3M 2022
REPORT & ACCOUNTS

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

1st three months 2022 Report & Accounts

BANCO COMERCIAL PORTUGUÊS, S.A.

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

The 1st three months 2022 Report & Accounts is a translation of the "Relatório e Contas dos primeiros três meses de 2022" document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the "Relatório e Contas dos primeiros três meses de 2022" prevails.

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

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

Nuno Amado
Chairman of the Board of Directors

BCP in 3M 2022

- Net income of the Group of 112.9 million euros in the first quarter of 2022, influenced by 123.3[1] 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.

- 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[2] 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).

- 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%).

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

[2] 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).

Main highlights (1)

Euro million

	31 Mar. 22	31 Mar. 21	Chan. % 22/21
BALANCE SHEET			
Total assets	95,561	88,420	8.1%
Equity	6,570	7,296	-10.0%
Loans and advances 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 tax	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 total assets (ROA)	0.5%	0.1%	
Income before tax and non-controlling interests / Average net assets (2)	0.8%	0.4%	
Return on average shareholders' 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 ratio fully implemented	15.5%	15.5%	
BRANCHES			
Portugal activity	421	476	-11.6 %
International activity	843	878	-4.0 %
EMPLOYEES			
Portugal activity	6,264	7,004	-10.6 %
International activity (5)	9,480	10,064	-5.8 %

(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).

Information on BCP Group

Brief description

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

Bank History

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On June 29, 2021 BCP entered into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"). The sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée") to Union Bancaire Privée, UBP SA was completed on November 2, 2021. The sale of Banque Privée allows BCP Group to pursue its strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

On 29 December 2021, BIM – Banco Internacional de Moçambique, SA (a bank incorporated under Mozambican law in which BCP indirectly holds a stake of 66.69%) formalized the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, SA, with a view to strengthening capabilities and expanding the offer of insurance through the banking channel (bancassurance) in Mozambique. Under this partnership, the possibility of which was provided for in the memorandum of understanding signed between BCP and the Fosun Group in November 2016, BIM and Fidelidade also formalized the sale by BIM to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, SA, with BIM maintaining approximately 22% of its share capital. BIM and Fidelidade also agreed call and put options with a view to enabling Fidelidade to acquire additional shares, and BIM's shareholding, as a result of these options, may be reduced to 9.9% of SIM's capital. Under the long-term exclusive distribution agreement, BIM will promote the distribution of SIM insurance through the banking channel, continuing to provide its customers with a wide range of competitive insurance products, which is reinforced by the partnership with Fidelidade, an Insurance Group of reference.

Governance

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

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

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

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

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

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

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

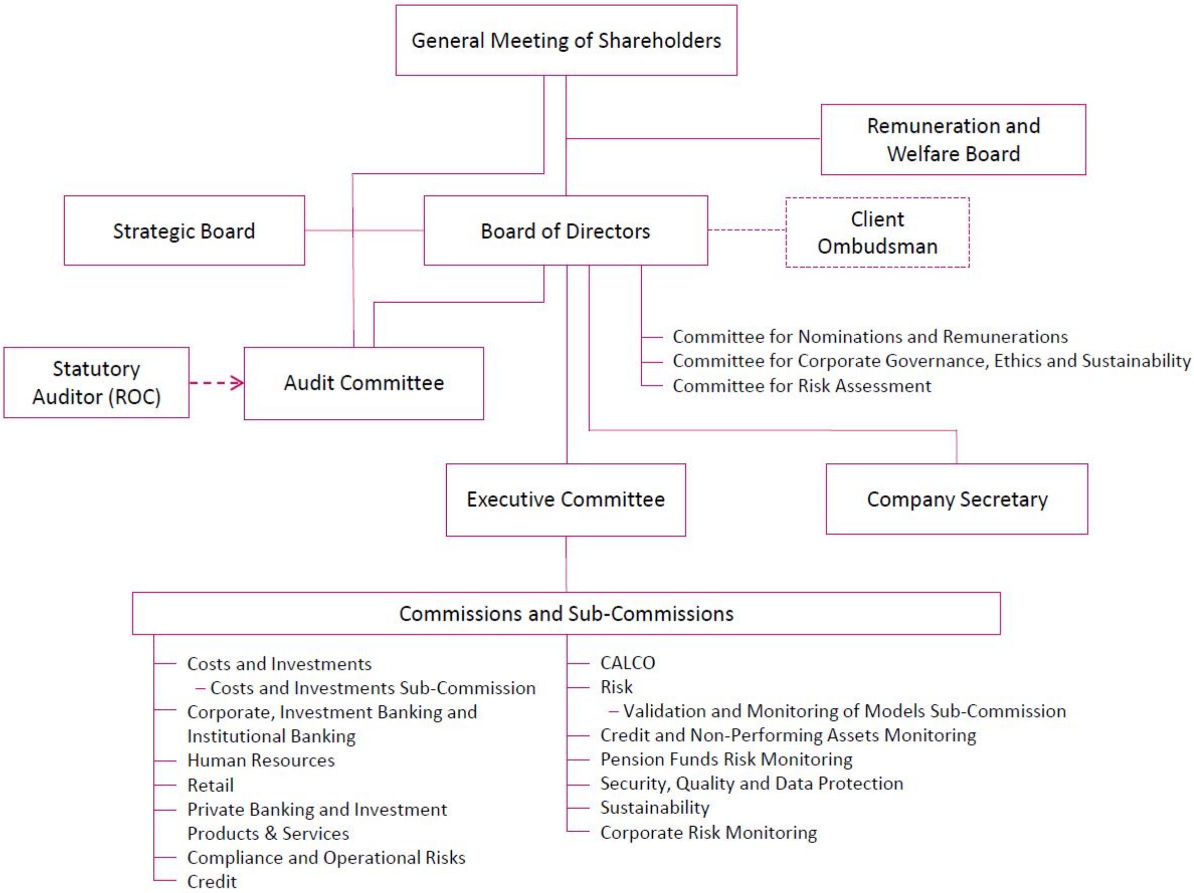
The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

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

The RWB is elected by the General Meeting.

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

Corporate Governance Model



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

The General Shareholders Meeting held on May 4, 2022 elected the Bank's Board of Directors to exercise functions in the four-year period 2022/2025, with the election taking effect subject to the suspensive condition of obtaining, by the European Central Bank, authorization for the exercise of functions of the majority of the members of the Board of Directors, the Audit Committee and the Executive Committee, an authorization process that is in progress.

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

* The Board of Directors may, on a case-by-case basis, appoint up to five ad-hoc members, to choose from among the representatives of shareholders with qualified holdings and other personalities of recognized merit linked to the topics that, at any given moment, are the object of analysis by part of the Strategic Board, and whose functions will cease at the same time as the term of office of the Board of Directors expires.

Main events in 3M 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").

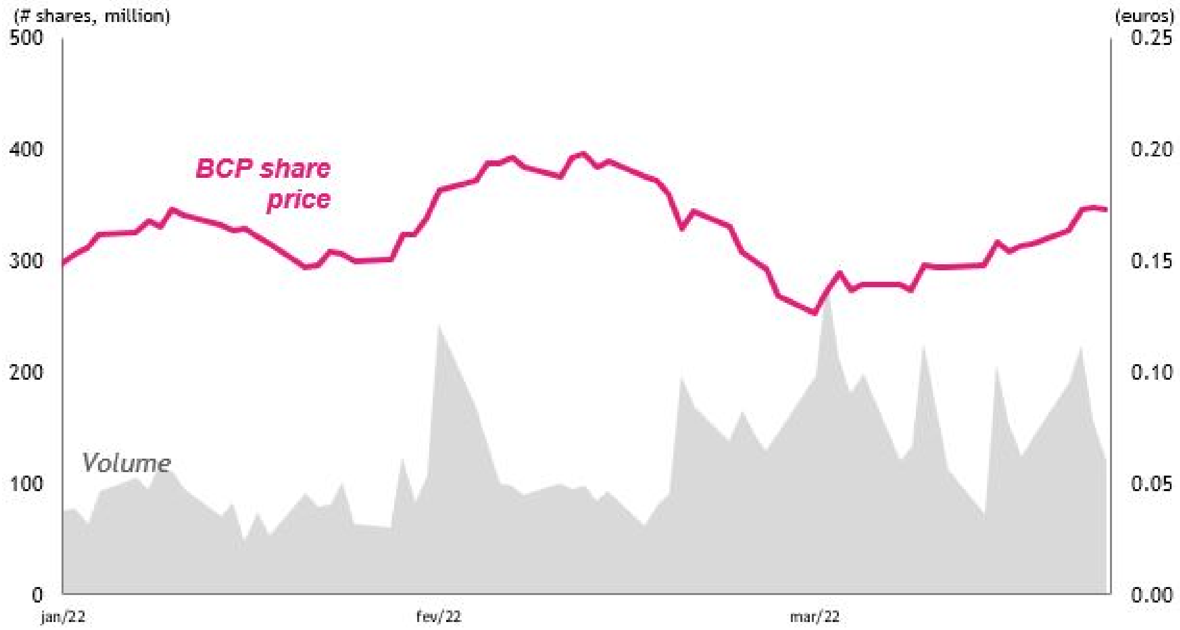
Until the date mentioned before, BCP should comply with an interim requirement of:

- 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.

BCP Share

BCP share price increased 22.9% in 1Q22, which compares with a 5.8% decrease un Eurostoxx 600 banks index



Source: Euronext, Thomson Reuters

The BCP share closed 1Q22 with an appreciation of 22.9%, which compares with a 5.8% depreciation of the European bank index. This performance also compares with the average appreciation of 10.6% of Spanish Banks.

BCP's share performance was influenced, in 1Q22, by the political/military tension associated with the invasion of Ukraine by Russia and by the resurgence of inflation worldwide, which was accompanied by a downward revision for world GDP growth, including the projections for Portugal. The rise in inflation anticipates market expectations regarding the increase in interest rates, which influence bank's performance.

Positive impacts:

- Disclosure of 2021 results, with the 4th quarter results showed the resilience of the Portuguese operation's business model in an extremely challenging context;
- Sensibility to interest rates, with the forecast of higher interest rates worldwide it is expected a positive impact on banks with higher sensibility;
- Upward revision of the BCP share price target, by analysts who cover the bank.

Negative impacts:

- Levels of provisioning in Poland, to face legal risks associated with the mortgage loan portfolio granted in foreign currency;
- Uncertainty regarding the unfold of the war and its macroeconomic impacts.
- The average price target for BCP shares at the end of March 2022 stood at €0.21, which compares with the price target of €0.14 recorded at the end of March 2021 and €0.18 at the end of December 2021, corresponding to a variation of +50.0% and +16.7% respectively.

Economic environment

Economic 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.

Business Model

Nature of operations and main activities

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

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

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

Distinctive factors of the business model

Largest private sector banking institution

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

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

At the end of March 2022, Millennium bcp was the largest Portuguese privately-owned bank on business volumes with a relevant position in the countries where it operates.

On 31 March 2022, operations in Portugal accounted for 72% of total assets, 69% of total loans to Customers (gross) and 73% of total customer funds. The Bank had over 2.5 million active Customers in Portugal and market shares of 17.6% and 18.4% of loans to Customers and customer deposits, respectively, in December 2021.

International presence as a platform for growth

At the end of March 2022, Millennium bcp was also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 6.2 million active Customers.

In Poland, Bank Millennium has a well distributed network of branches, supported by a modern multi-channel infrastructure, on a reference service quality, with high brand recognition, a robust capital base, comfortable liquidity and sound risk management and control. In March 2022, Bank Millennium had a market share of 6.0% in loans to Customers and of 5.9% in deposits.

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

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has about 1.1 million Active Customers and is the reference bank in this country, with market shares of 15.6% in loans and advances to Customers and of 24.0% in deposits, in March 2022. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

On **29 December 2021**, BIM – Banco Internacional de Moçambique, SA (a bank incorporated under Mozambican law in which BCP indirectly holds a stake of 66.69%) formalized the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, SA, with a view to strengthening capabilities and expanding the offer of insurance through the banking channel (bancassurance) in Mozambique. Under this partnership, the possibility of which was provided for in the memorandum of understanding signed between BCP and the Fosun Group in November 2016, BIM and Fidelidade also formalized the sale by BIM to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, SA, with BIM maintaining approximately 22% of its share capital. BIM and Fidelidade also agreed call and put options with a view to enabling Fidelidade to acquire additional shares, and BIM's shareholding, as a result of these options, may be reduced to 9.9% of SIM's capital. Under the long-term exclusive distribution agreement, BIM will promote the distribution of SIM insurance through the banking channel, continuing to provide its customers with a wide range of competitive insurance products, which is reinforced by the partnership with Fidelidade, an Insurance Group of reference.

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

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

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

Growth based on digital/mobile banking

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

Digital banking

At Group level, mobile Customers grew by 20% (+595 thousand customers), surpassing the threshold of 3.6 million customers, thus representing a penetration rate of 58% over the active Customer base.

With regard to digital Customers, the Group recorded an increase of 13%, representing today 71% of the Active Customer base.

In Portugal, mobile Customers grew by 20% (+207 thousand customers), surpassing 1.2 million customers, already representing 48% of Portugal's active Customer base.

With regard to digital Customers, there was an increase of 15% in Portugal, thus allowing them to represent, in March 2022, 61% of the Active Customer base in Portugal.

In terms of satisfaction in digital channels, Millennium is the first bank in terms of NPS according to Marktest since 2018, and it is also the Best Digital Bank according to spontaneous nomination by Customers, measured by the Brand Score.

App Millennium leads the ratings, having been elected product of the year in 2022.

Digital sales

Millennium bcp is concerned with innovation centred on customer needs, which translates into accelerated growth in mobile usage and sales.

Of note is the strong growth in mobile (in year-on-year terms) with:

- +30% transactions (+124% P2P transfers; +25% national transfers; +8% payments);
- +46% sales (+160% cards; +250% personal credit; +32% savings).

The percentage of mobile customers increased from 42% to 48% year on year.

The number of digital interactions increased from 86 to 117 million.

The weight of digital increased from 73% to 74% in digital transactions with the ATM channel losing importance.

Digital sales in number of operations increased their weight from 70% to 73%.

Business Model Sustainability

Millennium bcp, answering to the increasing importance of Sustainability and responsible financing for its Stakeholders and also to the expectations of regulators in these areas of action, has been leading an accelerated transformation and adaptation to new ESG (Environmental, Social and Governance) requirements.

Within this context of evolution the Bank revised its governance and decision-making model, creating a Sustainability Committee led by the CEO and reinforcing the perimeter of its multi-annual Sustainability Master Plan, as a reference framework and instrument for aggregating the actions to be carried out within the scope of of the ESG dimensions.

Millennium bcp's intervention is thus divided into three fundamental axes: Environmental, aiming at the implementation of measures that promote a fair and inclusive transition to a decarbonized economic development model, including the incorporation of the climate dimension in the Bank's risk models and in the offer of products and services; Social, which ensures proximity and involvement with external and internal communities in the creation of shared value, notwithstanding the role that the Millennium BCP Foundation already plays in this dimension; and Corporate Governance, promoting the integration of Sustainability principles into the Bank's decision-making and management processes.

This alignment is central to Sustainability at Millennium bcp, and organizations in general, being a privileged mean of determining the social and environmental impact of the activity carried out and the expected corporate performance of the company. The Bank is aware of the competitive advantage of incorporating environmental, social and governance factors, opportunities and risks into decision-making processes and of reflecting them in the commercial offer of products and services, a conviction that is well expressed in the inclusion of Sustainability as one of the structuring vectors of the 2024 Strategic Plan, document that summarizes the essence of Millennium bcp's vision, objectives and value proposition for the next three years.

The consolidation of a Responsible Business culture and the ability to positively influence the organization's long-term value proposition, in balance with the well-being of people, the company and the communities in which it operates, with respect for the preservation of natural resources, climate and the environment, represent the priority objectives of the strategy, policies and Sustainability practices defined and implemented by the BCP Group.

Financial Information

Results and Balance Sheet

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.

The slowdown in global demand caused by the conflict in Ukraine is expected to have a negative impact on the growth of the Portuguese economy, namely through the rise in energy and commodity prices and in tighter financing conditions in international financial markets. Despite the good performance of the Portuguese economy in the first quarter of the year, this scenario may influence the demand for credit and, especially in case of extension or worsening of the conflict, may have an impact on the financial standing of economic agents, influencing the quality of the credit portfolio and other assets of the Bank's balance sheet. Although the European Central Bank has not yet made any changes to its reference rates, the expectations of a faster monetary policy normalization have led to an increase in long-term interest rates, with an impact on the Bank's equity and capital position through the revaluation of fixed-rate assets and contracts at fair value, including part of the sovereign debt portfolio. On the other hand, if these expectations of monetary policy normalisation materialize, the increase in the reference interest rates of the European Central Bank is expected to have a positive impact on net interest income in the activity in Portugal, as has already happened in international activity, following the successive increases in the reference interest rate of National Bank of Poland, started in the last quarter of 2021.

Regarding Bank Millennium, the growth path of reference interest rates in Poland is expected to offset the Zloty devaluation and higher inflation levels. The Bank does not operate directly in Ukraine, Russia or Belarus, nor does it directly finance residents of any of these three countries and it does not have a significant exposure to Ukrainian citizens residing in Poland or Polish companies likely to be more affected by the impacts of the conflict in Ukraine. The Bank is monitoring the quality of these exposures, which has remained stable over the past few months, with no sign of deterioration.

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 favourable 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 favourable 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[3] million euros in the first quarter of 2021, to 97.4[3] 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[4] million euros in the first three months of 2021 to 61.8[4] million euros in the first quarter of 2022. With a smaller impact, the evolution of operating costs, in consolidated terms, also unfavourably 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, totalling 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

[3] 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.

[4] Net of tax and after minority interests.

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 performance of the Polish subsidiary was possible despite the increase in costs associated with foreign exchange mortgage loans portfolio which went from 113.0[5] million euros in the first quarter of 2021, to 123.3[5] 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, by the increase in the contribution of the operation in Mozambique, whose favourable performance was enhanced by the exchange rate evolution of the Metical against the euro.

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 totalled 1.4 million euros, mainly including the sale price adjustment of Banque Privée, according to previously agreed conditions[6].

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 favourable 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, totalling 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 favourably 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.

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, totalling 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

[5] Net of tax and before minority interests.

[6] 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.

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, 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 favourable 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 portfolio of the activity in Portugal, which amounted to 0.8 million euros in the first quarter of 2022, non-existent 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[7] 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 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.

[7] 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.

NET COMMISSIONS

Million euros

	3M22	3M21 (restated)	Chan. % 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	18.5	17.7	4.5%
TOTAL 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 favourable 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[8], totalled 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[8], 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 totalled 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 items6, 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[8], showed a 2.1% reduction from the 140.7 million euros recorded in the first quarter of 2021, totalling 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[8], 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 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

[8] **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.**

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 totalled 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 favourable 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 totalled 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)

Million euros

	3M22	3M21 (restated)	Chan. % 22/21
Staff costs	137.7	140.7	-2.1%
Other administrative costs	82.7	76.7	7.8%
Depreciation	34.6	34.0	1.8%
OPERATING COSTS	255.0	251.4	1.4%
Of which:			
Portugal activity	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) totalled 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 totalled 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) totalled 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)[9] 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%[10] of the total portfolio.

In the international activity, loans to customers (gross)[9] 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

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[9] 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.

[10] NPE ratio, measured by the quotient between non-performing exposures (only exposures included in the aggregate of loans to customers) and total loans (gross).

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 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)

Million euros

	31 Mar. 22	31 Mar. 21 comparable (1)	Chan. % 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 %
TOTAL	58,473	**55,837**	**4.7 %**
Of which:			
Portugal activity	40,318	38,644	4.3 %
International activity	18,155	17,193	5.6 %
Discontinued 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	Chan. % 22/21	31 Mar.22	31 Mar.21	Chan. % 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 %	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	2.0 %	2.8 %		1.8 %	2.8 %	
Non-performing exposures (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 Non-performing loans (NPL) > 90 days	155.5 %	127.6 %		172.9 %	133.6 %	
Coverage of Non-performing exposures (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[11] 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[11], 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.

[11] 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

Million euros

	31 Mar. 22	31 Mar. 21 comparable(1)	Chan. % 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 %
TOTAL	**91,358**	**84,812**	**7.7 %**
Of which:			
Portugal activity	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.

Business Areas

Activity per Segments

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

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

(*) From Marketing Division for Corporate, Business and Institutional since last quarter of 2021.
(**) For the purposes of business segments, Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands) are included in the Private Banking segment. In terms of geographic segments, both operations are considered Foreign Business. It should be noted that, following the sale of the operation in Switzerland on 2 November 2021, the subsidiary's net income in March 2021, as well as eventual adjustments in 2022 in the capital gain generated with the sale of the entire shareholding in Banque Privée BCP (Suisse), S.A., is reflected as income from discontinued and discontinuing operations, as provided for in IFRS 5.
(***) Consolidated by the equity method.

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

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

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

Operating costs related to the business segments do not include headcount adjustment costs and other costs considered as specific items recorded in 2021.

The information presented below for the individually more relevant business areas in Portugal and aggregately for the international activity was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 31 March 2022. In this context, it should be noted that, following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A., the contribution of this subsidiary to the net income of the Foreign Business segment is reflected as income from discontinued operations, and the historical information has been restated in order to ensure its comparability, as provided for in IFRS 5. Banque Privée BCP (Suisse) S.A. ceased to be part of the BCP Group on 2 November 2021, the date on which the sale of this subsidiary was completed.

In this context, income from discontinued or discontinued operations also reflect the capital gain from the sale of the operation or eventual adjustments in 2022 on this capital gain. It should also be noted that on 29 December 2021, BIM – Banco Internacional de Moçambique, S.A. also formalized the sale to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, S.A., with BIM maintaining approximately 22% of its share capital. The contribution of this subsidiary to the net income of the Foreign Business segment is also presented as income from discontinued or discontinued operations as at March 2021, as required by IFRS 5. The presentation of assets and liabilities of Banque Privée BCP (Suisse) S.A. and Seguradora Internacional de Moçambique. S.A. referring to previous periods remained unchanged when compared to the criteria considered in the preparation of the consolidated financial statements previously disclosed.

RETAIL

Million euros

RETAIL BANKING in Portugal	31 Mar. 22	31 Mar. 21	Chg. 22/21
PROFIT AND LOSS ACCOUNT			
Net interest income	113	112	0.7 %
Other net income	108	96	13.5 %
	221	208	6.6 %
Operating costs	107	118	-8.7 %
Impairment and provision	4	11	-60.3 %
Income before tax	110	79	39.0 %
Income taxes	34	24	44.3 %
Income after tax	76	55	36.7 %
SUMMARY OF INDICATORS			
Allocated capital	1,286	1,207	6.5 %
Return on allocated capital	23.8%	18.6%	
Risk weighted assets	10,388	9,770	6.3 %
Cost to income ratio	48.5%	56.7%	
Loans to Customers (net of impairment charges)	25,248	23,698	6.5%
Balance sheet Customer funds	37,652	33,550	12.2%

Notes:

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

Income

As at 31 March 2022, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 76 million, showing a 36.7% increase compared to Euros 55 million in 2021, reflecting an higher net operating income and a lower level of operating costs recorded in 2022. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income reached Euros 113 million as at 31 March 2022, increasing 0.7% compared to the previous year (Euros 112 million), where the higher income arising from the loan portfolio and the lower costs incurred with term deposits slightly overcome the lower income arising from the internal placements of the excess liquidity.
- Other net income reached Euros 108 million as at 31 March 2022, showing an increase of 13.5% compared to the amount attained in the previous year. This evolution mainly reflects the positive performance of commissions, mainly from management and maintenance of accounts, cards and transfer fees. Regarding to market-related commissions, it should be highlighted the commissions associated with the placement of third-party investment funds, which showed a significant growth compared to previous year.
- Operating costs dropped of 8.7% from the amounts recognized in 2021, reflecting mainly the decrease in staff costs as a result of the implementation of the headcount adjustment plan that the Bank carried out in 2021.
- Impairment charges amounted to Euros 4 million by the end of March 2022, decreasing 60.3% compared to the amount of Euros 11 million recorded in the same period of the previous year, reflecting the reduction of implicit risks in the credit portfolio.
- In March 2022, loans to customers (net) totalled Euros 25,248 million, 6.5% up from the position at the end of March 2021 (Euros 23,698 million), while balance sheet customer funds increased by 12.2% in the same period, amounting to Euros 37,652 million by the end of March 2022 (Euros 33,550 million at the end of March the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING in Portugal	31 Mar. 22	31 Mar. 21	Chg. 22/21
PROFIT AND LOSS ACCOUNT			
Net interest income	62	63	-1.5%
Other net income	41	37	8.1%
	103	100	2.1%
Operating costs	31	27	13.3%
Impairment (excluding the impairment related to NPE in the beginning of the year)	15	23	-33.7%
Income before tax (excluding impairment charges for NPE)	57	50	13.6%
Impairment charges for NPE	59	21	180.9%
Income before tax	-2	29	-106.9%
Income taxes	-1	9	-111.1%
Income after tax	-1	20	-105.0%
SUMMARY OF INDICATORS			
Allocated capital	1,223	1,250	-2.1%
Return on allocated capital	-0.5%	6.6%	
Risk weighted assets	10,277	10,863	-5.4%
Cost to income ratio	30.2%	27.2%	
Loans to Customers (net of impairment charges)	11,968	11,765	1.7%
Balance sheet Customer funds	9,411	9,159	2.8%

Notes:

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

Income

Companies, Corporate and Investment Banking segment in Portugal reached a negative income after tax of Euros 1 million in March 2022, compared to a gain of Euros 20 million presented in March 2021. The unfavourable performance of this segment results from higher level of impairment. It worth noting that net income achieved remains constrained by the progressive implementation of non-performing exposures reduction plan, with an impact on the volumes of the loan portfolio and on its levels of impairment charges. In 2022 the performance of this segment is explained by the following changes:

- Net interest income stood at Euros 62 million as at 31 March 2022, 1.5% above the amount attained in the previous year (Euros 63 million). The lower income arising from the loan portfolio, influenced by the negative interest rate environment, penalized the net interest income. It should be noted that, despite the growth of the credit portfolio with the loans granted under the credit lines backed by the Portuguese Government and under the agreements with the European Investment Fund, the margin of the credit portfolio continues to be under pressure by the current macroeconomic context characterized by a persistent low interest rate scenario. On the other hand, in the opposite direction, net interest income reflected gains obtained from a higher volume of deposits, benefiting from the decrease in term deposits, more than offset by an increase in demand deposits, which consequently reduced the need for internal funding. However, these gains were insufficient to cover the lower income arising from the loan portfolio.
- Other net income reached Euros 41 million in March 2022, being 8.1% higher compared to the amount achieved in March 2021, which is mainly explained by the positive impact on net fees and commissions, with emphasis on the commissions from cards and transfer fees.
- Operating costs totalled Euros 41 million by the end of March 2022, above the overall amount of costs recorded in the same period of the previous year.
- Impairments charges recorded Euros 74 million in March 2022, increasing from Euros 44 million in the same period of 2021, whose evolution is explained by the impairment charges related to the non performing exposures.
- As at March 2021, loans to customers (net) totalled Euros 11,968 million, increasing 1.7% from the position in March 2021 (Euros 11,765 million), reflecting, on one hand, the Bank's positive performance in granting credit under the agreements established with the European Investment Fund and, on the other hand, the impact of reduction of

the non-performing exposures. Balance sheet customer funds reached Euros 9,411 million, 2.8% above the amount recorded in March 2021, in particular through the expansion of the client's deposits base.

PRIVATE BANKING

Million euros

PRIVATE BANKING in Portugal	31 Mar. 22	31 Mar. 21	Chg. 22/21
PROFIT AND LOSS ACCOUNT			
Net interest income	2	1	26.3%
Other net income	11	8	53.1%
	13	9	48.9%
Operating costs	5	5	-2.8%
Impairment and provision	0	0	
Income before tax	8	4	117.5%
Income taxes	3	2	116.1%
Income after tax	5	2	118.1%
SUMMARY OF INDICATORS			
Allocated capital	84	76	11.4%
Return on allocated capital	26.1%	13.4%	
Risk weighted assets	688	651	5.7%
Cost to income ratio	37.1%	56.9%	
Loans to Customers (net of impairment charges)	343	280	22.4%
Balance sheet Customer funds	2,758	2,656	3.9%

Notes:

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

Income

Income after tax from Private Banking business in Portugal, computed according to the geographic segmentation perspective, totalled Euros 5 million in March 2022, showing an increase of 118.1% compared to the net profit reached in the same period of 2021 (Euros 2 million). Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Net operating revenues stood at Euros 13 million in March 2022, 48.9% up from the same period of the previous year (Euros 9 million), achieved by the growth shown both in other net income and in net interest income. Net interest income totalled Euros 2 million in March 2022, comparing to Euros 1 million reached in March 2021, benefiting from lower costs incurred with term deposits, despite the lower income arising from the internal placements of the excess liquidity. Other net income amounted to Euros 11 million in March 2022, reflecting an increase of 53.1% compared to the same period of the previous year, mainly driven by higher commissions from asset management activity and from exchange and brokerage transactions.
- Operating costs amounted to Euros 5 million in March 2021, 2.8% below the operating costs recorded in March 2021, reflecting the decreasing trend verified in the staff costs.
- The absence impairment and provision charges had a positive impact on the income statement as, both on 31 March 2022 and in the same period of 2021, highlighting the quality on the assets of this segment in a systematic way.
- Loans to customers (net) amounted to Euros 343 million by the end of March 2022, showing an increase of 22.4% compared to figures accounted in the same period of the previous year (Euros 280 million), while balance sheet customer funds grew 3.9% during the same period, from Euros 2,656 million in March 2021 to Euros 2,758 million in March 2022, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Million euros

FOREIGN BUSINESS	31 Mar. 22	31 Mar. 21	Chg. 22/21
PROFIT AND LOSS ACCOUNT			
Net interest income	253	170	48.8%
Other net income (*)	23	34	-32.5%
	276	204	35.2%
Operating costs	112	101	10.2%
Impairment and provision	129	140	-7.9%
Income before tax	35	-37	
Income taxes	36	20	82.8%
Income after tax from continuing operations	-1	-57	
Income from discontinued operations	1	2	-52.0%
Income after income tax	0	-55	
SUMMARY OF INDICATORS			
Allocated capital (**)	2,364	2,801	-15.6%
Return on allocated capital	0.0%	-7.9%	
Risk weighted assets	16,139	16,342	-1.2%
Cost to income ratio	40.5%	49.7%	
Loans to Customers (net of impairment charges)	17,562	16,991	3.4%
Balance sheet Customer funds	23,022	21,362	7.8%

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

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

Income

Income after tax from Foreign Business, computed in accordance with the geographic perspective, was null in March 2022, comparing favourably with a loss of Euros 55 million achieved by the end of March 2021. This evolution is mostly explained by the positive performance of the net interest income, minimizing the impact of the lower, but substantial, amount of impairment and provisions that still being recorded.

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

- Net interest income stood at Euros 253 million in March 2022, which compares to Euros 170 million achieved in March 2021. Excluding the impact arising from the foreign exchange effects, it would have increased 44.5%, reflecting the favourable performance of the Group's main subsidiaries. The net interest income in the Polish subsidiary, which had been heavily penalized by the successive cuts in the reference interest rates imposed by the National Bank of Poland, benefited, in the last months of 2021 and in the first quarter of 2022, from the reversal of this trend. The positive performance of the net interest income in the Mozambican operation is mainly justified by the increase in the volume of public debt portfolio and also by higher implied yields.

- Other net income attained Euros 23 million, decreased by 32.5% compared to the previous year. Excluding foreign exchange effects, other net income would have dropped 36.2%, reflecting mainly the performance of the Polish subsidiary, in particular the impact of the costs arising from the agreements concluded with its clients, in order to convert the credits to local currency or their early repayment, mainly recorded as net trading income and the impact of higher costs with mandatory contributions. Conversely, the performance of net fees and commissions partly mitigated the abovementioned negative impacts. In this context, the positive performance of the Mozambican subsidiary should be highlighted, with emphasis on the growth presented by banking commissions and higher gains arising from foreign exchange transactions carried out with customers.

- Operating costs amounted to Euros 112 million as at 31 March 2022, 10.2% up from March 2021. Excluding foreign exchange effects, operating costs would have increased 7.0%, mostly influenced by the evolution of the subsidiary in Poland, where 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 terms of other administrative costs, the growth observed mainly reflected the increase in legal advice costs associated with foreign exchange mortgage loan portfolio. Regarding the operation in Mozambique, operating costs were higher than the amount achieved in the previous year, mainly due to the increase in the number of employees.

- Impairment and provision charges at the end of March of 2022 presented a drop of 7.9% compared to the figures reported in the same period of 2021, corresponding essentially to the lower level of extraordinary provision charges for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary, amounting to Euros 108 million (Euros 117 million in the same period of 2021).
- Results from discontinued operations include the net income generated by the current activity of Banque Privée BCP (Suisse) SA, and Seguradora Internacional de Moçambique, S.A. as at 31 March 2021. In 2022, results from discontinued operations reflect the adjustment to the sale price, in accordance with the sale agreements, resulting in corrections to the gains recognized in the fourth quarter of 2021, following the completion of these sales.
- Loans to customers (net) stood at Euros 17,562 million at the end of March 2022, above the amount attained as at 31 March 2021 (Euros 16,991 million). Excluding foreign exchange effects, the loan portfolio increased 2.8%, benefiting from the growth achieved by the Polish subsidiary, more than offsetting the impact produced by the deconsolidation of the subsidiary in Switzerland. The Foreign business' balance sheet customer funds increased 7.8% from Euros 21,362 million reported as at 31 March 2021 to Euros 23,022 million as at 31 March 2022. Excluding the foreign exchange effects, balance sheet customer funds increased 6,4%, mainly driven by the performance of the subsidiary in Poland, overcoming the impact arising from the deconsolidation of the subsidiary in Switzerland.

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 *pro forma**	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.

Strategic Plan 2021-2024

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Targets for 2024

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

Our aspiration can be synthesised as:

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

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

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

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

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

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

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

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

Ambitious goals aligned with strategic priorities — Group level

	Q1 2022	2024
C/I ratio	36%	~40%
Cost of risk	62 bp	~50 bps
ROE	8.2%	~10%
CET1 ratio	11.5% (12.0% pro forma*)	>12.5%
NPE ratio	4.6%	~4%
Share of mobile customers	58%	>65%
Growth of high engagement customers** (vs. 2020)	+5%	+12%
Average ESG rating***	70%	>80%

* Pro forma (subject to ECB authorization) considering the already requested approval (ECB) for the application of article 352 (2) CRR (Capital Requirements Regulation) that excludes from capital requirements the structural FX positions held to hedge the capital ratios
**Active Customers with card transactions in the previous 90 days or funds > €100 (>MZM 1,000 in Mozambique)
***Average of Top 3 indices (DJSI, CDP and MSCI) | NPE include loans to Customers only.

Consolidated financial statements

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	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	

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2022 AND 2021

	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 financial assets and 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 of financial assets at amortised cost	(90,932)	(110,908)
Impairment of financial assets at fair value through other comprehensive income	398	(1,431)
Impairment of 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

The balances for the first quarter of 2021 were restated under the changes in accounting policies and in the classification of Banque Privée BCP (Suisse), S.A. and Seguradora Internacional de Moçambique, S.A. as discontinuing operations, as detailed in note 52.

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

(Thousands of euros)

	31 March 2022	31 December 2021
ASSETS		
Cash and deposits at Central Banks	9,829,597	7,796,299
Loans and advances to credit institutions repayable on demand	290,040	361,786
Financial assets at amortised cost		
Loans and advances to credit institutions	816,853	453,213
Loans and advances to customers	55,120,873	54,972,401
Debt securities	9,181,107	8,205,196
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,364,250	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	957,516	990,938
Financial assets at fair value through other comprehensive income	10,438,349	12,890,988
Hedging derivatives	455,823	109,059
Investments in associated companies	457,266	462,338
Non-current assets held for sale	700,275	780,514
Investment property	3,023	2,870
Other tangible assets	595,658	600,721
Goodwill and intangible assets	252,954	256,213
Current tax assets	20,204	17,283
Deferred tax assets	2,863,034	2,688,216
Other assets	2,214,498	1,385,292
TOTAL ASSETS	95,561,320	92,904,812
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	8,979,742	8,896,074
Resources from customers	71,944,040	69,560,227
Non subordinated debt securities issued	2,158,734	2,188,363
Subordinated debt	1,363,364	1,394,780
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	170,059	231,241
Financial liabilities at fair value through profit or loss	1,520,580	1,581,778
Hedging derivatives	1,040,213	377,206
Provisions	521,657	458,744
Current tax liabilities	8,191	20,427
Deferred tax liabilities	15,742	16,932
Other liabilities	1,269,212	1,116,983
TOTAL LIABILITIES	88,991,534	85,842,755
EQUITY		
Share capital	4,725,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	259,528	259,528
Reserves and retained earnings	186,100	580,304
Net income for the period attributable to Bank's Shareholders	112,866	138,082
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,699,965	6,119,385
Non-controlling interests	869,821	942,672
TOTAL EQUITY	6,569,786	7,062,057
TOTAL LIABILITIES AND EQUITY	95,561,320	92,904,812

Alternative performance measures

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

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

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

Euro million

		31 Mar. 22	31 Mar. 21
Loans to customers (net) (1)		56,656	54,199
Balance sheet customer funds (2)		73,495	66,888
	(1) / (2)	**77.1%**	**81.0%**

2) Return on average assets (ROA)

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

Euro million

		3M22	3M21
Net income (1)		113	58
Non-controlling interests (2)		(5)	(29)
Average total assets (3)		93,759	87,160
	[(1) + (2), annualised] / (3)	**0.5%**	**0.1%**

3) Return on average equity (ROE)

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

Euro million

	3M22	3M21
Net income (1)	113	58
Average equity (2)	5,569	5,793
[(1), annualised] / (2)	**8.2%**	**4.0%**

4) Cost to income

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

Euro million

	3M22	3M21
Operating costs (1)	255	252
of which: specific items (2)	—	1
Net operating revenues (3)	701	578
[(1) - (2)] / (3)	**36.4%**	**43.5%**

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

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

Euro million

	3M22	3M21
Loans to customers at amortised cost, before impairment (1)	58,396	55,830
Loan impairment charges (net of recoveries) (2)	90	111
[(2), annualised] / (1)	**62**	**80**

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

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

Euro million

	31 Mar. 22	31 Mar. 21
Non-Performing Exposures (1)	2,679	3,100
Loans to customers (gross) (2)	58,473	56,206
(1) / (2)	**4.6%**	**5.5%**

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

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

Euro million

		31 Mar. 22	31 Mar. 21
Non-Performing Exposures (1)		2,679	3,100
Loans impairments (balance sheet) (2)		1,818	2,007
	(2) / (1)	**67.9%**	**64.7%**

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.

Accounts and Notes to the Interim Condensed Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2022 AND 2021

(Thousands of euros)

	Notes	31 March 2022	31 March 2021 (restated)
Interest and similar income	2	513,921	403,309
Interest expense and similar charges	2	(48,820)	(28,527)
NET INTEREST INCOME		465,101	374,782
Dividends from equity instruments	3	889	30
Net fees and commissions income	4	192,844	171,123
Net gains/(losses) from financial operations at fair value through profit or loss	5	8,691	181
Net gains/(losses) from foreign exchange	5	1,859	19,808
Net gains/(losses) from hedge accounting operations	5	(2,162)	1,033
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	5	6,377	(3,410)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	5	28,619	24,162
Other operating income/(losses)	6	(25,298)	(24,063)
TOTAL OPERATING INCOME		676,920	563,646
Staff costs	7	137,723	141,470
Other administrative costs	8	82,667	76,667
Amortisations and depreciations	9	34,611	34,005
TOTAL OPERATING EXPENSES		255,001	252,142
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		421,919	311,504
Impairment of financial assets at amortised cost	10	(90,932)	(110,908)
Impairment of financial assets at fair value through other comprehensive income	11	398	(1,431)
Impairment of other assets	12	(11,395)	(8,057)
Other provisions	13	(152,039)	(122,320)
NET OPERATING INCOME		167,951	68,788
Share of profit of associates under the equity method	14	16,208	15,352
Gains/(losses) arising from sales of subsidiaries and other assets	15	7,617	(1,056)
NET INCOME BEFORE INCOME TAXES		191,776	83,084
Income taxes			
Current	30	(17,978)	(21,993)
Deferred	30	(67,493)	(34,922)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		106,305	26,169
Income arising from discontinued or discontinuing operations	16	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	43	(5,173)	(28,753)
NET INCOME FOR THE PERIOD		107,693	29,062
Earnings per share (in Euros)			
Basic	17	0.027	0.013
Diluted	17	0.027	0.013

The balances for the first quarter of 2021 were restated under the changes in accounting policies and in the classification of Banque Privée BCP (Suisse), S.A. and Seguradora Internacional de Moçambique, S.A. as discontinuing operations, as detailed in note 52.

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2022 AND 2021

(Thousands of euros)

	31 March 2022				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	106,305	1,388	107,693	112,866	(5,173)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 42)					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	(191,224)	—	(191,224)	(149,540)	(41,684)
Reclassification of (gains)/losses to profit or loss	(28,619)	—	(28,619)	(28,619)	—
Cash flows hedging					
Gains/(losses) for the period	(603,352)	—	(603,352)	(596,140)	(7,212)
Other comprehensive income from investments in associates and others	(10,631)	—	(10,631)	(10,633)	2
Exchange differences arising on consolidation	19,695	—	19,695	24,615	(4,920)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(1,578)	—	(1,578)	(1,578)	—
Fiscal impact	245,533	—	245,533	236,263	9,270
	(570,176)	—	(570,176)	(525,632)	(44,544)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period (note 42)	(150)	—	(150)	(116)	(34)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 42)	(59)	—	(59)	(59)	—
Actuarial gains/(losses) for the period					
Pension Funds of foreign subsidiaries and associated companies	2,591	—	2,591	2,591	—
Fiscal impact	392	—	392	386	6
	2,774	—	2,774	2,802	(28)
Other comprehensive income/(loss) for the period	(567,402)	—	(567,402)	(522,830)	(44,572)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(461,097)	1,388	(459,709)	(409,964)	(49,745)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	31 March 2021 (restated)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	26,169	2,893	29,062	57,815	(28,753)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 42)					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	(31,113)	—	(31,113)	(20,959)	(10,154)
Reclassification of (gains)/losses to profit or loss	(24,162)	—	(24,162)	(23,989)	(173)
Cash flows hedging					
Gains/(losses) for the period	(119,658)	—	(119,658)	(116,744)	(2,914)
Other comprehensive income from investments in associates and others	(6,258)	—	(6,258)	(6,256)	(2)
Exchange differences arising on consolidation	36,126	(197)	35,929	33,071	2,858
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(180)	—	(180)	(180)	—
Fiscal impact	51,072	—	51,072	48,664	2,408
	(94,173)	(197)	(94,370)	(86,393)	(7,977)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period (note 42)	316	(1)	315	367	(52)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 42)	(120)	—	(120)	(120)	—
Actuarial gains/(losses) for the period					
Pension Funds of foreign subsidiaries and associated companies	134	—	134	134	—
Fiscal impact	(37)	—	(37)	(47)	10
	293	(1)	292	334	(42)
Other comprehensive income/(loss) for the period	(93,880)	(198)	(94,078)	(86,059)	(8,019)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(67,711)	2,695	(65,016)	(28,244)	(36,772)

The balances for the first quarter of 2021 were restated under the changes in accounting policies and in the classification of Banque Privée BCP (Suisse), S.A. and Seguradora Internacional de Moçambique, S.A. as discontinuing operations, as detailed in note 52.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

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

(Thousands of euros)

	Notes	31 March 2022	31 December 2021
ASSETS			
Cash and deposits at Central Banks	18	9,829,597	7,796,299
Loans and advances to credit institutions repayable on demand	19	290,040	361,786
Financial assets at amortised cost			
Loans and advances to credit institutions	20	816,853	453,213
Loans and advances to customers	21	55,120,873	54,972,401
Debt securities	22	9,181,107	8,205,196
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	1,364,250	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	23	957,516	990,938
Financial assets at fair value through other comprehensive income	23	10,438,349	12,890,988
Hedging derivatives	24	455,823	109,059
Investments in associated companies	25	457,266	462,338
Non-current assets held for sale	26	700,275	780,514
Investment property	27	3,023	2,870
Other tangible assets	28	595,658	600,721
Goodwill and intangible assets	29	252,954	256,213
Current tax assets		20,204	17,283
Deferred tax assets	30	2,863,034	2,688,216
Other assets	31	2,214,498	1,385,292
TOTAL ASSETS		95,561,320	92,904,812
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	8,979,742	8,896,074
Resources from customers	33	71,944,040	69,560,227
Non subordinated debt securities issued	34	2,158,734	2,188,363
Subordinated debt	35	1,363,364	1,394,780
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	170,059	231,241
Financial liabilities at fair value through profit or loss	37	1,520,580	1,581,778
Hedging derivatives	24	1,040,213	377,206
Provisions	38	521,657	458,744
Current tax liabilities		8,191	20,427
Deferred tax liabilities	30	15,742	16,932
Other liabilities	39	1,269,212	1,116,983
TOTAL LIABILITIES		88,991,534	85,842,755
EQUITY			
Share capital	40	4,725,000	4,725,000
Share premium	40	16,471	16,471
Other equity instruments	40	400,000	400,000
Legal and statutory reserves	41	259,528	259,528
Reserves and retained earnings	42	186,100	580,304
Net income for the period attributable to Bank's Shareholders		112,866	138,082
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		5,699,965	6,119,385
Non-controlling interests	43	869,821	942,672
TOTAL EQUITY		6,569,786	7,062,057
TOTAL LIABILITIES AND EQUITY		95,561,320	92,904,812

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2022 AND 2021

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	422,569	409,036
Commissions received	237,307	212,106
Fees received from services rendered	27,666	14,749
Interests paid	(65,760)	(50,134)
Commissions paid	(29,808)	(33,575)
Recoveries on loans previously written off	4,361	6,075
Net earned insurance premiums	–	5,250
Claims incurred of insurance activity	–	(1,532)
Payments (cash) to suppliers and employees (*)	(297,387)	(283,886)
Income taxes (paid)/received	(11,826)	(16,467)
	287,122	261,622
Decrease/(increase) in operating assets:		
Receivables from/(Loans and advances to) credit institutions	(198,131)	83,033
Deposits held with purpose of monetary control	(165,597)	39,408
Loans and advances to customers receivable/(granted)	(339,573)	(423,248)
Short term trading securities	(428,164)	(106,633)
Increase/(decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	32,200	(84,229)
Deposits from credit institutions with agreed maturity date	71,397	390,712
Loans and advances to customers repayable on demand	636,776	1,618,138
Deposits from customers with agreed maturity date	1,749,647	508,525
	1,645,677	2,287,328
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Dividends received	889	4,702
Interests from financial assets at fair value through other comprehensive income and at amortised cost	34,267	17,900
Sale of financial assets at fair value through other comprehensive income and at amortised cost	4,558,407	10,172,949
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(15,142,789)	(13,349,624)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	11,523,693	1,859,923
Acquisition of tangible and intangible assets	(17,351)	(6,997)
Sale of tangible and intangible assets	4,960	2,545
Decrease/(increase) in other sundry assets	(795,477)	(72,223)
	166,599	(1,370,825)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	–	282
Reimbursement of subordinated debt	–	(114,000)
Issuance of debt securities	406	499,716
Reimbursement of debt securities	(24,985)	(77,459)
Issuance of commercial paper and other securities	23,682	28,346
Reimbursement of commercial paper and other securities	(11,021)	(9,520)
Dividends paid to non-controlling interests	(23,114)	(16,331)
Interests paid of Perpetual Subordinated Bonds (Additional Tier 1)	(9,250)	(9,250)
Increase/(decrease) in other sundry liabilities and non-controlling interests (**)	173,863	(44,452)
	129,581	257,332
Exchange differences effect on cash and equivalents	19,695	35,929
Net changes in cash and equivalents	1,961,552	1,209,764
Cash (note 18)	601,772	579,997
Deposits at Central Banks (note 18)	7,194,527	4,723,867
Loans and advances to credit institutions repayable on demand (note 19)	361,786	262,395
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8,158,085	5,566,259
Cash (note 18)	578,363	520,742
Deposits at Central Banks (note 18)	9,251,234	5,985,809
Loans and advances to credit institutions repayable on demand (note 19)	290,040	269,472
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	10,119,637	6,776,023

(*) As at 31 March 2022 this balance includes the amount of Euros 98,000 (31 March 2021: Euros 199,000) related to short-term lease contracts and the amount of Euros 586,000 (31 March 2021: Euros 715,000) related to lease contracts of low value assets.
(**) As at 31 March 2022 this balance includes the amount of Euros 13,743,000 (31 March 2021: Euros 14,522,000) corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2022 AND 2021

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non-controlling interests (note 43)	Total equity
BALANCE AS AT 31 DECEMBER 2020	4,725,000	16,471	400,000	254,464	(40)	642,397	183,012	6,221,304	1,164,966	7,386,270
Net income for the period	–	–	–	–	–	–	57,815	57,815	(28,753)	29,062
Other comprehensive income	–	–	–	–	–	(86,059)	–	(86,059)	(8,019)	(94,078)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(86,059)	57,815	(28,244)	(36,772)	(65,016)
Results application:										
Transfers for reserves and retained earnings	–	–	–	–	–	183,012	(183,012)	–	–	–
Interests of the perpetual subordinated bonds (Additional Tier 1 (AT1))	–	–	–	–	–	(9,250)		(9,250)	–	(9,250)
Dividends (a)	–	–	–	–	–	–	–	–	(16,331)	(16,331)
Treasury shares	–	–	–	–	40	–	–	40	–	40
Other reserves	–	–	–	–	–	6	–	6	45	51
BALANCE AS AT 31 MARCH 2021	4,725,000	16,471	400,000	254,464	–	730,106	57,815	6,183,856	1,111,908	7,295,764
Net income for the period	–	–	–	–	–	–	80,267	80,267	(84,337)	(4,070)
Other comprehensive income	–	–	–	–	–	(116,013)	–	(116,013)	(76,625)	(192,638)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(116,013)	80,267	(35,746)	(160,962)	(196,708)
Results application:										
Legal reserve	–	–	–	5,064	–	(5,064)	–	–	–	–
Interests of the perpetual subordinated bonds (AT1)	–	–	–	–	–	(27,750)	–	(27,750)	–	(27,750)
Acquisition of subsidiaries								–	(1,906)	(1,906)
Sale and loss of control of subsidiaries	–	–	–	–	–	–	–	–	(4,556)	(4,556)
Dividends (a)	–	–	–	–	–	–	–	–	(1,185)	(1,185)
Other reserves (note 42)	–	–	–	–	–	(975)	–	(975)	(627)	(1,602)
BALANCE AS AT 31 DECEMBER 2021	4,725,000	16,471	400,000	259,528	–	580,304	138,082	6,119,385	942,672	7,062,057
Net income for the period	–	–	–	–	–	–	112,866	112,866	(5,173)	107,693
Other comprehensive income	–	–	–	–	–	(522,830)	–	(522,830)	(44,572)	(567,402)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(522,830)	112,866	(409,964)	(49,745)	(459,709)
Results application:										
Transfers for reserves and retained earnings	–	–	–	–	–	138,082	(138,082)	–	–	–
Interests of the perpetual subordinated bonds (AT1)	–	–	–	–	–	(9,250)	–	(9,250)	–	(9,250)
Dividends (b)	–	–	–	–	–	–	–	–	(23,114)	(23,114)
Other reserves (note 42)	–	–	–	–	–	(206)	–	(206)	8	(198)
BALANCE AS AT 31 MARCH 2022	4,725,000	16,471	400,000	259,528	–	186,100	112,866	5,699,965	869,821	6,569,786

(a) Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.
(b) Dividends of BIM - Banco Internacional de Moçambique, S.A.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these interim condensed consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the three-month periods ended on 31 March 2022 and 2021.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The interim condensed consolidated financial statements and the accompanying notes were approved on 24 May 2022 by the Bank's Executive Committee and are presented in thousands of euros, rounded to the nearest thousand.

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

The interim condensed consolidated financial statements for the three-month period ended on 31 March 2022 were prepared for the purpose of recognition and measurement, in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and, therefore, they do not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that they should be read with the consolidated financial statements with reference to 31 December 2021.

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

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2022. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

However, during 2021, the Group, within the scope of the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and of 70% of the interest held in Seguradora Internacional de Moçambique, through its subsidiary BIM - Banco Internacional de Moçambique, S.A., started to consider these operations as discontinuing, in accordance with IFRS 5. Consequently, the impact on results for the three-month period ended on 31 March 2021 is presented in a single line called "Income arising from discontinued or discontinuing operations". The income statements incorporated in this item are presented in note 52.

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

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

To ensure comparability, the Group has made appropriate adjustments to the comparable data in the first quarter of 2021's consolidated balance sheet and in the consolidated income statement, as detailed in note 52.

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

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

B. Basis of consolidation

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

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

B1. Investments in subsidiaries

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

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

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

B2. Investments in associates

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

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

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

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

B3. Goodwill

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

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

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

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

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

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

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

B4. Purchases and dilution of non-controlling interests

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

B5. Loss of control

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

B6. Investments in foreign subsidiaries and associates

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

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

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

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

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

In applying this policy, non-monetary assets and liabilities are adjusted based on the price index from the date of acquisition or the date of the last revaluation until 31 December 2021. The restated values of assets are reduced by the amount that exceeds their recoverable amount, in accordance with the applicable IFRS.

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

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

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

B7. Transactions eliminated on consolidation

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

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

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

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

The classification is made taking into consideration the following aspects:

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

Business Model Evaluation

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

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

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

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

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

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

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

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

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

C1.1.1. Financial assets at amortised cost

Classification

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

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

Classification

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

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

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

Classification

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

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

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

a) “Financial assets held for trading”

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

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

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

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

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

Initial recognition and subsequent measurement

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

The accrual of interest and of the premium/discount (when applicable) is recognised in "Net interest income", based on the effective interest rate of each transaction, except the accrual of interest from trading derivatives that are recognised in “Net gains/(losses) from financial operations at fair value through profit or loss”. Dividends are recognised in profit and loss when the right to receive them is attributed.

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

C1.2. Reclassification between categories of financial assets

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

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

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

C1.3. Modification and derecognition of financial assets

General principles

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition criteria

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

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

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

- change in qualitative features, namely:

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

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

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

Loans written-off

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

C1.4. Purchased or originated credit-impaired assets

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

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

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

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

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

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

C1.5.1.1. Financial assets at amortised cost

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

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

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

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

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

C1.5.2. Classification of financial instruments by stages

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

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

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

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

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

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

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

a) Delay over 90 days of material payment:

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

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

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

b) Signs of low probability of payment:

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

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

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

Customers in default	Customers in litigation or insolvency, if the total exposure of the group members in these situations exceeds Euros 1 million
	Customers integrated into groups with an exposure over Euros 5 million, if they have a risk grade 15
Groups or customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or customers with an exposure over Euros 5 million, if a group member has a risk grade 14
	Groups or customers with an exposure over Euros 5 million, if a member of the group has a restructured loan and a risk grade 13
	Groups or customers with an exposure over Euros 10 million, if at least one member of the group is in stage 2
	Groups or customers not included in the preceding paragraphs, whose exposure exceeds Euros 25 million

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

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

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

4. The individual analysis includes the following procedures:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

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

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

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

Classification

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

a) "Financial liabilities held for trading"

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

C2.1.2. Financial guarantees

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

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

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

C2.1.3. Financial liabilities at amortised cost

Classification

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

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

Initial recognition and subsequent measurement

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

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

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

C3. Interest recognition

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

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

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

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

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

C4. Hedge accounting

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

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

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

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

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

C4.1. Fair value hedge

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

C4.2. Cash flow hedge

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

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

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

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

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

C4.3. Hedge effectiveness

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

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

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

C5. Embedded Derivatives

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

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

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

D. Securitization operations

D1. Traditional securitizations

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

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

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

As at 31 March 2022, the Group has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4).

D2. Synthetic securitizations

Currently, the Group has two synthetic securitization operations.

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

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

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

E. Equity instruments

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

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

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

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

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

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

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

F2. Repurchase agreements

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

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

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

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

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

G1. Non-operating real estate (INAE)

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

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

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

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

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

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

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

H. Lease transactions (IFRS 16)

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

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

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

Lease definition

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

Impacts from the lessee's perspective

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

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

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

Subsequently, lease payments are measured as follows:

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

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

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

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

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

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

- in the consolidated income statement:

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

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

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

- in the consolidated balance sheet:

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

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

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

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

Impact from the lessor's perspective

In accordance with IFRS 16, paragraph 62, lessors shall classify leases as finance or operational leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards inherent to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards inherent to ownership of an underlying asset.

Subleases

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

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

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

In case the primary lease is short-term, then the sublease should be classified as an operating lease.

Impact of the pandemic caused by COVID-19 virus

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

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

I. Recognition of income from services and commissions

In accordance with IFRS 15, the Bank recognizes revenue associated with services and commissions when (or as) a performance obligation is satisfied when transferring a service, based on the transaction price associated with this performance obligation. In this context, the Bank takes the following steps to recognize revenue associated with services and commissions:

- Recognition (satisfaction of the performance obligation): (i) identification of the contract associated with the service provided and whether it should be covered by IFRS 15; (ii) identification of performance obligations associated with each contract; (iii) definition of the criteria for the fulfillment of performance obligations, also taking into account the contractual terms established with the counterparty. According to this definition, a service is transferred when the customer obtains the benefits and control associated with the service provided. In this context, the Bank also identifies whether performance obligations are met over time (“over time”) or at an exact moment (“point in time”), with revenue being recognized accordingly.

- Measurement (price to be recognized associated with each performance obligation): (i) determine the transaction price associated with the service provided, considering the contractual terms established with the counterparty and its usual commercial practices. The transaction price is the amount of consideration to which the Bank expects to be entitled in exchange for transferring promised services to the customer, excluding amounts collected on behalf of third parties. The Bank includes in the transaction price part or all of the estimated amount of the variable consideration associated with a performance obligation, only to the extent that it is highly probable that a significant reversal in the amount of the accrued revenue recognized will not occur when the uncertainty associated with that variable consideration is subsequently resolved; and (ii) allocate the transaction price to each of the performance obligations identified under the contract established with the customer.

It should be noted that when services or commissions are an integral part of the effective interest rate of a financial instrument, income resulting from services and commissions is recorded in net interest income (Note C.3).

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

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

K. Fiduciary activities

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

L. Other tangible assets

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

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

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

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

M. Investment property

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

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

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

N. Intangible assets

N1. Research and development expenditure

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

N2. Software

The Group recognises as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight-line basis by an estimated lifetime of 6 years. The Group does not capitalise internal costs arising from software development.

O. Cash and cash equivalents

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

P. Offsetting

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

Q. Foreign currency transactions

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

R. Employee benefits

R1. Defined benefit plans

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

Following the publication of Decree-Law no. 54/2009, of 2 March, banking entities are obligatorily enrolling new employees in the General Social Security System (RGSS). These employees have the RGSS as their basic retirement scheme, and do not have any benefits under the ACT (base plan). In the scope of its management and human resources, the Group had already adopted as a rule the inclusion of new employees in the RGSS since July 2005. However, until the transposition into the ACT of the alterations resulting from the referred Decree-Law no. 54/2009, all employees were covered by the provisions of the social security chapter of the ACT, and for employees who were already registered with the RGSS, the ACT benefit worked as a complement to the RGSS. As of 1 July 2009, in accordance with the ACT, all new employees only have the RGSS as their basic social security scheme.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2022, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of the respective clauses, negotiations which are still ongoing.

At the same time, negotiations began with all the unions subscribed to the Group's Collective Labour Agreements for the revision of the Salary Tables and other clauses of pecuniary expression relative to the years of 2021 and 2022, having the Group sent a proposal to the unions on 29 March 2022, whose negotiation is still ongoing.

R3. Defined contribution plan

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

As at 31 March 2022, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

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

R4. Variable remuneration paid to employees

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

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

R5. Share-based compensation plan

As at 31 March 2022, a variable compensation plan with BCP shares is in force for the members of the Executive Committee and for the employees considered Key Function Holders (includes Key Management Members), resulting from the Remuneration Policies for the members of the management and supervisory bodies approved for the financial year of 2021 and following years, and for the employees approved for the financial year of 2022 and following years, with the changes that may be approved in each financial year, namely by the General Shareholders' Meeting regarding the Remuneration Policy for the members of the management and supervisory bodies, and by the Board of Directors regarding the Remuneration Policy for Employees.

Key Function Holders include Key Management Members, which are the first line directors who report directly to the Board of Directors and the remaining employees whose professional activities have a significant impact on the Bank's risk profile.

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

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

Employees considered as Key Function Holders are not covered by Commercial Incentives Systems.

For the remaining Employees not covered by Commercial Incentive Systems, the payment of the variable remuneration amount awarded is fully paid in cash in the following year to which it relates.

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

For the members of the Executive Committee, a long-term variable remuneration system is also foreseen, through which these members may receive variable remuneration fully paid in BCP shares after the end of the assessment period, from 1 January 2018 until 31 December 2021, *i.e.*, in 2022, provided that a certain level of performance is achieved in a set of long-term objectives. The amount of the long-term variable remuneration attributed is subject to a deferral period of 3 years for 40% of its value, being 60% of its value paid in the year following the assessment period to which it relates. The number of BCP shares attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

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

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

S. Income taxes

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

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

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

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

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

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

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

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to offset current tax assets and current tax liabilities; and, (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes released by the same Tax Authority on either the same taxable entity.

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

In 2016, the Bank adhered to the Special Tax Regime for Groups of Companies (RETGS) for the purposes of IRC taxation, with BCP being the dominant entity. In the financial years of 2021 and 2020, RETGS application was maintained. In 2021, Millennium bcp Participações Sociais – Sociedade Unipessoal, Lda. and BCP África, SGPS, Lda., were included in the group of companies covered by this regime, being now covered by the general IRC regime.

T. Segmental reporting

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

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

Portugal activity:

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

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

Foreign activity:

- Poland;
- Mozambique;
- Other.

The "Other" segment (foreign activity) includes the activity developed by subsidiaries in Switzerland and Cayman Islands and also the contribution of the participation in an associate in Angola. It should be noted that, following the sale of the operation in Switzerland on 2 November 2021, the subsidiary's net income in March 2021, as well as eventual adjustments in 2022 in the capital gain generated with the sale of the entire shareholding in Banque Privée BCP, is reflected as income from discontinued and discontinuing operations, as provided for in IFRS 5.

U. Provisions, Contingent liabilities and Contingent assets

U1. Provisions

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

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

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

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

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

U2. Contingent assets

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

U3. Contingent liabilities

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

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

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

V. Earnings per share

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

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

W. Insurance contracts

W1. Classification

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

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

W2. Recognition and measurement

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

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

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

W3. Premiums

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

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

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

W5. Liability adequacy test

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

X. Insurance or reinsurance intermediation services

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

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

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

Y. Accounting estimates and judgments in applying accounting policies

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

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

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

Y1. Entities included in the consolidation perimeter

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

Y2. Goodwill impairment

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

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

Y3. Income taxes

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

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

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

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

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

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

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

In the calculation of 2021's taxable income and in the estimation of the period's taxable income, it was considered the maintenance of the tax rules in force until 2018, since the option of applying the new regime was not exercised.

Following changes provided for in Law no. 27-A/2020, of 24 July, within the scope of the Supplementary Budget for 2020, the period for reporting tax losses in Portugal is now 14 years for losses occurred in 2014, 2015 and 2016 and 7 years for tax losses occurred in 2017, 2018 and 2019; tax losses occurred in the years of 2020 and 2021 have a reporting period of 12 years, which can be deducted up to 2032 and 2033, respectively. The limit for deducting tax losses increases from 70% to 80% when the difference results from the deduction of tax losses recorded in the tax periods of 2020 and 2021.

The reporting period for tax losses that are determined in the financial year of 2022 is 5 years.

In the projections of future taxable income, namely for the analysis of the recoverability of deferred tax assets carried out with reference to 31 December 2021, it was considered the approximation between accounting and tax rules as foreseen by Law no. 98/2019, of 4 September, resulting from not exercising earlier its application over the adaptation period of 5 years provided by the referred law, as well as the changes regarding the use of tax losses foreseen in the referred Law no. 27-A/2020, of 24 July.

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

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

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

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

Y5. Pension and other employees' benefits

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

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

Y6. Financial instruments – IFRS 9

Y6.1. Classification and measurement

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

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

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

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

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

Significant increase in credit risk:

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

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

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

Definition of groups of assets with common credit risk characteristics:

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

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

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

Probability of default:

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

Loss given default:

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

Y6.3. Fair value of derivative financial instruments

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

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

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

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

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

The assumptions used by the Bank are essentially based on historical observations and will have to be updated in subsequent periods, which may have a relevant impact on the provision's estimation. The methodology developed by the Bank is based on the following parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified time horizon; (ii) the amount of the Bank's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained; (iv) in the case of a loan agreement invalidity scenario, the Bank Millennium's loss is calculated taking into account the assignment of a minimum probability of receiving the settlement of a remuneration for the cost of use of capital; and (v) amicable settlement with clients in or out of court.

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

Z. Subsequent events

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

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

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

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Interest and similar income		
Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand	(284)	(1,598)
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	7,479	10,179
Loans and advances to customers	418,160	335,143
Debt securities	41,267	22,747
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	(450)	383
Financial assets not held for trading mandatorily at fair value through profit or loss	1,657	3,766
Interest on financial assets at fair value through other comprehensive income	27,348	18,487
Interest on hedging derivatives	17,953	13,179
Interest on other assets	791	1,023
	513,921	403,309
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	17,371	17,346
Resources from customers	(35,412)	(19,675)
Non subordinated debt securities issued	(6,469)	(4,075)
Subordinated debt	(14,688)	(15,904)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives associated to financial instruments at fair value through profit or loss	(3,153)	32
Financial liabilities at fair value through profit or loss		
Resources from customers	—	(161)
Non subordinated debt securities issued	(110)	23
Interest on hedging derivatives	(4,361)	(3,970)
Interest on leasing	(1,333)	(1,408)
Interest on other liabilities	(665)	(735)
	(48,820)	(28,527)
	465,101	374,782

The balance Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand has accounted for a negative interest of Euros 3,056,000 (31 March 2021: 1,621,000) associated with demand deposits with the Bank of Portugal.

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 6,514,000 (31 March 2021: Euros 3,960,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1.C3. The balance also includes the amount of Euros 12,620,000 (31 March 2021: Euros 9,926,000) related to interest income arising from customers classified in stage 3.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 600,000 and Euros 250,000, respectively (31 March 2021: Euros 671,000 and Euros 1,492,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1.C3.

According to note 32, the balance Interest on financial liabilities at amortised cost - Resources from credit institutions has recorded a negative cost of Euros 20,375,000 (31 March 2021: 19,008,000) associated with the TLTRO III operation.

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

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Dividends from financial assets through other comprehensive income	889	30
	889	30

The balances Dividends from financial assets through other comprehensive income include dividends and income from investment fund units received during the period.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Fees and commissions received		
Banking services provided	116,759	98,654
Management and maintenance of accounts	40,958	38,073
Bancassurance	30,968	30,354
Securities operations	17,047	15,059
Guarantees granted	11,408	10,865
Commitments to third parties	1,381	1,661
Fiduciary and trust activities	31	25
Other commissions	11,733	10,407
	230,285	205,098
Fees and commissions paid		
Banking services provided by third parties	(29,366)	(25,279)
Securities operations	(2,226)	(2,477)
Guarantees received	(168)	(357)
Other commissions	(5,681)	(5,862)
	(37,441)	(33,975)
	192,844	171,123

5. Net gains/(losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Net gains/(losses) from financial operations at fair value through profit or loss		
Net gains/(losses) from financial assets held for trading	(51,098)	64,385
Net gains/(losses) from financial assets not held for trading mandatorily at fair value through profit or loss	1,977	(267)
Net gains/(losses) from financial assets and liabilities designated at fair value through profit or loss	57,812	(63,937)
	8,691	181
Net gains/(losses) from foreign exchange	1,859	19,808
Net gains/(losses) from hedge accounting	(2,162)	1,033
Net gains/(losses) from derecognition of financial assets and 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
	43,384	41,774

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

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Net gains/(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	1,321	2,534
Equity instruments	54	–
Derivative financial instruments	154,724	97,063
Other operations	607	240
	156,706	99,837
Losses		
Debt securities portfolio	(3,659)	(2,949)
Equity instruments	(2,910)	(80)
Derivative financial instruments	(201,022)	(32,282)
Other operations	(213)	(141)
	(207,804)	(35,452)
	(51,098)	64,385
Net gains/(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	3,017	9,146
Debt securities portfolio	5,680	2,620
Equity instruments	412	646
	9,109	12,412
Losses		
Loans and advances to customers	(2,567)	(8,247)
Debt securities portfolio	(4,565)	(4,432)
	(7,132)	(12,679)
	1,977	(267)

(continues)

(continuation)

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Net gains/(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Debt securities issued		
Certificates and structured securities issued	47,094	–
Other debt securities issued	11,124	570
	58,218	570
Losses		
Resources from customers	–	(38)
Debt securities issued		
Certificates and structured securities issued	–	(63,751)
Other debt securities issued	(406)	(718)
	(406)	(64,507)
	57,812	(63,937)

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

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

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Net gains/(losses) from foreign exchange		
Gains	504,234	627,691
Losses	(502,375)	(607,883)
	1,859	19,808
Net gains/(losses) from hedge accounting		
Gains		
Hedging derivatives	449,221	72,429
Hedged items	55,767	2,250
	504,988	74,679
Losses		
Hedging derivatives	(106,206)	(9,174)
Hedged items	(400,944)	(64,472)
	(507,150)	(73,646)
	(2,162)	1,033
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	6,341	124
Debt securities issued	286	34
Others	85	91
	6,712	249
Losses		
Credit sales	(45)	(3,185)
Debt securities issued	(136)	(215)
Others	(154)	(259)
	(335)	(3,659)
	6,377	(3,410)

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

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income		
Debt securities portfolio		
Gains	30,730	24,565
Losses	(2,111)	(403)
	28,619	24,162

The balance Net gains/(losses) arising from financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 478,000 (31 March 2021: Euros 14,947,000) related to gains resulting from the sale of Portuguese Treasury bonds.

6. Other operating income/(losses)

The amount of this account is comprised of

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Operating income		
Gains on leasing operations	669	1,353
Income from services provided	7,751	7,030
Rents	1,100	908
Sales of cheques and others	2,454	2,210
Other operating income	15,058	8,104
	27,032	19,605
Operating costs		
Donations and contributions	(1,258)	(1,110)
Contributions for Resolution Funds	(10,493)	(7,929)
Contributions to Deposit Guarantee Fund	(8,064)	(3,799)
Tax for the Polish banking sector	(17,699)	(16,527)
Taxes	(3,770)	(3,429)
Losses on financial leasing operations	(27)	(34)
Other operating costs	(11,019)	(10,840)
	(52,330)	(43,668)
	(25,298)	(24,063)

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Remunerations	110,631	113,079
Mandatory social security charges	23,437	24,542
Voluntary social security charges	2,557	2,446
Other staff costs	1,098	1,403
	137,723	141,470

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Water, electricity and fuel	4,343	2,912
Credit cards and mortgage	3,628	3,340
Communications	5,876	5,136
Maintenance and related services	4,028	3,500
Legal expenses	1,708	683
Travel, hotel and representation costs	867	405
Advisory services	5,742	5,155
Training costs	157	93
Information technology services	11,018	9,846
Consumables	1,650	1,698
Outsourcing and independent labour	18,455	19,352
Advertising	5,672	4,985
Rents and leases	4,787	5,514
Insurance	1,371	1,276
Transportation	2,412	2,047
Other specialised services	6,774	6,034
Other supplies and services	4,179	4,691
	82,667	76,667

The balance Rents and leases includes the amounts of Euros 98,000 (31 March 2021: Euros 199,000) related to short-term lease contracts and Euros 586,000 (31 March 2021: Euros 715,000) related to lease contracts of low-value assets, as described in the accounting policy 1.H.

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Amortisations of intangible assets (note 29)		
Software	8,680	8,151
Other intangible assets	1,332	949
	10,012	9,100
Depreciations of other tangible assets (note 28)		
Properties	3,709	3,808
Equipment		
Computers	4,058	4,344
Security equipment	207	219
Installations	729	651
Machinery	326	309
Furniture	670	699
Motor vehicles	1,154	1,040
Other equipment	368	360
Right-of-use		
Real estate	13,376	13,444
Vehicles and equipment	2	31
	24,599	24,905
	34,611	34,005

10. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Loans and advances to credit institutions (note 20)		
Charge for the period	76	8
Reversals for the period	(50)	(75)
	26	(67)
Loans and advances to customers (note 21)		
Charge for the period	208,010	242,882
Reversals for the period	(113,533)	(125,784)
Recoveries of loans and interest charged-off	(4,361)	(6,075)
	90,116	111,023
Debt securities (note 22)		
Associated to credit operations		
Charge for the period	4	–
Not associated to credit operations		
Charge for the period	1,381	680
Reversals for the period	(332)	(708)
	1,049	(28)
	1,053	(28)
	91,195	110,928

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

The detail of these balances is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Impairment of financial assets at fair value through other comprehensive income (note 23)		
Charge for the period	1,018	1,581
Reversals for the period	(1,416)	(150)
	(398)	1,431

12. Impairment of other assets

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Impairment of non-current assets held for sale (note 26)		
Charge for the period	9,734	6,425
Reversals for the period	(19)	(257)
	9,715	6,168
Impairment of other assets (note 31)		
Charge for the period	4,021	5,368
Reversals for the period	(2,341)	(3,479)
	1,680	1,889
	11,395	8,057

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Provision for guarantees and other commitments (note 38)		
Charge for the period	9,644	9,779
Reversals for the period	(7,456)	(10,390)
	2,188	(611)
Other provisions for liabilities and charges (note 38)		
Charge for the period	150,244	123,344
Reversals for the period	(393)	(413)
	149,851	122,931
	152,039	122,320

The balance Other provisions for liabilities and charges - Charge for the period refers essentially to provisions for legal risk accounted for by Bank Millennium, related to foreign currency-indexed mortgage loans, as described in note 51.

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

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

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current period	512	470
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (*)	(103)	(108)
	409	362
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	8,746	11,129
Unicre - Instituição Financeira de Crédito, S.A.	4,029	1,804
SIBS, S.G.P.S, S.A.	1,400	922
Banque BCP, S.A.S.	1,154	1,251
Seguradora Internacional de Moçambique, S.A.	470	—
Other companies	—	(116)
	15,799	14,990
	16,208	15,352

(*) Based on the requirements of IAS 29, Angola was considered as a high inflation economy until 31 December 2018, for the purposes of presentation of consolidated financial statements, as described in accounting policy 1.B6. This classification is no longer applied since 1 January 2019.

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

The amount of this item is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Gains/(Losses) arising from sale of other assets	7,617	(1,056)

The balance Gains/(Losses) arising from sale of other assets includes the gains/losses arising from the sale of assets held by the Group and classified as non-current assets held for sale, which, in the first quarter of 2022, corresponds to a gain of Euros 7,693,000 (31 March 2021: loss of Euros 576,000).

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

The amount of this item is comprised of:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Banque Privée BCP (Suisse) S.A.		
Net income before taxes	–	1,984
Taxes on net income	–	(287)
Gains arising on disposal of the investment held (price adjustment)	1,789	–
	1,789	1,697
Seguradora Internacional de Moçambique, S.A.		
Net income before taxes	–	1,602
Taxes on net income	–	(406)
Correction of the gains arising on disposal of the investment held	(401)	–
	(401)	1,196
	1,388	2,893

Under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinued in June 2021, and the impact on results presented in a separate line of the income statement named "Income / (loss) arising from discontinued or discontinuing operations".

The purchase price received may be adjusted positively or negatively in the future, according to typical adjustments in these 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.

By the end of 2021, the Group, through its subsidiary BIM - Banco Internacional de Moçambique, S.A., sold 70% of the investment held in Seguradora Internacional de Moçambique, S.A., becoming to hold a minority stake of 22%. This operation generated a consolidated gain of Euros 23,736,000. In accordance with the provisions of IFRS 5, this operation was considered as discontinued and the impact on results presented in a separate line of the income statement named "Income / (loss) arising from discontinued or discontinuing operations".

Possible contingencies are reflected in the sales price received, therefore, this may be adjusted positively or negatively in the future, according to typical adjustments in these kind of transactions, including the variation of the value and/or flows of assets under management, in pre-determined dates and for specified assets.

The financial statements of Banque Privée BCP (Suisse) S.A. and of Seguradora Internacional de Moçambique, S.A. that have been incorporated in this balance, with reference to 31 march 2021, are detailed in note 52.

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Continuing operations		
Net income from continuing operations	106,305	26,169
Non-controlling interests	5,173	28,849
Appropriated net income from continuing operations	111,478	55,018
Interests of the perpetual subordinated bonds (Additional Tier 1)	(9,250)	(9,250)
Adjusted net income from continuing operations	102,228	45,768
Discontinued or discontinuing operations (note 16)		
Net income from discontinued or discontinuing operations	1,388	2,893
Non-controlling interests	–	(96)
Appropriated net income from discontinued or discontinuing operations	1,388	2,797
Adjusted net income	103,616	48,565
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.027	0.012
from discontinued or discontinuing operations	0.000	0.001
	0.027	0.013
Diluted earnings per share (Euros):		
from continuing operations	0.027	0.012
from discontinued or discontinuing operations	0.000	0.001
	0.027	0.013

The Bank's share capital, as at 31 March 2022 and 2021, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

There were not identified another dilution effects of the earnings per share as at 31 March 2022 and 2021, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Cash	578,363	601,772
Central Banks		
Bank of Portugal	7,502,480	6,418,682
Central Banks abroad	1,748,754	775,845
	9,829,597	7,796,299

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

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

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Credit institutions in Portugal	24,193	24,301
Credit institutions abroad	183,238	278,860
Amounts due for collection	82,609	58,625
	290,040	361,786

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

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Loans and advances to Central Banks abroad	267,217	101,620
Loans and advances to credit institutions in Portugal		
Term deposits	49,997	–
Loans	12,077	18,240
Other	14	15
	62,088	18,255
Loans and advances to credit institutions abroad		
Very short-term deposits	181,371	–
Term deposits	125,776	176,642
Term deposits to collateralise CIRS and IRS operations (*)	159,374	137,385
Other	22,240	20,498
	488,761	334,525
	818,066	454,400
Impairment	(1,213)	(1,187)
	816,853	453,213

(*) Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"), these deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Group.

The changes occurred in Impairment on Loans and advances to credit institutions are analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Balance on 1 January	1,187	304
Transfers	–	(1)
Impairment charge for the period (note 10)	76	911
Reversals for the period (note 10)	(50)	(27)
Balance at the end of the period	1,213	1,187

21. Loans and advances to customers

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

(Thousands of euros)

	31 March 2022	31 December 2021
Mortgage loans	28,680,457	28,544,360
Loans	18,081,904	18,298,171
Finance leases	4,141,826	4,155,758
Factoring operations	2,775,967	2,725,080
Current account credits	873,515	817,440
Overdrafts	1,216,078	1,073,654
Discounted bills	156,403	143,109
	55,926,150	55,757,572
Overdue loans - less than 90 days	128,832	127,928
Overdue loans - Over 90 days	863,838	936,185
	56,918,820	56,821,685
Loans impairment	(1,797,947)	(1,849,284)
	55,120,873	54,972,401

The balance Loans and advances to customers, as at 31 March 2022, is analysed as follows:

(Thousands of euros)

	31 March 2022				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	630,528	—	630,528	(1,698)	628,830
Asset-backed loans	32,431,755	450,104	32,881,859	(789,761)	32,092,098
Other guaranteed loans	6,160,998	105,072	6,266,070	(227,142)	6,038,928
Unsecured loans	7,502,245	338,864	7,841,109	(533,486)	7,307,623
Foreign loans	2,282,831	7,889	2,290,720	(29,478)	2,261,242
Factoring operations	2,775,967	12,265	2,788,232	(48,880)	2,739,352
Finance leases	4,141,826	78,476	4,220,302	(167,502)	4,052,800
	55,926,150	992,670	56,918,820	(1,797,947)	55,120,873

The balance Loans and advances to customers, as at 31 December 2021, is analysed as follows:

(Thousands of euros)

	31 December 2021				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	635,424	—	635,424	(1,681)	633,743
Asset-backed loans	32,425,246	528,636	32,953,882	(839,830)	32,114,052
Other guaranteed loans	6,182,245	99,957	6,282,202	(226,767)	6,055,435
Unsecured loans	7,423,516	347,056	7,770,572	(541,446)	7,229,126
Foreign loans	2,210,303	8,497	2,218,800	(30,443)	2,188,357
Factoring operations	2,725,080	11,304	2,736,384	(41,967)	2,694,417
Finance leases	4,155,758	68,663	4,224,421	(167,150)	4,057,271
	55,757,572	1,064,113	56,821,685	(1,849,284)	54,972,401

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

- Asset-backed loans: Financial collaterals, physical collaterals (movable or immovable) and amounts receivable (income consignment);

- Credit with other guarantees: First-demand guarantees issued by banks or other entities and personal guarantees.

The analysis of loans and advances to customers, as at 31 March 2022, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2022					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	451,362	6,568	457,930	(10,168)	447,762	0.81%
Fisheries	35,261	2,607	37,868	(2,759)	35,109	0.07%
Mining	87,425	1,965	89,390	(2,495)	86,895	0.16%
Food, beverage and tobacco	816,226	7,803	824,029	(23,061)	800,968	1.45%
Textiles	534,141	9,534	543,675	(17,301)	526,374	0.96%
Wood and cork	279,064	6,485	285,549	(10,482)	275,067	0.50%
Paper, printing and publishing	203,562	704	204,266	(5,111)	199,155	0.36%
Chemicals	829,480	22,106	851,586	(53,553)	798,033	1.50%
Machinery, equipment and basic metallurgical	1,595,203	34,353	1,629,556	(57,141)	1,572,415	2.86%
Electricity and gas	250,546	2,479	253,025	(2,296)	250,729	0.45%
Water	216,976	373	217,349	(10,342)	207,007	0.38%
Construction	1,783,842	32,908	1,816,750	(131,549)	1,685,201	3.19%
Retail business	1,690,362	24,213	1,714,575	(43,123)	1,671,452	3.01%
Wholesale business	2,309,033	36,199	2,345,232	(77,812)	2,267,420	4.12%
Restaurants and hotels	1,677,133	19,255	1,696,388	(86,965)	1,609,423	2.98%
Transports	1,387,282	11,044	1,398,326	(24,485)	1,373,841	2.46%
Post offices	17,492	220	17,712	(396)	17,316	0.03%
Telecommunications	421,550	1,898	423,448	(11,489)	411,959	0.74%
Services						
Financial intermediation	1,768,636	5,340	1,773,976	(82,316)	1,691,660	3.12%
Real estate activities	1,841,231	12,565	1,853,796	(37,042)	1,816,754	3.26%
Consulting, scientific and technical activities	941,090	5,120	946,210	(59,460)	886,750	1.66%
Administrative and support services activities	587,829	6,820	594,649	(60,993)	533,656	1.05%
Public sector	1,022,362	—	1,022,362	(3,081)	1,019,281	1.80%
Education	147,528	1,011	148,539	(14,780)	133,759	0.26%
Health and collective service activities	396,097	1,156	397,253	(13,781)	383,472	0.70%
Artistic, sports and recreational activities	319,240	42,553	361,793	(79,370)	282,423	0.64%
Other services	236,809	243,093	479,902	(302,054)	177,848	0.84%
Consumer loans	5,588,676	303,201	5,891,877	(387,447)	5,504,430	10.35%
Mortgage credit	28,065,473	142,720	28,208,193	(171,151)	28,037,042	49.56%
Other domestic activities	1,337	605	1,942	(39)	1,903	0.00%
Other international activities	423,902	7,772	431,674	(15,905)	415,769	0.76%
	55,926,150	992,670	56,918,820	(1,797,947)	55,120,873	100%

The analysis of loans and advances to customers, as at 31 December 2021, by sector of activity, is as follows:

(Thousands of euros)

	31 December 2021					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	444,936	6,142	451,078	(10,512)	440,566	0.79%
Fisheries	38,039	1,148	39,187	(2,747)	36,440	0.07%
Mining	87,811	1,943	89,754	(2,035)	87,719	0.16%
Food, beverage and tobacco	806,228	8,326	814,554	(21,917)	792,637	1.43%
Textiles	528,010	9,436	537,446	(16,791)	520,655	0.95%
Wood and cork	274,385	5,520	279,905	(10,308)	269,597	0.49%
Paper, printing and publishing	189,495	605	190,100	(3,781)	186,319	0.34%
Chemicals	841,454	25,028	866,482	(42,870)	823,612	1.53%
Machinery, equipment and basic metallurgical	1,568,322	30,550	1,598,872	(54,491)	1,544,381	2.81%
Electricity and gas	237,037	837	237,874	(2,506)	235,368	0.42%
Water	223,210	352	223,562	(19,305)	204,257	0.39%
Construction	1,715,141	36,691	1,751,832	(119,383)	1,632,449	3.08%
Retail business	1,772,527	27,490	1,800,017	(49,607)	1,750,410	3.17%
Wholesale business	2,319,324	34,827	2,354,151	(82,221)	2,271,930	4.14%
Restaurants and hotels	1,669,080	16,810	1,685,890	(86,859)	1,599,031	2.97%
Transports	1,349,930	13,804	1,363,734	(25,894)	1,337,840	2.40%
Post offices	18,695	208	18,903	(459)	18,444	0.03%
Telecommunications	437,097	1,773	438,870	(12,164)	426,706	0.77%
Services						
Financial intermediation	1,886,333	65,780	1,952,113	(118,878)	1,833,235	3.44%
Real estate activities	1,868,624	11,680	1,880,304	(43,825)	1,836,479	3.31%
Consulting, scientific and technical activities	879,296	5,301	884,597	(60,343)	824,254	1.56%
Administrative and support services activities	588,528	6,725	595,253	(59,734)	535,519	1.05%
Public sector	903,437	—	903,437	(2,848)	900,589	1.59%
Education	151,152	1,002	152,154	(13,229)	138,925	0.27%
Health and collective service activities	401,740	1,306	403,046	(15,716)	387,330	0.71%
Artistic, sports and recreational activities	347,660	42,689	390,349	(104,228)	286,121	0.69%
Other services	229,001	242,691	471,692	(290,089)	181,603	0.83%
Consumer loans	5,599,131	305,938	5,905,069	(390,894)	5,514,175	10.39%
Mortgage credit	27,920,953	151,456	28,072,409	(172,588)	27,899,821	49.40%
Other domestic activities	1,080	707	1,787	(107)	1,680	0.00%
Other international activities	459,916	7,348	467,264	(12,955)	454,309	0.82%
	55,757,572	1,064,113	56,821,685	(1,849,284)	54,972,401	100%

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may include in a reinforce of guarantees, liquidation of part of the credit as well as changes in the payment plan and/or in interest rate. The analysis of the restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2022			31 December 2021		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	15,726	(2,702)	13,024	12,408	(2,838)	9,570
Fisheries	14,344	(2,260)	12,084	3,705	(1,568)	2,137
Mining	10,550	(320)	10,230	10,360	(275)	10,085
Food, beverage and tobacco	27,548	(8,044)	19,504	26,556	(7,468)	19,088
Textiles	18,729	(5,087)	13,642	14,877	(4,336)	10,541
Wood and cork	7,057	(984)	6,073	7,030	(1,034)	5,996
Paper, printing and publishing	6,926	(2,274)	4,652	6,911	(1,825)	5,086
Chemicals	25,828	(9,171)	16,657	27,056	(8,744)	18,312
Machinery, equipment and basic metallurgical	81,800	(18,694)	63,106	79,015	(16,826)	62,189
Electricity and gas	562	(124)	438	603	(113)	490
Water	1,843	(1,049)	794	14,812	(9,673)	5,139
Construction	181,565	(84,761)	96,804	183,645	(74,672)	108,973
Retail business	43,881	(14,145)	29,736	42,916	(13,218)	29,698
Wholesale business	86,838	(17,543)	69,295	86,149	(14,276)	71,873
Restaurants and hotels	146,367	(19,028)	127,339	130,031	(17,508)	112,523
Transports	12,496	(1,839)	10,657	9,945	(2,001)	7,944
Post offices	157	(33)	124	149	(56)	93
Telecommunications	29,260	(5,226)	24,034	28,566	(5,225)	23,341
Services						
Financial intermediation	86,136	(42,930)	43,206	144,402	(76,108)	68,294
Real estate activities	66,429	(10,130)	56,299	96,019	(15,212)	80,807
Consulting, scientific and technical activities	220,286	(39,290)	180,996	205,449	(33,369)	172,080
Administrative and support services activities	73,289	(46,933)	26,356	72,439	(45,569)	26,870
Public sector	60,386	(348)	60,038	58,940	(307)	58,633
Education	19,968	(11,842)	8,126	20,357	(10,415)	9,942
Health and collective service activities	28,563	(7,672)	20,891	29,690	(7,853)	21,837
Artistic, sports and recreational activities	135,827	(69,083)	66,744	166,973	(91,547)	75,426
Other services	252,190	(193,239)	58,951	249,210	(176,099)	73,111
Consumer loans	267,286	(93,136)	174,150	273,902	(93,134)	180,768
Mortgage credit	539,517	(55,115)	484,402	555,922	(55,970)	499,952
Other domestic activities	21	(1)	20	48	(26)	22
Other international activities	5,931	(5,533)	398	5,910	(5,169)	741
	2,467,306	(768,536)	1,698,770	2,563,995	(792,434)	1,771,561

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Balance on 1 January	1,849,284	2,036,522
Charge for the period in net income interest (note 2)	7,465	25,935
Transfers resulting from changes in the Group's structure	—	(375)
Other transfers	(222)	4,778
Impairment charge for the period (note 10)	208,010	861,212
Reversals for the period (note 10)	(113,533)	(487,084)
Loans charged-off		
Write-offs	(107,405)	(372,710)
Credit assignments	(39,822)	(227,470)
Exchange rate differences	(5,830)	8,476
Balance at the end of the period	1,797,947	1,849,284

According to note 38, regarding the proceedings related to foreign currency-indexed mortgage loans, Bank Millennium wrote-off the amount of Euros 717,593,000 from the gross carrying amount of loans portfolio (31 December 2021: Euros 636,309,000), of which Euros 88,462,000 were written-off in the first quarter of 2022.

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

(Thousands of euros)

	31 March 2022	31 December 2021
Agriculture and forestry	73	1,729
Fisheries	—	9
Mining	27	12
Food, beverage and tobacco	547	2,009
Textiles	1,292	1,207
Wood and cork	11	294
Paper, printing and publishing	25	1,701
Chemicals	1,328	1,403
Machinery, equipment and basic metallurgical	1,581	7,404
Electricity and gas	44	59
Water	10	166
Construction	3,960	9,697
Retail business	4,698	5,118
Wholesale business	6,567	15,373
Restaurants and hotels	602	27,445
Transports	2,350	9,168
Post offices	28	131
Telecommunications	22	321
Services		
Financial intermediation	57,198	36,474
Real estate activities	56	41,988
Consulting, scientific and technical activities	262	5,782
Administrative and support services activities	382	18,147
Public sector	—	1
Education	10	213
Health and collective service activities	20	194
Artistic, sports and recreational activities	27	429
Other services	235	606
Consumer loans	24,934	54,376
Mortgage credit	669	3,583
Other domestic activities	433	23,658
Other international activities	14	104,013
	107,405	372,710

The analysis of recovered loans and interest occurred during the first quarter of 2022 and 2021, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Agriculture and forestry	4	4
Food, beverage and tobacco	8	7
Textiles	9	3
Wood and cork	1	2
Paper, printing and publishing	—	1
Chemicals	12	16
Machinery, equipment and basic metallurgical	143	17
Construction	255	322
Retail business	440	678
Wholesale business	26	80
Restaurants and hotels	25	74
Transports	17	23
Telecommunications	—	2
Services		
Financial intermediation	—	22
Real estate activities	—	33
Consulting, scientific and technical activities	4	17
Administrative and support services activities	12	6
Health and collective service activities	—	1
Other services	1	7
Consumer loans	3,292	3,342
Mortgage credit	102	226
Other domestic activities	9	1,174
Other international activities	1	18
	4,361	6,075

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	198,529	197,723
Commercial paper	1,236,967	1,074,715
Foreign issuers		
Commercial paper	42,052	42,920
	1,477,548	1,315,358
Overdue securities - over 90 days	40	40
	1,477,588	1,315,398
Impairment	(6,800)	(7,059)
	1,470,788	1,308,339
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	3,751,559	3,781,480
Foreign issuers	3,303,203	2,438,017
Bonds issued by other entities		
Portuguese issuers	117,901	59,816
Foreign issuers	31,965	33,706
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	515,592	592,581
	7,720,220	6,905,600
Impairment	(9,901)	(8,743)
	7,710,319	6,896,857
	9,181,107	8,205,196

(*) Includes the negative amount of Euros 102,880,000 (31 December 2021: positive amount of Euros 17,349,000) related to adjustments resulting from the application of fair value hedge accounting.

The balance Debt securities held not associated with credit operations - Bonds issued by other Portuguese entities includes the amount of Euros 39,543,000 (31 December 2021: Euros 39,519,000) related to public sector companies.

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

(Thousands of euros)

	31 March 2022	31 December 2021
Debt securities held associated with credit operations		
Agriculture and forestry	4,867	4,733
Mining	36,104	13,736
Food, beverage and tobacco	67,186	63,815
Textiles	55,338	57,140
Wood and cork	15,981	12,103
Paper, printing and publishing	7,194	7,184
Chemicals	138,253	77,930
Machinery, equipment and basic metallurgical	52,312	48,453
Electricity and gas	172,663	172,325
Water	8,921	8,891
Construction	13,896	13,876
Retail business	17,974	13,601
Wholesale business	51,250	62,450
Restaurants and hotels	11,594	4,119
Transports	35,002	37,731
Telecommunications	5,564	6,559
Services		
Financial intermediation	60,776	54,300
Real estate activities	38,759	40,150
Consulting, scientific and technical activities	605,949	541,187
Administrative and support services activities	12,773	10,706
Health and collective service activities	2,471	—
Artistic, sports and recreational activities	9,870	9,868
Other services	4,040	4,562
Other international activities	42,051	42,920
	1,470,788	1,308,339
Debt securities held not associated with credit operations		
Electricity and Gas	6,606	6,573
Water	39,501	39,478
Services		
Financial intermediation	546,784	626,287
Consulting, scientific and technical activities	71,544	13,511
	664,435	685,849
Government and Public securities	7,045,884	6,211,008
	7,710,319	6,896,857
	9,181,107	8,205,196

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

(Thousands of euros)

	31 March 2022	31 December 2021
Debt securities held associated with credit operations		
Balance on 1 January	7,059	11,021
Charge for the period in net income interest (note 2)	–	47
Charge for the period (note 10)	4	244
Reversals for the period (note 10)	(263)	(2,533)
Loans charged-off	–	(1,721)
Exchange rate differences	–	1
Balance at the end of the period	6,800	7,059
Debt securities held not associated with credit operations		
Balance on 1 January	8,743	5,332
Transfers	–	(13)
Charge for the period (note 10)	1,381	4,874
Reversals for the period (note 10)	(332)	(1,826)
Exchange rate differences	109	391
Balance at the end of the period	9,901	8,758

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

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

(Thousands of euros)

	31 March 2022	31 December 2021
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	887,615	452,105
Equity instruments	55,003	48,879
Trading derivatives	421,632	430,501
	1,364,250	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	63,995	79,189
Debt instruments	867,037	881,556
Equity instruments	26,484	30,193
	957,516	990,938
Financial assets at fair value through other comprehensive income		
Debt instruments	10,411,535	12,856,165
Equity instruments	26,814	34,823
	10,438,349	12,890,988
	12,760,115	14,813,411

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 March 2022, is analysed as follows:

(Thousands of euros)

	31 March 2022			
	At fair value through profit or loss			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	14,995	–	3,949,363	3,964,358
Foreign issuers	21,902	–	4,702,093	4,723,995
Bonds issued by other entities				
Portuguese issuers	1,616	51	678,154	679,821
Foreign issuers	1,365	–	1,023,591	1,024,956
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	847,737	–	1,002	848,739
Foreign issuers	–	–	49,062	49,062
Shares of foreign companies (a)	–	36,765	8,270	45,035
Investment fund units (b)	–	830,221	–	830,221
	887,615	867,037	10,411,535	12,166,187
Equity instruments				
Shares				
Portuguese companies	–	–	17,368	17,368
Foreign companies	26	26,484	9,446	35,956
Other securities	54,977	–	–	54,977
	55,003	26,484	26,814	108,301
Trading derivatives	421,632	–	–	421,632
	1,364,250	893,521	10,438,349	12,696,120

(a) Under IFRS 9 these shares were considered as debt instruments because they do not fall within the definition of SPPI.

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

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2021, is analysed as follows:

(Thousands of euros)

	31 December 2021			
	At fair value through profit or loss			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	10,317	—	3,798,776	3,809,093
Foreign issuers	18,857	—	6,736,241	6,755,098
Bonds issued by other entities				
Portuguese issuers	1,716	16,734	742,554	761,004
Foreign issuers	1,073	—	1,011,740	1,012,813
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	420,142	—	6,027	426,169
Foreign issuers	—	—	560,827	560,827
Shares of foreign companies (a)	—	35,185	—	35,185
Investment fund units (b)	—	829,637	—	829,637
	452,105	881,556	12,856,165	14,189,826
Equity instruments				
Shares				
Portuguese companies	—	—	17,275	17,275
Foreign companies	32	30,193	17,548	47,773
Other securities	48,847	—	—	48,847
	48,879	30,193	34,823	113,895
Trading derivatives	430,501	—	—	430,501
	931,485	911,749	12,890,988	14,734,222

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

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

The impairment movements, on balance sheet, of the financial assets at fair value through other comprehensive, that occurred during the period, are analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Balance on 1 January	1,092	1,097
Transfers to fair value changes (note 42)	398	(4,626)
Impairment through profit and loss (note 11)	1,018	4,784
Reversals through profit and loss (note 11)	(1,416)	(158)
Exchange rate differences	(14)	(5)
Balance at the end of the period	1,078	1,092

As at 31 March 2022, the accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 12,236,000 and is recognised against Fair value reserves (31 December 2021: Euros 18,496,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 31 March 2022, is analysed as follows:

(Thousands of euros)

	31 March 2022			
	Amortised cost (a)	Fair value hedge adjustments (note 42)	Fair value adjustments (note 42)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	4,099,250	(116,532)	(33,355)	3,949,363
Foreign issuers	4,846,381	(22,861)	(121,427)	4,702,093
Bonds issued by other entities				
Portuguese issuers	680,178	(5,137)	3,113	678,154
Foreign issuers	1,073,405	(32,193)	(17,621)	1,023,591
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	1,002	–	–	1,002
Foreign issuers	49,235	–	(173)	49,062
Shares of foreign companies	8,270	–	–	8,270
	10,757,721	(176,723)	(169,463)	10,411,535
Equity instruments				
Shares				
Portuguese companies	37,022	–	(19,654)	17,368
Foreign companies	20,150	–	(10,704)	9,446
	57,172	–	(30,358)	26,814
	10,814,893	(176,723)	(199,821)	10,438,349

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

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2021, is analysed as follows:

(Thousands of euros)

	31 December 2021			
	Amortised cost (a)	Fair value hedge adjustments (note 42)	Fair value adjustments (note 42)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,780,832	(23,435)	41,379	3,798,776
Foreign issuers	6,811,530	(21,427)	(53,862)	6,736,241
Bonds issued by other entities				
Portuguese issuers	727,477	4,799	10,278	742,554
Foreign issuers	1,001,729	(1,051)	11,062	1,011,740
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	6,026	—	1	6,027
Foreign issuers	560,989	—	(162)	560,827
	12,888,583	(41,114)	8,696	12,856,165
Equity instruments				
Shares				
Portuguese companies	37,069	—	(19,794)	17,275
Foreign companies	27,996	—	(10,448)	17,548
	65,065	—	(30,242)	34,823
	12,953,648	(41,114)	(21,546)	12,890,988

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

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

(Thousands of euros)

	31 March 2022	31 December 2021
Unsecured loans	59,624	74,248
	59,624	74,248
Overdue loans - less than 90 days	1,343	1,626
Overdue loans - Over 90 days	3,028	3,315
	63,995	79,189

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 March 2022, is as follows:

(Thousands of euros)

	31 March 2022			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Fisheries	1,513	–	–	1,513
Mining	–	6	–	6
Paper, printing and publishing	46,314	1	–	46,315
Chemicals	–	2	–	2
Machinery, equipment and basic metallurgical	–	6	–	6
Electricity and gas	41,434	–	–	41,434
Water	9,984	–	–	9,984
Construction	20,056	3	20,373	40,432
Retail business	39,190	2	–	39,192
Wholesale business	35,810	8,270	–	44,080
Restaurants and hotels	–	1,353	–	1,353
Transports	57,684	–	–	57,684
Telecommunications	43,787	4,284	–	48,071
Services				
Financial intermediation (*)	1,026,815	70,160	846,448	1,943,423
Real estate activities	–	–	13,642	13,642
Consulting, scientific and technical activities	408,226	103	–	408,329
Administrative and support services activities	18,589	8,121	–	26,710
Public sector	–	–	191	191
Other services	4,437	6,048	4,544	15,029
	1,753,839	98,359	885,198	2,737,396
Government and Public securities	9,537,092	–	–	9,537,092
	11,290,931	98,359	885,198	12,274,488

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 788,162,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 45.

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2021, is as follows:

(Thousands of euros)

	31 December 2021			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Fisheries	1,513	–	–	1,513
Mining	–	6	–	6
Paper, printing and publishing	47,865	1	–	47,866
Chemicals	–	2	–	2
Machinery, equipment and basic metallurgical	–	7	–	7
Electricity and gas	43,805	–	–	43,805
Water	10,241	–	–	10,241
Construction	21,155	2	20,423	41,580
Retail business	42,322	3	–	42,325
Wholesale business	39,161	8,087	–	47,248
Restaurants and hotels	–	1,330	–	1,330
Transports	77,463	–	–	77,463
Telecommunications	42,854	4,285	–	47,139
Services				
Financial intermediation (*)	1,016,537	72,308	839,714	1,928,559
Real estate activities	–	–	13,588	13,588
Consulting, scientific and technical activities	455,409	103	–	455,512
Administrative and support services activities	12,220	7,981	–	20,201
Public sector	–	–	136	136
Artistic, sports and recreational activities	16,683	–	–	16,683
Other services	4,893	6,118	4,623	15,634
	1,832,121	100,233	878,484	2,810,838
Government and Public securities	11,492,883	–	–	11,492,883
	13,325,004	100,233	878,484	14,303,721

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 786,801,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 45.

24. Hedging derivatives

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

(Thousands of euros)

	31 March 2022		31 December 2021	
	Assets	Liabilities	Assets	Liabilities
Swaps	455,823	1,040,213	109,059	377,206

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Portuguese credit institutions	47,027	40,581
Foreign credit institutions	200,480	165,393
Other Portuguese companies	273,644	308,937
Other foreign companies	24,767	25,695
	545,918	540,606
Impairment	(88,652)	(78,268)
	457,266	462,338

The balance Investments in associated companies, as at 31 March 2022, is analysed as follows:

(Thousands of euros)

	31 March 2022			
	Ownership on equity	Goodwill	Impairment of investments in associated companies	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	224,753	–	–	224,753
Banco Millennium Atlântico, S.A.	84,160	69,720	(70,641)	83,239
Banque BCP, S.A.S.	46,600	–	–	46,600
SIBS, S.G.P.S, S.A.	48,542	–	–	48,542
Seguradora Internacional de Moçambique, S.A.	6,756	–	–	6,756
Unicre - Instituição Financeira de Crédito, S.A.	39,592	7,435	–	47,027
Webspectator Corporation	–	18,011	(18,011)	–
Others	349	–	–	349
	450,752	95,166	(88,652)	457,266

The balance Investments in associated companies, as at 31 December 2021, is analysed as follows:

(Thousands of euros)

	31 December 2021			
	Ownership on equity	Goodwill	Impairment of investments in associated companies	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	261,446	–	–	261,446
Banco Millennium Atlântico, S.A.	65,716	54,744	(60,257)	60,203
Banque BCP, S.A.S.	44,933	–	–	44,933
SIBS, S.G.P.S, S.A.	47,142	–	–	47,142
Seguradora Internacional de Moçambique, S.A.	7,684	–	–	7,684
Unicre - Instituição Financeira de Crédito, S.A.	33,146	7,435	–	40,581
Webspectator Corporation	–	18,011	(18,011)	–
Others	349	–	–	349
	460,416	80,190	(78,268)	462,338

These investments correspond to unquoted companies. According to the accounting policy described in note 1 B, these investments are measured at the equity method.

The Group's companies included in the consolidation perimeter are presented in note 53.

The movements occurred in Impairment of investments in associated companies are analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Balance on 1 January	78,268	52,559
Transfers from Other provisions (Banco Millennium Atlântico, S.A.) (note 38)	—	22,300
Sale of Cold River's Homestead, S.A.	—	(4,557)
Exchange rate differences	10,384	7,966
Balance at the end of the period	88,652	78,268

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022			31 December 2021		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	535,642	(110,841)	424,801	630,082	(127,218)	502,864
Assets belong to investments funds and real estate companies	279,010	(51,179)	227,831	279,071	(50,481)	228,590
Assets for own use (closed branches)	23,343	(5,884)	17,459	22,800	(5,939)	16,861
Equipment and other	22,442	(5,803)	16,639	24,421	(7,076)	17,345
Other assets	13,545	—	13,545	14,854	—	14,854
	873,982	(173,707)	700,275	971,228	(190,714)	780,514

The assets included in this balance are accounted for in accordance with the accounting policy described in note 1 G.

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from process of recovered loans or judicial auction being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership.

These assets are available for sale in a period less than one year and the Group has a strategy for its sale, according to the characteristic of each asset. However, considering the formal constraints, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Group having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market. The Group requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

The changes occurred in impairment of non-current assets held for sale are analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Balance on 1 January	190,714	215,649
Transfers	(257)	(2,135)
Charge for the period (note 12)	9,734	56,863
Reversals for the period (note 12)	(19)	(3,684)
Amounts charged-off	(26,734)	(77,610)
Exchange rate differences	269	1,631
Balance at the end of the period	173,707	190,714

27. Investment property

As at 31 March 2022, the balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N, based on independent assessments and compliance with legal requirements.

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Real estate	693,131	708,803
Equipment:		
Computer equipment	342,565	337,457
Security equipment	67,569	67,542
Interior installations	149,580	148,532
Machinery	50,006	49,455
Furniture	84,708	84,923
Motor vehicles	29,837	29,703
Other equipment	30,046	30,711
Right of use		
Real estate	362,110	352,346
Vehicles and equipment	500	505
Work in progress	14,296	20,656
Other tangible assets	36	38
	1,824,384	1,830,671
Accumulated depreciation		
Relative to the current period (note 9)	(24,599)	(98,972)
Relative to the previous periods	(1,204,127)	(1,130,978)
	(1,228,726)	(1,229,950)
	595,658	600,721

As at 31 March 2022, the balance Real Estate includes the amount of Euros 111,290,000 (31 December 2021: Euros 113,850,000) related to real estate held by the Group's real estate investment funds.

The balance Right-of-use essentially corresponds to real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the lease term of each contract, as described in the accounting policy 1 H.

The changes occurred in Other tangible assets during the first quarter of 2022 are analysed as follows:

(Thousands of euros)

	2022					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 March
Real estate	708,803	1,532	(18,135)	92	839	693,131
Equipment:						
Computer equipment	337,457	2,948	(3,223)	4,954	429	342,565
Security equipment	67,542	101	(516)	332	110	67,569
Interior installations	148,532	358	(596)	988	298	149,580
Machinery	49,455	56	(172)	877	(210)	50,006
Furniture	84,923	114	(708)	240	139	84,708
Motor vehicles	29,703	1,137	(1,109)	2	104	29,837
Other equipment	30,711	1	(385)	21	(302)	30,046
Right of use						
Real estate	352,346	16,098	(5,575)	—	(759)	362,110
Vehicles and equipment	505	—	—	—	(5)	500
Work in progress	20,656	2,402	(471)	(8,284)	(7)	14,296
Other tangible assets	38	—	—	—	(2)	36
	1,830,671	24,747	(30,890)	(778)	634	1,824,384
Accumulated depreciation						
Real estate	(428,656)	(3,709)	13,510	329	139	(418,387)
Equipment:						
Computer equipment	(300,560)	(4,058)	3,206	(36)	(406)	(301,854)
Security equipment	(63,723)	(207)	495	22	(91)	(63,504)
Interior installations	(131,897)	(729)	506	11	(191)	(132,300)
Machinery	(41,681)	(326)	150	(82)	165	(41,774)
Furniture	(78,344)	(670)	692	65	(95)	(78,352)
Motor vehicles	(17,743)	(1,154)	955	35	(58)	(17,965)
Other equipment	(23,811)	(368)	359	(3)	227	(23,596)
Right of use						
Real estate	(142,996)	(13,376)	5,575	—	337	(150,460)
Vehicles and equipment	(501)	(2)	—	—	5	(498)
Other tangible assets	(38)	—	—	—	2	(36)
	(1,229,950)	(24,599)	25,448	341	34	(1,228,726)
	600,721	148	(5,442)	(437)	668	595,658

The changes occurred in Other tangible assets during 2021 are analysed as follows:

(Thousands of euros)

	2021					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	725,639	990	(29,510)	(2,200)	13,884	708,803
Equipment:						
Computer equipment	330,853	7,011	(12,828)	5,915	6,506	337,457
Security equipment	69,812	403	(3,413)	(136)	876	67,542
Interior installations	144,693	1,275	(1,243)	1,446	2,361	148,532
Machinery	49,452	369	(1,670)	984	320	49,455
Furniture	84,962	448	(2,097)	534	1,076	84,923
Motor vehicles	29,448	4,375	(6,087)	432	1,535	29,703
Other equipment	30,886	18	(1,168)	1,045	(70)	30,711
Right of use						
Real estate	334,608	35,024	(19,979)	–	2,693	352,346
Vehicles and equipment	929	14	(436)	–	(2)	505
Work in progress	18,021	15,792	(128)	(13,860)	831	20,656
Other tangible assets	248	2	(252)	–	40	38
	1,819,551	65,721	(78,811)	(5,840)	30,050	1,830,671
Accumulated depreciation						
Real estate	(431,312)	(14,945)	18,823	2,589	(3,811)	(428,656)
Equipment:						
Computer equipment	(291,414)	(16,606)	12,505	(34)	(5,011)	(300,560)
Security equipment	(65,662)	(864)	3,413	136	(746)	(63,723)
Interior installations	(128,864)	(2,726)	1,041	155	(1,503)	(131,897)
Machinery	(41,333)	(1,294)	1,425	(253)	(226)	(41,681)
Furniture	(77,162)	(2,781)	1,958	376	(735)	(78,344)
Motor vehicles	(17,215)	(4,353)	4,850	(20)	(1,005)	(17,743)
Other equipment	(23,586)	(1,497)	1,073	179	20	(23,811)
Right of use						
Real estate	(101,475)	(53,799)	13,302	–	(1,024)	(142,996)
Vehicles and equipment	(668)	(107)	272	–	2	(501)
Other tangible assets	(35)	–	1	–	(4)	(38)
	(1,178,726)	(98,972)	58,663	3,128	(14,043)	(1,229,950)
	640,825	(33,251)	(20,148)	(2,712)	16,007	600,721

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	103,660	104,843
Euro Bank, S.A. (Poland)	41,440	41,913
Others	12,682	12,675
	157,782	159,431
Impairment		
Others	(11,931)	(11,931)
	145,851	147,500
Intangible assets		
Software	240,918	234,192
Other intangible assets	71,412	70,823
	312,330	305,015
Accumulated amortisation		
Charge for the period (note 9)	(10,012)	(38,184)
Charge for the previous periods	(195,215)	(158,118)
	(205,227)	(196,302)
	107,103	108,713
	252,954	256,213

The changes occurred in Goodwill and intangible assets, during the first quarter of 2022, are analysed as follows:

(Thousands of euros)

	2022					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 March
Goodwill - Differences arising on consolidation	159,431	–	–	–	(1,649)	157,782
impairment of goodwill	(11,931)	–	–	–	–	(11,931)
	147,500	–	–	–	(1,649)	145,851
Intangible assets						
Software	234,192	8,702	(53)	(1,385)	(538)	240,918
Other intangible assets	70,823	–	–	1,385	(796)	71,412
	305,015	8,702	(53)	–	(1,334)	312,330
Accumulated depreciation						
Software	(136,360)	(8,680)	–	(241)	412	(144,869)
Other intangible assets	(59,942)	(1,332)	–	241	675	(60,358)
	(196,302)	(10,012)	–	–	1,087	(205,227)
	108,713	(1,310)	(53)	–	(247)	107,103
	256,213	(1,310)	(53)	–	(1,896)	252,954

The changes occurred in Goodwill and intangible assets, during 2021, are analysed as follows:

(Thousands of euros)

	2021					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	161,775	347	(3,558)	–	867	159,431
impairment of goodwill	(13,573)	(347)	1,989	–	–	(11,931)
	148,202	–	(1,569)	–	867	147,500
Intangible assets						
Software	201,918	49,781	(17,616)	(3,826)	3,935	234,192
Other intangible assets	67,777	–	(341)	3,746	(359)	70,823
	269,695	49,781	(17,957)	(80)	3,576	305,015
Accumulated depreciation						
Software	(115,427)	(34,173)	15,543	57	(2,360)	(136,360)
Other intangible assets	(56,516)	(4,011)	341	(57)	301	(59,942)
	(171,943)	(38,184)	15,884	–	(2,059)	(196,302)
	97,752	11,597	(2,073)	(80)	1,517	108,713
	245,954	11,597	(3,642)	(80)	2,384	256,213

30. Income tax

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

(Thousands of euros)

	31 March 2022			31 December 2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	983,177	–	983,177	983,177	–	983,177
Employee benefits	835,619	–	835,619	835,619	–	835,619
	1,818,796	–	1,818,796	1,818,796	–	1,818,796
Deferred taxes depending on the future profits						
Impairment losses (b)	551,232	(50,303)	500,929	601,925	(50,303)	551,622
Tax losses carried forward	187,064	–	187,064	187,475	–	187,475
Employee benefits	54,602	(6,073)	48,529	55,274	(6,918)	48,356
Financial assets at fair value through other comprehensive income	407,513	(144,578)	262,935	125,907	(104,865)	21,042
Derivatives	–	(5,079)	(5,079)	–	(4,923)	(4,923)
Intangible assets	1,482	–	1,482	1,639	–	1,639
Other tangible assets	8,904	(3,882)	5,022	8,835	(4,037)	4,798
Others	127,925	(100,311)	27,614	123,468	(80,989)	42,479
	1,338,722	(310,226)	1,028,496	1,104,523	(252,035)	852,488
Total deferred taxes	3,157,518	(310,226)	2,847,292	2,923,319	(252,035)	2,671,284
Offset between deferred tax assets and deferred tax liabilities	(294,484)	294,484	–	(235,103)	235,103	–
Net deferred taxes	2,863,034	(15,742)	2,847,292	2,688,216	(16,932)	2,671,284

(a) Special Regime applicable to deferred tax assets

(b) The amounts of 2022 and 2021 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

As at 31 March 2022, the balance deferred tax assets amounts to Euros 2,863,034,000, of which Euros 2,683,153,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 864,388,000 that depends of the existence of future profitable profits (deferred tax assets not eligible under the special regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August), including:

- Euros 381,307,000 (net value) related to impairment losses; and

- Euros 162,400,000 resulting from tax losses carried forward from 2016 and 2020, which, considering the changes established in Law no. 27-A/2020, of 24 July, within the scope of the Supplementary Budget for 2020, may be used until 2030 and 2032, respectively.

Special regime applicable to deferred tax assets

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

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to part of expenses and negative equity variations associated with them. Pursuant to Law No. 23/2016, of 19 August, this special regime is not applicable to expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits recorded in the period's taxation commencing on or after 1 January 2016, nor to deferred tax assets to these associates.

The special regime applicable to deferred tax assets provides for an optional framework and with the possibility of subsequent waiver, under which:

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, until the competition taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted as a result of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP Group, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,574,602,000 (31 December 2021: Euros 1,569,265,000).

- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In situations of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity capital, and a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights attributable to the State of equivalent value, rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or an entity based in Portugal within the same prudential consolidation perimeter or included in the same group of entities for which are applied the Special Tax Regime for Groups of Companies) or reimbursed by the State.

Pursuant to the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law No. 61/2014, of 26 August, is not dependent on future profits.

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

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantially approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset with each other and the deferred tax assets and liabilities related to income taxes levied by the same fiscal authority over the same taxable entity.

The current tax rate of Banco Comercial Português, S.A. is analysed as follows:

	31 March 2022	31 December 2021
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000	9%	9%

The deferred tax rate related to the Bank's tax losses is 21%, in 2022 and 2021.

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 31.3%. The income tax rate in the other main countries where the Group operates is 19% in Poland, 32% in Mozambique and 0% (exemption) in the Cayman Islands.

In accordance with the amendments provided for in Law No. 27-A/2020, of 24 July, under the Supplementary Budget for 2020, the reporting period for tax losses in Portugal, is now 14 years for the losses of 2014, 2015 and 2016 and 7 years for the tax losses of 2017, 2018 and 2019. The tax losses calculated in 2020 and 2021 have a reporting period of 12 years, which may be deducted until 2032 and 2033 respectively. The limit for the deduction of tax losses is increased from 70% to 80%, when the difference results from the deduction of tax losses determined in the tax periods of 2020 and 2021.

The reporting period for tax losses carried forward, that are determined in the financial year of 2022 in Portugal, is 5 years

The reporting period for tax losses carried forward in Poland and in Mozambique it is 5 years.

Banco Comercial Português, S.A. applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under IRC, in which it's the dominant company.

The balance of Deferred tax assets not depending on the future profits (covered by the regime approved by Law no. 61/2014, of 26 August) includes the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to impairment losses in loans accounted until 31 December 2014.

The deferred income tax assets associated to tax losses, by expiry date, are presented as follows:

(Thousands of euros)

Expiry date	31 March 2022	31 December 2021
2022-2027	24,638	25,052
2030	104,000	104,000
2033	58,426	58,423
	187,064	187,475

Following the publication of the Notice of Bank of Portugal No. 5/2015, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA), since 1 January 2016 began to apply the International Financial Reporting Standards as adopted in the European Union, including, among others, the Bank's individual financial statements.

As a result of this change, in the Bank's individual financial statements, the loans portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses calculated in accordance with the requirements of International Accounting Standards (IAS 39 until 31 December 2017 and IFRS 9 since 1 January 2018), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal's Notice No. 3/95.

The Regulatory Decrees No. 5/2016, of 18 November, No. 11/2017, of 28 December, and No. 13/2018, of 28 December, established the maximum limits of impairment losses and other corrections of value for specific credit risk that are deductible for the purpose of calculating the taxable profit under IRC in 2016, 2017 and 2018, respectively. These Decrees declare that Bank of Portugal Notice No. 3/95 (Notice that was relevant for determining provisions for credit in the financial statements presented on an NCA basis) should be considered for the purpose of calculating the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively.

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

Regardless the previously referred option, the new regime's application will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- In the financial year of 2022, if, since 1 January 2022, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 10% comparatively to the amount recorded on 31 December 2018;

- In the financial year of 2023, if, since 1 January 2023, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 20% comparatively to the amount recorded on 31 December 2018.

In the calculation of the taxable income for the year 2021 and in the estimation of taxable income by reference to 31 March 2022 it was considered the maintenance of the tax rules in force until 2018, since the option for the application of the new regime was not exercised.

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

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Y.3 and with the requirements of IAS 12, the deferred tax assets were recognised based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried based on the respective estimated financial statements, prepared under the budgetary process for 2022 and new strategic plan 2021-2024 approved by the governing bodies, which support the expected future taxable income, considering the macroeconomic and competitive environment then analysed.

To estimate taxable net income for the periods of 2022 to 2033, the following main assumptions were considered:

- It was considered the approximation between accounting and tax rules predicted by Law No. 98/2019, of 4 September, assuming the Group will not exercise its application earlier over the adaptation period of 5 years that the referred Law predicts. In the application of these rules, the following assumptions were considered, in general terms:

  a) non-deductible expenses related to increase of credit impairments for the years between 2022 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2021, compared to the amounts of net impairment increases recorded in these years;

  b) the expenses with credit impairment’s increases beginning in 2024 were considered deductible for tax purposes according to the new fiscal regime;

  c) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2021-2023 submitted to the supervisory authority in March 2021, and also on the average reversal percentage observed in the last years of 2016 to 2021;

  d) the referred average percentages were calculated separately, according to the presence or not of a mortgage security, the eligibility for the special regime applicable to deferred tax assets and according to the clients’ rating as Non-Performing Exposures.

-The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- Reversals of impairment of non-financial assets not accepted for tax purposes were projected considering the expected periods of disinvestment in certain real estate. For the remaining assets without a forecasted term for disinvestment, the reversals were estimated based on the average percentage of reversal observed in the years from 2016 to 2021. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated on the basis of the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2021, compared to the amounts of reinforcements net of impairment recorded in those years.

- The deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

- The realization of changes in the fair value of real estate investment funds was projected based on the information available in the management agreements of the funds in question for the period expected for the respective liquidation.

The projections prepared within the framework of the budget process for 2022 incorporate the priorities arising from the Strategic Plan 2021-2024. This new strategic plan essentially maintained the priorities established in the previous plan, adapting them to the macroeconomic, competitive and legal/regulatory framework resulting from the pandemic and incorporating responses to the current challenges faced by the Bank. The pandemic and the economic crisis conditioned banking activity and had an impact on credit portfolios and other assets, with an immediate impact on profitability.

This way, projections assume, alongside the projected economic recovery, a convergence towards the medium/long-term metrics and trends consistent with the commercial positioning and the coveted capture of efficiency gains, established in the revision of the strategic plan approved by the corporate bodies, emphasizing the following:

- improvement in the net margin, reflecting an effort to increase credit, favouring certain segments, the focus on off-balance sheet resources while interest rates remain negative and the effect of the normalization of those rates, such as results from the market interest rate curve subject to the projections;

- increase in commission income based on efficient and judicious management of commissioning and pricing, and, regarding the Individuals segment, the growth of off-balance sheet products;

- normalization of the cost of risk to levels aligned with the current activity of the Bank and reduction of negative impacts produced by the devaluation or sale of non-current assets, with the progressive reduction of the historical NPE, foreclosed assets and corporate restructuring funds;

- capturing efficiency gains enhanced by digitalization, reflected in the control of operating costs, after the staff reduction carried out in 2021.

The conclusion of the analysis of the recoverability of the deferred tax assets recognized as at 31 December 2021 is that the total recognized deferred tax assets are recoverable. This analysis has not been updated for 31 March 2022.

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

(Thousands of euros)

Tax losses carried forward	31 March 2022	31 December 2021
2024-2025	107,822	107,429
2026	42,727	42,666
2027-2029	166,918	162,683
2030 and following	486,170	486,170
	803,637	798,948

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 March 2022, is analysed as follows:

(Thousands of euros)

	31 March 2022		
	Net income	Reserves	Exchange differences
Deferred taxes depending on the future profits			
Impairment losses	(49,319)	—	(1,374)
Tax losses carried forward (a)	(610)	—	199
Employee benefits	(72)	292	(47)
Financial assets at fair value through other comprehensive income	—	245,616	(3,723)
Derivatives	—	—	(156)
Intangible assets	(139)	—	(18)
Other tangible assets	217	—	7
Others	(17,570)	17	2,688
	(67,493)	245,925	(2,424)
	(67,493)	245,925	(2,424)
Current taxes			
Current period	(17,978)	—	—
	(17,978)	—	—
	(85,471)	245,925	(2,424)

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity variations recorded in reserves that contribute to the calculation of taxable income.

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 March 2021, is analysed as follows:

(Thousands of euros)

	31 March 2021 (restated)			
	Net income	Reserves	Exchange differences	Discontinuing operations (b)
Deferred taxes Deferred taxes not depending on the future profits				
Employee benefits	(31)	(2)	—	—
	(31)	(2)	—	—
Deferred taxes depending on the future profits				
Impairment losses	(39,061)	—	(2,460)	—
Tax losses carried forward (a)	6,295	986	1,956	—
Employee benefits	368	(937)	156	—
Financial assets at fair value through other comprehensive income	—	50,947	(1,483)	—
Derivatives	—	—	(49)	—
Intangible assets	(1)	—	1	—
Other tangible assets	(81)	—	18	—
Others	(2,411)	39	1,057	—
	(34,891)	51,035	(804)	—
	(34,922)	51,033	(804)	—
Current taxes				
Current period	(23,329)	2	—	(693)
Correction from previous periods	1,336	—	—	—
	(21,993)	2	—	(693)
	(56,915)	51,035	(804)	(693)

(a)The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity variations recorded in reserves that contribute to the calculation of taxable income.

(b) Relates to Banque Privée, S.A. and to Seguradora Internacional de Moçambique, S.A.

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

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Net income/(loss) before income taxes	191,776	83,084
Current tax rate (%)	31.5%	31.5%
Expected tax	(60,409)	(26,171)
Non-deductible impairment and provisions (a)	(23,895)	(21,908)
Contributions to the banking sector (b)	(6,905)	(5,364)
Results of companies accounted by the equity method	5,108	4,836
Tax benefits	4,811	3,217
Interests on other equity instruments (c)	2,914	2,914
Effect of the tax rate difference	(1,024)	(8,424)
Effect of recognition/derecognition net of deferred taxes	(7,362)	(2,228)
Non-deductible costs and other corrections	752	626
Correction from previous periods	818	(4,190)
Autonomous tax	(279)	(223)
Total	(85,471)	(56,915)
Effective rate (%)	44.6%	68.5%

(a) In 2022 includes the negative amount of Euros 22,723,000 (2021: negative Euros 18,382,000) related to the impact of the non-deductibility for tax purposes of the provisions related to legal risks associated with the mortgage loans portfolio granted in foreign currency by the Polish subsidiary.

(b) Refers to mandatory contributions to the banking in Poland.

(c) Relates to the impact of the deduction for taxable income purposes of interest paid in respect of perpetual bonds representing subordinated debt issued in 2019.

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Deposit account applications	893,508	396,638
Capital supplies	246,342	244,991
Obligations with post-employment benefits	204,537	202,366
Debtors for futures and options transactions	154,827	138,688
Debtors		
Residents		
Receivables from real estate, transfers of assets and other securities	137,252	109,509
Prosecution cases / agreements with the Bank	12,454	13,037
SIBS	3,172	3,490
Others	9,039	23,569
Non-residents	54,114	51,909
Amounts due for collection	55,762	81,082
Receivable dividends	34,251	—
Interest and other amounts receivable	70,213	69,354
Amounts receivable on trading activity	323,683	32,303
Amounts due from customers	32,598	29,020
Artistic patrimony	28,795	28,818
Prepaid expenses	25,418	23,157
Subsidies receivables	6,450	15,656
Other recoverable tax	11,153	11,696
Gold and other precious metals	3,666	3,851
Capital supplementary contributions	165	165
Associated companies	214	162
Sundry assets	167,840	166,030
	2,475,453	1,645,491
Impairment of other assets	(260,955)	(260,199)
	2,214,498	1,385,292

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

(Thousands of euros)

	31 March 2022	31 December 2021
Balance on 1 January	260,199	265,342
Transfers resulting from changes in the Group's structure (SIM - Seguradora Internacional de Moçambique)	—	(375)
Other transfers	657	536
Charge for the year (note 12)	4,021	16,618
Reversals for the year (note 12)	(2,341)	(9,263)
Amounts charged-off	(1,507)	(12,717)
Exchange rate differences	(74)	58
Balance at the end of the period	260,955	260,199

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Resources and other financing from Central Banks		
Bank of Portugal	8,008,372	8,028,747
Central Banks abroad	101,981	82,155
	8,110,353	8,110,902
Resources from credit institutions in Portugal		
Very short-term deposits	35,967	—
Sight deposits	127,192	96,654
Term Deposits	66,974	64,217
CIRS and IRS operations collateralised by deposits (*)	1,870	1,620
Other resources	—	1
	232,003	162,492
Resources from credit institutions abroad		
Sight deposits	92,018	108,247
Term Deposits	116,088	89,053
Loans obtained	378,030	399,678
CIRS and IRS operations collateralised by deposits (*)	34,696	19,998
Sales operations with repurchase agreement	6	—
Other resources	16,548	5,704
	637,386	622,680
	8,979,742	8,896,074

(*) Under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

Considering the characteristics of the financing and the nature of the respective lender, the Group accounts for the TLTRO III operation under IFRS 9. The Group considers that the operation constitutes variable rate financing, indexed to variable rates administratively set by the ECB. Specifically, for the period from 24 June 2020 to 23 June 2021, the Group has fulfilled the conditions required for applying to the financing an interest rate corresponding to the average of the Deposity Rate Facility in force during the period less 0.50%, with a maximum of -1%. For the period between 24 June 2021 and 23 June 2022, the Group considers that, with a high degree of probability, it will comply with the conditions required for applying to the financing an interest rate corresponding to the average of the Deposity Rate Facility in force during the period less 0.50%, with a maximum of -1%.

As a consequence, the Group recognizes in the financial statements, for the referred interests counting periods, the rate of -1%. As at 31 March 2022, the balance Resources and other financing from Central Banks – Bank of Portugal includes a financing associated with this program in the amount of Euros 8,150,070,000 (31 December 2021: Euros 8,150,070,000).

The balance Resources from credit institutions - Resources from credit institutions abroad - Sales operations with repurchase agreement, corresponds to Repo operations carried out in the money market and is a tool for the Bank's treasury management.

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Deposits from customers		
Repayable on demand	49,584,656	48,947,802
Term deposits	15,629,419	14,241,514
Saving accounts	6,114,424	5,912,193
Treasury bills and other assets sold under repurchase agreement	14,114	28,718
Cheques and orders to pay	541,352	369,802
Other	60,075	60,198
	71,944,040	69,560,227

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

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Bonds	10,509	10,606
Covered bonds	999,730	999,333
Medium term notes (MTN)	991,907	1,017,285
Securitisations	145,312	149,637
	2,147,458	2,176,861
Accruals	11,276	11,502
	2,158,734	2,188,363

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Bonds		
Non-Perpetual	1,350,488	1,376,582
Accruals	12,876	18,198
	1,363,364	1,394,780

As at 31 March 2022, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non-Perpetual Bonds						
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	300,000	299,653	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	434,249	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	286,530	300,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	4.81%	150,986	150,986	63,937
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	5.7%	179,026	179,026	75,811
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,350,488	1,189,748
Accruals					12,876	—
					1,363,364	1,189,748

As at 31 December 2021, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non-Perpetual Bonds						
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	300,000	299,527	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	445,098	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	298,136	300,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	4.81%	152,708	152,708	60,310
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	2.55%	181,069	181,069	71,510
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,376,582	1,181,820
Accruals					18,198	—
					1,394,780	1,181,820

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

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

(iii) Interest rate of 4%, per annum, during the first 5 years and 6 months (corresponding to a spread of 4.065% over the average of the mid-swap rates of 5 and 6 years). At the end of the first 5 years and 6 months the interest rate will be reset to maturity based on the 5 year mid swaps rate prevailing at that time plus the Spread.

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Short selling securities	4,491	3,625
Trading derivatives (note 22):		
Swaps	146,369	217,587
Options	3,345	1,478
Embedded derivatives	11,588	6,365
Forwards	4,266	2,186
	165,568	227,616
	170,059	231,241

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

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Certificates	928,326	961,730
Debt securities at fair value through profit and loss		
Medium term notes (MTN)	592,254	620,048
	1,520,580	1,581,778

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Provision for guarantees and other commitments (note 21)	112,052	110,649
Other provisions for liabilities and charges	409,605	348,095
	521,657	458,744

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

(Thousands of euros)

	31 March 2022	31 December 2021
Balance on 1 January	110,649	103,830
Transfers	(727)	(1,651)
Charge for the period (note 13)	9,644	44,414
Reversals for the period (note 13)	(7,456)	(36,278)
Exchange rate differences	(58)	334
Balance at the end of the period	112,052	110,649

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

(Thousands of euros)

	31 March 2022	31 December 2021
Balance on 1 January	348,095	207,691
Transfers resulting from changes in the Group's structure	—	(30)
Transfers to Impairment of investments in associates (Banco Millennium Atlântico, S.A.) (note 25)	—	(22,300)
Other transfers	146	4,596
Charge of the period for restructuring costs (note 7)	—	84,152
Charge for the year (note 13)	150,244	651,156
Reversals for the year (note 13)	(393)	(16,566)
Amounts charged-off	(12,606)	(135,506)
Allocation to loan's portfolio (note 21)	(88,462)	(443,296)
Exchange rate differences	12,581	18,198
Balance at the end of the period	409,605	348,095

Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

As at 31 March 2022, the Loans and advances to customers portfolio in CHF has a gross amount of Euros 2,700,080,000 (31 December 2021: Euros 2,817,504,000).

As described in note 51, as at 31 March 2022, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amount to Euros 835,189,000 (PLN 3,872,105,000), of which Euros 717,593,000 (PLN 3,326,906,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 21) and Euros 117,596,000 (PLN 545,199,000) are presented under Provisions.

With reference to 31 December 2021, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amount to Euros 727,026,000 (PLN 3,332,614,000), of which Euros 636,309,000 (PLN 2,916,778,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 21) and Euros 90,716,000 (PLN 415,835,000) are presented under Provisions.

The variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Interests and other amounts payable	159,976	148,522
Operations to be settled - foreign, transfers and deposits	184,726	134,996
Credit insurance received and to accrued	68,409	72,075
Holidays, subsidies and other remuneration payable	42,340	51,841
Transactions on securities to be settled	103,228	39,979
Public sector	30,748	35,460
Creditors		
Rents to pay	213,160	211,345
Deposit account and other applications	64,764	58,390
Suppliers	26,451	39,350
From factoring operations	33,397	32,113
For futures and options transactions	15,173	14,356
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	6,102	6,389
Associated companies	42	106
Other creditors		
Residents	30,596	27,107
Non-residents	69,950	60,394
Deferred income	11,129	9,543
Other administrative costs payable	5,985	4,133
Other sundry liabilities	203,036	170,884
	1,269,212	1,116,983

40. Share capital, Share premium and Other equity instruments

As at 31 March 2022, the Bank's share capital amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

As at 31 March 2022, the Share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 March 2022, the Other equity instruments, in the amount of Euros 400,000,000 corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1E. This operation without fixed term has the option of early repayment by the Bank as from the end of the 5th year, and an annual interest rate of 9.25% during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

41. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. Thus, as at 31 March 2022 the Legal Reserves amount to Euros 259,528,000 (31 December 2021: Euros 259,528,000).

In accordance with the current Portuguese legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20% of their net annual profits depending on the nature of their economic activity and are recognised in Other reserves and retained earnings in the Bank's consolidated financial statements (note 42).

42. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	(169,463)	8,696
Equity instruments	(30,358)	(30,242)
Of associated companies and other changes	29,335	39,968
Cash-flow hedge	(696,534)	(100,394)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	186	245
	(866,834)	(81,727)
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	38,136	(12,426)
Equity instruments	6,130	6,055
Cash-flow hedge	212,031	26,330
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(58)	(77)
	256,239	19,882
	(610,595)	(61,845)
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(83,345)	(76,542)
BIM - Banco International de Moçambique, S.A.	(153,871)	(162,561)
Banco Millennium Atlântico, S.A.	(132,631)	(155,310)
Others	2,360	2,311
	(367,487)	(392,102)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	34,993	36,571
Others	(3,965)	(3,965)
	31,028	32,606
Other reserves and retained earnings	1,133,154	1,001,645
	186,100	580,304

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

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1.C.

43. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Fair value changes		
Debt instruments	(119,309)	(77,625)
Equity instruments	2,959	2,993
Cash-flow hedge	(48,460)	(41,248)
Other	6	4
	(164,804)	(115,876)
Deferred taxes		
Debt instruments	22,604	14,704
Equity instruments	(562)	(568)
Cash-flow hedge	9,207	7,837
	31,249	21,973
	(133,555)	(93,903)
Exchange differences arising on consolidation	(186,658)	(181,738)
Actuarial losses (net of taxes)	435	435
Other reserves and retained earnings	1,189,599	1,217,878
	869,821	942,672

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	31 March 2022	31 December 2021	31 March 2022	31 March 2021 (restated)
Continuing operations				
Bank Millennium Group	667,047	729,040	(13,179)	(34,216)
BIM - Banco International de Moçambique Group	175,823	186,578	8,108	5,180
Other subsidiaries	26,951	27,054	(102)	187
	869,821	942,672	(5,173)	(28,849)
Discontinued or discontinuing operations				
BIM - Banco International de Moçambique Group (*)	–	–	–	96
	869,821	942,672	(5,173)	(28,753)

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

44. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	31 March 2022	31 December 2021
Guarantees granted		
Guarantees	4,020,636	3,957,973
Stand-by letter of credit	65,565	58,536
Open documentary credits	300,375	268,399
Bails and indemnities	136,123	136,145
	4,522,699	4,421,053
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	68,055	8,760
Irrevocable credit lines	4,700,390	4,762,539
Securities subscription	69,100	70,017
Other irrevocable commitments	125,112	125,112
Revocable commitments		
Revocable credit lines	5,567,039	5,437,681
Bank overdraft facilities	1,025,195	1,063,309
Other revocable commitments	131,618	133,354
	11,686,509	11,600,772
Guarantees received	29,629,923	29,361,511
Commitments from third parties	13,705,941	13,567,068
Securities and other items held for safekeeping	79,149,600	80,154,791
Securities and other items held under custody by the Securities Depository Authority	90,933,883	92,350,151
Other off-balance sheet accounts	125,683,541	129,608,603

45. Transfers of assets

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

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

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

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

The value of the junior securities is equivalent to the difference between the fair value that was based on the valuation of the senior security and the value of the transferred receivables. These junior securities, being subscribed by the Group, will entitle the Group to a contingent positive value if the value of the assets transferred exceeds the amount of the senior tranches plus the remuneration on them. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

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

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

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

The results are calculated on the date of transfer of the assets. During the first quarter of 2022 and during the year 2021, no credits were sold to specialized funds in credit recovery.

The amounts accumulated as at 31 March 2022, related to these operations, are analysed as follows:

(Thousands of euros)

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

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

As at 31 March 2022, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 March 2022			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Supplementary capital contributions	Total
Fundo Recuperação Turismo FCR				
Gross value	278,869	33,712	–	312,581
Impairment and other fair value adjustments	(93,114)	(33,712)	–	(126,826)
	185,755	–	–	185,755
Fundo Reestruturação Empresarial FCR				
Gross value	60,963	–	33,280	94,243
Impairment and other fair value adjustments	(36,429)	–	(33,280)	(69,709)
	24,534	–	–	24,534
FLIT-PTREL				
Gross value	250,662	38,154	–	288,816
Impairment and other fair value adjustments	(29,793)	(38,154)	–	(67,947)
	220,869	–	–	220,869
Fundo Recuperação FCR				
Gross value	188,771	83,096	–	271,867
Impairment and other fair value adjustments	(125,969)	(83,096)	–	(209,065)
	62,802	–	–	62,802
Fundo Aquarius FCR				
Gross value	119,631	–	–	119,631
Impairment and other fair value adjustments	(16,438)	–	–	(16,438)
	103,193	–	–	103,193
Discovery Real Estate Fund				
Gross value	157,716	–	–	157,716
Impairment and other fair value adjustments	(8,244)	–	–	(8,244)
	149,472	–	–	149,472
Fundo Vega FCR				
Gross value	48,834	84,059	–	132,893
Impairment and other fair value adjustments	(7,297)	(84,059)	–	(91,356)
	41,537	–	–	41,537
Total Gross value	1,105,446	239,021	33,280	1,377,747
Total impairment and other fair value adjustments	(317,284)	(239,021)	(33,280)	(589,585)
	788,162	–	–	788,162

The supplementary capital contributions were initially recorded for the amount of Euros 33,280,000 and it was made a negative fair value adjustment of the same amount.

As at 31 December 2021, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 December 2021			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Supplementary capital contributions	Total
Fundo Recuperação Turismo FCR				
Gross value	278,385	33,598	–	311,983
Impairment and other fair value adjustments	(92,482)	(33,598)	–	(126,080)
	185,903	–	–	185,903
Fundo Reestruturação Empresarial FCR				
Gross value	60,963	–	33,280	94,243
Impairment and other fair value adjustments	(36,415)	–	(33,280)	(69,695)
	24,548	–	–	24,548
FLIT-PTREL				
Gross value	250,662	38,154	–	288,816
Impairment and other fair value adjustments	(31,492)	(38,154)	–	(69,646)
	219,170	–	–	219,170
Fundo Recuperação FCR				
Gross value	188,771	82,617	–	271,388
Impairment and other fair value adjustments	(125,941)	(82,617)	–	(208,558)
	62,830	–	–	62,830
Fundo Aquarius FCR				
Gross value	120,162	–	–	120,162
Impairment and other fair value adjustments	(16,497)	–	–	(16,497)
	103,665	–	–	103,665
Discovery Real Estate Fund				
Gross value	157,716	–	–	157,716
Impairment and other fair value adjustments	(8,244)	–	–	(8,244)
	149,472	–	–	149,472
Fundo Vega FCR				
Gross value	48,454	83,302	–	131,756
Impairment and other fair value adjustments	(7,241)	(83,302)	–	(90,543)
	41,213	–	–	41,213
Total Gross value	1,105,113	237,671	33,280	1,376,064
Total impairment and other fair value adjustments	(318,312)	(237,671)	(33,280)	(589,263)
	786,801	–	–	786,801

The supplementary capital contributions were initially recorded for the amount of Euros 33,280,000 and it was made a negative fair value adjustment of the same amount.

46. Relevant events occurred during the first quarter of 2022

Ukraine War

In 2022 the Russian Federation invaded Ukraine, as widely reported by supranational institutions and the media. Although the Group´s direct exposure to those countries´ economies is immaterial, the 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.

Based on all the information available at the time, including that regarding the liquidity and capital situation, as well as the value of the assets, it is considered that the going concern principle underlying the preparation of the financial statements continues to apply.

Minimum prudential requirements

Banco Comercial Português, S.A. (BCP) hereby informs that, under the context of the Supervisory Review and Evaluation Process (SREP), it has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from 1 March 2022. In addition, BCP was previously informed by the Bank of Portugal on its capital buffer requirement as “other systemically important institution” (O-SII).

The ECB’s decision prescribes the following minimum ratios as a percentage of total risk weighted assets (RWA) from 1 March 2022:

	Minimum Capital Requirements							
		of which:				of which:		
BCP Consolidated	Phased-in 2022	Pilar 1	Pilar 2	*Buffers*	Fully implemented	Pilar 1	Pilar 2	*Buffers*
CET1	9.16%	4.50%	1.41%	3.25%	9.41%	4.50%	1.41%	3.50%
T1	11.13%	6.00%	1.88%	3.25%	11.38%	6.00%	1.88%	3.50%
Total	13.75%	8.00%	2.50%	3.25%	14.00%	8.00%	2.50%	3.50%

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.75%). BCP has one additional year (1 January 2023) to fulfill the future O-SII reserve requirement of 1.00%, as communicated by Banco de Portugal on its website on 30 November 2021.

47. Consolidated Balance sheet and Income statement by geographic and operational segments

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for management purposes by the Executive Committee. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal and ActivoBank.

Portugal activity includes the following segments: i) Retail Banking; ii) Companies, Corporate & Investment Banking; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than Euros 2.5 million. The Retail network strategic approach is to target “Mass Market” customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal based on innovation and personalisation, requiring a dedicated Account Manager;

- Retail Recovery Division that accompanies and manages the responsibilities of customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and

- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies, Corporate and Investment Banking segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;

- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;

- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment, in order to defend the value and managing credit risk, in a sustainable medium and long term perspective;

- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term;

- Trade Finance Department (from Marketing Division for Corporate, Business and Institutional since the end of 2021), which coordinates the business with banks and financial institutions, boosting international business with the commercial networks of the Bank and institutional custody services for securities;

- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1 million);

- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for the purposes of geographical segments, comprises:

- Private Banking Division in Portugal, which ensures the monitoring of clients with high net worth, based on a commitment to excellence and a personalized relationship with clients;

- Wealth Management Division, which provides advisory services and portfolio management for clients in the Private Banking network and the affluent segment.

For the purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation. It should be noted that the result generated by the subsidiary in Switzerland in March 2021 is recorded in a single line as results of discontinued or discontinuing operations, since the date on which the sale agreement was announced on 29 June 2021, which was later completed in early November 2021.

All other businesses not previously discriminated are allocated to the Other segment (Portugal) and include centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other amounts not allocated to segments.

Foreign Business includes the following segments:

- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;

- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and

- Other, which includes other countries activity such as Switzerland where the Group is represented by Banque Privée BCP (classified as discontinued operations at the end of the first half of 2021, following the agreement signed for the sale of Banque Privée BCP, which was effectively concluded in early November), a Private Banking platform under Swiss law and Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets (Affluent segment). The Other segment also includes the contribution of the associate in Angola.

B. Business Segments

For the purposes of business segments reporting, Foreign Business segment comprises the Group's operations developed in other countries already mentioned excluding the activity of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands which, in this context, are considered in Private Banking segment.

Business segments activity

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

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 31 March 2022, 31 December 2021 and 31 March 2021 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

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

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 31 March 2022. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical).

Following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA, the contribution of this subsidiary to the "Private Banking" segment (geographical segments) and "Other" from "Foreign business" segment (business segments) is reflected as income from discontinued operations and the historical information has been restated in order to ensure its comparability, as required by IFRS 5. Banque Privée BCP (Suisse) S.A. ceased to be part of the BCP Group on 2 November 2021, the date on which the sale of this subsidiary was completed. In this context, the capital gain arising from the sale of the operation was also recorded as income of discontinued or discontinued operations. It should also be noted that on 29 December 2021, BIM – Banco Internacional de Moçambique, S.A. also formalized the sale to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, S.A., with BIM maintaining approximately 22% of its share capital. The contribution of this subsidiary to the net income of the Foreign Business segment is also presented as income of discontinued or discontinued operations in March 2021, as required by IFRS 5. The presentation of assets and liabilities of Banque Privée BCP (Suisse) S.A. and Seguradora Internacional de Moçambique, S.A. referring to previous periods remained unchanged when compared to the criteria considered in the preparation of the consolidated financial statements previously disclosed.

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 31 March 2022, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	31 March 2022						
	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Interest and similar income	113,831	296,013	409,844	63,078	2,621	38,378	513,921
Interest expense and similar charges	(776)	(43,395)	(44,171)	(1,502)	(191)	(2,956)	(48,820)
Net interest income	113,055	252,618	365,673	61,576	2,430	35,422	465,101
Commissions and other income	116,221	83,552	199,773	46,312	11,018	1,104	258,207
Commissions and other costs	(12,011)	(56,120)	(68,131)	(5,417)	(492)	(15,732)	(89,772)
Net commissions and other income (2)	104,210	27,432	131,642	40,895	10,526	(14,628)	168,435
Net gains arising from trading activity (3)	4,226	(5,937)	(1,711)	96	499	44,500	43,384
Share of profit of associates under the equity method	—	879	879	—	—	15,329	16,208
Gains/(losses) arising from the sale of subsidiaries and other assets	—	558	558	7	—	7,052	7,617
Net operating revenue	221,491	275,550	497,041	102,574	13,455	87,675	700,745
Operating expenses	107,492	111,534	219,026	30,990	4,985	—	255,001
Impairment for credit and financial assets (4)	(4,450)	(21,042)	(25,492)	(73,828)	(91)	8,904	(90,507)
Other impairments and provisions (5)	(7)	(108,208)	(108,215)	—	—	(55,246)	(163,461)
Net income before income tax	109,542	34,766	144,308	(2,244)	8,379	41,333	191,776
Income tax	(34,024)	(36,419)	(70,443)	776	(2,473)	(13,331)	(85,471)
Net income after income tax from continuing operations	75,518	(1,653)	73,865	(1,468)	5,906	28,002	106,305
Income arising from discontinued operations	—	(401)	(401)	—	1,789	—	1,388
Net income for the period	75,518	(2,054)	73,464	(1,468)	7,695	28,002	107,693
Non-controlling interests (6)	—	5,070	5,070	—	—	103	5,173
Net income for the period attributable to Bank's Shareholders	75,518	3,016	78,534	(1,468)	7,695	28,105	112,866

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

4) Includes impairment of financial assets at amortised cost for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, goodwill impairment, impairment of other assets and other provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

6) Includes the non-controlling interests of BIM Group related to Seguradora Internacional de Moçambique, S.A., entity classified as a discontinued operation.

As at 31 March 2022, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	31 March 2022						
	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	12,868,894	2,875,228	15,744,122	1,485,669	2,829,227	(9,122,528)	10,936,490
Loans and advances to customers (1)	25,247,844	17,562,195	42,810,039	11,968,392	342,910	1,534,315	56,655,656
Financial assets (2)	1,162,066	5,099,823	6,261,889	—	—	14,600,373	20,862,262
Other assets	64,907	959,176	1,024,083	8,635	1,927	6,072,267	7,106,912
Total Assets	39,343,711	26,496,422	65,840,133	13,462,696	3,174,064	13,084,427	95,561,320
Resources from credit institutions (3)	323,197	177,152	500,349	2,759,432	—	5,719,961	8,979,742
Resources from customers (4)	36,318,424	23,013,096	59,331,520	9,409,948	2,596,796	605,776	71,944,040
Debt securities issued (5)	1,333,852	8,551	1,342,403	1,389	161,497	2,174,025	3,679,314
Other financial liabilities (6)	—	523,838	523,838	—	—	2,049,798	2,573,636
Other liabilities (7)	41,832	860,533	902,365	62,020	806	849,611	1,814,802
Total Liabilities	38,017,305	24,583,170	62,600,475	12,232,789	2,759,099	11,399,171	88,991,534
Total Equity	1,326,406	1,913,252	3,239,658	1,229,907	414,965	1,685,256	6,569,786
Total Liabilities and Equity	39,343,711	26,496,422	65,840,133	13,462,696	3,174,064	13,084,427	95,561,320
Number of employees	3,876	9,477	13,353	539	143	1,709	15,744

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

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

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 31 March 2021, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	31 March 2021 (restated)						
	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business [1]	Total				
INCOME STATEMENT							
Interest and similar income	113,692	188,685	302,377	66,583	2,606	31,743	403,309
Interest expense and similar charges	(1,431)	(19,133)	(20,564)	(4,068)	(504)	(3,391)	(28,527)
Net interest income	112,261	169,552	281,813	62,515	2,102	28,352	374,782
Commissions and other income	102,321	70,360	172,681	42,763	7,631	1,658	224,733
Commissions and other costs	(10,854)	(45,047)	(55,901)	(4,911)	(1,489)	(15,342)	(77,643)
Net commissions and other income [2]	91,467	25,313	116,780	37,852	6,142	(13,684)	147,090
Net gains arising from trading activity [3]	4,073	9,192	13,265	68	34	28,407	41,774
Share of profit of associates under the equity method	—	362	362	—	—	14,990	15,352
Gains/(losses) arising from the sale of subsidiaries and other assets	—	150	150	4	—	(1,210)	(1,056)
Net operating revenue	207,801	204,569	412,370	100,439	8,278	56,855	577,942
Operating expenses	117,773	101,203	218,976	27,348	5,095	723	252,142
Impairment for credit and financial assets [4]	(11,215)	(20,170)	(31,385)	(43,686)	(47)	(37,289)	(112,407)
Other impairments and provisions [5]	(15)	(120,226)	(120,241)	—	—	(10,068)	(130,309)
Net income before income tax	78,798	(37,030)	41,768	29,405	3,136	8,775	83,084
Income tax	(23,574)	(19,921)	(43,495)	(9,002)	(1,144)	(3,274)	(56,915)
Net income after income tax from continuing operations	55,224	(56,951)	(1,727)	20,403	1,992	5,501	26,169
Income arising from discontinued operations	—	1,196	1,196	—	1,697	—	2,893
Net income for the period	55,224	(55,755)	(531)	20,403	3,689	5,501	29,062
Non-controlling interests [6]	—	28,941	28,941	—	—	(188)	28,753
Net income for the period attributable to Bank's Shareholders	55,224	(26,814)	28,410	20,403	3,689	5,313	57,815

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

4) Includes impairment of financial assets at amortised cost for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, goodwill impairment, impairment of other assets and other provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

6) Includes the non-controlling interests of BIM Group related to Seguradora Internacional de Moçambique, S.A., entity classified as a discontinued operation.

As at 31 December 2021, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	31 December 2021						
	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	12,164,325	1,563,611	13,727,936	1,589,469	2,779,056	(9,485,163)	8,611,298
Loans and advances to customers (1)	25,010,925	17,780,147	42,791,072	12,077,141	344,222	1,147,494	56,359,929
Financial assets (2)	1,222,529	5,089,223	6,311,752	—	5,022	15,423,364	21,740,138
Other assets	69,403	928,378	997,781	7,933	1,741	5,185,992	6,193,447
Total Assets	38,467,182	25,361,359	63,828,541	13,674,543	3,130,041	12,271,687	92,904,812
Resources from credit institutions (3)	362,803	149,167	511,970	3,107,835	—	5,276,269	8,896,074
Resources from customers (4)	35,416,593	21,847,825	57,264,418	9,287,187	2,555,177	453,445	69,560,227
Debt securities issued (5)	1,396,658	8,632	1,405,290	1,418	165,410	2,198,023	3,770,141
Other financial liabilities (6)	—	501,480	501,480	—	—	1,501,747	2,003,227
Other liabilities (7)	46,338	693,806	740,144	61,480	1,041	810,421	1,613,086
Total Liabilities	37,222,392	23,200,910	60,423,302	12,457,920	2,721,628	10,239,905	85,842,755
Total Equity	1,244,790	2,160,449	3,405,239	1,216,623	408,413	2,031,782	7,062,057
Total Liabilities and Equity	38,467,182	25,361,359	63,828,541	13,674,543	3,130,041	12,271,687	92,904,812
Number of employees	3,897	9,575	13,472	541	144	1,711	15,868

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

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

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 31 March 2022, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	31 March 2022								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	113,831	63,078	1,875	38,378	217,162	231,836	64,176	747	513,921
Interest expense and similar charges	(776)	(1,502)	(192)	(2,956)	(5,426)	(24,365)	(19,045)	16	(48,820)
Net interest income	113,055	61,576	1,683	35,422	211,736	207,471	45,131	763	465,101
Commissions and other income	116,221	46,312	10,987	1,104	174,624	72,165	11,386	32	258,207
Commissions and other costs	(12,011)	(5,417)	(457)	(15,732)	(33,617)	(54,016)	(2,104)	(35)	(89,772)
Net commissions and other income [2]	104,210	40,895	10,530	(14,628)	141,007	18,149	9,282	(3)	168,435
Net gains arising from trading activity [3]	4,226	96	498	44,500	49,320	(12,617)	6,679	2	43,384
Share of profit of associates under the equity method	—	—	—	15,329	15,329	—	471	408	16,208
Gains/(losses) arising from the sale of subsidiaries and other assets	—	7	—	7,052	7,059	39	519	—	7,617
Net operating revenue	221,491	102,574	12,711	87,675	424,451	213,042	62,082	1,170	700,745
Operating expenses	107,492	30,990	4,720	—	143,202	85,504	26,028	267	255,001
Impairment for credit and financial assets [4]	(4,450)	(73,828)	(91)	8,904	(69,465)	(18,114)	(2,928)	—	(90,507)
Other impairments and provisions [5]	(7)	—	—	(55,246)	(55,253)	(107,388)	(820)	—	(163,461)
Net income before income tax	109,542	(2,244)	7,900	41,333	156,531	2,036	32,306	903	191,776
Income tax	(34,024)	776	(2,473)	(13,331)	(49,052)	(28,447)	(7,967)	(5)	(85,471)
Net income after income tax from continuing operations	75,518	(1,468)	5,427	28,002	107,479	(26,411)	24,339	898	106,305
Income arising from discontinued operations	—	—	—	—	—	—	(401)	1,789	1,388
Net income for the period	75,518	(1,468)	5,427	28,002	107,479	(26,411)	23,938	2,687	107,693
Non-controlling interests [6]	—	—	—	103	103	13,179	(8,109)	—	5,173
Net income for the period attributable to Bank's Shareholders	75,518	(1,468)	5,427	28,105	107,582	(13,232)	15,829	2,687	112,866

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

4) Includes impairment of financial assets at amortised cost for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, goodwill impairment, impairment of other assets and other provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

6) Includes the non-controlling interests of BIM Group related to Seguradora Internacional de Moçambique, S.A., entity classified as a discontinued operation.

As at 31 March 2022, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

	31 March 2022								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	12,868,894	1,485,669	2,501,541	(9,122,528)	7,733,576	1,999,959	875,269	327,686	10,936,490
Loans and advances to customers (1)	25,247,844	11,968,392	342,911	1,534,315	39,093,462	16,981,259	580,935	—	56,655,656
Financial assets (2)	1,162,066	—	—	14,600,373	15,762,439	4,118,721	981,102	—	20,862,262
Other assets	64,907	8,635	1,856	6,072,267	6,147,665	573,751	198,937	186,559	7,106,912
Total Assets	39,343,711	13,462,696	2,846,308	13,084,427	68,737,142	23,673,690	2,636,243	514,245	95,561,320
Resources from other credit institutions (3)	323,197	2,759,432	—	5,719,961	8,802,590	139,483	4,897	32,772	8,979,742
Resources from customers (4)	36,318,424	9,409,948	2,596,795	605,776	48,930,943	20,988,055	2,025,042	—	71,944,040
Debt securities issued (5)	1,333,852	1,389	161,497	2,174,025	3,670,763	8,551	—	—	3,679,314
Other financial liabilities (6)	—	—	—	2,049,798	2,049,798	523,838	—	—	2,573,636
Other liabilities (7)	41,832	62,020	799	849,611	954,262	676,962	183,571	7	1,814,802
Total Liabilities	38,017,305	12,232,789	2,759,091	11,399,171	64,408,356	22,336,889	2,213,510	32,779	88,991,534
Total Equity	1,326,406	1,229,907	87,217	1,685,256	4,328,786	1,336,801	422,733	481,466	6,569,786
Total Liabilities and Equity	39,343,711	13,462,696	2,846,308	13,084,427	68,737,142	23,673,690	2,636,243	514,245	95,561,320
Number of employees	3,876	539	140	1,709	6,264	6,980	2,497	3	15,744

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

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

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 31 March 2021, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	31 March 2021 (restated)								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	113,692	66,583	1,837	31,743	213,855	144,244	44,440	770	403,309
Interest expense and similar charges	(1,431)	(4,068)	(504)	(3,391)	(9,394)	(7,188)	(11,955)	10	(28,527)
Net interest income	112,261	62,515	1,333	28,352	204,461	137,056	32,485	780	374,782
Commissions and other income	102,321	42,763	7,597	1,658	154,339	61,979	8,381	34	224,733
Commissions and other costs	(10,854)	(4,911)	(434)	(15,342)	(31,541)	(43,597)	(1,450)	(1,055)	(77,643)
Net commissions and other income (2)	91,467	37,852	7,163	(13,684)	122,798	18,382	6,931	(1,021)	147,090
Net gains arising from trading activity (3)	4,073	68	42	28,407	32,590	6,434	2,757	(7)	41,774
Share of profit of associates under the equity method	—	—	—	14,990	14,990	—	—	362	15,352
Gains/(losses) arising from the sale of subsidiaries and other assets	—	4	—	(1,210)	(1,206)	140	10	—	(1,056)
Net operating revenue	207,801	100,439	8,538	56,855	373,633	162,012	42,183	114	577,942
Operating expenses	117,773	27,348	4,858	723	150,702	81,489	19,714	237	252,142
Impairment for credit and financial assets (4)	(11,215)	(43,686)	(47)	(37,289)	(92,237)	(16,006)	(4,164)	—	(112,407)
Other impairments and provisions (5)	(15)	—	—	(10,068)	(10,083)	(118,483)	1,457	(3,200)	(130,309)
Net income before income tax	78,798	29,405	3,633	8,775	120,611	(53,966)	19,762	(3,323)	83,084
Income tax	(23,574)	(9,002)	(1,145)	(3,274)	(36,995)	(14,604)	(5,314)	(2)	(56,915)
Net income after income tax from continuing operations	55,224	20,403	2,488	5,501	83,616	(68,570)	14,448	(3,325)	26,169
Income arising from discontinued operations	—	—	—	—	—	—	1,197	1,696	2,893
Net income for the period	55,224	20,403	2,488	5,501	83,616	(68,570)	15,645	(1,629)	29,062
Non-controlling interests (6)	—	—	—	(188)	(188)	34,217	(5,276)	—	28,753
Net income for the period attributable to Bank's Shareholders	55,224	20,403	2,488	5,313	83,428	(34,353)	10,369	(1,629)	57,815

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

4) Includes impairment of financial assets at amortised cost for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

6) Includes the non-controlling interests of BIM Group related to Seguradora Internacional de Moçambique, S.A., entity classified as a discontinued operation.

As at 31 December 2021, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

	31 December 2021								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	12,164,325	1,589,469	2,456,868	(9,485,163)	6,725,499	861,770	701,807	322,222	8,611,298
Loans and advances to customers (1)	25,010,925	12,077,141	344,222	1,147,494	38,579,782	17,206,345	573,802	—	56,359,929
Financial assets (2)	1,222,529	—	—	15,423,364	16,645,893	4,033,150	1,056,108	4,987	21,740,138
Other assets	69,403	7,933	1,660	5,185,992	5,264,988	568,058	194,990	165,411	6,193,447
Total Assets	38,467,182	13,674,543	2,802,750	12,271,687	67,216,162	22,669,323	2,526,707	492,620	92,904,812
Resources from other credit institutions (3)	362,803	3,107,835	—	5,276,269	8,746,907	117,674	6,672	24,821	8,896,074
Resources from customers (4)	35,416,593	9,287,187	2,555,177	453,445	47,712,402	19,953,653	1,894,172	—	69,560,227
Debt securities issued (5)	1,396,658	1,418	165,410	2,198,023	3,761,509	8,632	—	—	3,770,141
Other financial liabilities (6)	—	—	—	1,501,747	1,501,747	501,480	—	—	2,003,227
Other liabilities (7)	46,338	61,480	1,021	810,421	919,260	626,847	66,959	20	1,613,086
Total Liabilities	37,222,392	12,457,920	2,721,608	10,239,905	62,641,825	21,208,286	1,967,803	24,841	85,842,755
Total Equity	1,244,790	1,216,623	81,142	2,031,782	4,574,337	1,461,037	558,904	467,779	7,062,057
Total Liabilities and Equity	38,467,182	13,674,543	2,802,750	12,271,687	67,216,162	22,669,323	2,526,707	492,620	92,904,812
Number of employees	3,897	541	140	1,711	6,289	7,079	2,496	4	15,868

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

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

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

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

(Thousands of euros)

	31 March 2022	31 March 2021 (restated)
Net contribution		
Retail banking in Portugal	75,518	55,224
Companies, Corporate and Investment banking	(1,468)	20,403
Private Banking	5,427	2,488
Foreign business (continuing operations)	(1,174)	(57,447)
Non-controlling interests (1)	5,071	28,940
	83,374	49,608
Income arising from discontinued or discontinuing operations	1,388	2,893
	84,762	52,501
Amounts not allocated to segments		
Net interest income of the bond portfolio	8,474	5,167
Net interest income - TLTRO	20,375	19,008
Foreign exchange activity	7,519	10,975
Gains / (losses) arising from sales of subsidiaries and other assets	7,052	(1,210)
Equity accounted earnings	15,329	14,990
Impairment and other provisions (2)	(46,341)	(47,357)
Operational costs (3)	—	(723)
Gains on sale of portuguese public debt	4,060	14,942
Gains on sale of foreign public debt	19,929	1,163
Loans sale	6,296	(3,061)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	(359)	(2,055)
Taxes (5)	(13,332)	(3,274)
Non-controlling interests	103	(188)
Others (6)	(1,001)	(3,063)
Total not allocated to segments	28,104	5,314
Consolidated net income	112,866	57,815

1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland and in Mozambique.

2) Includes impairments for non-current assets held for sale, impairments for other assets, provisions for administrative infractions, various contingencies and other impairments and/or provisions not allocated to business segments.

3) Corresponds mainly to headcount adjustment costs recorded in March 2021.

4) Includes gains/(losses) from corporate restructuring funds.

5) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.

6) Includes other operations not allocated to business segments, namely the financing of non-interest bearing assets and strategic financial investments.

48. Solvency

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV/CRR).

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted anticipated dividends and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach, goodwill and other intangible assets and the additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value, adjustments related to minimum commitment with collective investments undertakings and insufficient coverage for non-performing exposures. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The irrevocable payment commitments for the Single Resolution Fund, the fair value of the collateral for irrevocable commitments from the Deposits Guarantee Fund and the additional coverage for non-performing exposures, are also deducted, due to a SREP (Supervisory Review and Evaluation Process) recommendation.

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

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

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for the deferred tax assets already recorded on the balance sheet of 1 January 2014 and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, which period ends in 2023 and 2021, respectively.

With the IFRS9 introduction the Group has decided to gradually recognise the impacts, according to artº 473º-A of CRR.

CRD IV/CRR establishes Pilar 1 capital requirements for CET1, Tier 1 and Total Capital. However, under the scope of SREP , European Central Bank notified BCP about the need to comply with phased-in capital ratios, including additional Pilar 2 requirements, O-SII and capital conservation buffer, as following:

2022 Minimum Capital Requirements

		of which:				of which:		
BCP Consolidated	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***	**Fully implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	9.16%	4.50%	1.41%	3.25%	9.41%	4.50%	1.41%	3.50%
T1	11.13%	6.00%	1.88%	3.25%	11.38%	6.00%	1.88%	3.50%
Total	13.75%	8.00%	2.50%	3.25%	14.00%	8.00%	2.50%	3.50%

The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

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

(Thousands of euros)

	31 March 2022	31 December 2021
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Reserves and retained earnings	521,981	957,922
Minority interests eligible to CET1	453,904	451,550
Regulatory adjustments to CET1	(446,765)	(778,167)
	5,270,591	5,372,776
Tier 1		
Capital Instruments	400,000	400,000
Minority interests eligible to AT1	106,972	109,266
	5,777,563	5,882,042
Tier 2		
Subordinated debt	1,050,000	1,050,000
Minority interests eligible to Tier 2	281,887	277,007
Other	1,735	3,751
	1,333,622	1,330,758
Total own funds	7,111,185	7,212,800
RWA - Risk weighted assets		
Credit risk	39,211,224	39,810,329
Market risk	2,683,179	1,947,366
Operational risk	4,123,409	4,123,409
CVA	67,323	51,426
	46,085,135	45,932,530
Capital ratios		
CET1	11.4%	11.7%
Tier 1	12.5%	12.8%
Tier 2	2.9%	2.9%
	15.4%	15.7%

The presented amounts include the accumulated net income.

49. Mozambique's sovereign debt

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

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

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

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

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique.

On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

In May 2020, the Constitutional Council of the Republic of Mozambique issued a Judgment, declaring the nullity of the acts related with the loans contracted by Proindicus, SA ("Proindicus") and Mozambique Asset Management, MAM, SA ("MAM"), and the respective sovereign guarantees granted by the Government in 2013 and 2014, respectively, and on 19 October 2020, the dissolution of the two companies was registered based on an order issued by the Judicial Court of the City of Maputo.

An action brought on 27 February 2019 and amended on 30 April 2020, by the Republic of Mozambique (represented by the Attorney General of the Republic) against the arranger and originating lender of the loan to Proindicus and other entities, by which the Republic of Mozambique requests, inter alia, the declaration of nullity of the sovereign guarantee of the Mozambican State to the Proindicus loan. Following this lawsuit, on 27 April 2020, the Banco Internacional de Moçambique (BIM) filed a lawsuit, in the London Commercial Court, against the arranger and lender of the loan to Proindicus, claiming, inter alia, payment of BIM's exposure to the Proindicus, in the event that the said sovereign guarantee of the State of Mozambique to Proindicus is, in a court of law declared null and void. Considering the dependency of this claim in relation with the lawsuit brought by the Republic of Mozambique above mentioned, it is expected that the judgment sessions of the claim brought by BIM will only take place simultaneously or after the judgment sessions scheduled for the beginning of October 2023, relating to the lawsuit filed by the Republic of Mozambique.

Regarding MAM, as far as we are aware, no lawsuit with the same purpose was brought by the Republic of Mozambique at the London Commercial Court. However, it is expected that, in the context of ongoing legal proceedings, that several creditors of MAM (including BCP) have filed, at the London Commercial Court, against MAM and the Republic of Mozambique in order to recover their credits, the question of the validity of the sovereign guarantee of the Mozambican State to the MAM loan will be raised by the Republic of Mozambique. In July 2021, London Commercial Court decided that the various lawsuits brought by several creditors of MAM (including BCP) against the Republic of Mozambique, as guarantor, and MAM, as debtor, as well as the lawsuit brought by the Republic of Mozambique within the scope of the loan to Proindicus, must be judged through a unitary trial and scheduled the start of the respective trial sessions for 3 October 2023. On this date, is in progress the process of collecting and disclosure of evidence (DRD - Disclosure Review Documents).

According to public information made available by the IMF, there are defaults on credits granted to non-state Mozambican companies' and guaranteed by the Mozambican State. Considering the above-mentioned developments related to these credits, although the Ministry of Economy and Finance of the Republic of Mozambique has submitted in November 2018 new proposals regarding this matter and interactions are ongoing between the Government of Mozambique, the IMF and the creditors with the objective of finding a solution to the aforementioned debt guaranteed by the State of Mozambique, which had not been previously disclosed to the IMF, a solution that changes the ex-approved a solution that would change the Group's current expectations, reflected in the financial statements as at 31 March 2022, on: (i) the ability of the Government of Mozambique and public companies to repay their debts and commitments assumed; and (ii) the development of the activity of its subsidiary Banco Internacional de Mozambique (BIM).

As at 31 March 2022, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 281,902,000 (31 December 2021: Euros 372,708,000), with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 153,871,000 (31 December 2021: negative amount of Euros 162,561,000). BIM's contribution to consolidated net income for the first quarter of 2022, attributable to the shareholders of the Bank, amounts to Euros 16,231,000 (31 March 2021: Euros 10,369,000).

As at 31 March 2022, the subsidiary BIM's exposure to the State of Mozambique and to the Central Bank includes public debt securities denominated in Metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of MZN 66,355,801,000 corresponding to Euros 932,553,000 (31 December 2021: MZN 72,710,220,000 corresponding to Euros 997,397,000) and Financial assets at fair value through other comprehensive income in the gross amount of MZN 3,613,778,000 corresponding to Euros 50,787,000 (31 December 2021: MZN 4,359,808,000 corresponding to Euros 59,805,000).

As at 31 March 2022, the Group has also registered in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of MZN 19,778,279,000 corresponding to Euros 277,961,000 (31 December 2021: MZN 20,380,268,000 corresponding to Euros 279,567,000) and in the balance Guarantees granted revocable and irrevocable commitments, an amount of MZN 4.056.996.000,000 corresponding to Euros 57,126,000 (31 December 2021: MZN 6,318,155,000 corresponding to Euros 86,904,000).

50. Contingent liabilities and other commitments

In accordance with accounting policy 1.U3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority ("PCA") initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ("BCP" or "Bank") and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between Portuguese banks.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections ("SO") in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in a commercially sensitive information exchange between other fourteen banks related to retail credit products, namely housing, consumer and small and medium enterprises credit products. The notification of a statement of objections does not constitute a final decision in relation to the accusation of the PCA.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court ("Competition Court") on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the Authority – for several months, the PCA denied the Defendant' right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the statement of objections. A non-confidential version of the Bank's defense was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017 (although without the presence of BCP's legal representatives).

In May 2018, the PCA refused the Bank's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018, the PCA notified the Bank of its intention to deny the application for confidential treatment of some of the information included in the Bank's defence; subsequently, in January 2019, it requested BCP to provide summaries for the co-defendants' confidential information. The Bank filed an appeal before the Competition Court, which ruled in favor of BCP, as it considered that the elaboration by the Bank of summaries for its co-defendants' confidential information an illegitimate burden.

In April 2019, at the PCA's request, BCP declared to be in favor of the re-examination of its witnesses, requested in its defense and previously held. The witnesses were re-inquired on 16-17 April 2019 with the presence of the Bank's legal representatives.

The PCA denied the request of BCP to be allowed to conduct cross-examination of the witnesses appointed by its co-defendants. The Bank appealed to the Competition Court, which denied the appeal, through a decision which was latter upheld by the Lisbon Court of Appeal. BCP then lodged an appeal before the Portuguese Constitutional Court for breach of the constitutional right of defence. The Constitutional Court dismissed the appeal on 29 April 2021, on the grounds that the requested cross-examination was not required by the Portuguese Constitution, at that stage of the proceedings. On 12 August 2020, the Bank lodged a complaint before the European Court of Human Rights on this matter, which is still pending.

On 2 July 2019, the Bank submitted its observations to the PCA's report on complementary evidence measures.

On 3 June 2019, BCP was notified of the partial dismissal of the complementary evidence measures it had requested in its reply to the SO, which it judicially contested on 13 June 2019. By judgment of 26 September 2019, the Competition Court declared the nullity of the PCA's decision, for breach of the right of the parties to be heard on the PCA's draft decision. The Bank appealed to the Lisbon Court of Appeal in what concerned the limitation by the Competition Court of the effects of the nullity declaration of the PCA's decision. Although this appeal was ultimately admitted by the panel of judges of the Lisbon Court of Appeal, it ends up being denied.

In order to give compliance to BCP's right to be heard, the PCA notified the Bank of its intention to reject the above-mentioned complementary evidence measures. Following BCP's observations in November 2019, the PCA adopted its final decision rejecting the measures, which was judicially contested by the Bank in December 2019. In March 2020, the Competition Court rejected the appeal. This judgment was upheld by the Lisbon Court of Appeal in October 2020.

On 9 September 2019, the PCA adopted its final decision in this proceeding, fining the BCP in a Euros 60 million fine for its alleged participation in an information exchange system with its competitors in the housing, consumer and SME credit segments. The Bank considers that the Decision contains serious factual and legal errors, having, on 21 October 2019, filed an appeal before the Competition Court requesting the annulation of the Decision and the suspensory effect of the appeal. On 8 May 2020, BCP's appeal was admitted. On 8 June 2020, the Bank submitted a request before the Court, claiming that the rule according to which appeals do not have, in principle, suspensory effect violates the Portuguese Constitution, submitting elements aimed at demonstrating considerable harm in the advance provisional payment of the fine, and offering a guarantee in lieu (indicating the respective percentage of the fine to be offered as a guarantee). On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between the PCA and the defendant banks, including BCP, as to the dosimetry (i.e., 50% of the amount of the fine) and the forms of the guarantee to be provided, in order for the appeal of the PCA's decision to have suspensory effect. On 21 December 2020, BCP submitted a bank guarantee issued by the BCP, which was accepted by the Competition Court. On 1 March 2021, the Competition Court notified BCP that the guarantee had been presented in a timely manner and in the agreed form, and, as a result, attributed suspensory effect to the appeal. By order of 20 March 2021, the Competition Court lifted the judicial secrecy and informed the appellants that the trial would, in principle, start in September 2021.

On 9 July 2020, the Bank requested the Court to declare the nullity of the fining decision of the PCA for failure to assess the economic and legal context, as determined by the recent case-law of the Court of Justice of the European Union. The Competition Court clarified that this and other prior questions would not be assessed before the hearing phase.

On 13 January 2021, BCP was notified of an application submitted by "Associação Ius Omnibus – Nova Associação de Consumidores" to the Competition Court asking it to have access to a non-confidential version of the file, based on the need to assert the "rights to indemnification of the consumers whose rights and interests it represents, and the possible exercise and proof of those rights in the context of an action for damages". On the same date, BCP was notified by the Competition Court of its decision authorizing the news agency "Lusa" to access the file of the administrative phase of the case. BCP appeal of this decision to the Appeal Court of Lisbon, on 25 January 2021 and opposed to the request of "Ius Omnibus" on 2 February 2021.

On 20 March 2021, the Competition Court determined: (i) the lifting of the judicial secrecy; (ii) the forwarding to the Public Prosecutor of the appeal of BCP against the decision of the Competition Court relating to "Lusa", for reply; (iii) the provisional start date of the judgement hearing on September 2021, having requested suggestions by the co-appellants for venues.

By decision of 9 April 2021 of the Competition Court, a preparatory hearing took place on 30 April 2021 for discussion of issues precedent to the begging of the judgment hearings, in which the procedures relating to the treatment of confidential information of the co-appellants in the appeals was defined, as well as the conditions relating to access to file. The Competition Court also set forth preliminary dates for the judgement hearing and scheduled a preparatory hearing for 7 July 2021.

On 28 June 2021, BCP was notified by the Competition Court to reply to the requests submitted by some of the co-appellants and confirm that all confidential information had been duly eliminated from non-confidential versions submitted by each co-appellant. The Competition Court also determined that the hearing of 7 July 2021 was cancelled and its object would be transferred to the next hearing date (6 September 2021).

On 8 July 2021, BCP presented its reply to the notification of 28 June 2021, having also requested confirmation in relation to the scheduling of the judgement hearing, namely confirmation that the preparatory hearing will take place on 6 September 2021 and that the judgement hearing will be initiated at as of the pre-scheduled date of 8 September 2021.

On 6 September 2021, the preparatory session of the trial in the Competition, Regulation and Supervision Court took place. The trial, which takes place in Santarém, began on 6 October 2021.

Several representatives of the banks raised the question of the possible unconstitutionality of the seizure proceedings of e-mail messages used as evidence in the PCA's decision, which objection appeal will now take place. This issue was raised bearing in mind the recent Decision of the Constitutional Court no. 687/2021 on the administrative offence case no. 225/15.4YUSTR-W. A petition on this matter was filed with the Court on 20 October 2021, requesting the Court to take a position on the matter before the beginning of the trial.

On 28 April 2022, TCRS handed down a sentence under the scope of Proc. 225/15.4YUSTR-W, regarding the appeal to challenge the decision of the Portuguese Competition Authority of September 2019 (PRC/2012/09), which imposed fines on a number of banking institutions for alleged violation of competition rules in virtue of participating in a process of exchanging information on mortgage loans, consumer credit and credit to SMEs.

In this extensive judgement, TCRS lists the facts given as proven, bearing in mind the testimonial evidence produced and the documents attached to the case file, both in the administrative phase and in the trial, however, at this stage, the TCRS does not yet conclude by the legal framework of the facts as proven, nor, consequently, by the imposition of fines, having the TCRS instead chosen to make the reference for a preliminary ruling to the Court of Justice of the European Union (CJEU) in order to answer two questions that it sets out, requesting that this reference follows further terms in the form of an accelerated procedure, taking into account the risk of prescription. It should be noted that it is not up to the CJEU to adjudicate on the case, but only to interpret the rules of community law by answering in abstract to the questions submitted to it by the referring court.

This reference for a preliminary ruling had already been requested by BCP and by other institutions involved in this case. Until the CJEU decides, the case is suspended. TCRS also decided that the limitation period would be suspended, invoking certain legal provisions for this purpose, given that it seems that this decision lacks legal support.

2. On 3 January 2018, Bank Millennium S.A. (Bank Millennium) was notified of the decision of the Chairman of the Office for Protection of Competition and Consumers (OPCC Chairman), in which the OPCC Chairman found infringement by Bank Millennium of the rights of consumers. In the opinion of the OPCC Chairman, the essence of the violation is that Bank Millennium informed consumers (regarding 78 agreements), in response to their complaints, that the court verdict stating the abusiveness of the loan agreements' clauses regarding exchange rates did not apply to them. According to the position of the OPCC Chairman, the existence of clauses considered abusive by the court, during the abstract control of its lawfulness, is constitutive and effective for every agreement from the beginning.

As a result of the decision, Bank Millennium was obliged to:

1. send information about the UOKIK's decision to the 78 clients mentioned;

2. place information about the decision and the text of the decision on its website and on Twitter;

3. pay a fine amounting to PLN 20.7 million (Euros 4.46 million).

Bank Millennium filed an appeal within the statutory time limit.

On 7 January 2020, the court of first instance dismissed Bank Millennium's appeal in its entirety. Bank Millennium appealed against this judgment within the statutory deadline. The court presented the view that the judgment issued in the course of control of a contractual template (in the course of abstract control), recognizing the provisions of the template as abusive, determines the existence of provisions of similar nature in previously concluded agreements. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by OPCC, the court pointed out that the policy of imposing penalties by the Office had changed in the direction of tightening penalties and that the court agrees with this direction.

According to Bank Millennium's assessment, the court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the OPCC Chairman was published), nor should it impose penalties for these behaviours using current policy. This constitutes a significant argument against the validity of the judgment and supports the appeal which Bank Millennium submitted to the court of second instance. The second instance court, in its judgment of 24 February 2022, completely revoked the decision of the OPCC Chairman. The OPCC Chairman may file a cassation appeal against the judgment.

In addition, Bank Millennium, alongside other banks, takes part in a litigation brought by OPCC, in which the OPCC Chairman considers there were anti-competitive practices in the form of an agreement aimed at setting interchange fee rates charged on transactions made with Visa and Mastercard cards. On 29 December 2006, a fine was imposed on Bank Millennium in the amount of PLN 12.2 million (Euros 2.63 million). Bank Millennium, alongside the other banks, appealed this decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of 23 November 2020, the case is currently pending before the court of first instance – the Court of Competition and Consumer Protection. Bank Millennium has created a provision in the same amount of the penalty imposed.

3. On 22 September 2020, Bank Millennium was notified of the decision from the Chairman of the Office for Protection of Competition and Consumers (OPCC), considering clauses that stipulated exchange rate setting principles, applied in the so-called anti-spread annex, as abusive, having forbidden their use.

A penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.26 million), the setting of which took into account two mitigating circumstances: Bank Millennium's cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of the provisions in question.

Bank Millennium was also requested, after the decision becomes final and binding, to inform consumers, by registered mail, that the said clauses were deemed to be abusive and, therefore, not binding upon them (without need to obtain the court's decision confirming this circumstance) and publish the decision on the case on Bank Millennium's website.

In the decision's justification, delivered in writing, the OPCC's Chairman stated that FX rates determined by Bank Millennium were discretely calculated by the bank (on the basis of a concept, not specified in any regulations, of an average interbank market rate). Moreover, the client had no precise knowledge of where to look for said rates since the provision referred to Reuters, without precisely defining the website where they could be located. Provisions relating to FX rates in Bank Millennium's tables were challenged since it failed to define when and how many times a day these tables were prepared and published.

In justification of the decision, the OPCC's Chairman also indicated that, in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC's Chairman deemed to be insufficient.

The decision is not final and binding. Bank Millennium appealed against the decision within the statutory term. On 31 March 2022, the first instance court revoked the entire decision of the Chairman of the OPCC. The Chairman of the OPCC may appeal against the judgement. Bank Millennium believes that the chances for it to win the case are positive.

4. As at 31 March 2022, Bank Millennium is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, Bank Millennium was sued jointly with another bank, and in the third one with another bank and card issuing organizations.

The total amount of the claims deduced in these cases is PLN 729.6 million (Euros 157.37 million). The proceeding with the highest value was submitted by PKN Orlen, S.A., in which this plaintiff demands payment of PLN 635.7 million (Euros 137.12 million). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market, by jointly setting the level of the national interchange fee during the years 2006-2014. In the other two cases, the charges are similar with those raised in the case brought by PKN Orlen, S.A., while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision.

In addition, it should be noted that Bank Millennium participates as an intervener in four other proceedings regarding the interchange fee. Other banks are the defendants. Plaintiffs in these cases also accuse the banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee during the years 2008-2014.

On 5 April 2016, Bank Millennium was notified of a case brought by Europejska Fundacja Współpracy Polsko-Belgijskiej/ European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium, with the worth of the dispute of PLN 521.9 million (Euros 112.57 million), with statutory interest from 5 April 2016 until the day of payment.

The plaintiff filed the lawsuit on 23 October 2015 in the Regional Court in Warsaw; Bank Millennium was notified of the lawsuit only on 4 April 2016. According to the plaintiff, the fundamentals for the claim deduced in this lawsuit is the damage caused to its assets due to actions taken by Bank Millennium, consisting in the incorrect interpretation of the agreement for a working capital loan between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand.

In the lawsuit filed by EFWP-B, the plaintiff set its claim for the amount of PLN 250 million (Euros 53.92 million). On 5 September 2016 the Court of Appeal dismissed this claim. Bank Millennium requested for the total dismissal of this lawsuit, having presented to the Court, in order to support this request, the final decision rendered by the Wrocław Court of Appeal, decision which was favourable to Bank Millennium in the lawsuit filed by PCZ S.A. against Bank Millennium.

Currently, the court of first instance is conducting evidence proceedings.

As at 31 March 2022, the total value of the other litigations in which the Group appeared as defendant stood at PLN 2,651 million (Euros 571.80 million) (excluding the class actions described in note 51. Provisions for legal risk related to foreign currency-indexed mortgage loans). In this group, the most important category are cases related with foreign currency-indexed mortgage loans portfolio and cases related to forward transactions (option cases).

5. On 3 December 2015, a class action against Bank Millennium was filed by a group of Bank Millennium's debtors (454 borrowers, who are party to 275 loan agreements), which is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.75 million), claiming that the clauses of the agreements of the low-down payment insurance, pertaining to CHF-indexed mortgage loans, are unfair and, thus, not binding. The plaintiff extended the group in the court letter filed on 4 April 2018 and, consequently, the claims increased from PLN 3.5 million (Euros 0.75 million) to over PLN 5 million (Euros 1.08 million).

On 1 October 2018, the group's representative corrected the total amount of claims subject in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (Euros 1,589,902.92).

By the resolution of 1 April 2020, the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing and called on the parties to submit questions to the witnesses. Bank Millennium submitted a pleading with questions to witnesses in July 2020. By the court's decision of 9 September 2021, the court called the witnesses to testify in writing. Witnesses will have two months for this operation from the service of the summons. In this case, the date of the hearing can also be expected - approximately - in the first half of 2022. However, it should be noted that the above forecast is conditioned by the result of the assessment of the impact of the latest amendments to the Code of Civil Procedure on group proceedings. In the event of difficulties with resolving doubts that have arisen as to which composition of the courts should currently conduct these proceedings (one-person composition or, as before, three-person composition), it may be necessary to clarify this issue by the Supreme Court in the form of a resolution, which will mean that the date of the hearing should be expected even at the end of 2022.

As at 31 March 2022, there are also 297 individual court cases regarding loan-to-value (LTV) insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

6. On 13 August 2020, Bank Millennium received a lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands Bank Millennium and the insurance company TU Europa to be ordered to cease the following market practices that it considers to be unfair:

a) presenting the offered loan repayment insurance as protecting interests of the insured in a case where the insurance structure indicates that it protects Bank Millennium's interests;

b) use of clauses linking the value of insurance benefit with the amount of borrower's debt;

c) use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);

d) use of clauses excluding insurer's liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires Bank Millennium to publish, on its website, information on use of unfair market practices. The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive, it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance.

7. On 1 October 2015, a set of entities connected to a group with debts in default to BCP amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against BCP, after receiving the Bank's notice for mandatory payment, a lawsuit requesting that:

a) the court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares, since they acted pursuant to a request made by the Bank for the making of the respective purchases, and also that the court orders the cancellation of the registration of those shares in the name of those companies;

b) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;

c) the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to refund them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;

d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;

e) the Bank opposed and presented a counter claim, wherein it requests the conviction, namely, of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The court issued a curative act and already ascertained the factual basis that are proven and that must be proven.

The expertise was carried out and the expert report submitted. There is a time limit for parties to complain or to request clarifications to the presented expert report.

8. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Decree-law no. 298/92, of 31 December 1992, as amended (the “Banking Law”), which entailed, *inter alia*, the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by Banco de Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder. Further, in accordance with information published on the Resolution Fund’s website, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the Portuguese State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the liabilities emerging from the “*eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies*”.

On 7 July 2016, the Resolution Fund declared that it would analyze and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. These lists detail that the total acknowledged credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, and no guaranteed or privileged claims exist. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined upon the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 19 of the Resolution Fund's annual report of 2020, *"Legal actions related to the application of resolution measures have no legal precedents, which makes it impossible to use case law in its evaluation, as well as to obtain a reliable estimate of the associated contingent financial impact. (…) The Board of Directors, supported by legal advice of the attorneys for Novo Banco in these actions, and in light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure".*

Also according to note 20 of the Resolution Fund's annual report of 2020, *"In addition to the Portuguese courts, it is important to take into account the litigation of Novo Banco, S.A., in other jurisdictions, being noteworthy, for its materiality and respective procedural stage, the litigation in the Spanish jurisdiction. (...) Regarding litigation in the Spanish jurisdiction, during the years 2018 to 2020, two (decisions) have become final and unappealable (...) condemning Novo Banco, and in relation to which due compensation has been requested from the Resolution Fund, and the grounds for their enforceability are being analyzed".*

On 31 March 2017, Banco de Portugal communicated the sale of Novo Banco, where it states the following: *"Banco de Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital".*

The terms agreed also included a Contingent Capital Agreement (CCA), under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, Banco de Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of BES.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the Portuguese State that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion(1) that revealed significant uncertainties regarding adequacy in provisioning(2):

(i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions(1)(2)(3);

(ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the CCA is subject to the cap of Euros 3.89 billion(2);

(iii) in case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the Portuguese State will provide additional capital in certain conditions and through different instruments(2). According to the press in May 2021, the amount of this recapitalization could reach Euros 1,6 billion, while it is not clear if this will be financed through the Resolution Fund or the Portuguese State.

(1) Exact value not disclosed by the European Commission for confidentiality reasons

(2) As referred to in the respective European Commission Decision

(3) According to 2018 Novo Banco's earnings institutional presentation, the "minimum capital condition" is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first three years (2017-2019); (ii) CET1 < 12%

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible for clarifying any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the CCA or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets. According to the 2020 Resolution Fund's annual report, the Resolution Fund follows the work carried out by the Verification Agent, while specific analyses are being requested.

In its 2020 annual report, the Resolution Fund states that "*Regarding future periods, a significant uncertainty as to the relevant parameters for the calculation of future liabilities is deemed to exist, either for their increase or reduction, under the terms of the CCA*".

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the CCA was, as of 30 June 2016, Euros 7,838 million (book value of the associated assets, net of impairments);

- The value of the portfolio, as at 30 June 2021, amounted to approximately Euros 2 billion (book value, net of impairments), according to Novo Banco's 1st Half 2021 report.

According to a notice issued by the Resolution Fund on 4 June 2020, the *"Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the CCA, of the effects of Novo Banco's decision to waive the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the CCA, which sets the maximum amount of payments to be made by the Resolution Fund at Euro 3,890 million. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of Euros 3,890 million in accordance with the CCA. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of Euros 3,890 million"*.

According to a statement issued by the Resolution Fund on 2 November 2021, the final judgment of the Arbitration Court constituted within the International Chamber of Commerce of Paris was favourable to the Resolution Fund regarding the transitional regime of the introduction of IFRS 9. The value of the dispute at the time of the judgment amounted to 169 million euros, an amount that the Resolution Fund would have had to pay to Novo Banco had the Arbitration Court's judgment not been in its favour.

According to Novo Banco's statement disclosed on 3 November 2021, *"Novo Banco is reviewing"* the Arbitration Court's decision.

In a separate notice dated 16 June 2020, the Resolution Fund clarifies that *"the Resolution Fund has also provided the Budget and Finance Committee of the Portuguese Parliament, in writing, with all the clarifications on its decision to deduct from the amount calculated under the CCA, the amount related to the variable remuneration attributed to the members of the Executive Board of Directors of Novo Banco"*.

In accordance with Novo Banco's 1st Half 2021 report, *"In the financial year of 2020, the caption reserves registered in the responsibility of the Resolution Fund amounting to Euros 598.312 thousand relating to the Contingent Capital Agreement. The amount is accounted for under other reserves and it results at each balance sheet date of the incurred losses and of the regulatory ratios in force at the moment of its determination. In June 2021, regarding the year 2020, the amount of Euros 317.013 thousand was paid. The difference results from divergences between Novo Banco and the Resolution Fund regarding (i) the provision for discontinued operations in Spain, (ii) valuation of participation units and (iii) interest rate risk hedge accounting policy, leading to a limitation on immediate access to this amount, which despite being recorded as receivables, the bank deducted at 30 June 2021 the amount of 277.442 thousand from the calculation of regulatory capital. Novo Banco considers the amount of 277.442 thousand as due under the Contingent Capitalization Mechanism and the legal and contractual mechanisms at its disposal are being triggered in order to ensure their receipt. Additionally, it was also deducted the amount of variable remuneration to the Executive Board of Directors related to the year-end of 2019 and 2020 (Euros 3.857 thousand)"*.

According to a statement by the Resolution Fund on 3 September 2020, following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the CCA, a special audit determined by the Government was carried out. Information was presented by the independent entity that carried out the special audit, showing that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in BES, which resulted in impairment charges and provisions, but have also contributed to rendering Novo Banco's internal procedures more robust. Regarding the exercise of the powers of the Resolution Fund under the CCA, the audit results reflect the adequacy of the principles and the adopted criteria.

Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, according to which the Portuguese State may become Novo Banco's shareholder, if the Resolution Fund does not exercise its right to acquire the conversion rights attributed to the Portuguese State. According to the Resolution Fund's 2020 annual report, under the terms of the Sale and Subscription Agreement of 17 October 2017 for the sale of 75% of the share capital of Novo Banco to Lone Star, the effect of the dilution associated with the Special Regime applicable to deferred tax assets shall exclusively affect the Resolution Fund's stake.

Novo Banco announced on 15 December 2021 a capital increase arising from the conversion of rights relating to 2015 fiscal year, which were issued under the special regime applicable to deferred tax assets (4). This capital increase included the incorporation of reserves in the amount of Euros 154,907,314 through the issuance of 154,907,314 new shares representing 1.56% of its share capital and which were attributed to the Portuguese State in accordance with the abovementioned regime. With this capital increase and as per agreement between the Resolution Fund and the shareholder Lone Star in the context of the sale of the 75% share capital of Novo Banco, only the Resolution Fund will be diluted.

Regarding the tax credits relating to the periods of 2015 (whose conversion rights were exercised), 2016 and 2017, it was estimated that the Portuguese State would hold, according to the 2020 Annual Report of the Resolution Fund, a number of ordinary shares representing a cumulative percentage of 5.69% of the share capital of Novo Banco, with the consequent direct dilution of the stake held by the Resolution Fund (estimated at 1.4 p.p.) plus the indirect effects (4.3 p.p.) driven by the contractual obligation that only the share capital of the Resolution fund will be diluted under the special regime applicable to deferred tax assets.

Also, according to the 2020 Resolution Fund's Annual Report, *"the processes of conversion of deferred tax assets into tax credits are in progress, with reference to the periods of 2018, 2019 and 2020. The effect of this additional dilution may correspond to 10.6 p.p., in addition to the aggregate reduction of 5.7 p.p. already mentioned. In view of the above, and although an agreement was signed on 31 May 2021 clarifying the necessary procedures for the shareholding held by Nani Holdings in Novo Banco not to be reduced due to the capital increase resulting from the conversion of the conversion rights held by the State, at the current date the conditions are not yet met for a decision to be taken regarding the exercise of the option right, nor is there available information to reliably estimate the financial effect arising from the contractual liability assumed by the Resolution Fund, in the context of the sale transaction of Novo Banco, in October 2017, to ensure the maintenance of Lone Star's percentage interest in Novo Banco"*.

According to Novo Banco's website, the new shareholding structure of Novo Banco is the following: Nani Holdings S.G.P.S, S.A 75%, Fundo de Resolução 23.44% and Direção-Geral do Tesouro e Finanças 1.56%.

(4) Announcement "Novo Banco, S.A. informs on capital increase", published by Novo Banco, S.A. on 15 December 2021.

On 3 May 2021, following the request of the Portuguese parliament in October 2020 to review the operations and management of Novo Banco that led to the need to transfer funds from the Resolution Fund to Novo Banco, the Resolution Fund announced that the audit report conducted by Tribunal de Contas ("Court of Auditors") was released. The Court of Auditors concluded that the public financing of Novo Banco through the CCA contributed to the stability of the financial system, particularly as it avoided the bank's liquidation and reduced systemic risk. According to the Resolution Fund, the audit does not identify any impediment to the fulfilment of commitments and contracts arising from BES's resolution process, initiated in August 2014.

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

On 19 December 2015, the Board of Directors of Banco de Portugal announced that Banif *"was failing or likely to fail"* and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved State aid, of which Euros 489 million were provided by the Resolution Fund, which was funded by a loan granted by the State.

According to the Resolution Fund's 2020 annual report, *"the outstanding debt related to the amount made available by the State to finance the absorption of Banif's losses, following the resolution measure applied by Banco de Portugal to that entity [amounts to] Euros 352,880 thousand"*. This partial early repayment of Euros 136 million corresponds to the revenue of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism which was not transferred to the Single Resolution Fund and which will be paid to the Single Resolution Fund by the credit institutions that are covered by this scheme over a period of 8 years starting in 2016 (according to the Resolution Fund's 2016 annual report).

The Resolution Fund's annual report of 2020 also states that *"considering the information provided by Oitante's Board of Directors, concerning the activity carried out in 2020, the guarantee provided by the Resolution Fund is not expected to be activated"*.

According to Oitante's press release on 12 January 2022, *"during 2021, it repaid Euros 160.5 million related to its bond loan of Euros 746 million, contracted when it was created on 20 December 2015 due to the resolution of Banif. Total repayments have reached Euros 707 million, which represents a reduction of 94.8% in relation to the initial value of the bond, which ends December 2025., (...). The Company intends to repay the total amount until year-end.*

On 12 January 2021, Banco de Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif's resolution measures applied by Banco de Portugal. In its decision, the Court determined the legality and maintenance of Banco de Portugal's measures.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif, the Resolution Fund incurred on loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2020, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif's losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the CCA (Euros 430 million plus Euros 850 million of additional funding requested in 2019 and Euros 850 million made available in 2020);

- Other funding granted:

- in 2014 by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;

- in 2021 by seven domestic credit institutions, including BCP, to finance payments due under the CCA up to a maximum of EUR 475 million;

- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million. This underwriting did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to secure the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;

- CCA allows Lone Star to claim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3.89 billion under the aforementioned conditions, among which a reduction of Novo Banco's CET1 below 8%-13%;

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

According to note 20 of the Resolution Fund's 2020 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in August 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and bank loans to the Resolution Fund, required from to maintain the contributory effort required from the banking sector at prevailing levels at that time.

According to the statement of the Resolution Fund of 21 March 2017:

- *"The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif - Banco Internacional do Funchal, S.A. were changed. These loans amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 700 million were granted by a group of banks"*;

- *"Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The revision of the loan's terms aimed to ensure the sustainability and financial balance of the Resolution Fund. The terms allow the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions"*.

According to a statement issued by the Resolution Fund on 31 December 2021, the Euros 700 million loan to the Resolution Fund was provided by seven credit institutions (Caixa Geral de Depósitos, Banco Comercial Português, Banco BPI, Banco Santander Totta, Caixa Económica, Montepio Geral, Banco BIC Português and Caixa Central de Crédito Agrícola Mútuo).

On 2 October 2017, by Resolution no. 151-A/2017, of the Council of Ministers of the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when the State deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. The above-mentioned resolution further set out that the framework agreement should be subject to a time period that is consistent with the undertakings of the Resolution Fund and should preserve the Resolution Fund's capacity to satisfy said obligations in due time.

On 31 December 2020, the Resolution Fund's own resources had a negative equity of Euros 7,315 million, as opposed to Euros 7,021 million at the end of 2019, according to the latest 2020 annual report of the Resolution Fund.

To repay the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (created under Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to satisfy its obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the Banking Law, the Bank has been paying, since 2013, its mandatory contributions set out in the aforementioned decree-law.

On 3 November 2015, the Banco de Portugal issued Circular Letter no. 085/2015/DES, under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law no. 24/2013, of 19 February, thus the Bank is recognising as an expense the contribution to the Resolution Fund in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: *"...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the potential collection of a special contribution appears to be unlikely"*.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group made an initial contribution in the amount of Euros 31,364 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Group in the financial year of 2021 to the Single Resolution Fund was Euros 24,563 thousand, of which the Group delivered Euros 20,886 thousand and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

Decree-Law no. 24/2013 of 19 February further sets out that Banco de Portugal has the authority to determine, by way of instruction ("instrução"), the applicable yearly rate based on objective incidence of periodic contributions. The instruction of Banco de Portugal no. 22/2021, published on 15 December 2021, set the base rate for 2022 for the determination of periodic contributions to the Resolution Fund at 0.057% (0.06% in 2021).

During the financial year of 2021, the Group made regular contributions to the Resolution Fund in the amount of Euros 16,953 thousand. The amount related to the contribution on the banking sector, registered during the financial year of 2021, was Euros 39,286 thousand. These contributions were recognized as a cost in the financial year of 2021, in accordance with IFRIC no. 21 – Levies.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including "processo dos lesados do BES"; and (v) the guarantee provided to secure the bonds issued by Oitante (in this case, the trigger mentioned is not expected in accordance to the most recent information communicated by the Resolution Fund in its 2020 annual accounts).

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the member of the Government responsible for finance a proposal with respect to the determination of amounts, time limits, payment methods, and any other terms related to the special contributions to be made by the institutions participating in the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund's 2020 annual report, under note 8, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the Banking Act, although no such contributions are expected, in particular after a review of the financing conditions of the Resolution Fund"*.

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the CCA of Novo Banco.

According to Resolution no. 63-A/2021 of 27 May 2021 of the Council of Ministers, a number of national financial institutions offered to finance the Resolution Fund, under conditions considered as appropriate by it, increasing up to Euros 475 million the direct financing of banks to the Resolution Fund and waiving a Portuguese State loan to the Resolution Fund. The funding costs of the Resolution Fund (from the State and from banks) will continue to be exclusively borne by periodic revenues, corresponding to the contributions paid by the banking sector. The payment obligations arising from this loan benefit from a *pari passu* treatment with the payment obligations of the loans entered into with the Portuguese State on 7 August 2014 and 31 December 2015 and with the Portuguese credit institutions on 28 August 2014.

On 4 June 2021, the Resolution Fund made a payment of Euros 317,012,629 associated to the 2020 financial accounts to Novo Banco under the CCA. This payment follows Novo Banco's request, on 7 April 2021, of Euros 598,311,568.

The Resolution Fund considered that an adjustment in the amount of Euros 169,298,939 is due to the amount requested by Novo Banco, and therefore the amount calculated by the Resolution Fund for payment to Novo Banco is Euros 429,012,629.

According to a statement issued by the Resolution Fund on 23 December 2021, the procedure related to the payment to Novo Banco regarding the 2020 accounts has been concluded. From the analyses carried out by the Resolution Fund, it was concluded that the Resolution Fund owes Novo Banco the payment of Euros 112 million, which was pending further verification in June 2021. The payment was made on 23 December 2021, an amount that had already been provisioned, included in the total amount of the provision of (Euros 429,012,629).

According to Novo Banco's 2021 earnings press release, the amount of compensation to be requested by Novo Banco with reference to 2021 is EUR 209.2 million, taking into account the losses incurred in the assets covered by the CCA, as well as the minimum capital condition applicable at the end of the same year under the CCA.

According to Novo Banco's nine month 2021 earnings report, the total amount of Euros 277.4 million (discontinued operations in Spain, valuation of participation units and interest rate risk hedge) are due under the CCA, and the Bank is triggering the legal and contractual mechanisms at its disposal to ensure the receipt of these amounts.

The payment to Novo Banco was fully funded with resources from a loan from seven domestic credit institutions, including BCP, to finance payments that are due under the aforementioned contingent capitalization mechanism, up to a maximum amount of Euros 475 million. The loan matures in 2046 and bears interest at a rate corresponding to the sovereign cost of funding for the period between the contract date (31 May 2021) and 31 December 2026, plus a margin of 15 b.p. The interest rate will be reviewed on 31 December 2026 and, after that, every five-years, corresponding to the sovereign five-year funding cost, plus a margin of 15 b.p.

The budgetary amendment necessary to make the payment by the Resolution Fund was authorised by Order of the Minister of State and Finance dated 31 May 2021.

The expectation of the Resolution Fund is that, except for what may eventually result from the pending arbitration disputes with Novo Banco, no further payments will occur under the CCA. On the other hand, the value of payments already made may be compensated, under the terms of the contracts, by the eventual recovery of credits that may occur, to which the value of the shareholding of the Resolution Fund in Novo Banco must be added.

9. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Bank of Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3,9 billion, under determined circumstances. In the proceedings, the claimants request the declaration of nullity or annulment of those acts.

The proceedings were filed based on the information contained in the Communication from Bank of Portugal dated 31 March 2017, of which the claimants were not notified. The proceedings were filed in court on 4 September 2017. Bank of Portugal and the Resolution Fund presented their arguments and, only very recently, Nani Holdings SGPS, S.A. did the same since, by delay of the court, this company was only very recently notified to act as a party in the proceedings.

In addition to opposing to it, the defendants invoke three objections (i) the illegitimacy of the claimants, (ii) the argument that the act performed by Bank of Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent party invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The claimants replied to the arguments presented by the defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Bank of Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but most of the documents delivered were truncated in such a way that neither the court nor the claimants are able to obtain adequate knowledge thereof. That issue was already raised in the proceedings (requesting the court to order Bank of Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings are prepared for confirmation of the decision accepting the formalities of the right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation order to request the claimants identify it. Afterwards, that Bank will be notified to present its opposition arguments.

The case was sent to the judge on 23 September 2019 and the Bank is awaiting a decision. BCP added legal opinions to the records (Professors Mário Aroso de Almeida and Manuel Fontaine de Campos).

10. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, Group Banco Comercial Português implemented a process of salary adjustment for a temporary period. Additionally, it was agreed between the Bank and the Unions that, in the years after the State intervention and if there are distributable profits, the Board of Directors and the Executive Committee would submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement.

At the General Meeting of 20 May 2020, following the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2019 was approved, which includes an extraordinary distribution to each employee up to Euros 1,000 who, having not been fully compensated with the distribution of profits occurred in 2019, remains employed on the date of payment of the remuneration corresponding to June 2020, up to a maximum global amount of Euros 5,281,000.

11. The Bank was subject to tax inspections for the years up to 2018. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred regarding IRC, including in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) deduction *pro rata* used for the purpose of determining the amount of deductible VAT. Most of additional liquidations/corrections made by the tax administration were the object of contestation by administrative and/or judicial means.

The Bank recorded provisions or deferred tax liabilities at the amount considered sufficient to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

51. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Court claims and current provisions for legal risk

As at 31 March 2022, Bank Millennium had 12,528 loan agreements and, additionally, 1,010 loan agreements from former Euro Bank, S.A. (91% loan agreements before the court of first instance and 9% loan agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by Bank Millennium against clients, i.e., debt collection cases) concerning indexation clauses of FX-indexed mortgage loans, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 1,849.7 million (Euros 398.97 million) and CHF 142.7 million (Euros 139.45 million) [Bank Millennium portfolio: PLN 1,696.3 million (Euros 365.88 million) and CHF 140.1 million (Euros 136.90 million); former Euro Bank, S.A. portfolio: PLN 153.4 million (Euros 33.09 million) and CHF 2.6 million (Euros 2.54 million)].

The claims deduced by the clients in individual cases refer mainly to the declaration of nullity of the contract and the obligation to reimburse, due to the alleged abusive nature of the indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

In addition, Bank Millennium is a party to a group proceeding (class action) which aims to determine Bank Millennium's liability towards the group members based on alleged unjust enrichment (undue benefit) in connection with FX-indexed mortgage loans. It is not a lawsuit requesting the payment of a certain amount of indemnity. The judgment that may be issued in this case, if unfavourable to Bank Millennium, will not grant per se any credit rights required by the group members of this class action. The number of loan agreements covered by these proceedings is 3,281. At the current stage, the composition of the group members of this class action has been established and confirmed by the court. On 2 February 2022 the court dismissed Bank Millennium’s evidentiary motions regarding witnesses, court-appointed experts, private expert reports, as well as part of the documents submitted by Bank Millennium, and ordered the parties to submit in writing their final positions in the case prior to issuing the judgment in a closed hearing. The judgment has not been issued yet.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,981 individual claims were filed against Bank Millennium (in addition, 236 against former Euro Bank, S.A.), in 2020 the number increased by 3,004 (of which 265 relative to Euro Bank) while in 2021 the number increased by 6,151 (of which 420 relative to Euro Bank). Regarding the first quarter of 2022, the number increased by 1,568 (of which 101 relative to Euro Bank).

According to the Polish Bank Association (ZBP), data gathered from all banking institutions that granted FX-indexed mortgage loans show that vast majority of lawsuits have obtained a final decision in favour of creditor banks until the year of 2019. However, after the CJEU decision was issued on 3 October 2019, regarding Case C-260/18, this trend has adversely changed and most of those lawsuits have been decided against creditor banks, particularly in first instance proceedings.

As far as Bank Millennium itself is concerned, until 31 March 2022 only 373 cases were finally resolved (333 in claims submitted by clients against Bank Millennium and 40 in claims submitted by Bank Millennium against clients, i.e., debt collection cases). 53% of finalised individual lawsuits against Bank Millennium were favourable for the Bank, including remissions and settlements with plaintiffs. Unfavourable rulings (47%) included both invalidation of loan agreements as well as conversions into PLN+LIBOR. Bank Millennium submits cassation appeals to the Supreme Court against unfavourable for Bank Millennium legally binding verdicts. On the other hand, the statistics of first instance court decisions have been much more unfavourable in recent periods and its number has also increased. In general, Bank Millennium submits appeals against 1st instance negative court rulings.

The outstanding gross balance of the loan agreements under individual court cases and class action against Bank Millennium on 31 March 2022 was PLN 4,731 million (Euros 1,020.45 million) [of which the outstanding amount of the loan agreements under the class action proceeding was PLN 950 million (Euros 204.91 million)].

If all Bank Millennium's loan agreements currently under individual and class action court proceedings would be declared invalid without proper compensation for the use of capital, the pre-tax cost could reach PLN 4,426 million (Euros 954.66 million). Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the first quarter of 2022, Bank Millennium created PLN 451.2 million (Euros 97.41 million) provisions and PLN 48 million (Euros 10.36 million) for former Euro Bank, S.A. originated portfolio. The final level of provisions for the Bank Millennium portfolio at the end of March 2022 was at the level of PLN 3,572.4 million (Euros 770.54 million), and PLN 299.7 million (Euros 64.64 million) for former Euro Bank, S.A. originated portfolio.

The methodology developed by Bank Millennium is based on the following main parameters:

(i) the number of current (including class actions) and potential future court cases that will appear within a specified (three-year) time horizon;

(ii) the amount of Bank Millennium's potential loss in the event of a specific court judgment, for which three negative judgment scenarios were taken into account:

- invalidity of the agreement;
- average NBP;
- PLN + LIBOR.

(iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

(iv) in the case of a loan agreement invalidity scenario, a new component recognized in the methodology, taking legal assessments into consideration, is the calculation of the Bank Millennium's loss taking into account the assignment of a minimum probability of receiving the settlement of a remuneration for the cost of use of capital.

(v) new component recognized in the methodology is the amicable settlement with clients in or out of court. Notwithstanding the Bank Millennium's determination to continue taking all possible actions to protect its interests in courts, the Bank has been open to its customers in order to reach amicable solutions on negotiated terms, case by case, providing favourable conditions for conversion of loans to PLN and/or early repayment (partial or total). As a result of these negotiations the number of active FX-indexed mortgage loans was materially reduced in 2021. As Bank Millennium is still conducting efforts to further signing of agreements which involved some costs, a scenario of further materialization of negotiations was added. However, it should be noted that:

a. negotiations are conducted on a case-by-case basis and can be stopped at any time by Bank Millennium;

b. as the effort was material in 2021, the probability of success may be lower in the future and at the same time, gradually most of the client base has had contact with Bank Millennium regarding potential negotiation of the conversion of the loans to PLN, so Bank Millennium is taking a conservative approach when calculating the potential future impact for the time being.

Legal risk from former Euro Bank, S.A.'s portfolio is fully covered by an Indemnity Agreement established with Société Générale, S.A.

Bank Millennium analysed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against Bank Millennium	PLN 57 million (Euros 12.29 million)
Change in the probability of winning a case	The probability of Bank Millennium winning a case is lower by 1 p.p	PLN 43 million (Euros 9.27 million)
Change in estimated losses for each variant of the judgment	Increase in losses for each variant of the judgment by 1 p.p	PLN 37 million (Euros 7.98 million)

Bank Millennium is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX-indexed mortgage loans decreased by 8,449 in 2021 and 2,281 in the first quarter of 2022 compared to over 47,500 active loans at the end of 2021. Cost incurred in conjunctions with these negotiations totalled PLN 364.3 million (Euros 78.58 million) in 2021 and PLN 123.6 million (Euros 26.66 million) in the first quarter of 2022 and is presented mainly in "Net gains/(losses) from foreign exchange" in the income statement.

Finally, it should also be mentioned that Bank Millennium, as at 31 March 2022, had to maintain additional own funds for the coverage of additional capital requirements related to FX-indexed mortgage portfolio risks (Pillar II FX buffer) in the amount of 2.82 p.p. (2.79 p.p. at the BCP Group level), part of which is allocated to operational/legal risk.

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, responding to the request for a preliminary ruling from District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU regarding the interpretation of European Union Law, is binding to the national judge who proceeded with the preliminary ruling, and this interpretation must be accepted by the other community judges who rule on the application of the same rules.

The referred judgment was based on the interpretation of Article 6 of Directive 93/13, concluding that it must be the following: (i) the national court can declare nullable a loan agreement if the removal of abusive terms detected compromises the subject matter of the agreement; (ii) the effects on the consumer's situation resulting from the annulment of the agreement must be assessed in the light of the existing or foreseeable circumstances at the time of the decision of the dispute, and the will of the consumer is decisive as to whether they wish to maintain the agreement; (iii) Article 6 prevents the integration of gaps in the contract caused by the removal of unfair terms from it solely on the basis of national legislation of a general nature or established customs; and, (iv) Article 6 precludes the maintenance of unfair terms in the contract which, at the time of the decision of the dispute, are objectively favourable to the consumer, in the absence of an express manifestation to that effect by the latter. It can be inferred from this decision that the CJEU considered doubtful the possibility of a loan agreement remaining in force in PLN while interest is calculated in accordance with LIBOR.

The CJEU's judgment applies only to situations where the national court has previously found the contract terms to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a certain contract term can be qualified as abusive in the specific circumstances of the lawsuit.

On 29 April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., in which the CJEU said that:

i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;

ii) the terms of Directive 93/13 must be interpreted as meaning that, first, they do not preclude the national court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by that directive is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. Second, those provisions preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance, which it is for that court to determine;

iii) the consequences of a judicial finding that a term of a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;

iv) it is for the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, to inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On 7 May 2021, the Supreme Court, composed of seven judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

i) an abusive contractual clause (art. 3851 § 1 of the Civil Code of Poland), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively;

ii) if without the ineffective clause the loan agreement cannot be binding, the consumer and the lender may apply for separate claims for reimbursement of all amounts paid to the other part under the loan agreement (art. 410 § 1 in relation to art. 405 of the Civil Code of Poland). The lender may demand the reimbursement of outstanding amounts from the moment the loan agreement becomes permanently ineffective.

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

It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be judged by the national courts within the framework of the disputes considered, which could possibly result in the emergence of new legal interpretations relevant for the assessment of the risks associated with the subject matter of these proceedings. This circumstance justifies the need for constant accompaniment of these matters. Further requests for clarification and ruling addressed to the CJEU and the Supreme Court of Poland with potential impact on the outcome of the court cases have already been and may still be filed.

2. Events that may impact foreign currency-indexed mortgage loans legal risk and related provision

On 29 January 2021, a set of questions was published addressed by the First President of the Supreme Court to the Civil Chamber of the Supreme Court, which may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court was requested to respond to certain requirements related to FX-indexed mortgage agreements: (i) is it permissible to replace - through legal or customary provisions - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of the impossibility of determining the exchange rate of a foreign currency in the indexed/ denominated loan agreement - is it possible to keep the agreement in force in its remaining scope; as well as, (iii) if, in case of invalidity of the CHF loan agreement, the theory of equity would be applicable (i.e., does a single claim arise which is equal to the difference between value of claims of bank and the customer), or the theory of two conditions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court was also requested to comment on (iv) the determination of the moment from which the limitation period should start counting in case of a claim being filed by a lending bank for repayment of borrowed amounts and, (v) whether banks and consumers may receive remuneration on their pecuniary claims on the other party arising from the contract.

On 11 May, the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions, including the National Bank of Poland, the Polish Financial Supervision Authority, the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favourable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers *vis-à-vis* PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Supreme Court.

In the meeting of the Supreme Court that took place on 2 September 2021, the Court did not address the answers to the submitted questions and no new meeting date is known. Bank Millennium will assess in due time the implications of the decisions of the Supreme Court on the level of provisions for the legal risk.

In August 2021, CJEU was asked for a preliminary ruling (C-520/21) whether, in the event that a loan agreement concluded by a bank and a consumer is deemed invalid from the beginning due to unfair contract terms, the parties, in addition to the reimbursement of the money paid in contracts (bank - loan capital, consumer - instalments, fees, commissions and insurance premiums) and statutory interest for delay from the moment of calling for payment, may also claim any other benefits, including receivables in particular, remuneration, compensation, reimbursement of costs or valorization of the performance.

Notwithstanding the above, there are a number of questions addressed by Polish courts to the European Court of Justice which may be relevant for the outcome of the court disputes in Poland.

The subject matter questions relate, in particular, to:

- the possibility of replacing an abusive contractual clause with a dispositive law provision;

- the limitation period of consumer claims concerning reimbursement of benefits made as performance of an agreement which has been declared to be invalid;

- the possibility of declaration by the Court of abusive nature of only part of a contractual provision.

With the scope of settlements between Bank Millennium and borrower following the loan agreement being declared invalid is also connected the legal issue related with the seven-person composition of the Supreme Court (case sign: III CZP 54/21). The date of case review has not been specified yet.

The Supreme Court was also presented with the issue of whether the loan agreement is a mutual agreement in the light of the regulations concerning retention right.

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority (PFSA), proposed a sectoral solution to address the sector risks related to FX-indexed mortgages. The solution would consist in banks offering to their clients a possibility of concluding liability settlement agreements based on which a client would conclude with the bank a settlement as if the loan had been, from the very beginning, a PLN-indexed loan, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loans.

Following that public announcement, the idea has been the subject of consultations between banks under the auspices of the PFSA and Polish Bank Association. Banks are assessing the conditions under which such a solution could be implemented and the consequent impacts.

In the view of Bank Millennium's Management Board, important aspects to be taken into consideration when deciding on potential implementation of such program are: a) the favourable opinion or, at least, non-objection from important public institutions; b) support from the National Bank of Poland (NBP) for the implementation; c) level of legal certainty of the settlement agreements to be signed with the borrowers; d) level of the financial impact on a pre- and after tax basis; and e) capital consequences, including regulatory adjustments in the level of capital requirements associated with FX-indexed mortgage loans.

Based on current information, some of the above mentioned aspects are not likely to be fully clarified and/or achieved.

At the time of publishing the Group's Consolidated Report, neither its Management Board nor any other corporate body of Bank Millennium or of the Bank has taken any decision regarding the implementation of such a program. For this reason, the potential effects of this matter were not reflected in the determination of the provision. If, or when, a recommendation regarding the program is be ready, Bank Millennium's Management Board will submit it to the Supervisory Board and General Shareholders' meeting, taking into consideration the relevance of such decision and its implications.

In the first half of 2021, Bank Millennium conducted a survey among its customers, in cooperation with an external reputed company, regarding the willingness to accept settlement in the terms of the sector solution put forward by the Chairman of KNF. 49% of clients enquired were preliminarily interested in benefiting from the proposal, while 25% were not able to clearly express their opinion and 26% would not take such offer.

According to current calculations, implementation of a solution whereby loans would be voluntarily converted to PLN as if they had been a PLN loan from the very beginning, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the then existing portfolio would be converted) with a pre-tax impact between PLN 4,354 million (Euros 939.13 million) to PLN 4,823 million (Euros 1,040.29 million) (non-audited data). The impacts can significantly change in case of variation of the exchange rate and other various assumptions. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk-weighted assets and the decrease or elimination of the Pillar 2 buffer.

Due to the complexity and uncertainty regarding the final verdict of these lawsuits, as well as the possible implementation of the solution suggested by the Chairman of KNF, as well as the uncertainty of the awaited Supreme Court or European Court of Justice decisions, it is difficult to accurately estimate the potential impacts of such outcomes and their influence on the date of publication of the Group's financial statements.

52. Restatement of first quarter of 2021 balances

A. Comparability of 2020 information

The balances for the first quarter of 2021 were restated under the changes in accounting policies, as described in point B. and in the classification of Banque Privée BCP (Suisse), S.A. and Seguradora Internacional de Moçambique, S.A. as discontinuing operations, as described in point C.

The Group has made the following adjustments to the comparable data in the first quarter of 2021 Consolidated Income Statement:

(Thousands of euros)

	31 March 2021 as reported	Changes in accounting policies	Discontinuing operations: Banque Privée	Discontinuing operations: Seguradora Internacional Moçambique	31 March 2021 restated
Interest and similar income	404,067	615	(830)	(543)	403,309
Interest expense and similar charges	(28,051)	—	35	(511)	(28,527)
NET INTEREST INCOME	376,016	615	(795)	(1,054)	374,782
Dividends from equity instruments	30	—	—	—	30
Net fees and commissions income	177,946	—	(6,895)	72	171,123
Net gains/(losses) from financial operations at fair value through profit or loss	805	(615)	—	(9)	181
Net gains/(losses) from foreign exchange	20,304	—	(766)	270	19,808
Net gains/(losses) from hedge accounting operations	1,033	—	—	—	1,033
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	(3,410)	—	—	—	(3,410)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	24,162	—	—	—	24,162
Net gains/(losses) from insurance activity	2,077	—	—	(2,077)	—
Other operating income / (losses)	(24,460)	—	88	309	(24,063)
TOTAL OPERATING INCOME	574,503	—	(8,368)	(2,489)	563,646
Staff costs	146,857	—	(4,702)	(685)	141,470
Other administrative costs	78,103	—	(1,342)	(94)	76,667
Amortisations and depreciations	34,357	—	(345)	(7)	34,005
TOTAL OPERATING EXPENSES	259,317	—	(6,389)	(786)	252,142
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	315,186	—	(1,979)	(1,703)	311,504
Impairment of financial assets at amortised cost	(110,918)	—	(5)	15	(110,908)
Impairment of financial assets at fair value through other comprehensive income	(1,431)	—	—	—	(1,431)
Impairment of other assets	(8,159)	—	—	102	(8,057)
Other provisions	(122,320)	—	—	—	(122,320)
NET OPERATING INCOME	72,358	—	(1,984)	(1,586)	68,788
Share of profit of associates under the equity method	15,352	—	—	—	15,352
Gains/(losses) arising from sales of subsidiaries and other assets	(1,040)	—	—	(16)	(1,056)
NET INCOME BEFORE INCOME TAXES	86,670	—	(1,984)	(1,602)	83,084
Income taxes					
Current	(22,686)	—	287	406	(21,993)
Deferred	(34,922)	—	—	—	(34,922)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	29,062	—	(1,697)	(1,196)	26,169
Income arising from discontinued or discontinuing operations	—	—	1,697	1,196	2,893
NET INCOME AFTER INCOME TAXES	29,062	—	—	—	29,062
Net income for the year attributable to:					
Bank's Shareholders	57,815	—	—	—	57,815
Non-controlling interests	(28,753)	—	—	—	(28,753)
NET INCOME FOR THE PERIOD	29,062	—	—	—	29,062

B. Changes in accounting policies occurred in 2021

In 2021, the subsidiary Bank Millennium in Poland changed the presentation of interest on derivatives not covered by formal hedge accounting. Bearing in mind that these instruments, although they are included in the trading book, are mainly concluded in order to establish economic hedging against the risk of other financial assets or liabilities, the Group, from the first semester of 2021, presents the interest in the Income statement as part of the "Net interest income", while previously this interest was included in the item "Results on financial assets and liabilities held for trading".

C. Discontinuing operations

By the end of 2021, the Group, through its subsidiary BIM - Banco Internacional de Moçambique, S.A., sold 70% of the investment held in Seguradora Internacional de Moçambique, S.A., becoming to hold a minority stake of 22%. This operation generated a consolidated gain of Euros 23,736,000. In accordance with the provisions of IFRS 5, this operation was considered as discontinued and the impact on results presented in a separate line of the income statement named "Income / (loss) arising from discontinued or discontinuing operations".

The income statement of Seguradora Internacional de Moçambique, S.A. and other adjustments that have been incorporated in the balance Income arising from discontinued or discontinuing operations, as at 31 March 2021, are the followings:

(Thousands of euros)

	31 March 2021		
	Seguradora Internacional Moçambique	Adjustments	Total
Interest and similar income	997	(454)	543
Interest expense and similar charges	—	511	511
Net interest income	997	57	1,054
Net fees and commissions income	(72)	—	(72)
Net gains/(losses) from financial operations at fair value through profit or loss	9	—	9
Net gains/(losses) from foreign exchange	(270)	—	(270)
Net gains/(losses) from insurance activity	2,184	(107)	2,077
Other operating income/(losses)	14	(323)	(309)
Total operating income	2,862	(373)	2,489
Staff costs	753	(68)	685
Other administrative costs	420	(326)	94
Amortisations and depreciations	72	(65)	7
Total operating expenses	1,245	(459)	786
Net operating income before provisions and impairments	1,617	86	1,703
Impairment of financial assets at amortised cost	—	(15)	(15)
Impairment of other assets	(102)	—	(102)
Net operating income	1,515	71	1,586
Gains/(losses) arising from sales of subsidiaries and other assets	16	—	16
Net income before income taxes	1,531	71	1,602
Income taxes			
Current	(406)	—	(406)
Deferred	43	(43)	—
Net income for the period	1,168	28	1,196

Under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinued in June 2021, and the impact in results presented in a separate line of the income statement named "Income/(loss) arising from discontinued or discontinuing operations". The disposal was completed on 2 November 2021.

The income statement of Banque Privée BCP (Suisse) S.A. and other adjustments that have been incorporated in the balance Income arising from discontinued or discontinuing operations, as at 31 March 2021, are the followings:

(Thousands of euros)

	31 March 2021		
	Banque Privée BCP	Adjustments	Total
Interest and similar income	822	8	830
Interest expense and similar charges	(27)	(8)	(35)
Net interest income	795	—	795
Net fees and commissions income	6,894	1	6,895
Net gains/(losses) from foreign exchange	766	—	766
Other operating income/(losses)	(79)	(9)	(88)
Total operating income	8,376	(8)	8,368
Staff costs	4,702	—	4,702
Other administrative costs	1,350	(8)	1,342
Amortisations and depreciations	345		345
Total operating expenses	6,397	(8)	6,389
Net operating income before provisions and impairments	1,979	—	1,979
Impairment of financial assets at amortised cost	5	—	5
Net income before income taxes	1,984	—	1,984
Current taxes	(287)	—	(287)
Net income for the period	1,697	—	1,697

53. List of subsidiary and associated companies of Banco Comercial Português Group

As at 31 March 2022, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Sector of activity	% economic interests	% effective held	% direct held
Banco ActivoBank, S.A.	Lisbon	127,600,000	EUR	Banking	100 %	100 %	100 %
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1 %	50.1 %	50.1 %
Millennium Bank Hipoteczny S.A.	Warsaw	57,000,000	PLN	Banking	100 %	50.1 %	—
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100 %	100 %	100 %
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7 %	66.7 %	—
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100 %	100 %	—
BCP Finance Company (in liquidation)	George Town	31,000,785	EUR	Financial	100 %	100 %	—
Millennium bcp Bank & Trust (in voluntary liquidation)	George Town	340,000,000	USD	Banking	100 %	100 %	—
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100 %	100 %	100 %
BCP Capital - Sociedade de Capital de Risco, S.A. (in liquidation)	Oeiras	1,000,000	EUR	Venture capital	100 %	100 %	100 %
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	67,030,350	BRL	Financial Services	100 %	100 %	100 %
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100 %	100 %	100 %
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100 %	100 %	100 %
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	32,859,181	EUR	Real-estate management	100 %	100 %	100 %
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,750	EUR	Services	98.6 %	97.7 %	92.8 %
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100 %	100 %	100 %
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100 %	100 %	100 %
Bichorro - Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100 %	100 %	—
Finalgarve - Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100 %	100 %	—
Fiparso - Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100 %	100 %	—
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100 %	50.1 %	—
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100 %	50.1 %	—

(continues)

(continuation)

Subsidiary companies	Head office	Share capital	Currency	Sector of activity	Group % economic interests	Group % effective held	Bank % direct held
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100 %	50.1 %	—
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100 %	50.1 %	—
Millennium Financial Services, Sp.z o.o.	Warsaw	100,000	PLN	Services	100 %	50.1 %	—
Piast Expert Sp. z o.o (in liquidation)	Warsaw	100,000	PLN	Marketing services	100 %	50.1 %	—
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100 %	50.1 %	—
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100 %	50.1 %	—

As at 31 March 2022, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 B, were as follows:

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	69,511,253	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo de Investimento Imobiliário Imorenda	Oeiras	85,787,149	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	310,307,200	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	17,369,933,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Millennium Fundo de Capitalização - Fundo de Capital de Risco (in liquidation)	Oeiras	18,307,000	EUR	Venture capital fund	100 %	100 %	100 %
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,879,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	19,164,700	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real-estate investment fund	95.8 %	95.8 %	95.8 %
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real-estate investment fund	60 %	60 %	60 %

(*) - Company classified as non-current assets held for sale.

The Group holds a securitization transaction regarding mortgage loans which was set through specifically created SPE. As referred in accounting policy 1 B, when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE is fully consolidated, following the application of IFRS 10.

As at 31 March 2022, the Special Purpose Entity included in the consolidated accounts under the full consolidation method is as follows:

					Group		Bank
Special Purpose Entities	**Head office**	**Share capital**	**Currency**	**Activity**	**% economic interests**	**% effective held**	**% direct held**
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4 %	82.4 %	82.4 %

As at 31 March 2022, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

					Group		Bank
Associated companies	**Head office**	**Share capital**	**Currency**	**Activity**	**% economic interests**	**% effectiv e held**	**% direct held**
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7 %	22.5 %	—
Banque BCP, S.A.S.	Paris	180,699,790	EUR	Banking	19 %	19 %	19 %
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	Setúbal	744,231	EUR	Trade and industry of sea products	35 %	35 %	—
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50 %	25.1 %	—
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3 %	21.9 %	—
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32 %	32 %	0.5 %
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1 %	25.1 %	25.1 %

As at 31 March 2022, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	**Head office**	**Share capital**	**Currency**	**Activity**	**% economic interests**	**% effective held**	**% direct held**
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Lisbon	50,002,375	EUR	Holding company	49 %	49 %	49 %
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Lisbon	22,375,000	EUR	Life insurance	49 %	49 %	—
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	1,200,000	EUR	Pension fund management	49 %	49 %	—
Seguradora Internacional de Moçambique, S.A.	Maputo	295,000,000	EUR	Insurance	22 %	14.7 %	—

Some indicators of the main subsidiaries and associated companies are analysed as follows:

(Thousands of euros)

	31 March 2022			31 March 2021		
Subsidiaries and associated companies	Total Assets	Total Equity	Net income	Total Assets	Total Equity	Net income
Banco ActivoBank, S.A.	2,938,911	197,893	3,390	2,340,274	157,373	4,187
Bank Millennium, S.A. (1)	23,673,692	1,336,800	(26,411)	22,282,956	1,872,753	(68,570)
BIM - Banco Internacional de Moçambique, S.A. (1)	2,636,243	422,734	24,339	2,246,178	432,785	15,549
BCP International B.V.	976,441	976,173	(20)	976,555	976,525	(28)
BCP Finance Bank, Ltd.	522,115	521,809	2,123	618,249	516,204	745
BCP África, S.G.P.S., Lda.	494,779	493,533	(5,761)	556,454	556,264	30,014
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	177,185	177,175	(70)	173,802	173,798	108
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	9,977	8,355	633	9,670	8,791	859
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (1)(2)	10,305,777	744,458	16,143	11,222,293	766,123	20,689
Banco Millennium Atlântico, S.A. (3)	3,046,318	298,672	2,269	2,385,150	242,752	1,969
Banque BCP, S.A.S.	4,674,490	245,327	6,079	4,463,728	222,580	6,321

1) Consolidated accounts.

2) Includes VOBA annual amortisation. The value of the acquired business (VOBA) corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition and it is recognised in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortised over the period of recognition of the income associated with the policies acquired.

3) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29.

54. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 Z, the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Resolutions of the Annual General Meeting of Banco Comercial Português, S.A.

Banco Comercial Português, S.A. concluded on 4 May 2022, through electronic means and, simultaneously, at the Bank's facilities, with 64.31% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One – 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;

Item Two – Approval of the proposal for the appropriation of profit concerning the 2021 financial year;

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

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

Item Five – 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;

Item Six – 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;

Item Seven – Approval of the proposal to amend the articles of association of Banco Comercial Português, S.A.;

Item Eight – Election of the Board of Directors for the 2022/2025 term of office, including the Audit Committee;

Item Nine – Election of the Remunerations and Welfare Board for the term-of-office 2022/2025;

Item Ten – Approval of the acquisition and sale of own shares and bonds.

Payment of the dividend relating to the 2021 financial year

By resolution of the Annual General Meeting, as at 3 June 2022, the dividend relating to the 2021 financial year will be paid, with the following amounts per share:

Gross unit dividend: Euros 0,0009

Taxation (withholding at source): IRS: 28% / IRC: 25%

Amount withheld at source IRS/IRC (if applicable): Euros 0,000252 / Euros 0,000225

Net dividend per share: Euros 0,000648 / Euros 0,000675

Notification by Banco de Portugal of MREL requirements

Banco Comercial Português, S.A. ("BCP" or the "Bank") informs that it 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.

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