16 May 2022

Millennium bcp Earnings release as at 31 March 2022

Profitability
Robust business model; core operating profit increase, boosted by higher core income; reduction in loans impairment

- **Net income** of the **Group** of **112.9 million euros** in the first quarter of 2022, influenced by 123.3* million euros of costs associated with the loan portfolio in Swiss francs granted by the subsidiary in Poland. Excluding these costs, **net income** of the **Group** would amount **174.6 million euros** (**+52.6%**, from the first quarter of 2021).

- **Net income** of **107.6 million euros** in **Portugal** (**+29.0%** from the same period of 2021).

- **Profit before impairment and provisions** increased **36.8%** in the **Group** and **26.2%** in Portugal.

Capital and Liquidity
Capital at adequate levels; reinforced liquidity position

- Estimated **Fully-implemented Total capital ratio** and **Common Equity Tier 1 ratio** at **15.5%** and **11.5%,** respectively, above regulatory requirements (on a pro forma** basis, total capital ratio of **16.2%** and CET1 of **12.0%** subject to the already requested approval for the application of article 352 (2) of the CRR).

Business performance and Credit quality
Strong dynamics of growth in customer resources; significant growth of the loan portfolio; general improvement in credit quality indicators and comfortable coverage levels

- **High liquidity levels**, comfortably above regulatory requirements. Eligible assets for ECB funding of **23.9 billion euros**.

- **Performing loans** of the **Group up** by **3.1 billion euros**, **+5.8%** from March 2021 (**+2.1 billion euros** in **Portugal**, **+5.7%)**. **NPE reduction** in **Portugal** of **0.4 billion euros** (**0.1 billion euros** since the beginning of the year) even in adverse context.

- **Cost of risk** of **62 bp** for the **Group** and of **68 bp** in **Portugal** (80 bp and 94 bp in the first quarter of 2021, respectively).

- **Growing Customer base**; **+595,000 mobile Customers** (**+20%**).

* Net of tax and before minority interests; includes provisions for legal risks, costs with out-of-court settlements and legal advice.

** Subject to ECB authorization.

Note: change in loans to customers and customer funds on a proforma basis (excludes, in March 2021, the amounts from disposed operations).

BANCO COMERCIAL PORTUGUÊS, S.A.
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FINANCIAL HIGHLIGHTS (1)

Euro million

	31 Mar. 22	31 Mar. 21	Change 22/21
BALANCE SHEET			
Total assets	95,561	88,420	8.1%
Equity	6,570	7,296	-10.0%
Loans to customers (net)	56,656	54,199	4.5%
Total customer funds	91,358	87,042	5.0%
Balance sheet customer funds	73,495	66,888	9.9%
Deposits and other resources from customers	71,944	65,373	10.1%
Loans to customers (net) / Deposits and other resources from customers (2)	78.7%	82.9%	
Loans to customers (net) / Balance sheet customer funds	77.1%	81.0%	
RESULTS			
Net interest income	465.1	374.8	24.1%
Net operating revenues	700.7	577.9	21.2%
Operating costs	255.0	252.1	1.1%
Operating costs excluding specific items (3)	255.0	251.4	1.4%
Loan impairment charges (net of recoveries)	89.9	111.0	-19.1%
Other impairment and provisions	164.1	131.7	24.6%
Income taxes	85.5	56.9	50.2%
Net income	112.9	57.8	95.2%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	3.0%	2.7%	
Return on average assets (ROA)	0.5%	0.1%	
Income before tax and non-controlling interests / Average net assets (2)	0.8%	0.4%	
Return on average equity (ROE)	8.2%	4.0%	
Income before tax and non-controlling interests / Average equity (2)	12.1%	5.0%	
Net interest margin	2.19%	1.92%	
Cost to core income (2) (3)	38.8%	46.1%	
Cost to income (2)	36.4%	43.6%	
Cost to income (2) (3)	36.4%	43.5%	
Cost to income (Activity in Portugal) (2) (3)	33.7%	40.1%	
Staff costs / Net operating revenues (2) (3)	19.7%	24.4%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	62	80	
Non-Performing Exposures / Loans to customers	4.6%	5.5%	
Total impairment (balance sheet) / NPE	67.9%	64.7%	
Restructured loans / Loans to customers	4.2%	4.5%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	283%	270%	
Net Stable Funding Ratio (NSFR)	150%	144%	
CAPITAL (4)			
Common equity tier I phased-in ratio	11.4%	12.2%	
Common equity tier I fully implemented ratio	11.5%	12.2%	
Total fully implemented ratio	15.5%	15.5%	
BRANCHES			
Activity in Portugal	421	476	-11.6%
International activity	843	878	-4.0%
EMPLOYEES			
Activity in Portugal	6,264	7,004	-10.6%
International activity (5)	9,480	10,064	-5.8%

Notes:

(1) Some indicators are presented according to management criteria of the Group, with concepts being described and detailed at the glossary. Following the sale of the entire share capital of Banque Privée BCP (Suisse) SA to Union Bancaire Privée, UBP SA and the sale of 70% of the investment held in Seguradora Internacional de Moçambique, S.A. ("SIM"), through its subsidiary BIM - Banco Internacional de Moçambique S.A., both in the fourth quarter of 2021, the contribution of these subsidiaries to the consolidated results of the Group, in the first quarter of 2021 is reflected as income from discontinued operations in the international activity, as defined in the IFRS 5. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. and of SIM 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 these operations 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 those subsidiaries were no longer considered interest earning assets in the period under analysis.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
(3) Excludes specific items: negative impact of 0.7 million euros in the first quarter of 2021, fully recognized as staff costs in the activity in Portugal, related with costs arising from the adjustment of headcount.
(4) As at 31 March 2022 and 31 March 2021, capital ratios include the positive cumulative net income of each period. Ratios as of 31 March 2022 are estimated and non-audited.
(5) Of which, in Poland: 6,980 employees as at 31 March 2022 (corresponding to 6,842 FTE - Full-time equivalent) and 7,392 employees as at 31 March 2021 (corresponding to 7,238 FTE - Full-time equivalent).

RESULTS AND ACTIVITY IN THE FIRST QUARTER OF 2022

The first quarter of 2022 was marked by the outbreak of the war in Ukraine, resulting from the invasion of that country by the Russian Federation at the end of February. In the context of the resulting geopolitical crisis, the Bank acted in accordance with the guidelines of the European Union and implemented a set of mechanisms to monitor the situation and measures to support the Ukrainian people. Although the direct exposure of the Group to the economies of the two countries involved in the conflict is not material, the worsening outlook for the world economy and the high level of uncertainty currently prevailing as to a potential escalation of the conflict means that significant indirect impacts in subsequent stages cannot be totally discarded. Such potential impacts, however, cannot be quantified or reliably projected at this stage.

Despite the favourable evolution of the pandemic associated to COVID-19 in the first quarter of 2022, the Bank remained focused on supporting families and companies, particularly those most affected by the effects of the pandemic. In this sense, it should be highlighted the relevance of the agreements established with the European Investment Bank (EIB) and the European Investment Fund (EIF), aimed at supporting Portuguese and Polish companies, materialised through the granting of guarantees of significant amount.

At the same time, the Bank maintains its focus on constant innovation and technological transformation, focused on customer needs, resulting in a continued growth of its customer base, with special emphasis on mobile customers. The accelerated growth in mobile usage and sales, with strong recommendation scores, reflect the external recognition, materialized in the multiple awards and distinctions that the Bank has been receiving.

Following the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée") and the sale by BIM of shares representing 70% of the share capital of Seguradora Internacional de Moçambique, S.A. ("SIM"), in the fourth quarter of 2021, and as defined in IFRS 5, the contribution of these subsidiaries to the consolidated results of the Group, in the first quarter of 2021, is reflected as income arising from discontinued operations in the international activity. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. and of SIM, in the first quarter of 2021, was not changed compared to the criteria considered in the financial statements published in previous periods. Thus, and taking into account the immateriality of the respective balance sheet balances 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 those subsidiaries were no longer considered interest earning assets in the period under review. The final price of the sale of Banque Privée is still subject to adjustments arising from the evolution of assets under management and other aspects related to the contractual terms of the transaction. In the first quarter of 2022, income arising from discontinued operations essentially reflect a partial adjustment in that context.

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 them 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 loan 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 IFRS 9. 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. Thus, the financial statements of the Group published in previous periods were restated from 1 January 2020, in order to ensure the comparability of the information.

RESULTS

The consolidated **net income** of Millennium bcp amounted to 112.9 million euros in the first three months of 2022, almost doubling (+95.2%) the 57.8 million euros achieved in the same period of the previous year. This evolution reflects the favorable performance of both the activity in Portugal and the international activity, with the return on equity (ROE) of the Group reaching 8.2% in the first quarter of 2022 (significantly above the 4.0% achieved in the same period of 2021 and 2.4% at the end of the previous year).

In consolidated terms, the growth in net income, compared to the first quarter of 2021, was achieved with a favorable evolution of most items, with particular emphasis, on the one hand, in the growth of core income, resulting from the positive performance of net interest income, with a strong growth in the period, and of net commissions, and, on the other hand, by the reduction of the provisioning needs of the loans portfolio. Among other items with less material impact, it should also be mentioned the improvement showed by other net operating income, which was less negative than in the first quarter of the previous year.

Conversely, the evolution of net income of the Group was influenced by the increase in other impairment and provisions, namely from the recognition of a provision to face the risks arising from the activity in Portugal. It should be noted that, despite the reduction shown by the provisions booked by Bank Millennium, S.A. in Poland, for foreign exchange mortgage legal risk, from 112.8[1] million euros in the first quarter of 2021, to 97.4[1] million euros in the same period of the current year, these provisions continue to bear a significant weight, negatively influencing the performance of the Group's results. Moreover, the remaining costs associated with this portfolio, in particular the costs supported in order to convert the loans to local currency or their early repayment, following the agreements concluded with its customers, were higher than the amount incurred in the first quarter of 2021, leading to the overall costs incurred by the Bank, to increase from 56.6[2] million euros in the first three months of 2021 to 61.8[2] million euros in the first quarter of 2022. With a smaller impact, the evolution of operating costs, in consolidated terms, also unfavorably influenced the performance of the Group's results, since the savings obtained in the activity in Portugal, compared to the first quarter of 2021, were insufficient to offset the increase in costs recorded in the same period in the international activity, reflecting the higher levels of inflation observed in the geographies where it operates.

In the activity in Portugal, net income increased 29.0% compared to 83.4 million euros in the first quarter of the previous year, totaling 107.6 million euros in the first three months of 2022. This evolution reflects the good performance of most items, highlighting, on the one hand, the growth in core income, driven by both net interest income and net commissions, and on the other hand, the significant reduction in the provision needs of the loans portfolio compared to the first quarter of 2021. Net income of the activity in Portugal also benefited from the growth in net trading income and other net operating income, as well as from the savings obtained in operating costs. Conversely, the evolution of net income of the activity in Portugal was influenced by the increase in other impairments and provisions, partly influenced by the high levels of uncertainty that characterize the current context.

In the international activity, net income improved, from a negative amount of 25.6 million euros in the first quarter of 2021, to 5.3 million euros of profit in the first three months of 2022. The performance of the Polish subsidiary contributed decisively to this evolution, largely due to the growth in net interest income, resulting from the trend reversal of reference interest rate cuts by the National Bank of Poland, which began in the last quarter of 2021, with successive increases that continued in the first quarter of 2022. It should also be noted that the favourable

[1] Net of the amounts originated by the operations of Euro Bank S.A., to be received from a third party, recognized as other net operating income.
[2] Net of tax and after minority interests.

performance of the Polish subsidiary was possible despite the increase in costs associated with foreign exchange mortgage loans portfolio which went from 113.0[3] million euros in the first quarter of 2021, to 123.3[3] million euros in the same period of the current year, continuing to strongly penalise the results of the subsidiary. Provisions for legal risk implicit in foreign exchange mortgage loans portfolio still represent the most significant portion of these costs, which influence several items of the profit and loss account. The most relevant increase, compared to the first quarter of 2021, is mainly visible in net trading income, which incorporates relevant amounts of foreign exchange losses following the agreements concluded by the Polish subsidiary with its customers, in order to convert the credits to local currency or their early repayment (total or partially). Excluding these impacts in both periods, the international activity would have shown a 67.1 million euros profit in the first quarter of 2022, compared to 31.0 million euros achieved in the same period of 2021.

The evolution of international operations net income was further influenced, although in a smaller dimension, on the one hand, by the increase in the contribution of the operation in Mozambique, whose favorable performance was enhanced by the exchange rate evolution of the Metical against the euro and, on the other hand, by the lower appropriation of the results generated by Banco Millennium Atlântico.

Following the sale, at the end of 2021, of the entire share capital of Banque Privée BCP (Suisse) S.A. ("Banque Privée") and the sale by BIM – Banco Internacional de Moçambique, S.A. to Fidelidade of 70% of the group's stake in SIM, and as defined in IFRS 5, the contribution of both subsidiaries to the consolidated results of the Group, which together amounted to 2.9 million euros in the first quarter of 2021, is reflected as income arising from discontinued operations in the international activity. In the first quarter of 2022, the same item totaled 1.4 million euros, mainly including the sale price adjustment of Banque Privée, according to previously agreed conditions[4].

Consolidated **core operating profit** of Millennium bcp amounted to 402.9 million euros in the first quarter of 2022, showing a significant increase of 37.2% from the 293.8 million euros reached in the same period of 2021. This evolution was driven by a 20.5% increase in core income stemming from the generalized favorable performance of all geographies, with particular emphasis on the performance of the Polish subsidiary.

In the activity in Portugal, core operating profit was 18.3% above the 173.4 million euros achieved in the first quarter of 2021, totaling 205.0 million euros at the end of March 2022, benefiting, on the one hand, from the growth of 7.5% in core income and, on the other hand, from savings in operating costs that were 5.0% below the amount obtained in the first quarter of 2021.

Core operating profit of the international activity, by its turn, showed a relevant growth standing 64.4% above the 120.4 million euros recorded in the first three months of 2021, amounting to 197.9 million euros in the same period of 2022. For this evolution it has mainly contributed the performance of the Polish subsidiary, highlighting the growth of 40.1% in core income. In the operation in Mozambique, although in a lower scale, core operating profit also evolved favorably in this period.

Net interest income showed a significant growth of 24.1% from the 374.8 million euros posted in the first quarter of 2021, reaching 465.1 million euros at the end of March 2022. This evolution reflects the performance of both the activity in Portugal and, in a larger extent, the international activity.

[3] Net of tax and before minority interests.

[4] The purchase price received may be adjusted positively or negatively in the future, according to typical adjustments in this kind of transactions, including the variation of the equity in the completion date, and the ones that may result from the variation of stocks and/or flows of assets under management, in pre-determined dates and specified portfolios.

In the activity in Portugal, net interest income was 3.6% higher than the 204.5 million euros recorded in the first quarter of 2021, totaling 211.8 million euros at the end of the first quarter of the current year, benefiting from the favourable evolution of several of its components. In this sense, we must point out the increase in the income generated by loans to customers portfolio, reflecting the growth of credit volumes, resulting from the good performance of the Bank's commercial areas, particularly relevant in the adverse context in which it occurred, namely the historically low levels in which interest rates have been, strongly influencing the income generated by the performing loan portfolio. The increase in credit volumes was supported by loans to individuals and also by loans to companies, namely those granted with EIF/EIB guarantees with adequate risk management. On the other hand, the reduction in the volume of non-performing loans (NPE portfolio), resulting from the divestment strategy in this type of assets carried out by the Bank, complying with a strict reduction plan, had, as a side effect, a negative impact on net interest income in the activity in Portugal. Regarding customer funds, the reduction in the remuneration of the deposits portfolio led to a positive contribution in the evolution of the net interest income in the activity in Portugal, despite the increase in the average balance of customer deposits compared to the first quarter of 2021. At the same time, the evolution of the cost of funding also benefited from the positive impact from the additional funding obtained from the European Central Bank, following the Bank's decision to increase its participation in the new targeted longer-term refinancing operation (TLTRO III) to 8,150 million euros in March 2021, with a remuneration based on a more favourable negative interest rate to incentivize lending to the economy. On the other hand, the costs incurred by the Bank with the excess liquidity deposited at Banco de Portugal stand out, with a significant increase compared to the same period of the previous year.

Additionally, for the evolution of net interest income in the activity in Portugal also contributed, on the one hand, the reduction in the costs incurred with subordinated debt issue, reflecting the maturity of some debt issues in the period under analysis, as well as the lower cost of financing for the issue carried out in November 2021, and on the other, the increase in the income generated by the sovereign debt portfolio.

Conversely, costs incurred with the remaining debt issued were higher than in the first quarter of 2021. This evolution resulted, on the one hand, from the execution of a senior preferred issue amounting to 500 million euros in February 2021 and, on the other hand, from a new issue of preferred senior social debt representative securities, also in the amount of 500 million euros, placed under the Bank's Euro Note Programme, at the end of the third quarter of 2021, with both issues aiming to comply with the requirements known as "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities).

In the international activity, net interest income amounted to 253.3 million euros in the first three months of the year, showing a significant growth of 48.8% from the 170.3 million euros posted in the same period of the previous year. This evolution was driven by the performance of the Polish subsidiary, although in the subsidiary in Mozambique net interest income also showed a very favorable evolution, though in a smaller dimension. In the Polish subsidiary, net interest income, which had been heavily penalised by the successive cuts in the reference interest rates imposed by the National Bank of Poland in the initial phase of the pandemic, benefited from the reversal of this trend, which began in the last months of 2021 and continued during the first quarter of 2022, with successive increases in such interest rates. Additionally, the increase in the volumes of the customers loan portfolio also contributed to the favourable performance of the subsidiary's net interest income in the period under review. With regard to the increase in net interest income in the Mozambican operation, it is mainly justified by the increase in the volume of the public debt portfolio and also by higher implied yields, having been enhanced by the exchange rate evolution of the Metical against the euro.

In consolidated terms, net interest margin stood at 2.19% in the first quarter of 2022, up from 1.92% in the same period a year earlier, driven by the performance of the international activity.

In the activity in Portugal, net interest margin went from 1.50% in the first quarter of 2021, to 1.41% in the same period of 2022, influenced, on the one hand, by the increase in balance sheet volumes, and on the other by the context of negative interest rates that was still verified. Additionally, the greater weight of products with lower rates in loans production in the special context of the pandemic and the use of guarantees for risk mitigation, and the loss of income associated with the reduction of the NPE portfolio have also contributed to the decrease in the net interest margin of the activity in Portugal.

In the international activity, net interest margin increased from 2.90% in the first quarter of 2021, to 4.13% in the same period of the current year, reflecting the reversal of the evolution trend of the reference interest rates set by the National Bank of Poland, which after a period of sharp reduction has recorded successive increases since the last quarter of 2021.

Equity accounted earnings together with **dividends from equity instruments**, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, totalled 17.1 million euros in the first quarter of 2022, standing 11.2% above the 15.4 million euros recorded in the same period of the previous year. This evolution reflects both the performance of the activity in Portugal and the international activity.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments increased 7.8% from the 15.0 million euros accounted in the first quarter of 2021, to 16.2 million euros in the same period of the current year. This evolution benefited mostly from the income associated with investments that are part of the shares portolio of the activity in Portugal, which amounted to 0.8 million euros in the first quarter of 2022, nonexistent in the same period of the previous year. At the same time, equity accounted earnings also contributed to the favourable evolution of this aggregate, namely through the increase in income generated by the participation in Unicre and SIBS, although this was offset by the lower contribution generated by Millenniumbcp Ageas.

In the international activity, the evolution of equity accounted earnings together with the income of dividends from equity instruments was driven by the appropriation of the results generated by Seguradora Internacional de Moçambique, S.A. ("SIM"), in the amount of 0.5 million euros, following the sale at the end of 2021 by BIM – Banco Internacional de Moçambique, S.A. ("BIM") to Fidelidade – Companhia de Seguros, S.A., of 70% of SIM's share capital and voting rights, keeping BIM approximately 22% of its share capital. The results generated by Banco Millennium Atlântico in Angola, by its turn, although higher than those recorded in the first quarter of 2021, are not material in this analysis.

Net commissions[5] showed a 12.7% growth from the 171.1 million euros recorded in the first three months of 2021, reaching 192.8 million euros in the same period of the current year, benefiting from both the international activity and above all the activity in Portugal.

The favourable evolution of net commissions, in consolidated terms, was verified across all types of commissions, largely reflecting the progressive normalization of economic activity. Banking commissions were higher than in the same period of the previous year, both in the activity in Portugal and in the international activity. The growth of

[5] During 2021, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts related to the first quarter of 2021 of such items are presented considering these reclassifications with the purpose of ensuring their comparability. Except for the impacts produced by the classification of entities as discontinued operations, under the sale contracts concluded in 2021, as required by IFRS 5, the total amount of net commissions disclosed in previous periods remains unchanged compared to those published in previous periods.

market related commissions in the activity in Portugal was partially offset by the lower contribution of this type of commissions in the international activity.

In the activity in Portugal, net commissions amounted to 136.5 million euros in the first quarter of 2022, showing a growth of 14.1% from the 119.6 million euros recorded in the same period of the previous year, with commissions related to the banking business growing by 13.1% and commissions related to financial markets 19.7% above the amount recorded in the first quarter of 2021.

Commissions related to the banking business, in the activity in Portugal, totalled 115.0 million euros at the end of March 2022, showing a 13.3 million euros increase from the 101.7 million euros posted in the first quarter of 2021. Despite of the favourable performance of all types of commissions related to the banking business, it is important to highlight the performance of commissions related to cards and transfers, the latter almost doubling the amount recorded in the same quarter of the previous year. In addition, it is also worth mentioning the contribution, to the evolution of banking commissions as a whole, of the commissions associated with credit and guarantees and with management and maintenance of accounts.

Market related commissions, in the activity in Portugal, in turn, went from 17.9 million euros in the first quarter of 2021, to 21.4 million euros in the same quarter of 2022, boosted by the growth in both commissions associated with securities and commissions associated with asset management and distribution of assets, mainly due to the activity of distribution of third-party investment funds, but also to the growth of the portfolio management fees.

In the international activity, net commissions stood 9.4% above the 51.5 million euros posted in the first quarter of 2021, amounting to 56.4 million euros in the same period of the current year. This evolution was driven by the growth of commissions related to the banking business, both in the Polish subsidiary and in the subsidiary in Mozambique. In both subsidiaries, market-related commissions were lower than in the first quarter of 2021.

NET COMMISSIONS

Euro million

	3M22	3M21 (restated)	Chg 22/21
Banking commissions	165.3	145.7	13.5%
Cards and transfers	49.6	38.4	29.2%
Credit and guarantees	41.0	36.3	12.7%
Bancassurance	30.4	29.3	4.0%
Management and maintenance of accounts	40.4	38.4	5.0%
Other commissions	4.0	3.3	21.1%
Market related commissions	27.6	25.4	8.3%
Securities	9.1	7.8	17.1%
Asset management and distribution	18.5	17.7	4.5%
NET COMMISSIONS	**192.8**	**171.1**	**12.7%**
Of which:			
Activity in Portugal	136.5	119.6	14.1%
International activity	56.4	51.5	9.4%

Net trading income reached 43.4 million euros in the first three months of 2022, showing a 3.9% growth from the 41.8 million euros recorded in the same period of 2021, with the growth in the activity in Portugal more than offset the reduction in the international activity.

In the activity in Portugal, net trading income recorded a significant increase of 51.3% from the 32.6 million euros posted in the first quarter of 2021, reaching 49.3 million euros at the end of March 2022. This evolution benefited from the higher gains recognized with the disposal of foreign sovereign debt, which more than offset the lower gains recognized with Portuguese sovereign debt in the first quarter of 2022 when compared with the same period of 2021. Additionally, the evolution of net trading income reflects the income recognized in the first quarter of 2022 with the sale of credits, to be contrasted with the costs accounted in the same period of 2021. It should also be noted that, contrary to the first quarter of 2021, the revaluation of corporate restructuring funds did not weigh negatively on this heading.

In the international activity, net trading income went from a positive amount of 9.2 million euros in the first quarter of 2021, to a negative amount of 5.9 million euros in the first three months of 2022. The Polish subsidiary was primarily responsible for this evolution with its performance being influenced mainly by the costs incurred in converting mortgage loans granted into Swiss francs, following the agreements closed in the meantime with customers holding those credits, which totalled 25.9 million euros, compared to 3.7 million euros that had been recognized in the first quarter of 2021. Although with a less material impact, it is important to mention the significant growth in net trading income in the subsidiary in Mozambique, mainly due to the increase in income from foreign exchange operations.

Other net operating income which, among others, includes the costs associated with mandatory contributions as well as with the resolution and the deposit guarantee funds, showed a very favorable evolution, from a negative amount of 25.1 million euros in the first quarter of 2021, to an also negative amount of 17.7 million euros at the end of the first quarter of the current year, boosted by the good performance of the activity in Portugal.

The performance of other net operating income in the activity in Portugal resulted in a 8.8 million euros increase, from 2.0 million euros in the first quarter of 2021, to 10.8 million euros in the first quarter of 2022. This evolution was mainly due to the gains recognized from the sale of non-current assets held for sale in the first quarter of 2022 which contrast with the marginally negative amount of the first three months of the previous year.

In the international activity, other net operating income evolved from a negative amount of 27.1 million euros in the first quarter of 2021, to an also negative amount of 28.5 million euros in the first quarter of 2022, mainly reflecting the performance of the Polish subsidiary. The evolution of other net operating income in the Polish subsidiary resulted above all from the increase in costs with mandatory contributions to which the operation is subject, in particular in the deposit guarantee fund, in the resolution fund and in the special tax on the Polish banking sector, which together were 8.0 million euros above the amount accounted in the first quarter of 2021. On the other hand, the income to be reimbursed from a third party, related to foreign exchange mortgage legal risk, following the contract of acquisition of Euro Bank S.A., was higher than the 4.6 million euros in the first quarter of 2021, totalling 10.4 million euros in the same period of the current year. In the Mozambique subsidiary, other net operating income, although at a smaller size, increased favourably compared to the first quarter of 2021, boosted by the exchange rate evolution of the Metical against the euro.

Operating costs, not considering the effect of specific items[6], totaled 255.0 million euros in the first three months of 2022, standing 1.4% above the 251.4 million euros recorded in the same period of the previous year. This evolution was determined by the performance of the international activity, partially offset by the savings achieved in the activity in Portugal.

In the activity in Portugal, operating costs, not considering the effect of the specific items[6], showed a 4.5% reduction from the 150.0 million euros posted in the first quarter of 2021, reaching 143.2 million euros in the same period of 2022. The disciplined management of costs and the maintenance of the focus of the Group on the commitment made to improve efficiency, is particularly visible regarding savings in staff costs as a result of the implementation of the headcount adjustment plan that the Bank carried out in 2021. Other administrative costs and depreciations, by its turn, remained in line with the amounts recorded in the first quarter of 2021.

In the international activity, operating costs totaled 111.8 million euros at the end of the first quarter of 2022, standing 10.2% above the 101.4 million euros recorded in the same period of the previous year, due to the performance of both the Polish subsidiary and the subsidiary in Mozambique, which was strongly penalised by the evolution of the Metical against the euro.

In consolidated terms, the increase in core income and in net operating revenues largely offset the growth in operating costs compared to the first quarter of 2021, allowing a significant improvement of the cost to income and the cost to core income ratios which, excluding specific items[6], stand at 36.4% and 38.8% respectively, below the 43.5% and 46.1% reached in the first quarter of 2021.

Staff costs, not considering the effect of specific items[6], showed a 2.1% reduction from the 140.7 million euros recorded in the first quarter of 2021, totaling 137.7 million euros at the end of the first quarter of the current year. This evolution benefited from the performance of the activity in Portugal, despite its impact was partially absorbed by the increase in the international activity.

In the activity in Portugal, staff costs, excluding specific items[6], stood at 79.9 million euros in the first quarter of 2022, showing a 8.3% reduction from the 87.1 million euros posted in the same quarter of 2021. This favourable evolution of staff costs was mainly due to the reduction, in net terms, in the number of employees, that went from 7,004 employees as at 31 March 2021, to 6,264 employees at the end of March 2022, reflecting the impact of the headcount adjustment plan that the Bank carried out in 2021.

In the international activity, staff costs amounted to 57.9 million euros in the first quarter of 2022, standing 7.8% above the 53.7 million euros posted in the same period of 2021, due to the performance of both the Polish subsidiary and the subsidiary in Mozambique.

In the Polish subsidiary, the evolution of staff costs was determined by the strong pressure on basic wages, resulting both from rising levels of inflation and from the characteristics of the Polish labour market, in particular from the very low unemployment rates. In this sense, as a way of retaining and motivating employees, the amounts allocated to the bonus paid to employees were also higher than in the first quarter of 2021. Conversely, staff costs at the Polish subsidiary reflect the impact of the reduction in the total number of employees which, as a result of the need to accelerate efficiency improvement within the challenging context that the subsidiary has been facing, evolved

[6] Negative impact of 0.7 million euros, in the first quarter of 2021, related to headcount adjustment costs, fully recognized as staff costs in the activity in Portugal.

from 7,392 employees (7,238 FTE - full time equivalent) at the end of March 2021, to 6,980 employees (6,842 FTE – full-time equivalent) as of March 31, 2022.

In the operation in Mozambique, in turn, despite a staff reduction of 90 employees, from 2,587 employees on 31 March 2021, to 2,497 employees on 31 March 2022, this reduction was due to the sale, at the end of 2021, by BIM - Banco Internacional de Moçambique of 70% of the share capital of SIM, becoming a minority shareholder with a stake of 22%. Excluding the 151 employees that at the end of the first quarter of 2021 belonged to SIM, the staff of the Mozambican operation increased by 61 employees last year, which together with the salary update, with the increase in bonus paid to employees, and above all with the exchange rate evolution of the Metical against the euro, justified the increase in total staff costs compared to the same quarter of the previous year.

It should be noted that in accordance with IFRS 5, SIM and the Swiss operation, both sold in the fourth quarter of 2021, were classified as discontinued operations, with their staff costs of the first quarter of 2021 being reflected as income arising from discontinued operations, in order to ensure the comparability of the information.

The staff of the international activity as of March 31, 2022 was composed by 9,480 employees, 584 fewer than the 10,064 employees existing on the same date of the previous year. This evolution was mainly due to the reduction of 412 employees observed in Bank Millennium, also reflecting, on the one hand, the net reduction of 90 employees presented by the subsidiary in Mozambique, strongly influenced by the impact of the sale of SIM, which, on March 31, 2021, had 151 employees, and on the other hand, the impact of the sale of the entire capital of Banque Privée BCP (Suisse), occurred at the end of 2021, with 81 employees as of March 31, 2021.

Other administrative costs totaled 82.7 million euros in the first quarter of 2022, a 7.8% growth from the 76.7 million euros posted in the same period of the previous year, driven by the evolution of the international activity.

In the activity in Portugal, other administrative costs amounted to 43.4 million euros in the first three months of 2022, standing at a similar level to that recorded in the same period of the previous year (+0.7%). This evolution stems, however, from different performances from the several headings. In this sense, the most relevant increases were in costs related to water, energy and fuels, mainly reflecting the increase in the cost of energy, the costs associated with the maintenance of hardware and software, resulting from the greater investment in technology and cybersecurity and also in legal expenses, as a reflection of the recovery of economic activity. Conversely, we must point out the savings obtained in the costs associated with outsourcing, advisory services, cleaning of office buildings and communications, partly influenced by the favorable evolution of the pandemic associated with COVID-19. At the same time, the Bank has maintained a disciplined management of costs, continuing to implement a series of measures to this end, among which stands out the resizing of the branch network, which decreased from 476 on March 31, 2021, to 421 at the end of March 2022.

In the international activity, other administrative costs amounted to 39.3 million euros in the first quarter of 2022, standing 16.9% above the 33.6 million euros at the end of the same period of the previous year. This evolution was due to the performance of both the Polish subsidiary, reflecting mainly the increase in legal advice costs associated with foreign exchange mortgage loan portfolio, and the subsidiary in Mozambique, penalized, above all, by the evolution of the Metical against the euro.

On the other hand, the Group continues to benefit from the synergies achieved as a result of the optimisation of its branch network, in particular the reduction in the Polish subsidiary, whose number decreased from the 678 branches existing as of 31 March 2021, to 646 branches at the end of March 2022. The Mozambique subsidiary, in turn, ended the first quarter of 2022 with 197 branches, two less than on the same date a year earlier.

Depreciations totaled 34.6 million euros in the first quarter of 2022, slightly above (1.8%) the 34.0 million euros posted in the same period of the previous year, essentially reflecting the performance of the international activity.

In the activity in Portugal, depreciations remained aligned (+0.7%) with the amount posted in the first quarter of 2021, totalling 20.0 million euros in the first three months of 2022. It should be noted, however, that given the Bank's commitment to the ongoing digital transformation process and the constant focus on technological innovation, particularly relevant in the context of the pandemic that has been experienced in recent times, there has been an increase in depreciations stemming from software investment over the last few years, despite its impact was offset by the reduction in depreciation associated with computer equipment.

In the international activity, depreciations reached 14.6 million euros in the first quarter of 2022, standing 3.4% above the 14.2 million euros recorded in the same quarter of 2021. This evolution was mainly due to the performance of the subsidiary in Mozambique, partially offset by the performance of the Polish subsidiary, reflecting in both cases the exchange rate evolution of the respective currencies against the euro, since in local currency depreciation of those subsidiaries remained at a similar level to that observed in the first quarter of 2021.

OPERATING COSTS (1)

Euro million

	3M22	3M21 (restated)	Chg. 22/21
Staff costs	137.7	140.7	-2.1%
Other administrative costs	82.7	76.7	7.8%
Depreciations	34.6	34.0	1.8%
OPERATING COSTS	**255.0**	**251.4**	**1.4%**
Of which:			
Activity in Portugal	143.2	150.0	-4.5%
International activity	111.8	101.4	10.2%
Cost to core income of the Group	38.8%	46.1%	
Cost to income of the Group	36.4%	43.5%	

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) totaled 89.9 million euros in the first quarter of 2022, showing a 19.1% reduction from the 111.0 million euros accounted in the same period of 2021, driven by the evolution of the activity in Portugal.

In the activity in Portugal, impairment for loan losses (net of recoveries) stood 24.7% below the 91.0 million euros recognized in the first three months of 2021, amounting to 68.5 million euros at the end of the first quarter of 2022, reflecting the reduction of implicit risks in the credit portfolio.

In the international activity, in turn, impairment charges (net of recoveries), stood 6.5% above the 20.0 million euros recognized in the first quarter of 2021, amounting to 21.3 million euros at the end of the first quarter of 2022. This evolution reflects above all the performance of the Polish subsidiary, despite it was partially offset by the lower level of provisioning required by the subsidiary in Mozambique.

The evolution of impairment for loan losses (net of recoveries) led the cost of risk of the Group (net of recoveries) to stand at 62 bases points in the first quarter of 2022, improving considerably from the 80 basis points in the same period of 2021. In the activity in Portugal, the cost of risk (net of recoveries) went from 94 basis points in the first quarter of 2021, to 68 basis points in the same quarter of the previous year, while in the international activity the cost of risk remained at 47 basis points in both periods.

Other impairments and provisions totaled 164.1 million euros in the first quarter of 2022, standing 24.6% above the amount in the same period of the previous year. From this amount, 107.9 million euros (120.4 million euros in the same period of 2021) refers to the international activity, mainly to the reinforcement of the provision, booked by the Polish subsidiary, to address the foreign exchange mortgage legal risk and the remaining amount to risks of the activity in Portugal, partly due to high levels of uncertainty arising from the current context.

Income tax (current and deferred) totaled 85.5 million euros in the first quarter of 2022, which compares to 56.9 million euros obtained in the same period of the previous year.

The recognized taxes include, in the first quarter of 2022, current tax of 18.0 million euros (22.0 million euros in the first quarter of 2021) and deferred tax of 67.5 million euros (34.9 million euros in the first quarter of 2021).

Current tax expenses in the first quarter of 2022 were strongly influenced by provisions for legal risks related to the portfolio of foreign currency mortgage loans and mandatory contributions to the banking sector, both non-deductible for tax purpose, in the Polish subsidiary.

BALANCE SHEET

Total assets of the consolidated balance sheet of Millennium bcp amounted to 95,561 million euros as at 31 March 2022, showing a 8.1% increase against the 88,420 million euros accounted on the same date the previous year. This evolution mainly reflects the performance of the activity in Portugal, also benefiting, although to a lesser extent, from the expansion of the international activity.

The performance of the activity in Portugal resulted in an increase of 9.5% of the total assets, compared to 62,778 million euros recorded at the end of the first quarter 2021, standing at 68,737 million euros on 31 March 2022. This evolution is justified, to a large extent, by the growth of the deposits at central banks, the loans to customer portfolio (net of impairment) and the securities portfolio, mainly through the reinforcement of foreign public debt portfolio. Inversely, there were reductions, albeit to a lesser extent, in non-current assets held for sale, in particular the portfolio of real estate properties received as payment and in investments in other credit institutions.

In the international activity, total assets amounted to 26,824 million euros as of 31 March 2022, showing a 4.6% growth from the 25,642 million euros recorded on the same date the previous year. This evolution reflects mainly the rise in deposits at central banks and the growth of the loan to customer portfolio, which benefited from the positive contributions of the subsidiary in Poland and Mozambique, although to a lesser extent in the latter case. It should be noted that the evolution of the assets of international activity also incorporates the reduction resulting from the disposals of the operation in Switzerland and of SIM during the year 2021.

Consolidated **loans to customers (gross)**[7] of Millennium bcp, as defined in the glossary, reached 58,473 million euros as of 31 March 2022, standing 4.7% above the 55,837 million euros achieved on the same date the previous year, due to the positive performance of the activity in Portugal and in the international activity.

In the activity in Portugal there was a 4.3% increase in loans to customers (gross) portfolio compared to 38,644 million euros posted at the end of March of the previous year, standing at 40,318 million euros as of 31 March 2022. The net growth of loans to customers portfolio includes, on the one hand, the expansion of performing loans, which has grown 2,079 million euros compared to the same period the previous year and on the other hand, the reduction of 405 million euros in NPE, following the successful divestment strategy in this type of assets, carried out by the Bank in recent years. The expansion of loan to customers is mainly due to the positive performance of individual loans, although it has also benefited on a smaller scale from the increase in corporate loans, in the latter case, largely justified by the growth of the lines covered by the guarantees of the European Investment Fund. Regarding the credit granted by the Bank under the COVID-19 lines guaranteed by the Portuguese State, the total amount of credit stood at 2,496 million euros as at 31 March 22, comparing to 2,498 million euros recorded on the same period the previous year. At the end of the first quarter of 2022, the COVID-19 lines represented about 6.2% of the total loan portfolio of the activity in Portugal.

Regarding the quality of the credit portfolio previously subject to a moratorium, which at the time of 31 March 2022 amounted 7,749 million euros (expired moratoriums), it should be noted that 90.4% of this exposure corresponded to performing loans. Consequently, only 9.6% concerned non-performing exposures (operations classified as stage 3), which compared with a percentage of non-performing exposures of 4.4%[8] of the total portfolio.

In the international activity, loans to customers (gross)[7] reached 18,155 million euros as at 31 March 2022, showing a 5.6% growth from the 17,193 million euros posted the same period the previous year, determined by the performance of the Polish subsidiary, namely in what concerns to mortgage loans and the positive contribution, albeit to a lesser extent, of activity in the subsidiary in Mozambique due to the appreciation of the Metical against the euro, since the volumes of credit granted in local currency decreased.

It should be noted that the contribution of Bank Millennium in Poland was key to the growth of loans to customers in the international activity, since there was an expansion of the mortgage portfolio granted by the Polish subsidiary even in a context of a progressive reduction in the foreign currency credit portfolio. In this context, it should be noted that foreign exchange mortgage loan portfolio of Bank Millennium, mainly in Swiss francs, showed a significant reduction decreasing from 2,838 million euros as of 31 March 2021 to 2,035 million euros at the end of first quarter 2022. It should be noted that in the first half of 2021, the Group changed the presentation of provisions for individual mortgage loans in Swiss francs, starting to allocate provisions for future legal risks and recognizing them as a reduction in the gross book value of loans for those where is expected a reduction in cash flows under IFRS 9. The foreign exchange loans portfolio represented 17.1% and 11.6% of the total amount of credit recorded on the balance sheet of Bank Millennium and 5.0% and 3.5% of the Group's total loans portfolio at the end of first quarter 2021 and 2022, respectively.

It should be noted that the foreign exchange loan portfolio before the aforementioned provisions (which amounted to 92 million euros and 662 million euros on 31 March 2021 and 2022, respectively), deducted from the part relating to Euro Bank S.A., whose risk is fully secured by a third party, under the clauses provided for in the contract of

[7] Following the disposal of the Swiss subsidiary in 2021, its historical values (369 million euros at the end of the first quarter 2021) are not being considered in the context of this analysis, in order to ensure the comparability of the information.
[8] NPE ratio, measured by the quotient between non-performing exposures (only exposures included in the aggregate of loans to customers) and total loans (gross).

acquisition of that entity, amounted to 2,721 million euros at the end of the first quarter 2021 and 2,544 million euros at first quarter 2022, resulting in a reduction of 6.5%.

LOANS TO CUSTOMERS (GROSS)

Euro million

	31 Mar. 22	31 Mar. 21 comparable (1)	Chg. 22/21
INDIVIDUALS	**34,177**	**32,294**	**5.8%**
Mortgage	28,208	26,563	6.2%
Personal loans	5,969	5,732	4.1%
COMPANIES	**24,296**	**23,543**	**3.2%**
Services	8,316	8,167	1.8%
Commerce	4,130	4,075	1.3%
Construction	1,831	1,629	12.4%
Others	10,020	9,671	3.6%
	58,473	**55,837**	**4.7%**
Of which:			
Activity in Portugal	40,318	38,644	4.3%
International activity	18,155	17,193	5.6%
Descontinued operations	--	369	
TOTAL	**58,473**	**56,206**	**4.0%**

(1) Following the sale of Banque Privée BCP in Switzerland in 2021, its historical figures related to 31 March 2021 were included in a single line called "Discontinued operations", in order to ensure the comparability of the information.

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

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

The multiple loan quality indicators continue to show a widespread trend of improvement, highlighting the net reduction in the amount of the NPE portfolio, from 3,100 million euros on 31 March 2021, to 2,679 million euros at the end of the first quarter 2022, dropping 421 million euros, of which 405 million euros in Portugal.

The NPE ratio as a percentage of the total loan portfolio, also showed a favorable performance, from 5.5% at the end of the first quarter 2021, to 4.6% as of 31 March 2022, highlighting the performance of the domestic loan portfolio, for which NPE ratio decreased from 5.7% to 4.4% in the same period.

Regarding coverage indicators, there was also a general improvement, highlighting the performance of the activity in Portugal, whose coverage level of NPE by impairments, increased from 65.5% at the end of the first quarter the previous year, to 68.5% as of 31 March 2022, while the coverage of NPL by more than 90 days, evolved from 133.6% to 172.9% in the same period.

The coverage of foreign exchange mortgage loan portfolio, considering the total amount of the portfolio, i.e. before the reduction resulting from the provisions directly reducing the gross book value of the loans, but excluding the total amount of exposure from Euro Bank S.A. (2,721 million euros and 2,544 million euros at the end of first quarter 2021 and 2022, respectively) and the total amount of provisions booked (309 million euros and 771 million euros, including both provisions consisting directly of reduction in asset value and provisions in liabilities) showed a significant growth of 11.3% on 31 March 2021 to 30.3% on 31 March 2022.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	31 Mar. 22	31 Mar. 21	Chg. 22/21	31 Mar. 22	31 Mar. 21	Chg. 22/21
STOCK (M€)						
Loans to customers (gross)	58,473	56,206	4.0%	40,318	38,644	4.3%
Overdue loans > 90 days	876	1,192	-26.5%	516	822	-37.3%
Overdue loans	1,007	1,316	-23.5%	533	835	-36.2%
Restructured loans	2,466	2,508	-1.7%	1,966	1,985	-1.0%
Non-performing loans (NPL) > 90 days	1,169	1,573	-25.7%	708	1,075	-34.1%
Non-performing exposures (NPE)	2,679	3,100	-13.6%	1,788	2,193	-18.5%
Loans impairment (Balance sheet)	1,818	2,007	-9.4%	1,225	1,436	-14.7%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	1.5%	2.1%		1.3%	2.1%	
Overdue loans / Loans to customers (gross)	1.7%	2.3%		1.3%	2.2%	
Restructured loans / Loans to customers (gross)	4.2%	4.5%		4.9%	5.1%	
NPL > 90 days / Loans to customers (gross)	2.0%	2.8%		1.8%	2.8%	
NPE / Loans to customers (gross)	4.6%	5.5%		4.4%	5.7%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	207.4%	168.4%		237.6%	174.8%	
Coverage of overdue loans	180.5%	152.4%		229.8%	172.0%	
Coverage of NPL > 90 days	155.5%	127.6%		172.9%	133.6%	
Coverage of NPE	67.9%	64.7%		68.5%	65.5%	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	3.0%	3.6%		2.9%	3.8%	

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

Total customer funds[9] stood 7.7% above the 84,812 million euros reached on 31 March 2021, amounting to 91,358 million euros at the end of the first quarter this year. This evolution reflects the positive performance of both international activity and above all the activity in Portugal, mainly driven by the expansion of balance sheet customer funds, since a decrease in off- balance sheet customer funds has been recorded.

Deposits and other resources from customers were the main driver for the growth of total customer funds having increased, in consolidated terms, 7,190 million euros, from 64,754 million euros at the end the first quarter the previous year, to 71,944 million euros as of 31 March 2022. Off-balance sheet customer funds, in turn, dropped from 18,543 million euros, to 17,863 million euros in the same period, mainly due to the reduction in insurance products (savings and investment), which was not fully offset by the increase in assets under management and assets placed with customers.

In the activity in Portugal, total customer funds reached 66,635 million euros as of 31 March 2022, showing a growth of 4,504 million euros from the 62,131 million euros posted at the end of the first quarter the previous year. This evolution was determined by the growth of 4,883 million euros recorded in deposits and other resources from customers, which increased from 44,048 million euros as of 31 March 2021, to 48,931 million euros on 31 March 2022, reflecting the recent growth of customer deposits, reinforcing the trend observed over the last quarters. Inversely, total off balance sheet customer funds dropped 443 million euros, from 16,605 million euros as of 31 March 2021, to 16,162 million euros at the first quarter this year, which is due to the downward trend observed in insurance products (savings and investment), despite the increases recorded in assets under management and assets placed with customers.

In the international activity[9], total customer funds rose 2,042 million euros, from 22,681 million euros as of 31 March 2021, to 24,723 million euros at the end of the first quarter this year, reflecting the positive contribution from Polish subsidiary and from the Mozambican activity, although on a smaller scale in the latter case. The performance of total customer funds in the international activity was driven mainly by the growth of customer deposits in Poland.

On a consolidated basis, balance sheet customer funds and other resources from customers represented respectively 80% and 79% of total customer funds on 31 March 2022 (77% and 75%, respectively in the same date the previous year, considering stated information).

The loans to deposits ratio (stated), in accordance with the Bank of Portugal's Instruction no. 16/2004, went from 82.9% on 31 March 2021, to 78.7% at the end of the first quarter this year. The same ratio, considering on-balance sheet customers' funds stood at 77.1% as of 31 March 2022, that compares to 81.0% at the same date the previous year.

[9] Following the disposal of the Swiss subsidiary in 2021, the historical figures (2,230 million euros as of 31 March 2021) are not being considered in the context of this analysis in order to ensure the comparability of the information.

TOTAL CUSTOMER FUNDS

Euro million

	31 Mar. 22	31 Mar. 21 comparable(1)	Chg. 22/21
BALANCE SHEET CUSTOMER FUNDS	**73,495**	**66,269**	**10.9%**
Deposits and other resources from customers	71,944	64,754	11.1%
Debt securities	1,551	1,515	2.3%
OFF-BALANCE SHEET CUSTOMER FUNDS	**17,863**	**18,543**	**-3.7%**
Assets under management	5,557	4,954	12.2%
Assets placed with customers	6,052	5,717	5.9%
Insurance products (savings and investment)	6,254	7,872	-20.6%
	91,358	**84,812**	**7.7%**
Of which:			
Activity in Portugal	66,635	62,131	7.2%
International activity	24,723	22,681	9.0%
Discontinued operations	--	2,230	
TOTAL	**91,358**	**87,042**	**5.0%**

(1) Following the sale of Banque Privée BCP in Switzerland in 2021, its historical figures related to 31 March 2021 were included in a single line called "Discontinued operations", in order to ensure the comparability of the information. Total amount of customer funds relating to Banque Privée BCP amounted to 2,230 million euros as of 31 March 2021.

The **securities portfolio** of the Group, as defined in the glossary, stood at 19,985 million euros as of 31 March 2022, increasing 179 million euros comparing to the same period the previous year, with its weight in total assets dropping from 22.4% at the end of the first quarter last year to 20.9% as of 31 March 2022.

The securities portfolio in Portugal amounted to 14,937 million euros at the end of the first quarter 2022, comparing to 13,900 million euros recorded the same date the previous year. The growth of the securities portfolio, mainly foreign sovereign debt portfolios (French, Belgian and Irish), was possible thanks to the existing liquidity surplus, allowing at the same time the reinforcement of eligible assets.

The securities portfolio of the international activity evolved from 5,906 million euros recorded on 31 March 2021, to 5,048 million euros at the end of the first quarter 2022, evolution determined by the decrease recorded in the subsidiary in Poland. It should also be noted that this evolution was influenced by the impact of the divestment of the Swiss subsidiary which occurred at the end of 2021, whose securities portfolio amounted to 75 million euros as of 31 March 2021.

LIQUIDITY MANAGEMENT

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 283% at the end of March 2022, 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 above the one on the same date of the previous year (270%) which already reflected a high coverage level.

In consistent with the BCBS' stable funding standard, in June 2021, came into effect the minimum regulatory requirement of 100% for the NSFR (Article 428 of Regulation (EU) 2019/876). The Group reinforced the disposition of the stable financing base, characterized by the large share of customer deposits in the funding structure, collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (Net Stable Funding Ratio or NSFR) as at 31 March 2022 to stand at 150% (144% as at 31 March 2021).

BCP and its main subsidiaries, which had a robust liquidity position even before the outbreak of the COVID-19 crisis, have seen most liquidity risk indicators improve over the last two years, which strengthened to values above either regulatory minimums or the most stringent limits required by the Group's internal liquidity risk framework.

The crisis in Ukraine, which emerged in the first quarter of 2022, has so far not changed the situation described above in any of the geographies where the Group is present. Thus, in Poland, after an abnormal level of cash withdrawals observed at Bank Millennium in the days following the outbreak of the conflict, all liquidity indicators quickly returned to pre-crisis levels, where they remain to date. In Portugal, the customer deposit base continued in a growth path in the first quarter of 2022, which in the last 12 months totaled 4.9 billion euros, for a total balance of 48.9 billion euros, resulting in a decrease of the commercial gap.

Nevertheless, and given the uncertainty surrounding the evolution of the crisis, committees were created to closely monitor its potential impacts in Portugal and Poland, chaired by the respective Chief Executive Officers (CEO). The CEO of Bank Millennium, as well as the CEO of Banco Internacional de Moçambique ("BIM") attend the meetings of the Commission established in Portugal. BCP's Risk Officer as well as the respective head of the Operational Risk area participate in the meetings of the Polish Commission.

Within the scope of its Strategic Plan 2021-24, and in order to comply with the requirements known as "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities), BCP issued at the end of the third quarter of 2021 500 million euros of senior preferred social debt in the ESG (Environmental, Social and Governance) segment, in this case focusing on the social component. Also in compliance with the strategy of continuous optimization of its capital structure, reinforcement of own funds and of its base of eligible liabilities to comply with the "MREL" requirements, the Bank returned to the market in November 2021 to place subordinated debt in the amount of 300 million euros, eligible as Tier 2 own funds.

The liquidity generated by the reduction of the commercial gap and the fulfillment of the MREL issuance plan supported the increase of the securities portfolio in the activity in Portugal (from 13.9 billion euros as at 31 March 21, to 14.9 billion euros at the end of March 22) and the 2.2 billion euros growth of the deposit with the Bank of Portugal (from 5.3 billion euros, to 7.5 billion euros). Net funding from the ECB fell by 2.2 billion euros on an annual basis, to 711 million euros.

The growth of the Bank's highly liquid assets portfolio contributed to the 3.1 billion euros increase in the liquidity buffer with the ECB, to 23.2 billion euros.

Likewise, in the annual period ended 31 March 2022, Bank Millennium and BIM demonstrated the resilience of their liquidity positions, supported by robust buffers discountable at the respective central banks, with regulatory and internal liquidity risk indicators positioned in the comfort zone.

In consolidated terms, the refinancing risk of medium and long-term instruments will remain at very low levels over the next three years, given that it will only reach 1.0 billion euros in May 2022. Even in this case, it will involve the payment of a covered bond issue in that exact amount, the collateral of which will be available for inclusion in the cash-discountable liquidity buffer at the ECB after repayment, meaning therefore a negligible loss of liquidity.

CAPITAL

The estimated CET1 ratio as at 31 March 2022 stood at 11.4% phased-in and 11.5% fully implemented reflecting a change of -79 and -67 basis points, respectively, compared to the 12.2% phased-in and fully implemented ratios reported in the same period of 2021 and above the minimum ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2022 (CET1 9.156%, T1 11.125% and Total 13.750%). The supervisory authority's decision on the application of article 352 (2) of the CRR is awaited to exclude certain structural exchange rate positions from the calculation of market risk-weighted assets, to immunize regulatory ratios against changes in exchange rates. This change would have an estimated impact on the CET1 ratio of +50 basis points.

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, as well as by the decrease in fair value reserves resulting from the rise of the interest rates in the Eurozone and in Poland, partially offset by the positive performance of the activity in Portugal. The CET1 ratio decreased from the figure presented in the same period of 2021, standing below the bank's medium-term goals, without jeopardizing the prospect of convergence towards such goals.

SOLVENCY RATIOS

Euro million

	31 Mar. 22	31 Mar. 22 proforma*	31 Mar. 21
FULLY IMPLEMENTED			
Own funds			
Common Equity Tier 1 (CET1)	5,295	5,295	5,575
Tier 1	5,801	5,801	6,105
Total Capital	**7,145**	**7,145**	**7,096**
Risk weighted assets	**46,054**	**44,139**	**45,822**
Solvency ratios			
CET1	11.5%	12.0%	12.2%
Tier 1	12.6%	13.1%	13.3%
Total capital	15.5%	16.2%	15.5%
PHASED-IN			
CET1	11.4%	11.9%	12.2%

* Subject to the already requested approval of the application of article 352 (2) of the CRR.
Note: The capital ratios of March 2022 and March 2021 include the positive accumulated net income of the respective periods.
The capital ratios of March 2022 are estimated and non-audited.

SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2022

In the first quarter of 2022, the Bank kept its focus on supporting households and companies, particularly with the agents most affected by the effects of the COVID-19 pandemic.

Following the geopolitical crisis with the invasion of Ukraine, the Bank acted in accordance with the guidelines of the European Union and implemented a set of mechanisms to monitor the situation and measures to support the Ukrainian people.

In the scope of the Supervisory Review and Evaluation Process (SREP), BCP has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from March 1, 2022: CET1 9.16%, T1 11.13% and Total 13.75%.

The European Investment Bank (EIB) and Millennium bcp renewed their long-standing partnership through an agreement to support SMEs, medium-sized companies and large Portuguese companies by providing a guarantee of 200 million euros that aims to mobilize financing up to 840 million euros.

Bank Millennium (Poland) and the EIB Group, comprehending the European Investment Bank and the European Investment Fund, came together to support Polish SMEs affected by the COVID-19 crisis through a guarantee of 1.5 billion Zlotys.

Moody`s Rating Agency assigned a rating of Baa3, corresponding to investment grade, to Bank Millennium's senior non-preferred debt in Poland, within the scope of the Euro Medium Term Notes (EMTN) program.

The BCP Group has implemented a set of solidarity initiatives to support the Ukrainian people following the invasion of the country.

AWARDS AND DISTINCTIONS

Consumer Choice 2022, in the “Large Banks” category for the second year in a row.

ActivoBank distinguished with Consumer Choice, in the “Digital Banking” category, for the fourth consecutive year.

In 2022, the BCP Group was included again in The Sustainability Yearbook, a publication edited by S&P.

Millennium bcp is part of the Bloomberg Gender-Equality Index for the third consecutive year.

Best Investment Bank, in Portugal, in 2022, for the fourth consecutive year, according to Global Finance.

Best Foreign Exchange Provider, in Portugal, in 2022, according to Global Finance.

Distinction at the Euronext Lisbon Awards with the Local Market Member in Equity and Growing Structured Finance awards.

ActivoBank distinguished as Powerful Brand, in the “Online Banking” category, in the joint study of Sábado magazine and Marktest.

Best Trade Finance Provider, in Mozambique, in 2022, according to Global Finance.

SUBSEQUENT EVENTS

Conclusion on May 4, 2022 of the Annual General Meeting of Shareholders, held through electronic means and, simultaneously, at the Bank's facilities, with 64.31% of the share capital represented, with the following resolutions:

- Approval of the individual and consolidated Annual Report, balance sheet and financial statements of 2021, and the Corporate Governance Report, that includes a chapter on the remuneration of the management and supervisory bodies and the Sustainability Report; and approval of the proposal for the appropriation of profit concerning the 2021 financial year;

- Approval of the updating of the policy for the remuneration of Members of the Management and Supervisory Bodies; approval of the update of the internal policy for the selection and assessment of the suitability of the Members of the Management and Supervisory Bodies and Key-functions Holders; approval of the update of the policy for selection and appointment of the Statutory Auditor or audit firm and the hiring of non-prohibited non-audit services, under the terms of the legislation in force; and approval of the proposal to amend the articles of association of the Bank;

- Election of the Board of Directors, including the Audit Committee and of the Remunerations and Welfare Board, for the term-of-office 2022/2025.

BCP has been notified by Banco de Portugal, as the national resolution authority, about the establishment of its minimum requirement for own funds and eligible liabilities ("MREL" or "Minimum Requirement for own funds and Eligible Liabilities") as decided by the Single Resolution Board. The resolution strategy applied continues to be that of a multiple point of entry ("MPE"). The MREL requirements to be met by BCP Group of Resolution (consisting of BCP, S.A., Banco ActivoBank, S.A. and all the subsidiary companies of BCP apart from Bank Millennium S.A. and Banco Internacional de Moçambique and their respective subsidiaries), from 1 January 2024 is of:

- 23.81% of the total risk exposure amount ("TREA") (to which adds further a combined buffer requirement ("CBR") of 3.5%, thus corresponding to total requirements of 27.31%); and
- 6.92% of the leverage ratio exposure measure ("LRE").

Until the date mentioned before, BCP should comply with an interim requirement of:

- 18.09% of TREA (to which adds a further 3.25% CBR requirement, thus corresponding to a total requirement of 21.34%); and
- 6.92% of the LRE.

No subordination requirements have been applied to the Bank. In accordance with the regulations in force, MREL requirements must be updated or reconfirmed annually, and therefore these targets replace those previously set. The MREL requirements, now communicated to the BCP resolution group described above, are in line with the 2021-24 Strategic Plan and are accommodated by the ongoing funding plan. As of January 1, 2022, BCP complied to the intermediate MREL requirement set for that date, both as a percentage of the TREA (also including the applicable CBR) and as a percentage of the LRE.

MACROECONOMIC ENVIRONMENT

The outlook for the world economy worsened driven by the outbreak of the war in Ukraine in February 2022. Against this background, the International Monetary Fund (IMF) revised its projection for the global GDP growth in 2022 from 4.4% to 3.6%. The adverse effects of the war on the world economy have already weighed on the economic data in the first quarter. In the US, the GDP contracted by 0.4%, as exports plummeted amid strong constraints in global supply chains. In the euro area, the GDP grew by 0.2%, which represents a slowdown compared to the previous period that is explained by the deterioration of economic conditions in some of its main Member States, namely in Italy and France.

In the first quarter of 2022, financial markets were characterized by strong uncertainty stemming from the Russia-Ukraine conflict, which translated into the devaluation of the main equity indices and into a sharp rise of the energy and food prices. The market interest rates rose fueled by soaring inflation pressures and concomitant expectations of a more aggressive global monetary policy stance. In this context, the US Federal Reserve ended its asset purchase program and announced in March an increase of the reference interest rate, from 0.25% to 0.50%. In turn, the European Central Bank (ECB) reduced its intervention in debt markets but maintained the key interest rates unchanged. These developments resulted in a strong appreciation of the US Dollar, particularly against the Euro and the Yen. Concerning the Euribor rates, it is worth noting the rise of twelve-month rates to positive levels, for the first time since the beginning of 2016. The greater uncertainty regarding the global economy contributed to heighten the vulnerabilities of emerging markets, whose currencies depreciated.

The Portuguese economy recorded a GDP growth rate of 2.6% in the first quarter, which represents a marked acceleration compared to the previous period that took the GDP above its pre-pandemic level. The favourable performance of the Portuguese economy likely resulted from the dynamism of consumption, backed by accumulated savings and a low unemployment rate, as well as from robust investment levels, driven by the execution of the NextGenerationEU funds, but, chiefly, it should reflect a substantial contribution from tourism exports as Portugal benefits from its geographical position in the current geopolitical situation. In the coming quarters, however, it should not be enough to cushion the fallout of a slower global demand, tighter financing conditions, and higher prices of energy and food. Against this background, the IMF forecasts a slowdown of the Portuguese GDP in 2022 from 4.9% to 4.0%. Regarding prices' forecasts, the IMF projects an annual average inflation rate of 4.0%.

The Polish economy remains resilient despite the adverse geopolitical and economic environment. The low unemployment together with a set of economic policy measures aimed at mitigating the adverse effects of rising prices on households' income should contribute to support the GDP growth in 2022, which the IMF foresees at 3.7%. The heightened uncertainty has been hurting the evolution of the exchange rate, whose depreciation has been mitigated by a more aggressive monetary policy stance aimed at taming mounting inflationary pressures, as inflation rate reached 10.2% in March.

In Mozambique, the IMF forecasts an acceleration of GDP in 2022, from 2.2% to 3.8%, driven by the structural reforms implemented under the IMF's financial assistance program and the execution of important energy projects, which should contribute to shield the negative effects of a slower external demand. The rising inflation risks, stemming from surging energy and food prices, prompted the central bank to hike interest rates at the end of the quarter, which contributed to reinforce the appreciation trend of the Metical that has been observed since the end of 2021. In Angola, the economy grew in 2021, after five years of recession. In 2022, the IMF expects an acceleration of the GDP. Against this background, the Kwanza appreciated significantly in the first months of the year.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Mar. 22	Mar. 21	Chg 22/21	Mar. 22	Mar. 21	Chg 22/21	Mar. 22	Mar. 21	Chg 22/21
INCOME STATEMENT									
Net interest income	465.1	374.8	24.1%	211.8	204.5	3.6%	253.3	170.3	48.8%
Dividends from equity instruments	0.9	0.0	>200%	0.8	–	-	0.1	0.0	115.2%
Net fees and commission income	192.8	171.1	12.7%	136.5	119.6	14.1%	56.4	51.5	9.4%
Net trading income	43.4	41.8	3.9%	49.3	32.6	51.3%	(5.9)	9.2	-164.6%
Other net operating income	(17.7)	(25.1)	29.6%	10.8	2.0	>200%	(28.5)	(27.1)	-4.9%
Equity accounted earnings	16.2	15.4	5.6%	15.3	15.0	2.3%	0.9	0.4	142.7%
Net operating revenues	**700.7**	**577.9**	**21.2%**	**424.5**	**373.6**	**13.6%**	**276.3**	**204.3**	**35.2%**
Staff costs	137.7	141.5	-2.6%	79.9	87.8	-9.0%	57.9	53.7	7.8%
Other administrative costs	82.7	76.7	7.8%	43.4	43.0	0.7%	39.3	33.6	16.9%
Depreciation	34.6	34.0	1.8%	20.0	19.8	0.7%	14.6	14.2	3.4%
Operating costs	**255.0**	**252.1**	**1.1%**	**143.2**	**150.7**	**-5.0%**	**111.8**	**101.4**	**10.2%**
Operating costs excluding specific items	255.0	251.4	1.4%	143.2	150.0	-4.5%	111.8	101.4	10.2%
Profit before impairment and provisions	**445.7**	**325.8**	**36.8%**	**281.3**	**222.9**	**26.2%**	**164.5**	**102.9**	**59.9%**
Loans impairment (net of recoveries)	89.9	111.0	-19.1%	68.5	91.0	-24.7%	21.3	20.0	6.5%
Other impairment and provisions	164.1	131.7	24.6%	56.2	11.4	>200%	107.9	120.4	-10.3%
Profit before income tax	**191.8**	**83.1**	**130.8%**	**156.5**	**120.6**	**29.8%**	**35.2**	**(37.5)**	**193.9%**
Income taxes	85.5	56.9	50.2%	49.1	37.0	32.6%	36.4	19.9	82.8%
Current	18.0	22.0	-18.3%	5.6	2.9	93.5%	12.4	19.1	-35.1%
Deferred	67.5	34.9	93.3%	43.5	34.1	27.5%	24.0	0.8	>200%
Income after income tax from continuing operations	**106.3**	**26.2**	**>200%**	**107.5**	**83.6**	**28.5%**	**(1.2)**	**(57.5)**	**97.9%**
Income arising from discontinued operations	1.4	2.9	-52.0%	–	–	-	1.4	2.9	-52.0%
Non-controlling interests	(5.2)	(28.8)	82.0%	(0.1)	0.2	-154.8%	(5.1)	(28.9)	82.5%
Net income	**112.9**	**57.8**	**95.2%**	**107.6**	**83.4**	**29.0%**	**5.3**	**(25.6)**	**120.6%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	95,561	88,420	8.1%	68,737	62,778	9.5%	26,824	25,642	4.6%
Total customer funds	**91,358**	**87,042**	**5.0%**	**66,635**	**62,131**	**7.2%**	**24,723**	**24,911**	**-0.8%**
Balance sheet customer funds	**73,495**	**66,888**	**9.9%**	**50,473**	**45,526**	**10.9%**	**23,022**	**21,362**	**7.8%**
Deposits and other resources from customers	71,944	65,373	10.1%	48,931	44,048	11.1%	23,013	21,325	7.9%
Debt securities	1,551	1,515	2.3%	1,542	1,478	4.3%	9	37	-77.0%
Off-balance sheet customer funds	**17,863**	**20,153**	**-11.4%**	**16,162**	**16,605**	**-2.7%**	**1,701**	**3,549**	**-52.1%**
Assets under management	5,557	6,467	-14.1%	4,597	3,888	18.2%	960	2,579	-62.8%
Assets placed with customers	6,052	5,814	4.1%	5,678	5,273	7.7%	374	541	-30.8%
Insurance products (savings and investment)	6,254	7,872	-20.6%	5,886	7,443	-20.9%	367	429	-14.4%
Loans to customers (gross)	**58,473**	**56,206**	**4.0%**	**40,318**	**38,644**	**4.3%**	**18,155**	**17,562**	**3.4%**
Individuals	**34,177**	**32,294**	**5.8%**	**20,761**	**19,673**	**5.5%**	**13,416**	**12,621**	**6.3%**
Mortgage	28,208	26,563	6.2%	18,618	17,632	5.6%	9,590	8,931	7.4%
Personal Loans	5,969	5,732	4.1%	2,143	2,041	5.0%	3,826	3,691	3.7%
Companies	**24,296**	**23,911**	**1.6%**	**19,557**	**18,971**	**3.1%**	**4,739**	**4,940**	**-4.1%**
CREDIT QUALITY									
Total overdue loans	1,007	1,316	-23.5%	533	835	-36.2%	474	481	-1.4%
Overdue loans by more than 90 days	876	1,192	-26.5%	516	822	-37.3%	361	370	-2.4%
Overdue loans by more than 90 days / Loans to customers	1.5%	2.1%		1.3%	2.1%		2.0%	2.1%	
Total impairment (balance sheet)	1,818	2,007	-9.4%	1,225	1,436	-14.7%	593	570	4.0%
Total impairment (balance sheet) / Loans to customers	3.1%	3.6%		3.0%	3.7%		3.3%	3.2%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	207.4%	168.4%		237.6%	174.8%		164.4%	154.3%	
Non-Performing Exposures	2,679	3,100	-13.6%	1,788	2,193	-18.5%	891	907	-1.8%
Non-Performing Exposures / Loans to customers	4.6%	5.5%		4.4%	5.7%		4.9%	5.2%	
Total impairment (balance sheet) / NPE	67.9%	64.7%		68.5%	65.5%		66.6%	62.9%	
Restructured loans	2,466	2,508	-1.7%	1,966	1,985	-1.0%	500	523	-4.5%
Restructured loans / Loans to customers	4.2%	4.5%		4.9%	5.1%		2.8%	3.0%	
Cost of risk (net of recoveries, in b.p.)	62	80		68	94		47	47	

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS

FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2022 AND 2021

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Interest and similar income	513,921	403,309
Interest expense and similar charges	(48,820)	(28,527)
NET INTEREST INCOME	465,101	374,782
Dividends from equity instruments	889	30
Net fees and commissions income	192,844	171,123
Net gains / (losses) from financial operations at fair value through profit or loss	8,691	181
Net gains / (losses) from foreign exchange	1,859	19,808
Net gains / (losses) from hedge accounting operations	(2,162)	1,033
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	6,377	(3,410)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	28,619	24,162
Net gains / (losses) from insurance activity	-	-
Other operating income / (losses)	(25,298)	(24,063)
TOTAL OPERATING INCOME	676,920	563,646
Staff costs	137,723	141,470
Other administrative costs	82,667	76,667
Amortisations and depreciations	34,611	34,005
TOTAL OPERATING EXPENSES	255,001	252,142
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	421,919	311,504
Impairment for financial assets at amortised cost	(90,932)	(110,908)
Impairment for financial assets at fair value through other comprehensive income	398	(1,431)
Impairment for other assets	(11,395)	(8,057)
Other provisions	(152,039)	(122,320)
NET OPERATING INCOME	167,951	68,788
Share of profit of associates under the equity method	16,208	15,352
Gains / (losses) arising from sales of subsidiaries and other assets	7,617	(1,056)
NET INCOME BEFORE INCOME TAXES	191,776	83,084
Income taxes		
Current	(17,978)	(21,993)
Deferred	(67,493)	(34,922)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	106,305	26,169
Income arising from discontinued or discontinuing operations	1,388	2,893
NET INCOME AFTER INCOME TAXES	107,693	29,062
Net income for the period attributable to:		
Bank's Shareholders	112,866	57,815
Non-controlling interests	(5,173)	(28,753)
NET INCOME FOR THE PERIOD	107,693	29,062
Earnings per share (in Euros)		
Basic	0.027	0.013
Diluted	0.027	0.013

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2022 AND 2021 AND 31 DECEMBER 2021

(Thousands of euros)

	31 March 2022	31 December 2021	31 March 2021 (restated)
ASSETS			
Cash and deposits at Central Banks	9,829,597	7,796,299	6,506,551
Loans and advances to credit institutions repayable on demand	290,040	361,786	269,472
Financial assets at amortised cost			
Loans and advances to credit institutions	816,853	453,213	892,552
Loans and advances to customers	55,120,873	54,972,401	52,342,052
Debt securities	9,181,107	8,205,196	6,281,166
Financial assets at fair value through profit or loss			
Financial assets held for trading	1,364,250	931,485	1,158,247
Financial assets not held for trading mandatorily at fair value through profit or loss	957,516	990,938	1,307,441
Financial assets at fair value through other comprehensive income	10,438,349	12,890,988	13,466,818
Hedging derivatives	455,823	109,059	106,521
Investments in associated companies	457,266	462,338	449,660
Non-current assets held for sale	700,275	780,514	991,706
Investment property	3,023	2,870	7,891
Other tangible assets	595,658	600,721	630,557
Goodwill and intangible assets	252,954	256,213	237,269
Current tax assets	20,204	17,283	12,435
Deferred tax assets	2,863,034	2,688,216	2,647,951
Other assets	2,214,498	1,385,292	1,112,062
TOTAL ASSETS	95,561,320	92,904,812	88,420,351
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	8,979,742	8,896,074	9,186,206
Resources from customers	71,944,040	69,560,227	65,192,226
Non subordinated debt securities issued	2,158,734	2,188,363	1,817,891
Subordinated debt	1,363,364	1,394,780	1,278,720
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	170,059	231,241	209,170
Financial liabilities at fair value through profit or loss	1,520,580	1,581,778	1,599,340
Hedging derivatives	1,040,213	377,206	222,884
Provisions	521,657	458,744	408,046
Current tax liabilities	8,191	20,427	10,439
Deferred tax liabilities	15,742	16,932	6,096
Other liabilities	1,269,212	1,116,983	1,193,569
TOTAL LIABILITIES	88,991,534	85,842,755	81,124,587
EQUITY			
Share capital	4,725,000	4,725,000	4,725,000
Share premium	16,471	16,471	16,471
Other equity instruments	400,000	400,000	400,000
Legal and statutory reserves	259,528	259,528	254,464
Treasury shares	-	-	-
Reserves and retained earnings	186,100	580,304	730,106
Net income for the period attributable to Bank's Shareholders	112,866	138,082	57,815
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,699,965	6,119,385	6,183,856
Non-controlling interests	869,821	942,672	1,111,908
TOTAL EQUITY	6,569,786	7,062,057	7,295,764
TOTAL LIABILITIES AND EQUITY	95,561,320	92,904,812	88,420,351

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net commissions - net fees and commissions income.

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

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

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

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

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

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

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

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

Other net operating income – 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 and assets with repurchase agreement.

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

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

Disclaimer

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

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

The interim condensed consolidated financial statements, for the three months ended at 31 March 2022, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

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

The figures for the first three months of 2022 and 2021 were not audited.