changes in credit risk	(14,031)	53,595	335,250	3,342	378,156
Write-offs	(2,055)	(5,936)	(255,651)	(293)	(263,935)
Changes due to new financial assets and derecognised financial assets and other variations	52,524	41,285	(585,109)	(3,420)	(494,720)
Impairment losses at the end of the period	169,103	247,252	1,607,223	12,944	2,036,522

Financial assets modified during the period that have not resulted in derecognition (with impairment losses based on expected lifetime losses) are analysed as follows:

(Thousands of euros)

	30 June 2021	31 December 2020 (restated)
Financial assets modified		
Amortised cost before changes	142,998	399,379
Impairment losses before changes	(25,783)	(66,421)
Net amortised cost before changes	117,215	332,958
Net gain/loss arising on changes	(1,530)	(14,076)
Net amortised cost after changes	115,685	318,882

The financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime, are analysed as follows:

	(Thousands of euros)
	30 June 2021
	31 December 2020 (restated)
Financial assets changed	
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	40,816
	60,793

As at 30 June 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

	(Thousands of euros)									
	30 June 2021									
Segment	Stage 1	Stage 2			Total	Stage 3			POCI	Total
		No delays	Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days			
Gross Exposure										
Individuals-Mortgage	24,282,925	2,267,647	90,137	48,577	2,406,361	250,824	197,845	448,669	14,464	27,152,419
Individuals-Other	7,571,972	733,650	79,905	38,637	852,192	291,651	345,008	636,659	55,738	9,116,561
Financial Companies	3,036,146	330,294	229	—	330,523	137,072	61,084	198,156	—	3,564,825
Non-financial companies - Corporate	8,597,060	1,028,098	23,175	5	1,051,278	194,146	465,641	659,787	—	10,308,125
Non-financial companies - SME-Corporate	11,325,207	2,207,454	6,890	5,520	2,219,864	794,640	198,852	993,492	688	14,539,251
Non-financial companies -SME-Retail	6,342,385	1,412,371	19,463	10,392	1,442,226	282,677	110,698	393,375	875	8,178,861
Non-financial companies -Other	443,731	83,621	—	—	83,621	165	1,151	1,316	—	528,668
Other loans	7,195,063	263,857	775	—	264,632	—	1	1	—	7,459,696
Total	68,794,489	8,326,992	220,574	103,131	8,650,697	1,951,175	1,380,280	3,331,455	71,765	80,848,406
Impairment										
Individuals-Mortgage	15,964	14,633	1,806	5,012	21,451	44,848	74,233	119,081	2,578	159,074
Individuals-Other	48,222	15,814	10,370	8,960	35,144	122,324	206,852	329,176	15,052	427,594
Financial Companies	3,914	5,924	10	—	5,934	83,232	42,746	125,978	—	135,826
Non-financial companies - Corporate	30,810	21,258	4,252	—	25,510	102,354	340,676	443,030	—	499,350
Non-financial companies - SME-Corporate	72,899	110,140	449	442	111,031	286,834	110,784	397,618	—	581,548
Non-financial companies -SME-Retail	27,290	43,318	2,026	1,888	47,232	135,261	59,651	194,912	—	269,434
Non-financial companies -Other	295	41	—	—	41	83	—	83	—	419
Other loans	7,371	3,223	1	—	3,224	—	1	1	—	10,596
Total	206,765	214,351	18,914	16,302	249,567	774,936	834,943	1,609,879	17,630	2,083,841
Net exposure										
Individuals-Mortgage	24,266,961	2,253,014	88,331	43,565	2,384,910	205,976	123,612	329,588	11,886	26,993,345
Individuals-Other	7,523,750	717,836	69,535	29,677	817,048	169,327	138,156	307,483	40,686	8,688,967
Financial Companies	3,032,232	324,370	219	—	324,589	53,840	18,338	72,178	—	3,428,999
Non-financial companies - Corporate	8,566,250	1,006,840	18,923	5	1,025,768	91,792	124,965	216,757	—	9,808,775
Non-financial companies - SME-Corporate	11,252,308	2,097,314	6,441	5,078	2,108,833	507,806	88,068	595,874	688	13,957,703
Non-financial companies -SME-Retail	6,315,095	1,369,053	17,437	8,504	1,394,994	147,416	51,047	198,463	875	7,909,427
Non-financial companies -Other	443,436	83,580	—	—	83,580	82	1,151	1,233	—	528,249
Other loans	7,187,692	260,634	774	—	261,408	—	—	—	—	7,449,100
Total	68,587,724	8,112,641	201,660	86,829	8,401,130	1,176,239	545,337	1,721,576	54,135	78,764,565
% of impairment coverage										
Individuals-Mortgage	0.07%	0.65%	2.00%	10.32%	0.89%	17.88%	37.52%	26.54%	17.82%	0.59%
Individuals-Other	0.64%	2.16%	12.98%	23.19%	4.12%	41.94%	59.96%	51.70%	27.00%	4.69%
Financial Companies	0.13%	1.79%	4.37%	0.00%	1.80%	60.72%	69.98%	63.58%	0.00%	3.81%
Non-financial companies - Corporate	0.36%	2.07%	18.35%	0.00%	2.43%	52.72%	73.16%	67.15%	0.00%	4.84%
Non-financial companies - SME-Corporate	0.64%	4.99%	6.52%	8.01%	5.00%	36.10%	55.71%	40.02%	0.00%	4.00%
Non-financial companies -SME-Retail	0.43%	3.07%	10.41%	18.17%	3.27%	47.85%	53.89%	49.55%	0.00%	3.29%
Non-financial companies -Other	0.07%	0.05%	0.00%	0.00%	0.05%	50.30%	0.00%	6.31%	0.00%	0.08%
Other loans	0.10%	1.22%	0.13%	0.00%	1.22%	0.00%	100.00%	100.00%	0.00%	0.14%
Total	0.30%	2.57%	8.57%	15.81%	2.88%	39.72%	60.49%	48.32%	24.57%	2.58%

As at 30 June 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

Sector of activity	30 June 2021									
	Stage 1	Stage 2			Total	Stage 3			POCI	Total
		No delays	Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days			
Gross Exposure										
Loans to individuals	31,854,897	3,001,297	170,042	87,214	3,258,553	542,475	542,853	1,085,328	70,202	36,268,980
Non-financial companies - Trade	5,418,212	793,338	8,020	1,830	803,188	82,705	68,839	151,544	63	6,373,007
Non-financial companies - Construction	2,149,007	674,056	2,362	1,306	677,724	291,225	40,990	332,215	43	3,158,989
Non-financial companies - Manufacturing industries	5,829,245	728,741	8,994	5,138	742,873	137,457	120,167	257,624	55	6,829,797
Non-financial companies -Other activities	1,795,008	298,154	639	1,091	299,884	195,626	77,882	273,508	3	2,368,403
Non-financial companies - Other services	11,516,911	2,237,255	29,513	6,552	2,273,320	564,615	468,464	1,033,079	1,399	14,824,709
Other Services /Other activities	10,231,209	594,151	1,004	—	595,155	137,072	61,085	198,157	—	11,024,521
Total	68,794,489	8,326,992	220,574	103,131	8,650,697	1,951,175	1,380,280	3,331,455	71,765	80,848,406
Impairment										
Loans to individuals	64,186	30,447	12,176	13,972	56,595	167,172	281,085	448,257	17,630	586,668
Non-financial companies - Trade	24,018	21,102	553	322	21,977	35,827	40,401	76,228	—	122,223
Non-financial companies - Construction	11,167	11,525	351	338	12,214	67,368	29,826	97,194	—	120,575
Non-financial companies - Manufacturing industries	28,770	19,868	672	420	20,960	47,896	51,937	99,833	—	149,563
Non-financial companies -Other activities	7,205	11,104	109	107	11,320	102,549	38,292	140,841	—	159,366
Non-financial companies - Other services	60,134	111,158	5,042	1,143	117,343	270,892	350,655	621,547	—	799,024
Other Services /Other activities	11,285	9,147	11	—	9,158	83,232	42,747	125,979	—	146,422
Total	206,765	214,351	18,914	16,302	249,567	774,936	834,943	1,609,879	17,630	2,083,841
Net exposure										
Loans to individuals	31,790,711	2,970,850	157,866	73,242	3,201,958	375,303	261,768	637,071	52,572	35,682,312
Non-financial companies - Trade	5,394,194	772,236	7,467	1,508	781,211	46,878	28,438	75,316	63	6,250,784
Non-financial companies - Construction	2,137,840	662,531	2,011	968	665,510	223,857	11,164	235,021	43	3,038,414
Non-financial companies - Manufacturing industries	5,800,475	708,873	8,322	4,718	721,913	89,561	68,230	157,791	55	6,680,234
Non-financial companies -Other activities	1,787,803	287,050	530	984	288,564	93,077	39,590	132,667	3	2,209,037
Non-financial companies - Other services	11,456,777	2,126,097	24,471	5,409	2,155,977	293,723	117,809	411,532	1,399	14,025,685
Other Services /Other activities	10,219,924	585,004	993	—	585,997	53,840	18,338	72,178	—	10,878,099
Total	68,587,724	8,112,641	201,660	86,829	8,401,130	1,176,239	545,337	1,721,576	54,135	78,764,565
% of impairment coverage										
Loans to individuals	0.20%	1.01%	7.16%	16.02%	1.74%	30.82%	51.78%	41.30%	25.11%	1.62%
Non-financial companies - Trade	0.44%	2.66%	6.90%	17.60%	2.74%	43.32%	58.69%	50.30%	0.00%	1.92%
Non-financial companies - Construction	0.52%	1.71%	14.86%	25.88%	1.80%	23.13%	72.76%	29.26%	0.00%	3.82%
Non-financial companies - Manufacturing industries	0.49%	2.73%	7.47%	8.17%	2.82%	34.84%	43.22%	38.75%	0.00%	2.19%
Non-financial companies -Other activities	0.40%	3.72%	17.06%	9.81%	3.77%	52.42%	49.17%	51.49%	0.00%	6.73%
Non-financial companies - Other services	0.52%	4.97%	17.08%	17.45%	5.16%	47.98%	74.85%	60.16%	0.00%	5.39%
Other Services /Other activities	0.11%	1.54%	1.10%	0.00%	1.54%	60.72%	69.98%	63.58%	0.00%	1.33%
Total	0.30%	2.57%	8.57%	15.81%	2.88%	39.72%	60.49%	48.32%	24.57%	2.58%

As at 30 June 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

Geography	30 June 2021									
	Stage 2					Stage 3				
	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Portugal	48,249,380	7,157,560	146,252	53,505	7,357,317	1,586,629	912,362	2,498,991	2,991	58,108,679
Poland	18,388,006	738,607	73,062	47,509	859,178	354,815	382,076	736,891	68,774	20,052,849
Mozambique	1,548,103	430,825	1,260	2,117	434,202	9,731	85,842	95,573	–	2,077,878
Switzerland	609,000	–	–	–	–	–	–	–	–	609,000
Total	68,794,489	8,326,992	220,574	103,131	8,650,697	1,951,175	1,380,280	3,331,455	71,765	80,848,406
Impairment										
Portugal	112,978	185,436	8,155	4,209	197,800	630,866	565,597	1,196,463	–	1,507,241
Poland	87,671	25,062	10,611	11,735	47,408	140,622	232,697	373,319	17,630	526,028
Mozambique	5,753	3,853	148	358	4,359	3,448	36,649	40,097	–	50,209
Switzerland	363	–	–	–	–	–	–	–	–	363
Total	206,765	214,351	18,914	16,302	249,567	774,936	834,943	1,609,879	17,630	2,083,841
Net exposure										
Portugal	48,136,402	6,972,124	138,097	49,296	7,159,517	955,763	346,765	1,302,528	2,991	56,601,438
Poland	18,300,335	713,545	62,451	35,774	811,770	214,193	149,379	363,572	51,144	19,526,821
Mozambique	1,542,350	426,972	1,112	1,759	429,843	6,283	49,193	55,476	–	2,027,669
Switzerland	608,637	–	–	–	–	–	–	–	–	608,637
Total	68,587,724	8,112,641	201,660	86,829	8,401,130	1,176,239	545,337	1,721,576	54,135	78,764,565
% of impairment coverage										
Portugal	0.23%	2.59%	5.58%	7.87%	2.69%	39.76%	61.99%	47.88%	0.00%	2.59%
Poland	0.48%	3.39%	14.52%	24.70%	5.52%	39.63%	60.90%	50.66%	25.63%	2.62%
Mozambique	0.37%	0.89%	11.75%	16.91%	1.00%	35.43%	42.69%	41.95%	0.00%	2.42%
Switzerland	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%
Total	0.30%	2.57%	8.57%	15.81%	2.88%	39.72%	60.49%	48.32%	24.57%	2.58%

As at 30 June 2021, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	30 June 2021								
	Gross Exposure						Total	Impairment losses	Net exposure
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)				
Financial assets at amortised cost									
stage 1	38,648,430	10,010,623	3,280,922	2,037	1,044,552	52,986,564	189,331	52,797,233	
stage 2	1,277,657	1,799,950	2,907,509	277,749	421,821	6,684,686	237,789	6,446,897	
stage 3	–	–	–	2,834,930	484	2,835,414	1,487,057	1,348,357	
POCI	3,361	2,569	1,661	64,174	–	71,765	17,630	54,135	
	39,929,448	11,813,142	6,190,092	3,178,890	1,466,857	62,578,429	1,931,807	60,646,622	
Debt instruments at fair value through other comprehensive income (*)									
stage 1	13,313,040	159,897	–	–	283,569	13,756,506	–	13,756,506	
stage 3	–	–	–	–	1,108	1,108	–	1,108	
	13,313,040	159,897	–	–	284,677	13,757,614	–	13,757,614	
Guarantees and other commitments (**)									
stage 1	8,423,273	3,668,391	1,226,388	79	332,691	13,650,822	11,318	13,639,504	
stage 2	195,960	429,066	687,855	36,192	182,736	1,531,809	7,419	1,524,390	
stage 3	–	–	–	400,468	–	400,468	82,725	317,743	
	8,619,233	4,097,457	1,914,243	436,739	515,427	15,583,099	101,462	15,481,637	
Total	61,861,721	16,070,496	8,104,335	3,615,629	2,266,961	91,919,142	2,033,269	89,885,873	

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 45.

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

Segment	31 December 2020 (restated)											
	Stage 1	Stage 2			Total	Stage 3			Total	POCI	Others (1)	Total
		No delays	Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days					
Gross Exposure												
Individuals-Mortgage	23,196,850	2,257,027	94,230	49,833	2,401,090	245,446	238,996	484,442	14,805	(98,458)	25,998,729	
Individuals-Other	7,705,016	723,194	84,846	37,072	845,112	304,008	382,718	686,726	71,552	–	9,308,406	
Financial Companies	2,968,646	456,900	37	1	456,938	145,907	90,861	236,768	–	–	3,662,352	
Non-financial companies - Corporate	8,801,863	1,152,447	2,307	47	1,154,801	204,045	547,859	751,904	–	–	10,708,568	
Non-financial companies - SME-Corporate	10,547,907	2,694,779	5,149	1,187	2,701,115	816,135	244,154	1,060,289	–	–	14,309,311	
Non-financial companies - SME-Retail	5,459,793	1,418,540	14,916	3,672	1,437,128	269,042	156,306	425,348	–	–	7,322,269	
Non-financial companies - Other	402,483	75,951	–	–	75,951	147	1,205	1,352	–	–	479,786	
Other loans	5,151,717	224,617	–	–	224,617	–	1	1	–	–	5,376,335	
Total	64,234,275	9,003,455	201,485	91,812	9,296,752	1,984,730	1,662,100	3,646,830	86,357	(98,458)	77,165,756	
Impairment												
Individuals-Mortgage	13,165	22,645	2,853	4,813	30,311	27,429	67,084	94,513	1,395	–	139,384	
Individuals-Other	49,118	25,156	14,197	9,188	48,541	124,521	216,529	341,050	11,549	–	450,258	
Financial Companies	3,398	6,440	4	–	6,444	124,059	66,087	190,146	–	–	199,988	
Non-financial companies - Corporate	30,883	27,546	124	–	27,670	98,921	353,691	452,612	–	–	511,165	
Non-financial companies - SME-Corporate	50,193	94,396	573	239	95,208	274,732	141,442	416,174	–	–	561,575	
Non-financial companies - SME-Retail	38,767	43,623	1,984	957	46,564	120,207	79,296	199,503	–	–	284,834	
Non-financial companies - Other	277	61	–	–	61	74	180	254	–	–	592	
Other loans	5,528	3,684	–	–	3,684	–	1	1	–	–	9,213	
Total	191,329	223,551	19,735	15,197	258,483	769,943	924,310	1,694,253	12,944	–	2,157,009	
Net exposure												
Individuals-Mortgage	23,183,685	2,234,382	91,377	45,020	2,370,779	218,017	171,912	389,929	13,410	(98,458)	25,859,345	
Individuals-Other	7,655,898	698,038	70,649	27,884	796,571	179,487	166,189	345,676	60,003	–	8,858,148	
Financial Companies	2,965,248	450,460	33	1	450,494	21,848	24,774	46,622	–	–	3,462,364	
Non-financial companies - Corporate	8,770,980	1,124,901	2,183	47	1,127,131	105,124	194,168	299,292	–	–	10,197,403	
Non-financial companies - SME-Corporate	10,497,714	2,600,383	4,576	948	2,605,907	541,403	102,712	644,115	–	–	13,747,736	
Non-financial companies - SME-Retail	5,421,026	1,374,917	12,932	2,715	1,390,564	148,835	77,010	225,845	–	–	7,037,435	
Non-financial companies - Other	402,206	75,890	–	–	75,890	73	1,025	1,098	–	–	479,194	
Other loans	5,146,189	220,933	–	–	220,933	–	–	–	–	–	5,367,122	
Total	64,042,946	8,779,904	181,750	76,615	9,038,269	1,214,787	737,790	1,952,577	73,413	(98,458)	75,008,747	
% of impairment coverage												
Individuals-Mortgage	0.06%	1.00%	3.03%	9.66%	1.26%	11.18%	28.07%	19.51%	9.42%	0.00%	0.53%	
Individuals-Other	0.64%	3.48%	16.73%	24.78%	5.74%	40.96%	56.58%	49.66%	16.14%	0.00%	4.84%	
Financial Companies	0.11%	1.41%	10.81%	0.00%	1.41%	85.03%	72.73%	80.31%	0.00%	0.00%	5.46%	
Non-financial companies - Corporate	0.35%	2.39%	5.37%	0.00%	2.40%	48.48%	64.56%	60.20%	0.00%	0.00%	4.77%	
Non-financial companies - SME-Corporate	0.48%	3.50%	11.13%	20.13%	3.52%	33.66%	57.93%	39.25%	0.00%	0.00%	3.92%	
Non-financial companies - SME-Retail	0.71%	3.08%	13.30%	26.06%	3.24%	44.68%	50.73%	46.90%	0.00%	0.00%	3.89%	
Non-financial companies - Other	0.07%	0.08%	0.00%	0.00%	0.08%	50.34%	14.94%	18.79%	0.00%	0.00%	0.12%	
Other loans	0.11%	1.64%	0.00%	0.00%	1.64%	0.00%	100.00%	100.00%	0.00%	0.00%	0.17%	
Total	0.30%	2.48%	9.79%	16.55%	2.78%	38.79%	55.61%	46.46%	14.99%	0.00%	2.79%	

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

Sector of activity	31 December 2020 (restated)										
	Stage 1	Stage 2			Total	Stage 3			POCI	Others (1)	Total
		No delays	Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days				
Gross Exposure											
Loans to individuals	30,901,866	2,980,221	179,076	86,905	3,246,202	549,454	621,714	1,171,168	86,357	(98,458)	35,307,135
Non-financial companies - Trade	5,106,487	945,505	5,049	1,044	951,598	117,856	87,538	205,394	—	—	6,263,479
Non-financial companies - Construction	2,035,530	742,594	2,774	267	745,635	401,024	90,589	491,613	—	—	3,272,778
Non-financial companies - Manufacturing industries	5,415,350	975,671	5,469	1,188	982,328	161,262	150,996	312,258	—	—	6,709,936
Non-financial companies - Other activities	1,655,621	453,003	313	39	453,355	162,499	78,834	241,333	—	—	2,350,309
Non-financial companies - Other services	10,999,058	2,224,944	8,767	2,368	2,236,079	446,728	541,567	988,295	—	—	14,223,432
Other Services /Other activities	8,120,363	681,517	37	1	681,555	145,907	90,862	236,769	—	—	9,038,687
Total	64,234,275	9,003,455	201,485	91,812	9,296,752	1,984,730	1,662,100	3,646,830	86,357	(98,458)	77,165,756
Impairment											
Loans to individuals	62,283	47,801	17,050	14,001	78,852	151,950	283,613	435,563	12,944	—	589,642
Non-financial companies - Trade	20,798	27,464	501	241	28,206	42,532	54,330	96,862	—	—	145,866
Non-financial companies - Construction	10,292	16,764	596	96	17,456	115,730	45,112	160,842	—	—	188,590
Non-financial companies - Manufacturing industries	22,959	27,309	459	251	28,019	58,793	66,177	124,970	—	—	175,948
Non-financial companies - Other activities	5,977	13,602	64	14	13,680	84,627	36,758	121,385	—	—	141,042
Non-financial companies - Other services	60,094	80,487	1,061	594	82,142	192,252	372,232	564,484	—	—	706,720
Other Services /Other activities	8,926	10,124	4	—	10,128	124,059	66,088	190,147	—	—	209,201
Total	191,329	223,551	19,735	15,197	258,483	769,943	924,310	1,694,253	12,944	—	2,157,009
Net exposure											
Loans to individuals	30,839,583	2,932,420	162,026	72,904	3,167,350	397,504	338,101	735,605	73,413	(98,458)	34,717,493
Non-financial companies - Trade	5,085,689	918,041	4,548	803	923,392	75,324	33,208	108,532	—	—	6,117,613
Non-financial companies - Construction	2,025,238	725,830	2,178	171	728,179	285,294	45,477	330,771	—	—	3,084,188
Non-financial companies - Manufacturing industries	5,392,391	948,362	5,010	937	954,309	102,469	84,819	187,288	—	—	6,533,988
Non-financial companies - Other activities	1,649,644	439,401	249	25	439,675	77,872	42,076	119,948	—	—	2,209,267
Non-financial companies - Other services	10,938,964	2,144,457	7,706	1,774	2,153,937	254,476	169,335	423,811	—	—	13,516,712
Other Services /Other activities	8,111,437	671,393	33	1	671,427	21,848	24,774	46,622	—	—	8,829,486
Total	64,042,946	8,779,904	181,750	76,615	9,038,269	1,214,787	737,790	1,952,577	73,413	(98,458)	75,008,747
% of impairment coverage											
Loans to individuals	0.20%	1.60%	9.52%	16.11%	2.43%	27.65%	45.62%	37.19%	14.99%	0.00%	1.67%
Non-financial companies - Trade	0.41%	2.90%	9.92%	23.08%	2.96%	36.09%	62.06%	47.16%	0.00%	0.00%	2.33%
Non-financial companies - Construction	0.51%	2.26%	21.49%	35.96%	2.34%	28.86%	49.80%	32.72%	0.00%	0.00%	5.76%
Non-financial companies - Manufacturing industries	0.42%	2.80%	8.39%	21.13%	2.85%	36.46%	43.83%	40.02%	0.00%	0.00%	2.62%
Non-financial companies - Other activities	0.36%	3.00%	20.45%	35.90%	3.02%	52.08%	46.63%	50.30%	0.00%	0.00%	6.00%
Non-financial companies - Other services	0.55%	3.62%	12.10%	25.08%	3.67%	43.04%	68.73%	57.12%	0.00%	0.00%	4.97%
Other Services /Other activities	0.11%	1.49%	10.81%	0.00%	1.49%	85.03%	72.73%	80.31%	0.00%	0.00%	2.31%
Total	0.30%	2.48%	9.79%	16.55%	2.78%	38.79%	55.61%	46.46%	14.99%	0.00%	2.79%

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

Geography	31 December 2020 (restated)										
	Stage 1	Stage 2			Total	Stage 3			POCI	Others (1)	Total
		No delays	Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days	Total			
Gross Exposure											
Portugal	44,618,624	7,707,417	112,588	41,646	7,861,651	1,612,021	1,192,577	2,804,598	—	—	55,284,873
Poland	17,783,876	895,734	87,765	49,036	1,032,535	354,957	390,278	745,235	86,357	(98,458)	19,549,545
Mozambique	1,293,747	400,304	1,132	1,130	402,566	17,752	79,245	96,997	—	—	1,793,310
Switzerland	538,028	—	—	—	—	—	—	—	—	—	538,028
Total	64,234,275	9,003,455	201,485	91,812	9,296,752	1,984,730	1,662,100	3,646,830	86,357	(98,458)	77,165,756
Impairment											
Portugal	99,092	181,637	3,690	1,738	187,065	626,580	670,115	1,296,695	—	—	1,582,852
Poland	87,204	37,152	15,869	13,255	66,276	140,106	225,096	365,202	12,944	—	531,626
Mozambique	4,665	4,762	176	204	5,142	3,257	29,099	32,356	—	—	42,163
Switzerland	368	—	—	—	—	—	—	—	—	—	368
Total	191,329	223,551	19,735	15,197	258,483	769,943	924,310	1,694,253	12,944	—	2,157,009
Net exposure											
Portugal	44,519,532	7,525,780	108,898	39,908	7,674,586	985,441	522,462	1,507,903	—	—	53,702,021
Poland	17,696,672	858,582	71,896	35,781	966,259	214,851	165,182	380,033	73,413	(98,458)	19,017,919
Mozambique	1,289,082	395,542	956	926	397,424	14,495	50,146	64,641	—	—	1,751,147
Switzerland	537,660	—	—	—	—	—	—	—	—	—	537,660
Total	64,042,946	8,779,904	181,750	76,615	9,038,269	1,214,787	737,790	1,952,577	73,413	(98,458)	75,008,747
% of impairment coverage											
Portugal	0.22%	2.36%	3.28%	4.17%	2.38%	38.87%	56.19%	46.23%	0.00%	0.00%	2.86%
Poland	0.49%	4.15%	18.08%	27.03%	6.42%	39.47%	57.68%	49.00%	14.99%	0.00%	2.71%
Mozambique	0.36%	1.19%	15.55%	18.05%	1.28%	18.35%	36.72%	33.36%	0.00%	0.00%	2.35%
Switzerland	0.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%
Total	0.30%	2.48%	9.79%	16.55%	2.78%	38.79%	55.61%	46.46%	14.99%	0.00%	2.79%

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

As at 31 December 2020, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	31 December 2020 (restated)								
	Gross Exposure						Total	Impairment losses	Net exposure
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)				
Financial assets at amortised cost									
stage 1	35,163,115	9,748,672	3,228,850	2,355	1,026,840	49,169,832	174,692	48,995,140	
stage 2	1,136,115	1,765,025	3,268,355	310,673	526,804	7,006,972	243,730	6,763,242	
stage 3	—	—	—	3,115,272	1,876	3,117,148	1,582,024	1,535,124	
POCI	2,570	2,883	1,728	79,175	1	86,357	12,944	73,413	
Others ⁽¹⁾	—	—	—	—	—	(98,458)	—	(98,458)	
	36,301,800	11,516,580	6,498,933	3,507,475	1,555,521	59,281,851	2,013,390	57,268,461	
Debt instruments at fair value through other comprehensive income (*)									
stage 1	11,866,921	104,997	—	—	77,587	12,049,505	—	12,049,505	
stage 3	—	—	—	—	1,097	1,097	—	1,097	
	11,866,921	104,997	—	—	78,684	12,050,602	—	12,050,602	
Guarantees and other commitments (**)									
stage 1	8,072,817	3,604,506	1,201,615	40	353,690	13,232,668	11,604	13,221,064	
stage 2	372,803	562,311	676,210	56,905	218,985	1,887,214	9,611	1,877,603	
stage 3	—	—	—	432,685	—	432,685	79,873	352,812	
	8,445,620	4,166,817	1,877,825	489,630	572,675	15,552,567	101,088	15,451,479	
Total	56,614,341	15,788,394	8,376,758	3,997,105	2,206,880	86,885,020	2,114,478	84,770,542	

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 45.

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

As at 30 June 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment, by sector of activity and by geography, are presented in the following tables:

(Thousands of euros)

Segment	30 June 2021					
	Gross Exposure			Impairment losses		
	Individual	Collective	Total	Individual	Collective	Total
Individuals - Mortgage	26,032	27,126,387	27,152,419	8,875	150,199	159,074
Individuals - Other	94,202	9,022,359	9,116,561	23,945	403,649	427,594
Financial Companies	186,856	3,377,969	3,564,825	125,847	9,979	135,826
Non-financial companies - Corporate	644,324	9,663,801	10,308,125	435,953	63,397	499,350
Non-financial companies - SME - Corporate	800,192	13,739,059	14,539,251	355,339	226,209	581,548
Non-financial companies -SME - Retail	222,965	7,955,896	8,178,861	124,007	145,427	269,434
Non-financial companies - Other	166	528,502	528,668	83	336	419
Other loans	–	7,459,696	7,459,696	–	10,596	10,596
Total	1,974,737	78,873,669	80,848,406	1,074,049	1,009,792	2,083,841

(Thousands of euros)

Sector of activity	30 June 2021					
	Gross Exposure			Impairment losses		
	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	120,234	36,148,746	36,268,980	32,820	553,848	586,668
Non-financial companies - Trade	69,476	6,303,531	6,373,007	43,646	78,577	122,223
Non-financial companies - Construction	226,603	2,932,386	3,158,989	76,674	43,901	120,575
Non financial companies - Manufacturing industry	181,201	6,648,596	6,829,797	76,410	73,153	149,563
Non-financial companies - Other activities	253,847	2,114,556	2,368,403	135,157	24,209	159,366
Non-financial companies - Other services	936,520	13,888,189	14,824,709	583,495	215,529	799,024
Other Services /Other activities	186,856	10,837,665	11,024,521	125,847	20,575	146,422
Total	1,974,737	78,873,669	80,848,406	1,074,049	1,009,792	2,083,841

(Thousands of euros)

Geography	30 June 2021					
	Gross Exposure			Impairment losses		
	Individual	Collective	Total	Individual	Collective	Total
Portugal	1,719,979	56,388,700	58,108,679	980,687	526,554	1,507,241
Poland	177,096	19,875,753	20,052,849	59,480	466,548	526,028
Mozambique	77,662	2,000,216	2,077,878	33,882	16,327	50,209
Switzerland	–	609,000	609,000	–	363	363
Total	1,974,737	78,873,669	80,848,406	1,074,049	1,009,792	2,083,841

The columns Gross exposure and Collective impairment losses include loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment, by sector of activity and by geography, are presented in the following tables:

(Thousands of euros)

Segment	31 December 2020 (restated)						
	Gross Exposure				Impairment losses		
	Individual	Collective	Others ⁽¹⁾	Total	Individual	Collective	Total
Individuals - Mortgage	27,029	26,070,158	(98,458)	25,998,729	9,168	130,216	139,384
Individuals - Other	114,561	9,193,845	–	9,308,406	34,298	415,960	450,258
Financial Companies	223,808	3,438,544	–	3,662,352	189,757	10,231	199,988
Non-financial companies - Corporate	726,992	9,981,576	–	10,708,568	444,566	66,599	511,165
Non-financial companies - SME - Corporate	842,456	13,466,855	–	14,309,311	373,935	187,640	561,575
Non-financial companies - SME - Retail	211,864	7,110,405	–	7,322,269	119,019	165,815	284,834
Non-financial companies - Other	1,313	478,473	–	479,786	226	366	592
Other loans	–	5,376,335	–	5,376,335	–	9,213	9,213
Total	2,148,023	75,116,191	(98,458)	77,165,756	1,170,969	986,040	2,157,009

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

(Thousands of euros)

Sector of activity	31 December 2020 (restated)						
	Gross Exposure				Impairment losses		
	Individual	Collective	Others ⁽¹⁾	Total	Individual	Collective	Total
Loans to individuals	141,590	35,264,003	(98,458)	35,307,135	43,466	546,176	589,642
Non-financial companies - Trade	116,516	6,146,963	–	6,263,479	63,083	82,783	145,866
Non-financial companies - Construction	365,367	2,907,411	–	3,272,778	137,254	51,336	188,590
Non-financial companies - Manufacturing industry	212,034	6,497,902	–	6,709,936	96,352	79,596	175,948
Non-financial companies - Other activities	211,532	2,138,777	–	2,350,309	115,615	25,427	141,042
Non-financial companies - Other services	877,176	13,346,256	–	14,223,432	525,442	181,278	706,720
Other Services /Other activities	223,808	8,814,879	–	9,038,687	189,757	19,444	209,201
Total	2,148,023	75,116,191	(98,458)	77,165,756	1,170,969	986,040	2,157,009

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

(Thousands of euros)

Geography	31 December 2020 (restated)						
	Gross Exposure				Impairment losses		
	Individual	Collective	Others ⁽¹⁾	Total	Individual	Collective	Total
Portugal	1,855,583	53,429,290	–	55,284,873	1,062,714	520,138	1,582,852
Poland	218,477	19,429,526	(98,458)	19,549,545	79,616	452,010	531,626
Mozambique	73,963	1,719,347	–	1,793,310	28,639	13,524	42,163
Switzerland	–	538,028	–	538,028	–	368	368
Total	2,148,023	75,116,191	(98,458)	77,165,756	1,170,969	986,040	2,157,009

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

The columns Gross exposure and Collective impairment losses include loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

As at 30 June 2021, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

Year of production	30 June 2021					Total
	Construction and CRE	Companies - Other Activities	Mortgage loans	Individuals - Other	Other loans	
2011 and previous						
Number of operations	17,059	28,547	327,743	720,607	321	1,094,277
Value (Euros '000)	1,063,155	3,839,622	12,512,217	1,268,973	74,715	18,758,682
Impairment constituted (Euros '000)	67,707	78,739	127,838	24,198	1,074	299,556
2012						
Number of operations	1,269	3,928	11,914	106,898	207	124,216
Value (Euros '000)	86,945	226,511	433,731	151,857	11,362	910,406
Impairment constituted (Euros '000)	2,711	4,999	5,950	5,049	28	18,737
2013						
Number of operations	1,761	5,181	11,818	113,487	38	132,285
Value (Euros '000)	89,075	677,998	478,252	160,109	10,961	1,416,395
Impairment constituted (Euros '000)	4,295	27,845	7,002	7,128	4,583	50,853
2014						
Number of operations	1,812	6,860	10,270	128,506	111	147,559
Value (Euros '000)	110,975	673,409	456,040	183,485	217,248	1,641,157
Impairment constituted (Euros '000)	3,826	45,594	5,216	10,360	1,171	66,167
2015						
Number of operations	2,533	9,421	12,655	175,765	180	200,554
Value (Euros '000)	131,586	1,016,705	644,295	279,955	80,526	2,153,067
Impairment constituted (Euros '000)	2,873	40,203	4,811	19,650	15,570	83,107
2016						
Number of operations	3,011	13,830	14,463	205,094	146	236,544
Value (Euros '000)	185,772	1,670,907	771,952	415,184	28,317	3,072,132
Impairment constituted (Euros '000)	9,834	130,919	4,619	32,684	351	178,407
2017						
Number of operations	4,043	18,684	23,514	224,683	194	271,118
Value (Euros '000)	323,024	1,811,408	1,496,408	509,639	60,607	4,201,086
Impairment constituted (Euros '000)	6,174	23,680	5,931	37,251	734	73,770
2018						
Number of operations	7,422	31,510	30,659	396,489	328	466,408
Value (Euros '000)	893,796	3,018,865	2,260,950	1,040,431	387,392	7,601,434
Impairment constituted (Euros '000)	10,085	48,926	5,872	63,395	1,715	129,993
2019						
Number of operations	10,940	37,880	34,570	764,608	372	848,370
Value (Euros '000)	1,158,329	3,242,237	2,728,551	1,792,913	239,739	9,161,769
Impairment constituted (Euros '000)	11,744	68,047	4,028	88,723	2,847	175,389
2020						
Number of operations	12,035	45,072	40,274	554,894	675	652,950
Value (Euros '000)	1,845,640	6,033,690	3,243,198	1,458,698	491,668	13,072,894
Impairment constituted (Euros '000)	16,276	81,161	5,079	42,140	2,428	147,084
2021						
Number of operations	8,682	86,931	27,606	586,890	4,827	714,936
Value (Euros '000)	850,226	4,858,356	2,412,970	1,262,287	328,506	9,712,345
Impairment constituted (Euros '000)	7,549	89,663	5,568	19,084	1,892	123,756
Total						
Number of operations	70,567	287,844	545,486	3,977,921	7,399	4,889,217
Value (Euros '000)	6,738,523	27,069,708	27,438,564	8,523,531	1,931,041	71,701,367
Impairment constituted (Euros '000)	143,074	639,776	181,914	349,662	32,393	1,346,819

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2020, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

Year of production	31 December 2020 (restated)					Total
	Construction and CRE	Companies - Other Activities	Mortgage loans	Individuals - Other	Other loans	
2010 and previous						
Number of operations	16,767	26,597	324,767	673,562	634	1,042,327
Value (Euros '000)	1,068,622	3,793,513	12,886,339	1,140,256	73,823	18,962,553
Impairment constituted (Euros '000)	71,273	90,991	119,375	26,259	675	308,573
2011						
Number of operations	1,510	3,980	14,140	106,248	16	125,894
Value (Euros '000)	69,455	241,433	561,325	172,819	3,959	1,048,991
Impairment constituted (Euros '000)	7,017	8,549	4,680	4,201	39	24,486
2012						
Number of operations	1,381	4,320	12,335	112,410	200	130,646
Value (Euros '000)	89,788	239,830	450,555	157,067	11,746	948,986
Impairment constituted (Euros '000)	3,752	7,302	5,856	5,302	12	22,224
2013						
Number of operations	1,934	5,636	12,332	122,150	33	142,085
Value (Euros '000)	95,288	725,594	500,758	168,380	9,832	1,499,852
Impairment constituted (Euros '000)	5,138	30,095	6,748	7,398	4,296	53,675
2014						
Number of operations	2,008	7,479	10,727	141,894	115	162,223
Value (Euros '000)	114,841	772,668	478,551	197,259	230,082	1,793,401
Impairment constituted (Euros '000)	5,008	44,559	5,149	11,017	432	66,165
2015						
Number of operations	2,848	10,829	13,168	193,971	179	220,995
Value (Euros '000)	150,370	1,151,841	670,555	316,507	59,311	2,348,584
Impairment constituted (Euros '000)	5,471	47,097	4,426	21,971	8,464	87,429
2016						
Number of operations	3,472	16,227	15,000	235,919	162	270,780
Value (Euros '000)	221,374	1,717,428	803,036	479,839	36,189	3,257,866
Impairment constituted (Euros '000)	11,849	104,871	4,572	35,178	1,816	158,286
2017						
Number of operations	4,472	21,166	24,438	247,818	193	298,087
Value (Euros '000)	364,260	2,057,156	1,563,829	587,943	88,347	4,661,535
Impairment constituted (Euros '000)	6,993	38,347	5,401	39,675	1,234	91,650
2018						
Number of operations	8,189	35,046	31,732	444,697	328	519,992
Value (Euros '000)	1,005,812	3,279,224	2,352,367	1,191,363	436,245	8,265,011
Impairment constituted (Euros '000)	11,726	49,171	5,364	63,291	4,480	134,032
2019						
Number of operations	11,730	40,469	35,600	870,741	368	958,908
Value (Euros '000)	1,289,453	3,536,024	2,827,566	2,068,071	262,031	9,983,145
Impairment constituted (Euros '000)	14,178	104,468	3,206	79,571	1,869	203,292
2020						
Number of operations	16,363	112,733	41,298	806,233	3,758	980,385
Value (Euros '000)	2,199,757	8,758,730	3,311,281	1,864,062	533,921	16,667,751
Impairment constituted (Euros '000)	21,343	112,625	9,788	45,319	1,926	191,001
Total						
Number of operations	70,674	284,482	535,537	3,955,643	5,986	4,852,322
Value (Euros '000)	6,669,020	26,273,441	26,406,162	8,343,566	1,745,486	69,437,675
Impairment constituted (Euros '000)	163,748	638,075	174,565	339,182	25,243	1,340,813

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

The following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loan's portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

30 June 2021						
Fair Value	Construction and CRE		Companies - Other Activities		Mortgage loans	
	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)
< 0.5 M€						
Number	6,631	10,389	9,474	74,007	467,054	350
Value (Euros '000)	885,083	232,127	1,437,101	1,476,076	55,919,869	18,618
>= 0.5 M€ and < 1 M€						
Number	767	61	1,241	269	5,002	5
Value (Euros '000)	533,584	39,732	863,343	185,093	3,241,335	3,072
>= 1 M€ and < 5 M€						
Number	582	69	1,103	214	786	1
Value (Euros '000)	1,191,801	131,991	2,175,209	406,377	1,177,770	1,277
>= 5 M€ and < 10 M€						
Number	105	6	124	17	8	–
Value (Euros '000)	717,461	47,046	866,249	110,942	52,192	–
>= 10 M€ and < 20 M€						
Number	56	3	56	15	1	–
Value (Euros '000)	760,604	40,199	756,587	220,394	11,047	–
>= 20 M€ and < 50 M€						
Number	28	–	38	2	–	–
Value (Euros '000)	860,522	–	1,144,673	93,944	–	–
>= 50 M€						
Number	2	–	14	2	–	–
Value (Euros '000)	114,731	–	1,200,628	680,699	–	–
Total						
Number	8,171	10,528	12,050	74,526	472,851	356
Value (Euros '000)	5,063,786	491,095	8,443,790	3,173,525	60,402,213	22,967

(*) Includes, namely, securities, deposits and fixed assets pledges.

The following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loan's portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

31 December 2020 (restated)						
Fair Value	Construction and CRE		Companies - Other Activities		Mortgage loans	
	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)
< 0.5 M€						
Number	6,762	10,127	9,465	71,863	463,587	387
Value (Euros '000)	873,961	227,216	1,424,019	1,376,171	54,153,587	20,789
>= 0.5 M€ and < 1 M€						
Number	760	64	1,237	266	4,804	4
Value (Euros '000)	530,701	41,638	866,580	181,600	3,114,012	2,442
>= 1 M€ and < 5 M€						
Number	570	69	1,071	206	723	1
Value (Euros '000)	1,193,643	126,066	2,092,151	390,196	1,061,433	2,080
>= 5 M€ and < 10 M€						
Number	99	4	120	19	8	–
Value (Euros '000)	678,577	30,555	821,700	127,934	55,714	–
>= 10 M€ and < 20 M€						
Number	49	1	56	13	–	–
Value (Euros '000)	658,968	14,194	768,953	197,908	–	–
>= 20 M€ and < 50 M€						
Number	31	1	30	1	–	–
Value (Euros '000)	918,836	24,631	923,056	42,758	–	–
>= 50 M€						
Number	5	–	10	2	–	–
Value (Euros '000)	292,767	–	907,585	680,699	–	–
Total						
Number	8,276	10,266	11,989	72,370	469,122	392
Value (Euros '000)	5,147,453	464,300	7,804,044	2,997,266	58,384,746	25,311

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 30 June 2021, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

Segment/Ratio	30 June 2021				
	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	2.896.258	678.210	277.328	114.248
<60%	19,729	891,564	201,245	29,735	14,912
>=60% and <80%	3,253	745,376	109,994	18,535	10,837
>=80% and <100%	2,078	199,667	52,993	48,566	29,055
>=100%	8,249	474,071	229,322	124,285	61,901
Companies - Other Activities					
Without associated collateral	n.a.	18.834.991	2.245.443	881.542	767.376
<60%	48,864	1,679,774	550,296	220,884	78,927
>=60% and <80%	16,507	909,435	267,225	188,511	95,334
>=80% and <100%	11,377	642,238	409,212	157,539	100,838
>=100%	5,336	980,974	470,549	237,290	191,865
Mortgage loans					
Without associated collateral	n.a.	229.639	2.823	14.579	10.432
<60%	349,197	11,878,330	1,060,974	186,261	63,447
>=60% and <80%	140,140	8,210,783	830,694	158,797	49,829
>=80% and <100%	59,618	3,763,404	423,721	97,864	30,446
>=100%	13,211	738,627	102,739	92,758	47,027

As at 31 December 2020, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

Segment/Ratio	31 December 2020 (restated)				
	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	2,588,618	844,461	350,664	142,435
<60%	19,206	789,264	234,200	56,620	24,279
>=60% and <80%	3,700	709,085	101,272	72,452	37,061
>=80% and <100%	1,662	248,389	78,613	77,370	39,665
>=100%	9,488	545,414	235,800	134,275	61,323
Companies - Other Activities					
Without associated collateral	n.a.	17,737,941	2,961,784	1,056,742	874,987
<60%	48,932	1,535,988	495,872	175,632	66,483
>=60% and <80%	16,436	1,054,486	423,175	126,032	57,750
>=80% and <100%	10,940	631,875	151,211	144,382	74,328
>=100%	5,373	805,289	366,542	225,969	168,215
Mortgage loans					
Without associated collateral	n.a.	379,662	20,530	14,332	8,621
<60%	334,488	10,999,408	1,050,034	188,389	51,042
>=60% and <80%	138,013	7,640,260	819,853	168,627	43,695
>=80% and <100%	59,761	3,571,025	417,484	112,921	28,817
>=100%	19,264	1,185,837	113,884	128,969	54,620

As at 30 June 2021, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 26), by type of asset:

(Thousands of euros)

Asset	30 June 2021					
	Assets arising from recovered loans results		Assets belong to investments funds and real estate companies		Total	
	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	318,395	244,574	224,463	224,463	542,858	469,037
Rural	36,081	27,087	3,210	3,210	39,291	30,297
Buildings in development						
Mortgage loans	5,185	3,242	–	–	5,185	3,242
Other	56	56	–	–	56	56
Constructed buildings						
Commercials	219,082	167,427	13,143	13,143	232,225	180,570
Mortgage loans	175,339	142,189	420	420	175,759	142,609
Other	14,343	14,111	–	–	14,343	14,111
Other assets	4,006	4,006	–	–	4,006	4,006
	772,487	602,692	241,236	241,236	1,013,723	843,928

As at 31 December 2020, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 26), by type of asset:

(Thousands of euros)

Asset	31 December 2020 (restated)					
	Assets arising from recovered loans results		Assets belong to investments funds and real estate companies		Total	
	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	364,668	280,263	236,513	236,513	601,181	516,776
Rural	45,122	35,122	3,225	3,225	48,347	38,347
Buildings in development						
Mortgage loans	5,538	4,355	–	–	5,538	4,355
Other	47	47	–	–	47	47
Constructed buildings						
Commercials	219,242	172,188	13,166	13,166	232,408	185,354
Mortgage loans	258,399	201,337	1,542	1,542	259,941	202,879
Other	4,834	4,524	2,636	2,636	7,470	7,160
Other assets	4,069	4,069	–	–	4,069	4,069
	901,919	701,905	257,082	257,082	1,159,001	958,987

Analysis of the impact of the COVID-19 pandemic on IFRS 9 Risk staging, forbore and default classification and impairment

During the first semester of 2021 the Bank continued to closely monitor the impacts of the COVID-19 pandemic crisis, following up on the measures already implemented during 2020.

More specifically regarding the monitoring of customers in the pandemic context and the respective implications on the IFRS staging, as well as the impairment calculation, the main procedures implemented by the Bank are described below.

i. Specialized customer monitoring in the context of the pandemic COVID-19

After an initial moment when the Bank was focused on supporting its Customers and rapidly implementing the support measures approved, namely by the Government and EBA, and embodied through the public and private moratoria and the COVID lines, the Bank adjusted its credit portfolio management and monitoring processes to the new reality arising from the pandemic, particularly in what concerns the assessment of its potential impacts on the risk profile of the different portfolios/segments of exposure.

Therefore, in order to identify, assess and monitor the impact in terms of credit risk arising from the COVID 19 pandemic crisis in a comprehensive and transversal way, the Bank implemented a specific approach with the objective of identifying and closely monitoring the customers potentially most affected by the pandemic, anticipating possible difficulties in complying with their responsibilities and defining credit and performance strategies adjusted to the specificities of each specific customer/group of customers, with a view to both maintaining support to customers considered viable and mitigating credit risk.

This approach, known as "Projeto Guadiana", involves a segmentation of customers according to a set of risk criteria approved by the Executive Committee (customer risk grade, activity sector, existence of warning signs, exposure size, etc.) to monitoring units set up specifically for this purpose, which rely on the experience and knowledge of employees assigned to existing structures (Credit Division, Rating Division, Corporate Recovery Division and Retail Recovery Division), as follows:

- "Comité de Acompanhamento de Risco Empresas" (CARE): monitors economic groups/companies with greater exposure to the Bank and/or with a risk profile considered more vulnerable in the context of the pandemic.

The monitoring is prepared with the intervention of the Credit Division and the Rating Division in coordination with the commercial area that follows the customers, involving the request of frequent and recurring information regarding the evolution of the business with the objective of monitoring as much as possible in a timely manner the evolution of its economic and financial situation. The conclusions of this analysis are then presented to a monitoring committee specifically created for this purpose, which includes members of the Executive Committee and several areas of the Bank, which meets twice a month.

- Task Force DCR: Monitors economic groups/corporate clients with exposures levels lower than CARE, relying mainly on the support of the Credit Division and representatives of the commercial areas.

The credit strategies and proposed action measures for customers monitored by this area are analysed and agreed between branches/sales networks and the credit teams of the Credit Division.

- Task Force DRE: Follows economic groups/corporate clients in a segment lower than CARE and Task Force DCR in terms of exposure with the Bank.

Considering that it follows a larger number of clients and of smaller size, the approach is more standardised.

For each of the clients analysed in these special structures, an action strategy is approved with the consensus of the different intervening parties in the decision. The set of available strategies is pre-defined, common to all three structures and its implementation is regularly monitored.

- DRR Model: Follows the retail segment as far as individuals and small-sized companies within this segment are concerned.

Given the number of customers involved, it is in this monitoring area that the approach is more standardised, with strategies for approaching customers, analysis, offer of solutions and their implementation being pre-defined and less customised.

The main guidelines of “Projeto Guadiana” can be characterised as presented below:

1. **Global and transversal:** Is supported by an analysis of the entire credit portfolio of the Bank, being excluded from the special monitoring only customers with a risk profile not very vulnerable to the current environment or with exposures of a lower size. These customers continue to be monitored according to the regular credit monitoring procedures in place in the pre-pandemic period.
2. **Specialised:** the monitoring alternative approaches are adapted to the specificities of each segment, i.e. CARE and Task Force DCR, for large exposures; the support to commercial networks through the creation of a Task Force DRE for medium-sized corporate exposures; and the retail network, with the support of the marketing divisions and the Retail Recovery Division, for individuals and small businesses.
3. **Segmented:** Prioritisation of contacts with customers based on risk indications in order to gather additional information and agree on appropriate and sustainable financial restructuring solutions in a timely manner.
4. **Prospective:** definition of predictive models, in order to anticipate potential future defaults, namely regarding portfolios under moratoria, avoiding a reactive approach.
5. **Standardised:** both in terms of risk models and monitoring, and in terms of credit solutions for which it is possible to identify pre-defined alternatives (retail segments).
6. **Convenient and innovative:** making the restructuring journey simpler and more convenient for private and corporate customers, both in terms of credit solutions and channels, extending the restructuring offer to the App for consumer credit and housing credit.

The development of the project involved the engagement, effort and transversal collaboration of various Bank departments, as well as a significant increase in the convenience of new forms of interaction with customers that may require financial support from the Bank, especially digital channels.

These processes will continue to be developed and will endure beyond the pandemic, contributing decisively to Millennium bcp's leadership in the relationship with its customers.

ii. Updating of macroeconomic scenarios

In what concerns the customer portfolio subject to collective analysis, in what regards Portugal the Bank maintained the macroeconomic assumptions used in the impairment calculation of December 2020, based on the three scenarios (Central Scenario, Upside and Downside) prepared by the Bank's Economic Studies Department.

These scenarios, which are used in the Bank for different purposes other than the calculation of collective impairment, took into account the existing projections of reputed entities that disclose projections of macroeconomic variables such as the Bank of Portugal and European entities.

Although during 2021 there were more favourable revisions of the macroeconomic assumptions by entities such as the Bank of Portugal, assuming a conservative perspective, the Bank decided to maintain the macroeconomic scenarios considered at the end of 2020.

The tables below present the assumptions assumed in June 2021 for Portugal of the central scenarios regarding some of the most critical variables regarding 2021 and 2022 used in the estimation of the collective impairment.

Main macroeconomic scenario assumptions (Base Scenario) - Portugal

Variable	June 2021 Scenario	
	2021	2022
Unemployment rate	8.80 %	8.12 %
Nominal GDP annual evolution	5.16 %	5.93 %
Savings Rate	8.70 %	6.50 %
German 10 year Sovereign Debt Yield	-0.55%	-0.49%

Regarding Poland, an update of the macroeconomic assumptions was carried out in relation to those considered in December 2020, which corresponds into the terms presented in the table below in what concerns the projections for 2021 and 2022 foreseen in the central scenario.

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

Indicator	December 2020 Scenario		June 2021 Scenario		Difference	
	2021	2022	2021	2022	2021	2022
Unemployment rate	7.10 %	6.40 %	6.40 %	6.00 %	-0.70%	-0.40%
Nominal GDP annual evolution	7.50 %	4.80 %	5.00 %	5.80 %	-2.50%	1.00 %
Consumption annual evolution	7.70 %	4.90 %	5.10 %	5.60 %	-2.60%	0.70 %
Disposable Income	8.30 %	7.70 %	7.70 %	8.30 %	-0.60%	0.60 %
EUR/PLN exchange rate	4.35	4.30	4.42	4.32	0.07	0.02
EUR/CHF exchange rate	4.00	3.90	4.05	3.93	0.05	0.03

The following tables describe the weights assigned in Portugal and Poland to the different macroeconomic scenarios considered at the end of 2020 and June 2021, which can be considered as conservative:

Scenario	Weightings			
	Portugal		Poland	
	Dec 2020	Jun 2021	Dec 2020	Jun 2021
Central	60 %	60 %	60 %	60 %
Upside	10 %	10 %	15 %	20 %
Downside	30 %	30 %	25 %	20 %

Regarding Portugal, in order to assess the impact of a more unfavourable evolution of two variables particularly critical to the estimation of the collective impairment (GDP growth and unemployment rate), a simulation of an additional worsening of one percentage point in the evolution of these indicators was carried out, resulting in the impacts presented in the table below, based on the collective impairment of the portfolio in Portugal on 30 June 2021, which was Euros 523 million.

Variable	Estimated impact (% variation)
100 bp GDP growth aggravation	3.1%
100 bp unemployment rate growth aggravation	0.4%

iii. Inclusion of impairment overlays

In order to incorporate an additional level of conservatism in the impairment values and in accordance with the guidelines issued by the Supervisors, namely regarding the identification and measurement of credit risk in the context of the COVID-19 pandemic, the Bank recorded additional impairments in relation to those estimated by the models in force to calculate collective impairment (overlays), which amounted to approximately Euros 53 million in Portugal and Euros 12.6 million in Poland.

The approach underlying the calculation of the value of overlays took into consideration several factors considered relevant for an assessment of the potential risk of customers' exposures in an exceptional context resulting from the COVID-19 pandemic, including data already observed in their behaviour and estimated impacts, adopting complementary and distinct criteria in relation to the methodologies in force for the calculation of impairment.

Separate approaches were adopted for calculating the overlays of the corporate and individual segments.

The exercise carried out reflected, in terms of impairment value, the calculation of the estimated impact resulting from potential migrations of customers with higher risk to Stage 2 and Stage 3, based on the various factors considered in the analysis. It should be noted that the most significant impact occurred in the corporate segment.

Comparing with the value of overlays registered in Portugal at the end of December, there is an increase of approximately € 26 M due to the fact that the exercise carried out in June 2021 assumed a higher probability of transfer to Stage 3 of customers with increased risk and subject to moratoria (companies and individuals) and corporate customers with activity in the most vulnerable sectors.

The impact of this additional approach does not correspond directly to the difference between December 2020 and June 2021 values, since part of these customers were already being considered as Stage 2 migration for the calculation of the December 2020 overlays.

iv. Risk Grade freeze of clients rated by behavioural models

Assuming a conservative perspective, the Bank identified the customers in moratorium with internal risk rating awarded by behavioural models that at the end of June of 2021 showed an improvement in the risk level in comparison with the one existing before the moratoria and, for these cases, assumed for purposes of staging criteria and impairment calculation the maintenance of that pre-moratoria risk rating.

This procedure did not imply a change in the internal risk rating attributed by the Bank, being considered for customer staging and impairment calculation purposes. The impact of this procedure amounted to Euros 8.3 million, in terms of impairment, and to around Euros 320 million of On-Balance exposure regarding transitions from Stage 1 to Stage 2.

v. Classification of exposures as forborne

Specifically in what regards the classification of customers as forborne, within the guidelines issued by regulators and supervisors, operations within the scope of the state moratoria (Decree Law 10-J/2020 of 26 March) or the sector moratorium (protocol signed in the context of the APB-Portuguese Banking Association) could be not flagged as forborne. Even so, the Bank decided to adopt a conservative approach, classifying as forborne the operations that benefited from the above-mentioned moratoria and that on the day of joining the moratorium had more than 30 consecutive days of default above the materialities.

Operations subject to legislative and non-legislative moratoriums and new loans granted under new systems of public guarantee introduced in response to the COVID-19 crisis

The following tables characterize the transactions that, as of 30 June 2021, were subject to legislative and non-legislative moratorium, as well as new loans granted under new public guarantee systems introduced in response to the COVID-19 crisis, at Portugal and consolidated level.

The detail conveyed in the above mentioned tables, in what regards moratoriums, includes the presentation of the exposure structure by customer segment, performing/non-performing status, classification in Stage 2 (operations with a significant increase in credit risk since the initial recognition, but without credit impairment), existence of restructuring due to financial difficulties, constituted impairments and residual term of default.

As for loans granted under new public guarantee systems, the breakdown of exposure by segment is presented, as well as the number of associated guarantees and the indication of the portion classified as restructuring due to financial difficulties or classified as non-productive.

Loans and advances subject to legislative and non-legislative moratorium

The analysis of the gross carrying amount and respective accumulated impairment, of loans and advances subject to the moratorium, with reference as at 30 June 2021 is as follows:

(Thousands of euros)

	30 June 2021						
	Gross carrying amount						
	Performing			Non-performing			
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit- impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Total
Loans and Advances subject to moratorium	7,881,140	296,410	2,218,499	695,143	458,766	658,792	8,576,283
of which: Household	3,225,883	107,767	764,029	51,927	25,773	49,915	3,277,810
<i>of which: Collateralised by residential of immovable property</i>	3,160,213	104,853	746,383	49,927	25,022	48,132	3,210,140
of which: Non- financial corporations	4,566,287	186,896	1,395,863	641,783	431,945	607,444	5,208,070
<i>of which: Small and Medium-sized Enterprises</i>	4,224,959	168,848	1,265,657	586,748	413,585	584,647	4,811,707
<i>of which: Collateralised by commercial immovable property</i>	1,358,675	108,922	657,378	307,718	155,193	275,479	1,666,393

(Thousands of euros)

	30 June 2021						
	Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount
	Performing			Non-performing			
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit- impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Inflows to non- performing exposures
Loans and Advances subject to moratorium	92,718	9,500	66,305	335,290	252,183	309,277	35,153
of which: Household	3,785	730	3,483	3,168	2,051	3,112	7,431
<i>of which: Collateralised by residential of immovable property</i>	3,062	598	2,879	2,692	1,835	2,652	7,018
of which: Non- financial corporations	86,191	8,321	60,190	331,739	250,097	305,782	27,719
<i>of which: Small and Medium-sized Enterprises</i>	79,412	6,990	55,572	293,109	238,414	292,397	27,719
<i>of which: Collateralised by commercial immovable property</i>	29,534	3,725	26,046	141,030	81,401	115,785	7,820

The analysis of the gross carrying amount and respective accumulated impairment, of loans and advances subject to the moratorium, with reference as at 31 December 2020 is as follows:

(Thousands of euros)

	31 December 2020						
	Gross carrying amount						
	Performing			Non-performing			
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit- impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Total
Loans and Advances subject to moratorium	8,170,851	492,317	2,309,639	643,275	503,946	636,520	8,814,126
of which: Household	4,107,036	137,572	781,891	94,994	49,253	89,545	4,202,030
<i>of which: Collateralised by residential of immovable property</i>	3,650,810	122,431	696,962	75,498	40,695	71,729	3,726,308
of which: Non- financial corporations	3,988,894	353,395	1,481,533	527,556	433,971	526,249	4,516,450
<i>of which: Small and Medium-sized Enterprises</i>	3,609,107	323,470	1,326,112	502,240	415,758	500,933	4,111,347
<i>of which: Collateralised by commercial immovable property</i>	1,454,731	79,947	662,967	198,606	150,430	198,552	1,653,337

(Thousands of euros)

	31 December 2020						
	Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount
	Performing			Non-performing			
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit- impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Inflows to non- performing exposures
Loans and Advances subject to moratorium	105,518	29,698	85,041	282,524	245,754	281,986	35,868
of which: Household	8,044	920	5,404	7,503	3,725	7,081	5,750
<i>of which: Collateralised by residential of immovable property</i>	2,683	494	2,246	2,360	1,306	2,300	3,497
of which: Non- financial corporations	95,166	28,377	77,415	255,391	222,401	255,276	30,118
<i>of which: Small and Medium-sized Enterprises</i>	87,220	26,168	71,305	241,534	212,568	241,418	30,118
<i>of which: Collateralised by commercial immovable property</i>	32,088	3,014	28,252	78,288	63,586	78,287	23,776

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratorium

As at 30 June 2021, the analysis of the loans and advances which moratorium was offered and was granted (includes moratorium already expired) is as follows:

	(Thousands of euros)			
	30 June 2021			
	Number of obligors	Gross carrying amount		
		Of which: legislative moratorium	Of which: expired	
Loans and advances for which moratorium was offered	147,112	12,055,208		
Loans and advances subject to moratorium (granted)	146,878	11,981,030	9,522,057	3,404,747
of which: Households		5,642,455	3,513,202	2,364,645
of which: <i>Collateralised by residential immovable property</i>		4,837,180	3,440,514	1,627,040
of which: Non-financial corporations		6,226,830	5,897,109	1,018,759
of which: <i>Small and Medium-sized Enterprises</i>		5,534,527	5,387,741	722,820
of which: <i>Collateralised by commercial immovable property</i>		2,020,259	1,993,644	353,866

As at 30 June 2021, the analysis of the loans and advances which moratorium was offered and was granted by residual maturity of moratorium is as follows:

	(Thousands of euros)			
	30 June 2021			
	Residual maturity of moratorium			
	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	Total
Loans and advances subject to moratorium (granted)	6,593,988	1,981,547	748	8,576,283
of which: Households	3,160,397	117,413	–	3,277,810
of which: <i>Collateralised by residential immovable property</i>	3,107,113	103,027	–	3,210,140
of which: Non-financial corporations	3,359,426	1,847,896	748	5,208,070
of which: <i>Small and Medium-sized Enterprises</i>	3,087,272	1,723,891	543	4,811,706
of which: <i>Collateralised by commercial immovable property</i>	1,370,463	295,929	–	1,666,392

As at 31 December 2020, the analysis of the loans and advances which moratorium was offered and was granted (includes moratorium already expired) is as follows:

	(Thousands of euros)			
	31 December 2020			
	Number of obligors	Gross carrying amount		
		Of which: legislative moratorium	Of which: expired	
Loans and advances for which moratorium was offered	148,065	11,034,681		
Loans and advances subject to moratorium (granted)	147,756	10,969,087	8,224,930	2,154,960
of which: Households		5,822,651	3,452,952	1,620,622
of which: <i>Collateralised by residential immovable property</i>		4,924,905	3,385,794	1,198,596
of which: Non-financial corporations		5,049,253	4,674,796	532,804
of which: <i>Small and Medium-sized Enterprises</i>		4,445,032	4,261,385	333,685
of which: <i>Collateralised by commercial immovable property</i>		1,725,280	1,690,487	71,943

As at 31 December 2020, the analysis of the loans and advances which moratorium was offered and was granted by residual maturity of moratorium is as follows:

(Thousands of euros)

	31 December 2020			
	Residual maturity of moratorium			
	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	Total
Loans and advances subject to moratorium (granted)	767,694	100,384	7,946,049	8,814,127
of which: Households	744,159	90,158	3,367,713	4,202,030
<i>of which: Collateralised by residential immovable property</i>	420,121	2,867	3,303,321	3,726,309
of which: Non-financial corporations	23,536	10,226	4,482,688	4,516,450
<i>of which: Small and Medium-sized Enterprises</i>	2,660	1,104	4,107,583	4,111,347
<i>of which: Collateralised by commercial immovable property</i>	14,282	807	1,638,248	1,653,337

Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

As at 30 June 2021, the analysis of the loans and advances subject to public guarantee schemes is as follows:

(Thousands of euros)

	30 June 2021			
	Gross carrying amount	Maximum amount of the guarantee that can be considered		Gross carrying amount
	of which: forborne	Public guarantees received	Inflows to non-performing exposures	
Newly originated loans and advances subject to public guarantee schemes	2,830,494	237	2,241,354	5,993
of which: Households	15,610	–	13,848	–
<i>of which: Collateralised by residential immovable property</i>	278	–	250	–
of which: Non-financial corporations	2,813,189	237	2,226,139	5,993
<i>of which: Small and Medium-sized Enterprises</i>	2,539,988	237	2,089,726	5,993
<i>of which: Collateralised by commercial immovable property</i>	89,551	–	74,018	–

As at 31 December 2020, the analysis of the loans and advances subject to public guarantee schemes is as follows:

(Thousands of euros)

	31 December 2020			
	Gross carrying amount	Maximum amount of the guarantee that can be considered		Gross carrying amount
	of which: forborne	Public guarantees received	Inflows to non-performing exposures	
Newly originated loans and advances subject to public guarantee schemes	2,369,072	18	1,931,615	3,683
of which: Households	14,128	–	12,514	–
<i>of which: Collateralised by residential immovable property</i>	260	–	234	–
of which: Non-financial corporations	2,352,281	18	1,916,959	3,683
<i>of which: Small and Medium-sized Enterprises</i>	2,180,750	18	1,834,277	2,678
<i>of which: Collateralised by commercial immovable property</i>	74,141	–	62,819	1,501

Credit concentration risk

The Group's policy relating to the identification, measurement and evaluation of the concentration risk in credit risk is approved by the Bank's management body, applied to all Group entities and is based on the following guidelines:

The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Customer Groups" - sets of connected Customers (individual persons or companies), which represent a single entity from a credit risk perspective, such that if one of them is affected by financial problems, one or all of the others, will probably face difficulties to fulfil their debtor obligations. The Customer connections that originate a Customer group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency). The identification of connected clients is an integral part of the credit granting and monitoring processes of each entity.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for:

- 1) Exposures to Sovereigns;
- 2) Exposures to Institutions (Banks/financial institutions);
- 3) Single-name exposures (Large Corporate exposures);
- 4) Geographic concentration (country risk);
- 5) Exposure to sectors of activity.

These limits apply to the 'Net exposures' at stake(*), relating either to a counterparty or a group of counterparties - cases for 1), 2) and 3) - or to the set of exposures to an activity sector or to a country (the counterparty country of residence) - cases for 4) and 5). The metrics regarding the concentration of exposure to Sovereigns and geographic concentration excludes the countries in which the Group operates (Portugal, Poland and Mozambique) and the respective Sovereigns.

Except for exposure to sectors of activity, the concentration limits are established by taking into consideration the credit worthiness of the debtors at stake in what concerns their rating grades/probability of Default (PD) (internal or external ratings; country rating in the case of geographic concentration).

The concentration limits for Corporate single-name exposures apply only to non-NPE positions, since the NPE(**) positions are covered by the NPE reduction Plan.

The limits in force as at 30 June 2021, for the exposure to Single-name, in terms of the Net Exposure weight over the Consolidated Own Funds, are the following:

Risk quality	Risk grade	Single-name
High quality	1 - 5	7.0%
Average/good quality	6 - 7	4.5%
Average low/quality	8 - 9	3.0%
Low quality	10 - 11	0.6%
Restricted credit	12 - 13	0.3%

(*) Net exposure = EAD x LGD, considering LGD=45% whenever own estimates for LGD are not available or applicable. EAD = Exposure at default ; LGD = Loss given Default;

(**) NPE = Non-performing exposures

As at 30 June 2021:

- There were no exposure excesses to Sovereigns, Institutions or countries;
- There were 2 Economic Groups with net exposure above the established Single-name limits for their respective risk grade, similar situation as at the end of 2020. For each client with an exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

It should also be referred that the assessment of the Single-name concentration is also performed within the Group RAS (Risk Appetite Statement) scope.

In what concerns the limit for exposure to sectors of activity, in force on 30 June 2021, this is defined as a maximum of 40% per sector of activity, in terms of the weight of the Net Exposure for each sector of activity over the Own Funds of each Group Entity. At this date, there was no excess over this limit.

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks.

The credit concentration risk is measured and monitored by the Risk Office supported on a database on credit exposures (the *Risk Office Datamart*), monthly updated by the Group's systems, which feeds the risk management system of the Group.

The Risk Office maintains a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, which is used by the Credit Division within the scope of credit analysis for large clients.

Market risk

Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

For purposes of profitability analysis and market risks quantification and control, the following management areas are defined for each entity of the Group:

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

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

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

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

Trading book market risks (Positions allocated to the Trading Management Area and not, specifically, to the accounting Trading Book)

The Group uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

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

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

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

The table below presents the amounts at risk for the Trading Book, measured by the methodologies referred to above:

	30 June 2021	Max of global risk in the period	Min of global risk in the period	30 June 2020
(Thousands of euros)				
Generic Risk (VaR)	2,166	6,368	963	2,244
Interest Rate Risk	801	1,849	816	772
FX Risk	1,905	5,714	446	1,972
Equity Risk	611	380	185	63
<i>Diversification effects</i>	<i>(1,151)</i>	<i>(1,575)</i>	<i>(484)</i>	<i>(563)</i>
Specific Risk	41	33	23	84
Non-Linear Risk	–	–	2	–
Global Risk	2,207	6,401	988	2,328

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

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

Interest rate risk

The evaluation of interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long-term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, although with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Group holds material positions:

(Thousands of euros)

Currency	30 June 2021			
	-200 bp (*)	- 100 bp (*)	+100 bp	+ 200 bp
CHF	1,910	1,910	3,041	5,997
EUR	73,757	73,757	4,689	23,708
PLN	(24,094)	(35,194)	23,150	45,881
USD	(85,167)	(8,216)	15,197	(47,478)
	(33,594)	32,257	46,077	28,108

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

(Thousands of euros)

Currency	31 December 2020			
	-200 bp (*)	- 100 bp (*)	+100 bp	+ 200 bp
CHF	(996)	2,997	4,227	8,362
EUR	(23,033)	829	6,466	138,375
PLN	18,171	18,434	(3,926)	(6,686)
USD	(21,289)	(18,414)	4,901	35,048
	(27,147)	3,846	11,668	175,099

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

As described in accounting policy 1.B, the financial statements of the Group's subsidiaries and associates placed abroad are prepared in their functional currency and translated into Euros at the end of each financial period. The exchange rates used for the conversion of balance sheet foreign currency amounts are the ECB reference rates at the end of each period. In foreign currency conversion of results, are calculated average exchange rates according to the closing exchange rates of each month of the year. The rates used by the Group are as follows:

Currency	Closing exchange rates		Average exchange rates	
	(Balance sheet)		(Income statement)	
	30 June 2021	31 December 2020	30 June 2021	30 June 2020
AOA	775.1080	800.4060	780.5689	588.7477
BRL	5.9499	6.3542	6.5443	5.4688
CHF	1.0960	1.0812	1.0952	1.0641
MOP	9.4840	9.7706	9.4840	8.8289
MZN	75.7800	91.2250	81.4217	73.7413
PLN	4.5156	4.5603	4.5399	4.4251
USD	1.1856	1.2234	1.2051	1.1043

Foreign exchange and equity risk in the banking book

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

As at 30 June 2021, the Group's investments in convertible foreign currencies were fully hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, in this case through a 'Fair Value Hedge' methodology.

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

As at 30 June 2021, the information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

Company	Currency	30 June 2021			
		Net Investment	Hedging instruments	Net Investment	Hedging instruments
		Currency '000	Currency '000	Euros '000	Euros '000
Banque Privée BCP (Suisse) S.A.	CHF	77,260	100,000	70,491	91,238
Bank Millennium, S.A.	PLN	1,361,325	1,361,325	301,472	301,472

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. These hedging relationships were considered effective during the first semester of 2021 and in the financial year of 2020, as referred in the accounting policy 1.C4.

The transfer to Portugal of funds, including dividends, which are owed by BCP's subsidiaries or associates in third countries, particularly outside the European Union, are, by their nature, subject to the exchange restrictions and controls that are in force at any time in the country of subsidiaries or associates. In particular, as regards Angola and Mozambique, countries in which the Group holds a minority investment in Banco Millennium Angola and a majority investment in BIM - Banco Internacional de Moçambique, being the case of, export of foreign currency requires prior authorization of the competent authorities, which depends, namely, on the availability of foreign exchange by the central bank of each country. At the date of preparation of this report, there are no outstanding amounts due to the aforementioned requirements.

Liquidity risk

The evaluation of the Group's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The monitoring of the liquidity position of the Group's operations in short-term time horizons (up to 3 months) is based on two internally defined indicators (immediate liquidity and quarterly liquidity). These indicators are calculated on a daily basis, taking into account the impact in the liquidity buffers available to discount with the respective central banks at the reference date of future estimated cash flows for each of the respective time horizon (3 days or 3 months) considering the set of transactions intermediated by the market areas, including in this context transactions with clients of the Corporate and Private networks, which, due to their size, must be quoted by the Trading Room. The remaining buffer in each time bucket is then compared to the amount of customer deposits, being the indicators assessed against exposure limits defined in the Bank's regulations.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risk Commission is responsible for controlling the liquidity risk. This control is reinforced through the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

During the semester ended 30 June 2021, and following the trend observed since the quarter following the outbreak of the COVID-19 crisis, verified in March 2020, the two main operations of the Group, BCP and Bank Millennium, showed evidence of a significant reinforcement of the respective deposit bases, in both cases in the retail segment and in the case of the Polish operation also in the corporate segment. BIM's deposit base remained stable over the period.

In terms of the financing structure, and following the ECB's decision to extend the use of the Targeted Long Term Refinancing Operation III ("TLTRO III") to 55% of eligible loans, BCP took in the first quarter of 2021 an additional tranche of Euros 600,000,000, in addition to the Euros 7,550,070,000 taken in June 2020, thus raising the total gross amount in this instrument to Euros 8,150,070,000.

Also with an impact on strengthening its liquidity position over the past six months, BCP took advantage of favourable market conditions prevailing during the first quarter of 2021 to anticipate the execution of a senior preferred issue, forecasted in the Liquidity Plan only for the third quarter, in the amount of Euros 500,000,000, to comply with the requirements designated as "MREL".

The additional liquidity thus obtained, added to that resulting from the aforementioned reduction in the commercial gap in Portugal, continued to be applied as a priority to support the real economy and also, given its magnitude, to the reinforcement of Euros 3,547,288,000 of the securities portfolio in Portugal. Liquidity deposited at Banco de Portugal decreased by Euros 878,704,000, to Euros 3,416,452,000.

The growth of the debt portfolios contributed to the increase of Euros 3,366,416,000 in the balance of eligible assets available for discount at the ECB, to Euros 25,869,245,000. Considering that the net funding from the ECB, in the same period, grew by Euros 1,532,608,000, to Euros 4,815,217,000, the liquidity buffer with the ECB increased by Euros 1,833,808,000, to Euros 21,054,028,000.

The pool of eligible assets for funding operations in the European Central Bank and other central banks, after haircuts, is detailed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
European Central Bank	13,116,196	9,783,715
Other Central Banks	5,589,693	4,591,249
	18,705,889	14,374,964

As at 30 June 2021 the gross amount discounted with the European Central Bank amounts to Euros 8,150,070,000 (31 December 2020: Euros 7,550,070,000). As at 30 June 2021 the amount discounted with the Bank of Mozambique was Euros 2,621,000 (Euros 2,364,000 as at 31 December 2020). There were no discounted amounts with other central banks. The amount of assets eligible for discount with the European Central Bank includes securities issued by the SPE from securitization operations whose assets have not been derecognised in the Group's consolidated view, so that the securities are not recognized in the securities portfolio.

The evolution of the ECB's Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

	(Thousands of euros)	
	30 June 2021	31 December 2020
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	13,116,196	9,783,715
Outside the pool of ECB monetary policy	12,753,048	12,719,114
	25,869,244	22,502,829
Net borrowing at the ECB (ii)	4,815,217	3,282,609
Liquidity buffer (iii)	21,054,027	19,220,220

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).

ii) Includes, as at 30 June 2021, the value of funding with ECB (deducted from the accrual of the T LTRO III), deducted from deposits with the Bank of Portugal and other liquidity with the Eurosystem (Euros 3,706,209,000), plus the minimum cash reserves (Euros 451,023,000).

iii) Collateral eligible for ECB, after haircuts, less net financing at the ECB.

Loans to deposits ratio

The BCP Group structurally improved its liquidity profile by recording a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 on 31 June 2021 of 82% (current version) and on 31 December 2020 this ratio was set at 85% (according to the current version of the Instruction as at 31 December 2020).

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 270% at the end of June 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 31 December 2020 (230%), with a high coverage level.

Net stable funding ratio

In consistent with the BCBS' stable funding standard, in June 2021, came into effect the minimum regulatory requirement of 100% for the NSFR (Article 428 of Regulation (EU) 2019/876). The Group reinforced the disposition of the stable financing base, characterized by the large share of customer deposits in the funding structure, collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (Net Stable Funding Ratio or NSFR) as at 30 June 2021 to stand at 148% (140% as at 31 December 2020).

Encumbered and Unencumbered assets

Within the scope of the European Banking Authority's guidance on the disclosure of encumbered assets and unencumbered assets, taking into account the recommendation made by the European Systemic Risk Committee, the following information is presented in accordance with Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets.

(Thousands of euros)

	30 June 2021 ⁽¹⁾							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA ⁽²⁾		of which notionally eligible EHQLA and HQLA ⁽²⁾		of which EHQLA and HQLA ⁽²⁾		of which EHQLA and HQLA ⁽²⁾
Assets of the disclosing institution	13,189,208	962,872			74,097,052	21,087,237		
Equity instruments	–	–			101,086	–	101,086	
Debt securities	962,872	962,872	989,038	989,038	20,620,244	15,812,124	20,640,765	15,836,354
of which:								
issued by general governments	923,198	923,198	950,281	950,281	15,267,265	14,227,085	15,293,800	14,849,330
issued by financial corporations	518	518	518	518	1,955,378	72,074	1,951,531	80,428
issued by non-financial corporations	39,406	39,406	38,498	38,498	2,773,885	673,305	2,774,647	673,670
Other assets	12,148,587	–			54,101,085	4,996,147		
of which:								
Loans on demand	–	–			4,705,520	4,448,055		
Loans and advances other than loans on demand	11,877,866	–			41,791,352	–		
Other	277,128	–			6,928,318	518,465		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

(2) EHQLA (*Set as Extremely High Quality Liquid Assets*) e HQLA (*High Quality Liquid Assets*).

(Thousands of euros)

	31 December 2020 ⁽¹⁾							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA ⁽²⁾		of which notionally eligible EHQLA and HQLA ⁽²⁾		of which EHQLA and HQLA ⁽²⁾		of which EHQLA and HQLA ⁽²⁾
Assets of the reporting institution	13,132,480	1,282,547			72,219,836	19,600,935		
Equity instruments	–	–			89,476	–		
Debt securities	1,282,547	1,282,547	1,271,418	1,271,418	19,744,815	15,027,097	19,778,972	15,063,086
of which:								
issued by general governments	1,229,857	1,229,857	1,220,181	1,220,181	14,576,381	14,227,085	14,615,178	14,263,052
issued by financial corporations	529	529	529	529	2,033,289	81,056	2,025,739	81,069
issued by non-financial corporations	39,353	39,353	38,417	38,417	3,018,735	703,490	3,019,139	703,407
Other assets	11,913,754	–			52,427,676	4,073,228		
of which:								
Loans on demand	–	–			3,860,054	3,565,628		
Loans and advances other than loans on demand	11,618,136	–			41,548,406	–		
Other	325,213	–			7,178,437	529,125		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

(2) Disclosure of encumbered and unencumbered assets EHQLA e HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank's eligible.

Collateral received and own debt securities issued

(Thousands of euros)

	30 June 2021 ⁽¹⁾			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA ⁽²⁾		of which EHQLA and HQLA ⁽²⁾
Collateral received by the disclosing institution	–	–	39,168	7,154
Debt securities	–	–	7,154	7,154
of which:				
issued by general governments	–	–	7,154	7,154
Loans and advances other than loans on demand	–	–	29,748	–
Own covered bonds and asset-backed securities issued and not yet pledged			5,798,924	5,647,635
Total assets, Collateral Received and Own Debt Securities Issued	13,189,208	962,872		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

(2) EHQLA (*Set as Extremely High Quality Liquid Assets*) e HQLA (*High Quality Liquid Assets*).

(Thousands of euros)

	31 December 2020 ⁽¹⁾			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA ⁽²⁾		of which EHQLA and HQLA ⁽²⁾
Collateral received by the reporting institution	–	–	32,017	13,752
Debt securities	–	–	13,752	13,752
of which:				
issued by general governments	–	–	13,752	13,752
Loans and advances other than loans on demand	–	–	12,665	–
Own covered bonds and asset-backed securities issued and not yet pledged			5,021,248	4,992,276
Total assets, Collateral Received and Own Debt Securities Issued	13,132,480	1,282,547		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

(2) Disclosure of encumbered and unencumbered assets EHQLA and HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank eligibility.

Sources of encumbrance

(Thousands of euros)

Sources of encumbrance	Matching liabilities, contingent liabilities or securities lent		Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Carrying amount of selected financial liabilities	10,086,494	9,830,665	12,689,562	12,788,441

The table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

At the end of first semester of 2021, and according to the EBA methodology, the total encumbered assets represents 14% of the Group's total balance sheet assets. The encumbered Loans to customers represents 92%, while Debt securities represents 6%.

The encumbered assets are mostly related with the Group's funding operations, namely with the ECB, through the issuance of mortgage bonds and securitisation programs. The type of assets used as collateral for these financing transactions are different Loans to Customers' portfolios, supporting securitisation programs and mortgage bonds issues, either placed outside of the Group or intended to reinforce the collateral pool with the ECB. Another part of the collateralisation of financing operations with the European Investment Bank, is obtained through sovereign debt eligible for central banks, together with bonds issued by public sector companies.

On 30 June 2021, the Other assets: Other in the amount of Euros 6,928,318,000, although not encumbered, are mostly related to the Group's activity, namely, to: investments in associated companies and subsidiaries, tangible assets and investment properties, intangible assets, assets associated with derivatives and current and deferred taxes.

On 30 June 2021, BCP Group has a Euros 12.5 billion BCP Covered Bond Programme ("BCP Programme") with Euros 10.2 billion of covered bonds outstanding. The BCP Programme is backed by a Euros 11.8 billion portfolio of residential mortgages, providing an overcollateralization ("OC") of 15.5%, which is above the minimum of 14% currently required by rating agencies.

The Portuguese covered bond legislation affords covered bond holders a dual-recourse, firstly over the issuer, secondly over the cover pool that also may include other eligible assets, over which they benefit from a special preferential claim. The Portuguese covered bond legislation ensures total segregation of the covered pool from any future issuer's insolvent estate, for the benefit of covered bond holders, who have precedence over claims of any other of the issuer's creditors in case of issuer insolvency, thus and to this extent superseding the general insolvency and recovery legislation. Residential mortgages in a cover pool are subject to certain eligibility criteria inscribed in the Portuguese covered bond legislation, among them a maximum LTV of 80%, delinquency of no more than 90 days, and them being first lien mortgages (or, if otherwise, all preceding liens being in the cover pool) over properties located in the EU. The BCP's Programme documentation limits property location to Portugal only.

Operational Risk

The operational risk management system adopts the "3 Lines of Defence" model and is based on an integrated structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, these processes model also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity. Hence, the most relevant Group subsidiaries have their own processes structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed, ensuring thus, the replication of the 3 Lines of Defence model in the management of operational risk.

The responsibility for the day-to-day processes' management lies with the 1st Line of Defence: the process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective Key Risk Indicators (KRI), to perform the Risks Self-Assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic revision of the main processes in each geography is ensured by local structure units.

The Risk Management function (materialised in the Risk Office) and the Compliance function (materialised in the Compliance Office) represent the 2nd Line of Defence and are responsible for implementing the risk policy defined for the Group, proposing and developing approaches for managing this risk, supervising their implementation and challenging the 1st Line of Defence regarding the risk levels incurred.

In the first semester of 2021, the usual operational risk management activities continued to be executed by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group's management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts. It should also be noted that the average ratio between gross losses and the relevant indicator for TSA (gross income) has consistently presented values below 1%, which compares very favourably with international benchmarking and attests the robustness of the operational control environment of the Group. The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

The Bank's mobilisation to reinvent the banking experience, based on the digitization and use of new technologies, entails relevant challenges in the management of operational risk, which include the reinforcement of the security of digital banking channels, the reinforcement of mechanisms for the prevention and detection of potential fraud, proper management of personal data and compliance with the information duties legally provided for in sales through digital banking channels.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português, there are no relevant covenants related to a possible downgrade of BCP.

Hedge accounting

As at 30 June 2021, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

Type of hedging	30 June 2021			
	Hedging instruments			Change in fair value (A)
	Notional	Book value		
Assets		Liabilities		
Fair value hedge				
Interest rate risk				
Interest rate swaps	13,216,324	36,764	60,919	63,875
Foreign exchange risk				
Currency and interest rate swap	420,040	4,783	2,709	(68)
	13,636,364	41,547	63,628	63,807
Cash flows hedging				
Interest rate risk				
Interest rate swaps	13,230,935	3,179	70,198	(131,495)
Foreign exchange risk				
Currency and interest rate swap	1,873,892	8,438	34,891	4,579
	15,104,827	11,617	105,089	(126,916)
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	302,090	2,689	4,973	(2,974)
Total	29,043,281	55,853	173,690	(66,083)

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2020, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

Type of hedging	31 December 2020			
	Hedging instruments			Change in fair value (A)
	Notional	Book value		
Assets		Liabilities		
Fair value hedge				
Interest rate risk				
Interest rate swaps	6,403,553	5,396	97,342	(49,584)
Interest rate futures	197,400	—	—	647
Foreign exchange risk				
Currency and interest rate swap	436,079	34	26,365	70
	7,037,032	5,430	123,707	(48,867)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	11,777,323	69,275	10,020	121,896
Foreign exchange risk				
Currency swap	274,584	—	6,385	755
Currency and interest rate swap	3,278,713	4,779	143,465	148
	15,330,620	74,054	159,870	122,799
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	574,266	11,765	2,189	40,891
Total	22,941,918	91,249	285,766	114,823

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 30 June 2021, the table below includes the detail of the hedged items:

(Thousands of euros)

Type of hedging	30 June 2021							
	Hedged items							
	Balance sheet item	Book value		Cumulative value of the adjustments		Change in fair value (A)	Cash flow hedge reserve / Currency translation reserve	
Assets		Liabilities	Assets	Liabilities	Hedging relationships in effect		Hedging relationships discontinued	
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	201,090	–	2,907	–	(3,652)	n.a.	n.a.
	(H)	4,442,897	–	(9,926)	–	(24,311)	n.a.	n.a.
	(C)	6,034,007	–	(17,880)	(49)	(36,870)	n.a.	n.a.
	(D)	–	10,000	–	168	65	n.a.	n.a.
	(E)	–	101,430	–	856	1,045	n.a.	n.a.
	(F)	–	2,209	–	(11)	–	n.a.	n.a.
	(G)	–	447,599	–	(986)	2,209	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		–	420,040	–	272	(190)	n.a.	n.a.
		10,677,994	981,278	(24,899)	250	(61,704)	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	13,230,935	–	–	–	131,614	(68,737)	171,294
Foreign exchange risk								
Currency and interest rate swap	(B)	1,873,892	–	–	–	(4,579)	(121)	(397)
		15,104,827	–	–	–	127,035	(68,858)	170,897
Hedging of net investments in foreign entities								
Foreign exchange risk								
- Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	2,974	(2,974)	–
Total		25,782,821	981,278	(24,899)	250	68,305	(71,832)	170,897

(A) Fair value changes used to calculate the ineffectiveness of the hedge

(B) Financial assets at amortised cost - Loans and advances to customers

(C) Financial assets at fair value through other comprehensive income

(D) Financial liabilities at amortised cost - Resources from credit institutions

(E) Financial liabilities at amortised cost - Resources from customers

(F) Financial liabilities at amortised cost - Non subordinated debt securities issued

(G) Financial liabilities at amortised cost - Subordinated debt

(H) Debt securities held not associated with credit operations

As at 31 December 2020, the table below includes the detail of the hedged items:

(Thousands of euros)

Type of hedging	31 December 2020							
	Hedged items						Cash flow hedge reserve / Currency translation reserve	
	Balance sheet item	Book value		Cumulative value of the adjustments		Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
	Assets	Liabilities	Assets	Liabilities				
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	110,582	–	6,559	–	4,727	n.a.	n.a.
	(H)	1,672,825	–	28,794	–	25,080	n.a.	n.a.
	(C)	2,129,459	–	(47,320)	1,014	27,490	n.a.	n.a.
	(D)	–	10,000	–	233	(99)	n.a.	n.a.
	(E)	–	153,450	–	2,253	2,534	n.a.	n.a.
	(F)	–	2,542	–	42	12	n.a.	n.a.
	(G)	–	449,688	–	1,223	(8,197)	n.a.	n.a.
Interest rate futures	(H)	212,143	–	–	–	(911)	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		–	436,080	–	34	(37)	n.a.	n.a.
		4,125,009	1,051,760	(11,967)	4,799	50,599	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	11,883,933	–	–	–	(121,896)	61,541	207,147
Foreign exchange risk								
Currency and interest rate swap	(B)	3,707,466	–	–	–	(903)	(3,855)	(394)
		15,591,399	–	–	–	(122,799)	57,686	206,753
Hedging of net investments in foreign entities								
Foreign exchange risk								
- Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	(40,891)	40,891	–
Total		19,716,408	1,051,760	(11,967)	4,799	(113,091)	98,577	206,753

- (A) Fair value changes used to calculate the ineffectiveness of the hedge
 (B) Financial assets at amortised cost - Loans and advances to customers
 (C) Financial assets at fair value through other comprehensive income
 (D) Financial liabilities at amortised cost - Resources from credit institutions
 (E) Financial liabilities at amortised cost - Resources from customers
 (F) Financial liabilities at amortised cost - Non subordinated debt securities issued
 (G) Financial liabilities at amortised cost - Subordinated debt
 (H) Debt securities held not associated with credit operations

The reconciliation of each equity component and an analysis of other comprehensive income attributable to hedge accounting, with reference to 30 June 2021 and 31 December 2020, is as follows:

	(Thousands of euros)			
	Cash flow hedge reserve		Exchange differences	
	30 June 2021	31 December 2020	30 June 2021	30 June 2020
Balance as at 1 January	(8,079)	(6,585)	56,371	15,480
Amounts recognised in other comprehensive income:				
Hedging cash flows - foreign exchange risk				
Changes in fair value of currency swaps	(9,855)	(1,044)	–	–
Foreign exchange changes	(80)	445	–	–
Ineffectiveness of coverage recognised in results	145	2,029	–	–
Others	(569)	(2,924)	–	–
Hedging of net investments - foreign exchange risk				
Reclassified to the income statement	–	–	(2,974)	40,891
Variation in the fair value of liquidated operations	–	–	(3,653)	–
Balance at the end of the period	(18,438)	(8,079)	49,744	56,371

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 30 June 2021:

	(Thousands of euros)					
	31 June 2021					
Type of hedging	Income statement item (A)	Gains/(losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Amounts reclassified from reserves to results for the following reasons:		
				Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	2,361		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	(258)		n.a.	n.a.
		n.a.	2,103		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	(1,954)	(37)	(E)	28,580	–
Foreign exchange risk						
Currency and interest rate swap	(D)	912	(145)		–	–
		(1,042)	(182)		28,580	–
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	(2,974)	–		–	–
Total		(4,016)	1,921		28,580	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains/(losses) from hedge accounting operations

(E) Interest income

(F) Net gains/(losses) from foreign exchange

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2020:

(Thousands of euros)

Type of hedging	31 December 2020					
	Income statement item (A)	Gains/(losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Amounts reclassified from reserves to results for the following reasons:		
				Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	1,963		n.a.	n.a.
Interest rate futures	(D)	n.a.	(264)		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	33		n.a.	n.a.
		n.a.	1,732		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	(1,934)	(13)	(E)	72,606	–
Foreign exchange risk						
Currency and interest rate swap	(D)	903	(2,029)			–
		(1,031)	(2,042)		72,606	–
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	40,891	–		–	–
Total		39,860	(310)		72,606	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains/(losses) from hedge accounting operations

(E) Interest income

(F) Net gains/(losses) from foreign exchange

The table below shows the detail of hedging instruments, as at 30 June 2021, by maturity:

(Thousands of euros)						
30 June 2021						
Type of hedging	Remaining period			Total	Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year		Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	212,251	666,578	12,337,495	13,216,324	36,764	60,919
Fixed interest rate (average)	2.58%	1.15%	0.17%	0.25%		
Fair value hedging derivatives related to currency risk changes						
OTC Market:						
Currency and interest rate swap	171,221	248,819	—	420,040	4,783	2,709
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	—	—	13,230,935	13,230,935	3,179	70,198
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	126,340	412,136	1,335,416	1,873,892	8,438	34,891
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	302,090	—	—	302,090	2,689	4,973
Total derivatives traded by						
OTC Market:	811,902	1,327,533	26,903,846	29,043,281	55,853	173,690

The table below shows the detail of hedging instruments, as at 31 December 2020, by maturity:

(Thousands of euros)

Type of hedging	31 December 2020				Fair value	
	Up to 3 months	Remaining period		Total	Assets	Liabilities
		3 months to 1 year	Over 1 year			
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	196,734	608,023	5,598,796	6,403,553	5,396	97,342
Fixed interest rate (average)	1.68%	1.02%	0.47%	0.59%		
Stock Exchange:						
Interest rate futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes						
OTC Market:						
Currency and interest rate swap	162,661	273,418	–	436,079	34	26,365
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	109,642	11,667,681	11,777,323	69,275	10,020
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency swap	274,584	–	–	274,584	–	6,385
Currency and interest rate swap	442,564	610,622	2,225,527	3,278,713	4,779	143,465
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	574,266	–	–	574,266	11,765	2,189
Total derivatives traded by						
OTC Market:	1,650,809	1,601,705	19,492,004	22,744,518	91,249	285,766
Stock Exchange:	–	–	197,400	197,400	–	–

54. Mozambique's sovereign debt

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

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

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

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

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US\$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique.

On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

In May 2020, the Constitutional Council of the Republic of Mozambique issued a Judgment, declaring the nullity of the acts related with the loans contracted by Proindicus, SA ("Proindicus") and Mozambique Asset Management, MAM, SA ("MAM"), and the respective sovereign guarantees granted by the Government in 2013 and 2014, respectively, and on 19 October 2020, the dissolution of the two companies was registered based on an order issued by the Judicial Court of the City of Maputo.

An action brought on 27 February 2019 and amended on 30 April 2020, by the Republic of Mozambique (represented by the Attorney General of the Republic) against the arranger and originating lender of the loan to Proindicus and other entities, by which the Republic of Mozambique requests, inter alia, the declaration of nullity of the sovereign guarantee of the Mozambican State to the Proindicus loan. Following this lawsuit, on 27 April 2020, the International Bank of Mozambique (BIM) filed a lawsuit, in the London Commercial Court, against the arranger and lender of the loan to Proindicus, claiming, inter alia, payment of BIM's exposure to the Proindicus, in the event that the said sovereign guarantee of the State of Mozambique to Proindicus is, in a court of law declared null and void.

Regarding MAM, as far as we are aware, no lawsuit with the same purpose was brought by the Republic of Mozambique at the London Court of Commerce. However, it is expected that, in the context of ongoing legal proceedings, that several creditors of MAM (including BCP) have filed, at the London Court of Commerce, against MAM and the Republic of Mozambique in order to recover their credits, the question of the validity of the sovereign guarantee of the Mozambican State to the MAM loan will be raised by the Republic of Mozambique.

According to public information made available by the IMF, there are defaults on credits granted to non-state Mozambican companies' and guaranteed by the Mozambican State. Considering the above-mentioned developments related to these credits, although the Ministry of Economy and Finance of the Republic of Mozambique has submitted in November 2018 new proposals regarding this matter and interactions are ongoing between the Government of Mozambique, the IMF and the creditors with the objective of finding a solution to the aforementioned debt guaranteed by the State of Mozambique, which had not been previously disclosed to the IMF, a solution that changes the ex-approved a solution that would change the Group's current expectations, reflected in the financial statements as at 30 June 2021, on: (i) the ability of the Government of Mozambique and public companies to repay their debts and commitments assumed; and (ii) the development of the activity of its subsidiary Banco Internacional de Mozambique (BIM).

As at 30 June 2021, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 321,963,000, with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 174,805,000. BIM's contribution to consolidated net income for the first semester of 2021, attributable to the shareholders of the Bank, amounts to Euros 25,252,000.

On this date, the subsidiary BIM's exposure to the State of Mozambique includes public debt securities denominated in Metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of Euros 849,977,000 and Financial assets at fair value through other comprehensive income in the gross amount of Euros 92,106,000.

As at 30 June 2021, the Group has also registered in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of Euros 300,544,000 (of which Euros 300,038,000 are denominated in Metical and Euros 506,000 denominated in USD) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 101,118,000 denominated in USD and in the balance Guarantees granted revocable and irrevocable commitments, an amount of Euros 109,768,000 (of which Euros 1,867,000 are denominated in Metical, Euros 104,430,000 denominated in USD, Euros 55,000 are denominated in euros and Euros 3,416,000 denominated in Rands).

55. Contingent liabilities and other commitments

In accordance with accounting policy 1.U3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority ("PCA") initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ("BCP" or "Bank") and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between Portuguese banks.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections ("SO") in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in a commercially sensitive information exchange between other fourteen banks related to retail credit products, namely housing, consumer and small and medium enterprises credit products. The notification of a statement of objections does not constitute a final decision in relation to the accusation of the PCA.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court ("Competition Court") on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the Authority - for several months, the PCA denied the Defendant's right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the statement of objections. A non-confidential version of the Bank's defense was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017 (although without the presence of BCP's legal representatives).

In May 2018, the PCA refused the Bank's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018, the PCA notified the Bank of its intention to deny the application for confidential treatment of some of the information included in the Bank's defence; subsequently, in January 2019, it requested BCP to provide summaries for the co-defendants' confidential information. The Bank filed an appeal before the Competition Court, which ruled in favor of BCP, as it considered that the elaboration by the Bank of summaries for its co-defendants' confidential information an illegitimate burden.

In April 2019, at the PCA's request, BCP declared to be in favor of the re-examination of its witnesses, requested in its defense and previously held. The witnesses were re-inquired on 16-17 April 2019 with the presence of the Bank's legal representatives.

The PCA denied the request of BCP to be allowed to conduct cross-examination of the witnesses appointed by its co-defendants. The Bank appealed to the Competition Court, which denied the appeal, through a decision which was latter upheld by the Lisbon Court of Appeal. BCP then lodged an appeal before the Portuguese Constitutional Court for breach of the constitutional right of defence. The Constitutional Court dismissed the appeal on 29 April 2021, on the grounds that the requested cross-examination was not required by the Portuguese Constitution, at that stage of the proceedings. On 12 August 2020, the Bank lodged a complaint before the European Court of Human Rights on this matter, which is still pending.

On 2 July 2019, the Bank submitted its observations to the PCA's report on complementary evidence measures.

On 3 June 2019, BCP was notified of the partial dismissal of the complementary evidence measures it had requested in its reply to the SO, which it judicially contested on 13 June 2019. By judgment of 26 September 2019, the Competition Court declared the nullity of the PCA's decision, for breach of the right of the parties to be heard on the PCA's draft decision. The Bank appealed to the Lisbon Court of Appeal in what concerned the limitation by the Competition Court of the effects of the nullity declaration of the PCA's decision. Although this appeal was ultimately admitted by the panel of judges of the Lisbon Court of Appeal, it ends up being denied.

In order to give compliance to BCP's right to be heard, the PCA notified the Bank of its intention to reject the above-mentioned complementary evidence measures. Following BCP's observations in November 2019, the PCA adopted its final decision rejecting the measures, which was judicially contested by the Bank in December 2019. In March 2020, the Competition Court rejected the appeal. This judgment was upheld by the Lisbon Court of Appeal in October 2020.

On 9 September 2019, the PCA adopted its final decision in this proceeding, fining the BCP in a Euros 60 million fine for its alleged participation in an information exchange system with its competitors in the housing, consumer and SME credit segments. The Bank considers that the Decision contains serious factual and legal errors, having, on 21 October 2019, filed an appeal before the Competition Court requesting the annulment of the Decision and the suspensory effect of the appeal. On 8 May 2020, BCP's appeal was admitted. On 8 June 2020, the Bank submitted a request before the Court, claiming that the rule according to which appeals do not have, in principle, suspensory effect violates the Portuguese Constitution, submitting elements aimed at demonstrating considerable harm in the advance provisional payment of the fine, and offering a guarantee in lieu (indicating the respective percentage of the fine to be offered as a guarantee). On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between the PCA and the defendant banks, including BCP, as to the dosimetry (*i.e.*, 50% of the amount of the fine) and the forms of the guarantee to be provided, in order for the appeal of the PCA's decision to have suspensory effect. On 21 December 2020, BCP submitted a bank guarantee issued by the BCP, which was accepted by the Competition Court. On 1 March 2021, the Competition Court notified BCP that the guarantee had been presented in a timely manner and in the agreed form, and, as a result, attributed suspensory effect to the appeal. By order of 20 March 2021, the Competition Court lifted the judicial secrecy and informed the appellants that the trial would, in principle, start in September 2021.

On 9 July 2020, the Bank requested the Court to declare the nullity of the fining decision of the PCA for failure to assess the economic and legal context, as determined by the recent case-law of the Court of Justice of the European Union. The Competition Court clarified that this and other prior questions would not be assessed before the hearing phase.

On 13 January 2021, BCP was notified of an application submitted by "Associação Ius Omnibus - Nova Associação de Consumidores" to the Competition Court asking it to have access to a non-confidential version of the file, based on the need to assert the "rights to indemnification of the consumers whose rights and interests it represents, and the possible exercise and proof of those rights in the context of an action for damages". On the same date, BCP was notified by the Competition Court of its decision authorizing the news agency "Lusa" to access the file of the administrative phase of the case. BCP appeal of this decision to the Appeal Court of Lisbon, on 25 January 2021 and opposed to the request of "Ius Omnibus" on 2 February 2021.

On 20 March 2021, the Competition Court determined: (i) the lifting of the judicial secrecy; (ii) the forwarding to the Public Prosecutor of the appeal of BCP against the decision of the Competition Court relating to "Lusa", for reply; (iii) the provisional start date of the judgement hearing on September 2021, having requested suggestions by the co-appellants for venues.

By decision of 9 April 2021 of the Competition Court, a preparatory hearing took place on 30 April 2021 for discussion of issues precedent to the begging of the judgment hearings, in which the procedures relating to the treatment of confidential information of the co-appellants in the appeals was defined, as well as the conditions relating to access to file. The Competition Court also set forth preliminary dates for the judgement hearing and scheduled a preparatory hearing for 7 July 2021.

On 28 June 2021, BCP was notified by the Competition Court to reply to the requests submitted by some of the co-appellants and confirm that all confidential information had been duly eliminated from non-confidential versions submitted by each co-appellant. The Competition Court also determined that the hearing of 7 July 2021 was cancelled and its object would be transferred to the next hearing date (6 September 2021).

On 8 July 2021, BCP presented its reply to the notification of 28 June 2021, having also requested confirmation in relation to the scheduling of the judgement hearing, namely confirmation that the preparatory hearing will take place on 6 September 2021 and that the judgement hearing will be initiated at as of the pre-scheduled date of 8 September 2021. No reply has been received up to today by the Competition Court.

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

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

- 1) send information about the UOKIK's decision to the 78 clients mentioned;
- 2) place information about the decision and the text of the decision on its website and on Twitter;
- 3) pay a fine amounting to PLN 20.7 million (Euros 4.58 million).

Bank Millennium filed an appeal within the statutory time limit.

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

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

In addition, Bank Millennium, alongside other banks, takes part in a litigation brought by UOKIK, in which the President of UOKIK considers there were anti-competitive practices in the form of an agreement aimed at setting interchange fee rates charged on transactions made with Visa and Mastercard cards. On 29 December 2006, a fine was imposed on Bank Millennium in the amount of PLN 12.2 million (Euros 2.70 million). Bank Millennium, alongside the other banks, appealed this decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of 23 November 2020, the case is currently pending before the court of first instance - the Court of Competition and Consumer Protection. Bank Millennium has created a provision in the same amount of the penalty imposed.

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

A penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.33 million), the setting of which took into account two mitigating circumstances: Bank Millennium's cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of the provisions in question.

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

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

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

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

4. Bank Millennium is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, Bank Millennium was sued jointly with another bank, and in the third one with another bank and card issuing organizations.

The total amount of the claims deduced in these cases is PLN 729.6 million (Euros 161.57 million). The proceeding with the highest value was submitted by PKN Orlen, S.A., in which this plaintiff demands payment of PLN 635.7 million (Euros 140.78 million). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market, by jointly setting the level of the national interchange fee during the years 2006-2014. In the other two cases, the charges are similar with those raised in the case brought by PKN Orlen, S.A., while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision.

In addition, it should be noted that Bank Millennium participates as an intervener in four other proceedings regarding the interchange fee. Other banks are the defendants. Plaintiffs in these cases also accuse the banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee during the years 2008-2014.

5. On 5 April 2016, Bank Millennium was notified of a case brought by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium, with the worth of the dispute of PLN 521.9 million (Euros 115.58 million), with statutory interest from 5 April 2016 until the day of payment.

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

In the lawsuit filed by EFWP-B, the plaintiff set its claim for the amount of PLN 250 million (Euros 55.36 million). On 5 September 2016 the Court of Appeal dismissed this claim. Bank Millennium requested for the total dismissal of this lawsuit, having presented to the Court, in order to support this request, the final decision rendered by the Wrocław Court of Appeal, decision which was favourable to Bank Millennium in the lawsuit filed by PCZ S.A. against Bank Millennium.

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

6. On 19 January 2018, Bank Millennium received a lawsuit filed by First Data Polska S.A., requesting the payment of PLN 186.8 million (Euros 41.37 million). First Data Polska S.A. claims a share in an amount which Bank Millennium received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its lawsuit on an existing agreement with Bank Millennium related to co-operation in scope of acceptance and settlement of operations conducted using Visa cards. In accordance with the judgment issued on 13 June 2019, Bank Millennium won the case before the court of first instance. In the judgment of 10 March 2021, the Court of Appeal in Warsaw upheld the judgment of the first instance court, which dismissed the claim of First Data Polska S.A.. Bank Millennium has won the case. First Data Polska S.A. has the right to submit a cassation appeal to the Supreme Court.

7. On 3 December 2015, a class action against Bank Millennium was filed by a group of Bank Millennium's debtors (454 borrowers, who are party to 275 loan agreements), which is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.78 million), claiming that the clauses of the agreements of the low-down payment insurance, pertaining to CHF-indexed mortgage loans, are unfair and, thus, not binding. The plaintiff extended the group in the court letter filed on 4 April 2018 and, consequently, the claims increased from PLN 3.5 million (Euros 0.78 million) to over PLN 5 million (Euros 1.11 million).

On 1 October 2018, the group's representative corrected the total amount of claims subject in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers - 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (Euros 1,632,365.12).

By the resolution of 1 April 2020, the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing and called on the parties to submit questions to the witnesses.

As at 30 June 2021, there are also 383 individual court cases regarding loan-to-value (LTV) insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

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

- a) presenting the offered loan repayment insurance as protecting interests of the insured in a case where the insurance structure indicates that it protects Bank Millennium's interests;
- b) use of clauses linking the value of insurance benefit with the amount of borrower's debt;
- c) use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);
- d) use of clauses excluding insurer's liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires Bank Millennium to publish, on its website, information on use of unfair market practices. The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive, it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance.

9. On 1 October 2015, a set of entities connected to a group with debts in default to BCP amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against BCP, after receiving the Bank's notice for mandatory payment, a lawsuit requesting that:

- a) the court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares, since they acted pursuant to a request made by the Bank for the making of the respective purchases, and also that the court orders the cancellation of the registration of those shares in the name of those companies;
- b) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;
- c) the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to refund them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;
- d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;
- e) the Bank opposed and presented a counter claim, wherein it requests the conviction, namely, of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The court issued a curative act and already ascertained the factual basis that are proven and that must be proven. Meanwhile, a head expert has already been appointed and the investigation is ongoing.

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

10. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF), which entailed, inter alia, namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by Banco de Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder. Further, in accordance to information posted on the Resolution Fund's website, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the liabilities emerging from the *“eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies”*.

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. These lists detail that the total acknowledged credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, and no guaranteed or privileged claims exist. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined upon the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 20 of the Resolution Fund's annual report of 2019, *“Legal actions related to the application of resolution measures have no legal precedents, which makes it impossible to use case law in its evaluation, as well as to obtain a reliable estimate of the associated contingent financial impact. (...) The Board of Directors, supported by legal advice of the attorneys for Novo Banco in these actions, and in light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure”*.

On 31 March 2017, Banco de Portugal communicated the sale of Novo Banco, where it states the following: *“Banco de Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital”*.

The terms agreed also included a Contingent Capital Agreement (CCA), under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, the Banco de Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of BES.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the State that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion⁽¹⁾ that revealed significant uncertainties regarding adequacy in provisioning⁽²⁾:

- (i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions⁽¹⁾⁽²⁾⁽³⁾;
- (ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the Contingent Capital Agreement is subject to the cap of Euros 3.89 billion⁽²⁾;
- (iii) in case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments⁽²⁾. According to the press in May 2021, the amount of this recapitalization could reach Euros 1,6 billion, while it is not clear if this will be financed through the Resolution Fund or the Portuguese State.

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible for clarifying any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the Contingent Capital Agreement or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets. According to the 2019 Resolution Fund's annual report, the work carried out by the Verification Agent continues to be followed.

In its 2019 annual report, the Resolution Fund states that *"Regarding future periods, a significant uncertainty as to the relevant parameters for the calculation of future liabilities is deemed to exist, either for their increase or reduction, under the terms of the CCA"*.

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;
- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;
- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;
- The initial reference value of the portfolio comprising the CCA was, as of 30 June 2016, Euros 7,838 million (book value of the associated assets, net of impairments);
- The value of the portfolio, as of 31 December 2019, amounted to approximately Euros 3 billion (book value, net of impairments), according to Novo Banco's 2019 annual report.

⁽¹⁾ Exact value not disclosed by the European Commission for confidentiality reasons

⁽²⁾ As referred to in the respective European Commission Decision

⁽³⁾ According to 2018 Novo Banco's earnings institutional presentation, the "minimum capital condition" is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first three years (2017-2019); (ii) CET1 < 12%

According to a notice issued by the Resolution Fund on 4 June 2020, the *"Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the CCA, of the effects of Novo Banco's decision to waive the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the CCA, which sets the maximum amount of payments to be made by the Resolution Fund at Euro 3,890 million. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of Euros 3,890 million in accordance with the CCA. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of Euros 3,890 million"*.

In a separate notice dated 16 June 2020, the Resolution Fund clarifies that *"the Resolution Fund has also provided the Budget and Finance Committee of the Portuguese Parliament, in writing, with all the clarifications on its decision to deduct from the amount calculated under the CCA, the amount related to the variable remuneration attributed to the members of the Executive Board of Directors of Novo Banco"*.

According to a statement by the Resolution Fund on 3 September 2020, following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the CCA, a special audit determined by the Government was carried out. Information was presented by the independent entity that carried out the special audit, showing that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in BES, which resulted in impairment charges and provisions, but have also contributed to rendering Novo Banco's internal procedures more robust. Regarding the exercise of the powers of the Resolution Fund under the CCA, the audit results reflect the adequacy of the principles and the adopted criteria.

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

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

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

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

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

On 3 May 2021, the Resolution Fund announced that the audit report conducted by the Court of Auditors (“Tribunal de Contas”) - following the request of the Portuguese parliament of October 2020 to the operations and management of Novo Banco that were at the origin and led to the need to transfer funds from the Resolution Fund to Novo Banco - was released. The Court of Auditors concluded that the public financing of Novo Banco through the CCA contributed to the stability of the financial system, particularly as it avoided the bank’s liquidation and reduced systemic risk. According to the Resolution Fund, the audit does not identify any impediment to the fulfilment of commitments and contracts arising from BES’s resolution process, initiated in August 2014.

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

On 19 December 2015, the Board of Directors of Banco de Portugal announced that Banif was “failing or likely to fail” and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved State aid, of which Euros 489 million were provided by the Resolution Fund, which was funded by a loan granted by the State.

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

Also, according to this source, *“the outstanding debt related to the amount made available by the State to finance the absorption of Banif’s losses, following the resolution measure applied by Banco de Portugal to that entity [amounts to] Euros 352,880 thousand”*. This partial early repayment of Euros 136 million corresponds to the revenue of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism which was not transferred to the Single Resolution Fund and which will be paid to the Single Resolution Fund by the credit institutions that are covered by this scheme over a period of 8 years starting in 2016 (according to the Resolution Fund’s 2016 annual report).

On 12 January 2021, Banco de Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif’s resolution measures applied by Bank of Portugal. In its decision, the Court determined the legality and maintenance of Banco de Portugal’s measures.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif the Resolution Fund incurred loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2019, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif’s losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the CCA (Euros 430 million plus Euros 850 million of additional funding requested in 2019, as described above);
- Other funding granted in 2014 by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;

- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million. This underwriting did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;
- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;
- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A., which must be neutralized by the Resolution Fund;
- Legal proceedings filed against the Resolution Fund;
- Guarantee granted to secure the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;
- CCA allows Lone Star to claim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3.89 billion under the aforementioned conditions, among which a reduction of Novo Banco's CET1 below 8%-13% (as defined in DGComp's agreement described above);
- In case the Supervisory Review and Evaluation Process (SREP) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to note 21 of the Resolution Fund's 2019 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in August 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and bank loans to the Resolution Fund, required from to maintain the contributory effort required from the banking sector at prevailing levels at that time.

According to the statement of the Resolution Fund of 21 March 2017:

- *"The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif- Banco Internacional do Funchal, S.A. were changed. These loans amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 700 million were granted by a group of banks";*

- *"Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The revision of the loan's terms aimed to ensure the sustainability and financial balance of the Resolution Fund. The terms allow the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions".*

On 2 October 2017, by Resolution no. 151-A/2017, of the Council of Ministers of the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when the State deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. The abovementioned resolution further set out that the framework agreement should be subject to a time period that is consistent with the undertakings of the Resolution Fund and should preserve the Resolution Fund's capacity to satisfy said obligations in a timely fashion.

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

To repay the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (created under Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to satisfy its obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been paying, since 2013, its mandatory contributions set out in the aforementioned decree-law.

On 3 November 2015, the Banco de Portugal issued Circular Letter no. 085/2015/DES, under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law no. 24/2013, of 19 February, thus the Bank is recognising as an expense the contribution to the Resolution Fund in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: *"...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the potential collection of a special contribution appears to be unlikely"*.

Decree-Law no. 24/2013 of 19 February further sets out that Banco de Portugal has the authority to determine, by way of instruction ("instrução"), the applicable yearly rate based on objective incidence of periodic contributions. The instruction of Banco de Portugal no. 32/2020, published on 18 December 2020, set the base rate for 2021 for the determination of periodic contributions to the Resolution Fund at 0.06%, unchanged from the rate in force in 2020.

During the first half of 2021, the Group made regular contributions to the Resolution Fund in the amount of Euros 27,667 thousand. The amount related to the contribution on the banking sector, registered during the first half of 2021, was Euros 39,286 thousand. These contributions were recognized as a cost in the first half of 2021, in accordance with IFRIC no. 21 - Levies.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group made an initial contribution in the amount of Euros 31,364 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Group in the first half of 2021 was Euros 24,563 thousand, of which the Group delivered Euros 20,886 thousand and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including "processo dos lesados do BES"; and (v) the guarantee provided to secure the bonds issued by Oitante (in this case, the trigger mentioned is not expected in accordance to the most recent information communicated by the Resolution Fund in its annual accounts).

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the member of the Government responsible for finance a proposal with respect to the determination of amounts, time limits, payment methods, and any other terms related to the special contributions to be made by the institutions participating in the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund's 2019 annual report, under note 8, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the RGICSF, although no such contributions are expected, in particular after a review of the financing conditions of the Resolution Fund"*.

The COVID-19 pandemic and its duration and effects create an additional context of uncertainty with respect to its impacts, in accordance with the opinion of Novo Banco's external auditor as per Novo Banco's financial accounts report for the first semester of 2020 and the opinion of the audit board of Banco de Portugal as per the 2019 Resolution Fund annual report.

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the CCA of Novo Banco.

As published by Resolution no. 63-A/2021 of 27 May 2021 of the Council of Ministers, a number of national financial institutions offered to finance the Resolution Fund, under conditions considered as appropriate by it, increasing up to Euros 475 million the direct financing of banks to the Resolution Fund and waiving a State loan to the Resolution Fund. The funding costs of the Resolution Fund (from the State and from banks) will continue to be exclusively borne by periodic revenues, corresponding to the contributions paid by the banking sector. This new funding benefits from a *pari passu* treatment with the fulfilment of the payment obligations arising from the other loan agreements granted by the banks to the Resolution Fund within the scope of Banco Espírito Santo, S. A.'s resolution measures.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco under the Contingent Capitalization Agreement. The Resolution Fund paid Euros 317,012,629 associated to the 2020 financial accounts. This payment follows Novo Banco's request, on 7 April 2021, of Euros 598,311,568.

The Resolution Fund considered that an adjustment in the amount of Euros 169,298,939 is due to the amount requested by Novo Banco, and therefore the amount calculated by the Resolution Fund for payment to Novo Banco is Euros 429,012,629, of which the authorization regarding a portion of Euros 112,000,000 was conditioned to the conclusion of a supplementary investigation which includes an external opinion regarding Novo Banco's choice not to apply the hedge accounting policy to derivative financial instruments contracted to hedge interest rate risk resulting from the exposure to long-term sovereign debt obligations.

The payment to Novo Banco was fully funded with resources from a loan from seven domestic credit institutions, including BCP. The loan matures in 2046 and bears interest at a rate corresponding to the sovereign cost of funding for the period between the contract date (31 May 2021) and 31 December 2026, plus a margin of 15 b.p. The interest rate will be reviewed on 31 December 2026 and, after that, every five-years, corresponding to the sovereign five-year funding cost, plus a margin of 15 b.p.

The payment by the Resolution Fund required a budget amendment, which was authorized by Order of the Minister of State and Finance.

According to a statement from Novo Banco on 7 July 2021, Novo Banco says it will take legal steps towards the payment of the Euros 112 million.

11. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Bank of Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3,9 billion, under determined circumstances. In the proceedings, the claimants request the declaration of nullity or annulment of those acts.

The proceedings were filed based on the information contained in the Communication from Bank of Portugal dated 31 March 2017, of which the claimants were not notified.

The proceedings were filed in court on 4 September 2017. Bank of Portugal and the Resolution Fund presented their arguments and, only very recently, Nani Holdings SGPS, S.A. did the same since, by delay of the court, this company was only very recently notified to act as a party in the proceedings.

In addition to opposing to it, the defendants invoke three objections (i) the illegitimacy of the claimants, (ii) the argument that the act performed by Bank of Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent party invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The claimants replied to the arguments presented by the defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Bank of Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but most of the documents delivered were truncated in such a way that neither the court nor the claimants are able to obtain adequate knowledge thereof. That issue was already raised in the proceedings (requesting the court to order Bank of Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings are prepared for confirmation of the decision accepting the formalities of the right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation order to request the claimants identify it. Afterwards, that Bank will be notified to present its opposition arguments.

The case was sent to the judge on 23 September 2019 and the Bank is awaiting a decision. BCP added legal opinions to the records (Professors Mário Aroso de Almeida and Manuel Fontaine de Campos).

12. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, Group Banco Comercial Português implemented a process of salary adjustment for a temporary period. Additionally, it was agreed between the Bank and the Unions that, in the years after the State intervention and if there are distributable profits, the Board of Directors and the Executive Committee would submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement.

At the General Meeting of 20 May 2020, following the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2019 was approved, which includes an extraordinary distribution to each employee up to Euros 1,000 who, having not been fully compensated with the distribution of profits occurred in 2019, remains employed on the date of payment of the remuneration corresponding to June 2020, up to a maximum global amount of Euros 5,281,000.

13. The Bank was subject to tax inspections for the years up to 2018. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred, regarding IRC, in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) deduction pro rata used for the purpose of determining the amount of deductible VAT. Most of additional liquidations/corrections made by the tax administration were the object of contestation by administrative and/or judicial means.

The Bank recorded provisions or deferred tax liabilities at the amount considered sufficient to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

14. In 2013, Banco Comercial Português, S.A. filed a lawsuit against Mr. Jorge Jardim Gonçalves, his wife and Ocidental - Companhia de Seguros de Vida, S.A., requesting, essentially, that the following be recognized: (a) that the amount of the retirement instalments of the former director, to be paid by the Bank, couldn't exceed the highest fixed remuneration earned by the directors exercising functions in the Bank at any moment; (b) that the referred former director couldn't maintain, at the Bank's expenses, the benefits he had when still in active functions; and (c) that the wife of the former director couldn't benefit from a lifelong survivor's pension paid by the Bank in case of death of the former director, under conditions different from the ones foreseen for the majority of the Bank's employees.

On 27 January 2019, the court of first instance issued a sentence that: (i) rejected the request made by the Bank regarding the reduction of the pensions paid and to be paid to the first defendant Mr. Jorge Jardim Gonçalves, (ii) rejected the request for the nullity of the eventual future survivor's pension of the second defendant; (iii) partially accepted the counter-claim formulated by the defendant Mr. Jorge Jardim Gonçalves, sentencing the Bank to pay him the amount of 2,124,923.97 euros, as reimbursement of the expenses regarding the use of a car with driver and private security until June 2016, and also those that, on this regard, he had paid since that date or will pay in the future, in the amount that would come to be settled, expenses which would be part of his retirement package, plus interest accounted at the legal rate of 4% per year since the date of the reimbursement request up to their effective and full payment.

The Bank appealed this sentence to the Tribunal da Relação de Lisboa (Lisbon Court of Appeal) and, on 5 March 2020, a judgment was issued by the Lisbon Court of Appeal which revoked the court of first instance's decision and upheld the Bank's legal action, determining the non-existence of the right of the defendant Mr. Jorge Jardim Gonçalves to receive the retirement supplements paid by Ocidental Vida, and condemning the defendant to return to the Bank the amounts received monthly in excess of the limits provided for in Article 402 (2) of the Commercial Companies Code, as from the date of retirement; as well as enacting the partial nullity of the insurance contracts for the capitalisation and lifelong pension policy, sentencing Ocidental Vida to return to the Bank the amounts paid by the latter to support the retirement supplements of Mr. Jorge Jardim Gonçalves, dismissing, as well, the counterclaim formulated by the defendant Mr. Jorge Jardim Gonçalves and absolving the Bank of that request.

From that decision of the Lisbon Court of Appeal in favour of the Bank, on 6 July 2020 the defendant Mr. Jorge Jardim Gonçalves filed an appeal with the Supreme Court of Justice. At that time, the court was suspended, determined by notice issued on 30 April 2020, following the death of the defendant Mrs. Maria Assunção Jardim Gonçalves.

The referred appeal presented to the Supreme Court of Justice was not judged; however, in December 2020 the parties reached an agreement regarding the retirement pension due to Mr. Jorge Jardim Gonçalves, in terms similar to those agreed with other former administrators, hence it was decided to end that dispute, an agreement which was ratified by a final and unappealable sentence.

The reached agreement also allowed for the termination, in the same way, of another legal action that the Bank had established on 30 December 2019, also against Mr. Jorge Jardim Gonçalves, whose object was also directly and indirectly related to the respective retirement pension.

56. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Current provisions for legal risk

As at 30 June 2021, Bank Millennium had 7,902 loan agreements and, additionally, 672 loan agreements from former Euro Bank, S.A. under individual ongoing litigations (97% loan agreements before the court of first instance and 3% loan agreements before the court of second instance; excluding claims submitted by Bank Millennium against clients, i.e., debt collection cases) concerning indexation clauses of FX-indexed mortgage loans, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 920.1 million (Euros 203.76 million) and CHF 69.8 million (Euros 63.68 million) [Bank Millennium portfolio: PLN 839.8 million (Euros 185.98 million) and CHF 68.3 million (Euros 62.32 million); former Euro Bank, S.A. portfolio: PLN 80.3 million (Euros 17.78 million) and CHF 1.4 million (Euros 1.28 million)]. The outstanding amount of the loan agreements under individual court cases, as at 30 June 2021, is PLN 2,463 million (Euros 545.44 million).

Until 30 June 2021, only 91 lawsuits had been definitively resolved (66 cases regarding claims submitted by clients against Bank Millennium and 25 cases regarding claims submitted by Bank Millennium against clients, i.e., debt collection cases).

The claims deduced by the clients in individual cases refer mainly to the declaration of nullity of the contract and the obligation to reimburse, due to the alleged abusive nature of the indexation clauses.

In addition, Bank Millennium is a party to a group proceeding (class action) which aims to determine Bank Millennium's liability towards the group members based on alleged unjust enrichment (undue benefit) in connection with FX-indexed mortgage loans. It is not a lawsuit requesting the payment of a certain amount of indemnity. The judgment that may be issued in this case, if unfavourable to Bank Millennium, will not grant per se any credit rights required by the group members of this class action. The number of loan agreements covered by these proceedings is 3,281. At the current stage, the composition of the group members if this class action has been established and confirmed by the court. On 11 August 2020, the claimant requested granting interim measures to secure the claims presented against Bank Millennium. In a decision of 18 August 2020, that request for granting interim measures was dismissed. On 26 October 2020, the claimant filed another application for granting interim measures to secure claims against Bank Millennium concerning two group members. By decision of 6 November 2020, the application was rejected. During the session occurred on 26 October 2020, the Court conducted a hearing of the parties' position. The next hearing is scheduled for 21 October 2021. The outstanding amount of the loan agreements under the class action proceeding is PLN 935 million (Euros 207.06 million) as at 30 June 2021.

Bank Millennium remains open to negotiating agreements with its customers that put an end to that dispute. Bank Millennium is receptive to negotiate case-by-case favourable conditions for early repayment (partial or total) or the conversion of loans to PLN. On the other hand, Bank Millennium will continue to take all possible action to protect its interests in courts while, at the same time, being open to reaching settlements with customers in the court under reasonable conditions. Bank Millennium has already reached agreement with 140 borrowers who participated in that class action.

According to the Polish Bank Association (ZBP), data gathered from all banking institutions that granted FX-indexed mortgage loans show that vast majority of lawsuits have obtained a final decision in favour of creditor banks until the year of 2019. However, after the CJEU decision was issued on 3 October 2019, regarding Case C-260/18, this trend has adversely changed and most of those lawsuits have been decided against creditor banks.

Considering the increased legal risk related to FX-indexed mortgages, Bank Millennium created in the first half of 2021 a provision in the amount of PLN 972.4 million (Euros 215.34 million) and a provision in the amount of PLN 74.6 million (Euros 16.52 million) for former Euro Bank, S.A. portfolio [respectively, in 2020: PLN 677 million (Euros 149.92 million) and PLN 36.4 million (Euros 8.06 million)]. The methodology developed by Bank Millennium is based on the following main parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified (three-year) time horizon; (ii) the amount of Bank Millennium's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

As at 30 June 2021, Bank Millennium's balance sheet value of provisions set aside for FX-indexed mortgages legal risk regarding Bank Millennium's portfolio reached PLN 1,868.9 million (Euros 413.88 million), of which 219 million (Euros 48.5 million) were accounted for in Other provisions (note 38) and PLN 1,649.9 (Euros 365.38 million) were deducted to the gross carrying amount of loans (note 21) and PLN 111 million (Euros 24.58 million) regarding former Euro Bank, S.A.'s portfolio were accounted for in Other provisions (note 38). Legal risk from former Euro Bank, S.A.'s portfolio is fully covered by an Indemnity Agreement established with Société Générale.

Bank Millennium analysed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against Bank Millennium	PLN 47 million (Euros 10.41 million)
Change in the probability of winning a case	The probability of Bank Millennium winning a case is lower by 1 p.p	PLN 31 million (Euros 6.87 million)

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, responding to the request for a preliminary ruling from District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU regarding the interpretation of European Union Law, is binding to the national judge who proceeded with the preliminary ruling, and this interpretation must be accepted by the other community judges who rule on the application of the same rules.

The referred judgment was based on the interpretation of Article 6 of Directive 93/13, concluding that it must be the following: (i) the national court can declare nullable a loan agreement if the removal of abusive terms detected compromises the subject matter of the agreement; (ii) the effects on the consumer's situation resulting from the annulment of the agreement must be assessed in the light of the existing or foreseeable circumstances at the time of the decision of the dispute, and the will of the consumer is decisive as to whether they wish to maintain the agreement; (iii) Article 6 prevents the integration of gaps in the contract caused by the removal of unfair terms from it solely on the basis of national legislation of a general nature or established customs; and, (iv) Article 6 precludes the maintenance of unfair terms in the contract which, at the time of the decision of the dispute, are objectively favourable to the consumer, in the absence of an express manifestation to that effect by the latter. It can be inferred from this decision that the CJEU considered doubtful the possibility of a loan agreement remaining in force in PLN while interest is calculated in accordance with LIBOR.

The CJEU's judgment applies only to situations where the national court has previously found the contract terms to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a certain contract term can be qualified as abusive in the specific circumstances of the lawsuit. It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be judged by the national courts within the framework of the disputes considered, which could possibly result in the emergence of new legal interpretations relevant for the assessment of the risks associated with the subject matter of these proceedings. This circumstance justifies the need for constant accompaniment of these matters. Further requests for clarification and ruling addressed to the CJEU and the Supreme Court of Poland with potential impact on the outcome of the court cases have already been and may still be filed.

On 29 April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., in which the CJEU said that:

i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;

ii) article 6(1) and Article 7(1) of Directive 93/13 must be interpreted as meaning that, first, they do not preclude the national court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by that directive is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. Second, those provisions preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance, which it is for that court to determine;

iii) the consequences of a judicial finding that a term of a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;

iv) it is for the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, to inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On 7 May 2021, the Supreme Court, composed of seven judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

i) an abusive contractual clause (art. 3851 § 1 of the Civil Code of Poland), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively;

ii) if without the ineffective clause the loan agreement cannot be binding, the consumer and the lender may apply for separate claims for reimbursement of all amounts paid to the other part under the loan agreement (art. 410 § 1 in relation to art. 405 of the Civil Code of Poland). The lender may demand the reimbursement of outstanding amounts from the moment the loan agreement becomes permanently ineffective.

In this context, taking into consideration the recent unfavourable evolution to creditors of the court verdicts regarding FX-indexed mortgage loans, and if such a trend continues, Bank Millennium will have to regularly review the provisions allocated to court litigations and it may need to constitute new provisions reinforcements.

The annulment of Bank Millennium's loan agreements currently subject to those lawsuits, without proper compensation for capital, can reach a cost, before tax, of up to PLN 3,003 million (Euros 665.03 million).

2. Events that may impact the provision for legal risk

On 29 January 2021, a set of questions was published addressed by the First President of the Supreme Court to the Civil Chamber of the Supreme Court, which may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court was requested to respond to certain requirements related to FX-indexed mortgage agreements: (i) is it permissible to replace - through legal or customary provisions - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of the impossibility of determining the exchange rate of a foreign currency in the indexed/denominated loan agreement - is it possible to keep the agreement in force in its remaining scope; as well as, (iii) if, in case of invalidity of the CHF loan agreement, the theory of equity would be applicable (i.e., does a single claim arise which is equal to the difference between value of claims of bank and the customer), or the theory of two conditions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court was also requested to comment on (iv) the determination of the moment from which the limitation period should start counting in case of a claim being filed by a lending bank for repayment of borrowed amounts and, (v) whether banks and consumers may receive remuneration on their pecuniary claims on the other party arising from the contract.

On 11 May, the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions, including the National Bank of Poland, the Polish Financial Supervision Authority, the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favourable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers *vis-à-vis* PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Supreme Court.

The date of the next Supreme Court meeting is now scheduled for 2 September 2021. Bank Millennium will assess in due time the implications of the decisions of the Supreme Court on the level of provisions constituted for the legal risk.

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority (PFSA), proposed a sectoral solution to address the sector risks related to FX-indexed mortgages. The solution would consist in banks offering to their clients a possibility of concluding liability settlement agreements based on which a client would conclude with the bank a settlement as if the loan had been, from the very beginning, a PLN-indexed loan, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loans.

Following that public announcement, the idea has been the subject of consultations between banks under the auspices of the PFSA and Polish Bank Association. Banks are assessing the conditions under which such a solution could be implemented and the consequent impacts.

In the view of Bank Millennium's Management Board, important aspects to be taken into consideration when deciding on potential implementation of such program are: a) the favourable opinion or, at least, non-objection from important public institutions; b) support from the National Bank of Poland (NBP) for the implementation; c) level of legal certainty of the settlement agreements to be signed with the borrowers; d) level of the financial impact on a pre- and after tax basis; and e) capital consequences, including regulatory adjustments in the level of capital requirements associated with FX-indexed mortgage loans.

At the time of publishing the Group's Consolidated Report, neither its Management Board nor any other corporate body of Bank Millennium or of the Bank has taken any decision regarding the implementation of such a program. For this reason, the potential effects of this matter were not reflected in the determination of the provision. If, or when, a recommendation regarding the program is ready, Bank Millennium's Management Board will submit it to the Supervisory Board and General Shareholders' meeting, taking into consideration the relevance of such decision and its implications.

Bank Millennium conducted a survey among its customers, in cooperation with an external reputed company, regarding the willingness to accept settlement in the terms of the sector solution put forward by the Chairman of KNF. 49% of clients enquired were preliminarily interested in benefiting from the proposal, while 25% were not able to clearly express their opinion and 26% would not take such offer.

As disclosed in the Annual Financial Consolidated Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31 December 2020, published on 22 February 2021, according to preliminary calculations, implementation of a solution whereby loans would be voluntarily converted to PLN as if they had been a PLN loan from the very beginning, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the current portfolio would be converted) with a pre-tax impact between PLN 4,100 million (Euros 907.96 million) to PLN 5,100 million (Euros 1,129.42 million) (non-audited data). The impacts can significantly change in case of variation of the exchange rate and other various assumptions. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk-weighted assets and the decrease or elimination of the Pillar 2 buffer. The above mentioned impact would be substantially higher than the estimated impact of PLN 500 million (Euros 110.73 million) to PLN 600 million (Euros 132.87 million) (non-audited data) in the scenario of replacing the exchange rate applied in the contracts by the average NBP exchange rate.

Finally, it should be mentioned that Bank Millennium, as at 30 June 2021, maintained additional own funds for the coverage of additional capital requirements related to FX-indexed mortgage portfolio risks (Pillar II buffer), in the amount of 3.41 p.p. (3.36 p.p. at the BCP Group level), part of which is allocated to operational/legal risk.

Due to the complexity and uncertainty regarding the final verdict of these lawsuits, as well as the possible implementation of the solution suggested by the Chairman of PFSA still under analysis, as well as the uncertainty of the awaited decisions of the Supreme Court, it is difficult to accurately estimate the potential impacts of such outcomes and their influence on the date of publication of the Group's financial statements.

57. Discontinuing operations

According to the described in note 47, under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinued in June 2021, and the impact on results presented in a separate line of the income statement named "Income / (loss) arising from discontinued or discontinuing operations".

The financial statements of Banque Privée BCP (Suisse) S.A. and other adjustments that have been incorporated in the balance Income arising from discontinued or discontinuing operations are the following:

	(Thousands of euros)					
	30 June 2021			30 June 2020		
	Banque Privée BCP	Adjustments	Total	Banque Privée BCP	Adjustments	Total
Interest and similar income	1,681	34	1,715	2,224	36	2,260
Interest expense and similar charges	(48)	(34)	(82)	(60)	(36)	(96)
Net interest income	1,633	–	1,633	2,164	–	2,164
Net fees and commissions income	13,800	3	13,803	13,689	3	13,692
Net gains/(losses) from financial operations at fair value through profit or loss	1	–	1	–	–	–
Net gains/(losses) from foreign exchange	1,372	–	1,372	1,797	–	1,797
Other operating income/(losses)	(150)	(20)	(170)	(245)	(22)	(267)
Total operating income	16,656	(17)	16,639	17,405	(19)	17,386
Staff costs	9,373	–	9,373	9,696	144	9,840
Other administrative costs	2,800	(17)	2,783	2,764	(19)	2,745
Amortisations and depreciations	686	–	686	659	–	659
Total operating expenses	12,859	(17)	12,842	13,119	125	13,244
Net operating income before provisions and impairments	3,797	–	3,797	4,286	(144)	4,142
Impairment of financial assets at amortised cost	14	–	14	(11)	–	(11)
Net income before income taxes	3,811	–	3,811	4,275	(144)	4,131
Income taxes						–
Current	(551)	–	(551)	(622)	–	(622)
Deferred	–	–	–	–	22	22
Net income for the period	3,260	–	3,260	3,653	(122)	3,531

58. Changes in accounting policies occurred in 2021

In the first semester of 2021, the Group changed the presentation of provisions for individual court cases related to CHF mortgage loans. Commencing from the first quarter of 2021, the Group allocates the portfolio provisions for future legal issues and recognizes it as a reduction of the gross carrying amount of loans for which a decrease in future cash flows is expected in accordance with IFRS 9 "Financial Instruments". Considering that, as in the case of the portfolio provisions, a decrease in cash flows is also expected in the case of exposures subject to individual litigations, the Group, starting from 30 June 2021, increased the scope of the allocated provisions by provisions for individual litigations (previously provisions for individual litigations used to be recognized in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as provisions for pending legal issues). As a result of the above change, the solution in line with IAS 37 will be continued only with regard to disputes relating to already repaid receivables not included in the Group's balance sheet. In order to ensure comparability, the Group has made the following adjustments to comparable data in the balance sheet:

	(Thousands of euros)	
	Loans and advances to customers	Provisions
Balance as at 31 December 2019	49,847,829	345,312
Changes in accounting policies	(50,160)	(50,160)
Balance as at 1 January 2020	49,797,669	295,152
Changes in accounting policies		
Allocation to loan's portfolio	(51,691)	(51,691)
Exchange rate differences	3,393	3,393
Variation of the year 2020	2,272,986	98,487
Balance as at 31 December 2020 restated	52,022,357	345,341

Consequently, the Group changed the presentation of interest on derivatives not covered by formal hedge accounting. Bearing in mind that these instruments, although they are included in the trading book, are mainly concluded in order to establish economic hedging against the risk of other financial assets or liabilities, the Group, from the first semester of 2021, presents the interest in the Income statement as part of the "Net interest income", while previously this interest was included in the item "Results on financial assets and liabilities held for trading". In order to ensure comparability, the Group has made the following adjustments to the comparable data in the Income statement:

	(Thousands of euros)			
	30 June as reported	Adjustments	Discontinuing operations (note 57)	30 June as restated
Interest and similar income	961,206	6,018	(2,260)	964,964
Net gains/(losses) from financial operations at fair value through profit or loss	(54,404)	(6,018)	—	(60,422)

59. List of subsidiaries and associated companies of Banco Comercial Português Group

As at 30 June 2021, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Sector of activity	Group		Bank
					% economic interests	% effective held	% direct held
Banco ActivoBank, S.A.	Lisbon	101,000,000	EUR	Banking	100 %	100 %	100 %
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1 %	50.1 %	50.1 %
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100 %	100 %	100 %
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100 %	100 %	100 %
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100 %	100 %	100 %
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100 %	100 %	100 %
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100 %	100 %	100 %
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100 %	100 %	—
BCP Finance Company	George Town	31,000,785	EUR	Financial	100 %	100 %	—
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7 %	66.7 %	—
Millennium Bank Hipoteczny S.A.	Warsaw	40,000,000	PLN	Banking	100 %	50.1 %	—
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100 %	100 %	—
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	62,746,173	BRL	Financial Services	100 %	100 %	100 %
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100 %	100 %	100 %
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100 %	100 %	100 %
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	32,859,181	EUR	Real-estate management	100 %	100 %	100 %
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,750	EUR	Services	96.38 %	95.92 %	88.02 %
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100 %	100 %	100 %
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100 %	50.1 %	—
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100 %	50.1 %	—
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100 %	50.1 %	—
Piast Expert Sp. z o.o (in liquidation)	Tychy	100,000	PLN	Marketing services	100 %	50.1 %	—

Subsidiary companies	Head office	Share capital	Currency	Sector of activity	Group		Bank
					% economic interests	% effective held	% direct held
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100 %	50.1 %	–
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100 %	50.1 %	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100 %	50.1 %	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9 %	99.9 %	99.9 %
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100 %	100 %	100 %
Setelote - Aldeamentos Turísticos S.A.	Oeiras	400,000	EUR	Real-estate company	100 %	100 %	–
Bichorro - Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100 %	100 %	–
Finalgarve - Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100 %	100 %	–
Fiparso - Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100 %	100 %	–

As at 30 June 2021, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1.B, were as follows:

Investment funds	Head office	Participation units	Currency	Sector of activity	Group		Bank
					% economic interests	% effective held	% direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	69,511,253	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo de Investimento Imobiliário Imorenda	Oeiras	85,787,149	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	310,307,200	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	3,336,555,200	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	2,477,355	EUR	Real-estate investment fund	100 %	100 %	100 %
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Real-estate investment fund	100 %	100 %	100 %

Investment funds	Head office	Participation units	Currency	Sector of activity	Group		Bank
					% economic interests	% effective held	% direct held
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,879,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundial - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	19,164,700	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundipar - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Domus Capital- Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real-estate investment fund	63.3 %	63.3 %	63.3 %
Predicapital - Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real-estate investment fund	60 %	60 %	60 %

(*) - Company classified as non-current assets held for sale.

During the first semester of 2021, the Group proceeded with the liquidation of DP Invest - Fundo Especial de Investimento Imobiliário Fechado.

The Group held a set of securitization transactions regarding mortgage loans which were set through specifically created SPE. As referred in accounting policy 1.B, when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of IFRS 10.

As at 30 June 2021, the Special Purpose Entities included in the consolidated accounts under the full consolidation method are as follows:

Special Purpose Entities	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4 %	82.4 %	82.4 %

As at 30 June 2021, the Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	295,000,000	EUR	Insurance	92.0 %	61.4 %	—

As at 30 June 2021, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

Associated companies	Head office	Share capital	Currency	Sector of activity	Group		Bank
					% economic interests	% effective held	% direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.73 %	22.53 %	–
Banque BCP, S.A.S.	Paris	180,699,790	EUR	Banking	18.99 %	18.99 %	18.99 %
Beiranave Estaleiros Navais Beira SARL	Beira	2,849,640	MZN	Naval shipyards	22.8 %	14 %	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20 %	12.3 %	–
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	Setúbal	744,231	EUR	Trade and industry of sea products	35 %	35 %	–
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50 %	25.1 %	–
Science4you S.A.	Oporto	517,296	EUR	Production and trade of scientific toys	28.2 %	28.2 %	–
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3 %	21.9 %	–
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32 %	32 %	0.53 %
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1 %	25.1 %	25.1 %

During the first semester of 2021, the Group sold its investment held in Cold River's Homestead, S.A.

As at 30 June 2021, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

Associated companies	Head office	Participation units	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	EUR	Holding company	49 %	49 %	49 %
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49 %	49 %	–
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49 %	49 %	–

60. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1.Z, there were no subsequent facts or events have occurred after the date of the financial statements and until the date of its approval, which require judgements, disclosures or additional records.

Declaration of Compliance

DECLARATION OF COMPLIANCE

It is hereby declared that, to the best of the knowledge of the undersigned, the condensed individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which include (i) the condensed individual and consolidated balance sheets as at 30 June 2021, (ii) the condensed individual and consolidated income statements for the year ended on 30 June 2021, (iii) the condensed individual and consolidated statement of changes in equity and cash flow statement for the year ended on 30 June 2021, (iv) a summary of the significant accounting policies, and (v) the individual and consolidated explanatory notes, give a true and appropriate image of the individual and consolidated financial situation of the Bank as at 30 June 2021, the individual and consolidated results of their operations, and the individual and consolidated changes in equity and cash flow for the year ended on that date, in accordance to the International Accounting Standards, endorsed by the European Union.

The Bank's condensed individual and consolidated financial statements relative to 30 June 2021 were approved by the Board of Directors on 6 August 2021.

Furthermore, it is also declared that the first half 2021 management report of BCP faithfully presents the evolution of the business, performance and situation of the Bank and companies included in the consolidation perimeter and contain a description of the principal risks and uncertainties facing them. The management report was approved by the Board of Directors on 6 August 2021.

Porto Salvo, 6 August 2021



Nuno Manuel da Silva Amado
(Chairman)



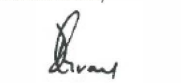
Jorge Magalhães Correia
(Vice-Chairman)



Valter Rui Dias de Barros
(Vice-Chairman)



Miguel Maya Dias Pinheiro
(Vice-Chairman)



Ana Paula Alcobia Gray
(Member)



Cidália Maria Mota Lopes
(Member)



João Nuno de Oliveira Jorge Palma
(Member)



José Manuel Alves Elias da Costa
(Member)



José Miguel Bensliman Schorcht da Silva Pessanha
(Member)



Jelia Gu (Xiaoxu Gu)
(Member)



Lingjiang Xu
(Member)



Maria José Henriques Barreto Matos de Campos
(Member)



Miguel de Campos Pereira de Bragança
(Member)



Rui Manuel da Silva Teixeira
(Member)



Teófilo César Ferreira da Fonseca
(Member)



Wan Sin Long
(Member)



Fernando da Costa Lima
(Member)

EXTERNAL AUDITORS' REPORT

LIMITED REVIEW REPORT OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1A)

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements of Banco Comercial Português, S.A. (the Bank) and its subsidiaries (the Group) for the six month period ended 30 June 2021 which comprise the interim condensed consolidated balance sheet as of 30 June 2021 that presents a total of 91,364,506 t.euros and total shareholders' equity of 7,386,264 t.euros, including a consolidated net profit attributable to the shareholders of the Bank of 12,266 t.euros, the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and a selected set of notes to the interim condensed consolidated financial statements.

Board of Directors' Responsibilities

The Board of Directors of the Bank is responsible for the preparation of interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34) as endorsed by the European Union, and for the design and maintenance of appropriate systems of internal control in order to permit the preparation of interim condensed consolidated financial statements exempt from material misstatement due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express a conclusion on the accompanying interim condensed consolidated financial statements. Our work was performed in accordance with ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and the applicable technical and ethical standards and guidelines of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). These standards require that our work be performed in order to conclude as to whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared in all material respects in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) as endorsed by the European Union.

A limited review of financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of inquiries and analytical procedures and subsequent assessment of the evidence obtained.

A limited review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Banco Comercial Português, S.A. and its subsidiaries for the six month period ended 30 June 2021 have not been prepared in all material respects in accordance with International Accounting Standard 34 – Interim Financial Reporting as endorsed by the European Union.

Emphasis

In note 56 of the interim condensed consolidated financial statements, the Board of Directors of the Bank presents the main aspects and uncertainties associated with the legal contingencies related to the Swiss Franc-indexed loans granted by the subsidiary Bank Millennium, SA, including relevant information on the decision of the Polish Supreme Court of Justice that is pending and on an alternative proposal for a solution that is currently under analysis, whose developments may influence the future evolution of these contingencies and the consequent impact for the BCP Group. Our conclusion is not modified in respect of this matter.

Lisbon, August 6, 2021

Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes, ROC

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report should not be signed. In the event of discrepancies, the Portuguese language version prevails.)

1H 2021 Report & Accounts

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Banco Comercial Português, S.A.,
Company open to public investment

Registered Office:
Praça D. João I, 28
4000-295 Porto

Share Capital:
Euros 4.725.000.000.00

Registered at the
Commercial Registry Office of Oporto
under the Single Registration and
Tax Identification Number 501 525 882

Investor Relations Division
Av. Professor Doutor Cavaco Silva
Edifício 1 Piso 0 Ala B
2744-002 Porto Salvo
Phone: (+351) 211 131 084
investors@millenniumbcp.pt

Communication Division
Av. Professor Doutor Cavaco Silva
Edifício 3 Piso 1 Ala C
2744-002 Porto Salvo
Phone: (+351) 211 131 243
comunicar@millenniumbcp.pt



Millennium
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