9M 2022
REPORT & ACCOUNTS

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

1st nine 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 nove 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 nove 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-Chairperson of
the Board of Directors

Nuno Amado
Chairperson of
the Board of Directors

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

Main highlights of the Results in 9M 2022

- Net income of the Group of 97.2 million euros, which compares to 59.5 million euros in September 2021, influenced by:
  - Group's core income increase of 24.7%, with controlled costs;
  - Extraordinary effects[1] related with Bank Millennium including 393.0[2] million euros of costs related with the foreign exchange mortgage loan portfolio, provisions for credit holidays of 304.6 million euros, contribution of 59.1 million euros for the Institutional Protection Scheme (IPS) and booking of Bank Millennium goodwill impairment amounting to 102.3 million euros.
  - Mandatory contributions for the banking sector in Portugal of 62.2 million euros;
- Net income of 295.7 million euros in Portugal, as a result of 9.3% core income increase, a reduction of 3.4% in operating costs (excluding specific items) and a cost of risk reduction of 11 bp.
- Despite the extraordinary impacts recorded by Bank Millennium Total capital ratio[3] stood at 15.1% and CET1 ratio[4] at 11.4% (15.7% and 11.8%, respectively on a pro forma basis[5], subject to ECB authorization).
- Strong liquidity, well in excess of regulatory requirements, and eligible assets for ECB funding of 24.4 billion euros.
- Performing loans of the Group up by 1.1[6] billion euros from September 2021 (+1.8 billion euros excluding foreign exchange rate evolution); in Portugal, performing loans increase 1.4 billion euros (+3.7%). NPE reduction in Portugal of 0.4 billion euros, in an adverse environment.
- Growing Customer base, with mobile Customers standing out: +650,000 mobile Customers (+20%).

[1] before taxes and minority interests;
[2] includes provisions, costs with out-of-court settlements and legal advice;
[3] estimated fully-implemented;
[4] estimated fully-implemented;
[5] subject to the already requested approval for the application of article 352 (2) of the CRR;
[6] change on a proforma basis (due to Banque Privée sale).

Main highlights (1)

Million euros

	30 Sep. 22	30 Sep. 21 (restated)	Chg. % 22/21
BALANCE SHEET			
Total assets	97,169	91,463	6.2%
Equity	5,871	7,358	-20.2%
Loans and advances to customers (net)	57,010	56,414	1.1%
Total customer funds	91,069	90,556	0.6%
Balance sheet customer funds	75,184	69,863	7.6%
Deposits and other resources from customers	73,843	68,321	8.1%
Loans to customers (net) / Deposits and other resources from customers (2)	77.2%	82.6%	
Loans to customers (net) / Balance sheet customer funds	75.8%	80.7%	
RESULTS			
Net interest income	1,545.8	1,165.0	32.7%
Net operating revenues	2,058.0	1,697.5	21.2%
Operating costs	787.4	849.3	-7.3%
Operating costs excluding specific items (3)	781.4	761.6	2.6%
Loan impairment charges (net of recoveries)	241.2	264.0	-8.7%
Other impairment and provisions	837.0	462.1	81.1 %
Income tax	208.6	141.5	47.5 %
Net income	97.2	59.5	63.4 %
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.9%	2.5%	
Return on average total assets (ROA)	0.0%	0.0%	
Income before tax and non-controlling interests / Average net assets (2)	0.3%	0.2%	
Return on average shareholders' equity (ROE)	2.5%	1.4%	
Income before tax and non-controlling interests / Average equity (2)	4.2%	2.5%	
Net interest margin	2.38%	1.91%	
Cost to core income (2)(3)	36.9%	44.8%	
Cost to income (2)	38.3%	50.0%	
Cost to income (2)(3)	38.0%	44.9%	
Cost to income - activity in Portugal (2)(3)	37.4%	43.8%	
Staff costs / Net operating revenues (2)(3)	20.7%	25.2%	
CREDIT QUALITY			
Cost of risk (net of recoveries; in b.p.)	55	60	
Non-performing exposures (loans to customers) / Loans to customers	4.1%	4.9%	
Total impairment (balance sheet) / NPE (loans to customers)	66.5%	67.9%	
Restructured loans / Loans to customers	3.6%	4.3%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	264%	264%	
Net Stable Funding Ratio (NSFR)	153%	147%	
CAPITAL (4)			
Common equity tier I phased-in ratio	11.6%	11.9%	
Common equity tier I fully-implemented ratio	11.4%	11.8%	
Total ratio fully implemented	15.1%	15.2%	
BRANCHES			
Activity in Portugal	408	447	-8.7 %
International activity	830	865	-4.0 %
EMPLOYEES			
Activity in Portugal	6,257	6,511	-3.9 %
International activity (5)	9,404	9,884	-4.9 %

(1) Some indicators are presented according to management criteria of the Group, with concepts being described and detailed at the glossary. 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, concluded in the fourth quarter of 2021, the contribution of this subsidiary to the consolidated results of the Group, in the first nine months of 2021, is reflected as income from discontinued operations in the international activity in order to ensure its comparability, as defined in the IFRS 5. On the other hand, following the sale, at the end of 2021, of the 70% of the investment held in Seguradora Internacional de Moçambique, S.A. ("SIM"), through its subsidiary BIM - Banco Internacional de Moçambique S.A., the contribution of this subsidiary to the consolidated results of the Group, in the first nine months of 2021, was restated, being reflected as income from discontinued operations in the international activity, as defined in the IFRS 5 in order to ensure its comparability. 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 6.1 million euros in the first nine months of 2022, mainly related to the distribution of the Bank's 2021 results by the employees of the Bank. In the first nine months of 2021, the impact was also negative, in the amount of 87.6 million euros, mainly related with a provision booked to cover the costs related to the current adjustment of headcount, in the amount of 81.4 million euros. In both periods specific items were fully recognised as staff costs in the activity in Portugal.
(4) As at 30 September 2022 and 30 September 2021, capital ratios include the positive cumulative net income of each period. Ratios as of 30 September 2022 are estimated and non-audited.
(5) Of which, in Poland: 6,897 employees as at 30 September 2022 (corresponding to 6,778 FTE - Full-time equivalent) and 7,172 employees as at 30 September 2021 (corresponding to 7,035 FTE - Full-time equivalent). As of 30 September, 2021, the number of employees associated with the international activity includes 79 employees of Banque Privée BCP (Suisse) and 153 employees of SIM at that date, nonexistent as of September 30, 2022, since both operations were disposal at the end of 2021.

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 15 members, of which 6 are executive and 9 are non-executive, with 3 qualified as independent.

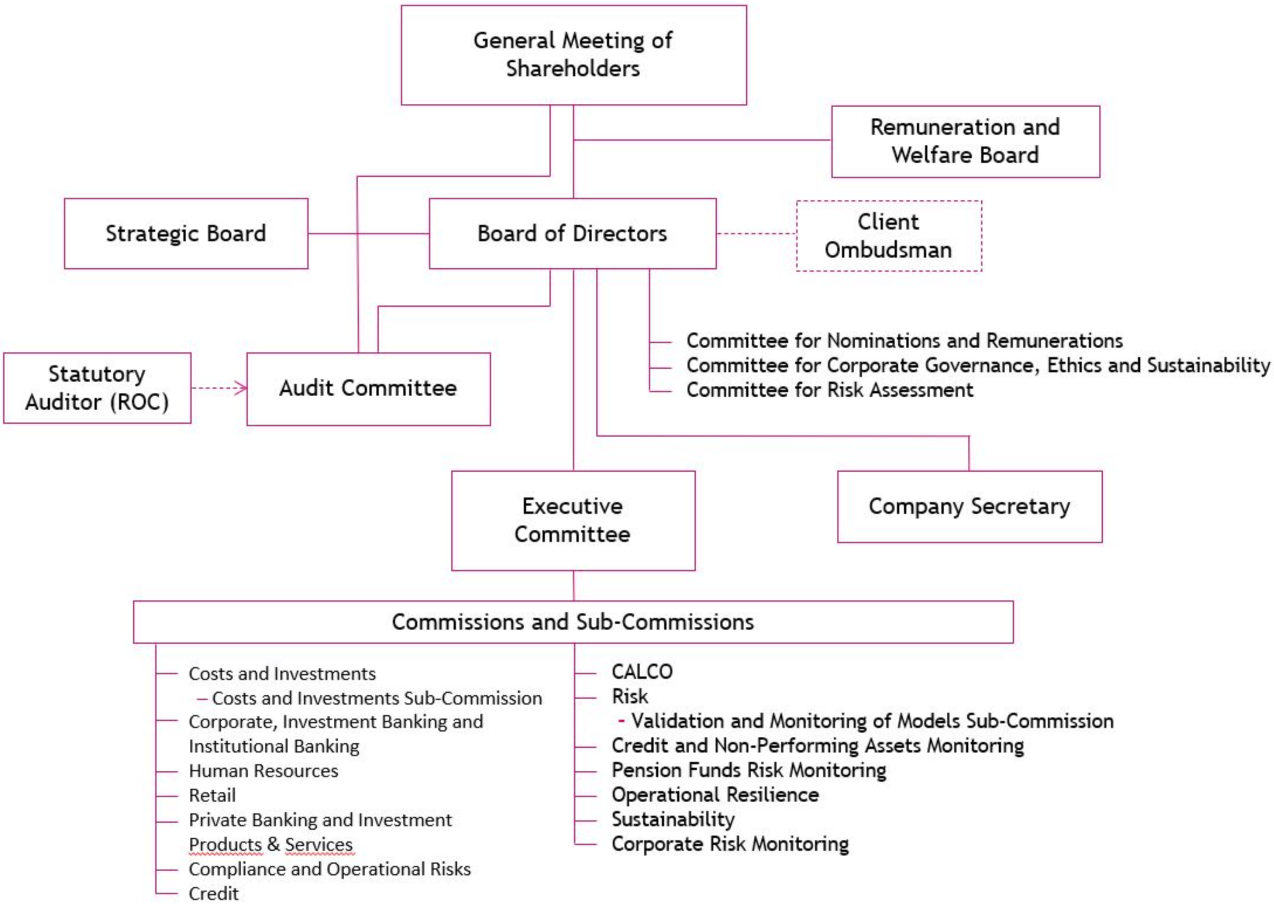
The BD began its functions on September 5, 2022 and appointed an EC, composed of six of its members, with the Chief Executive Officer being appointed by the General Meeting. The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees 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. As far as Audit Committee is concerned, the non-executive directors are mostly independent.

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 current Board of Directors to exercise functions in the four-year period 2022/2025.

On October 11, 2022, the Board unanimously approved the co-option of Altina Sebastián and Pedro Ferreira Malaquias as members of the Board, and the authorization process for the exercise of their functions is in progress.

	Board of Directors (BD)	Executive Committee (EC)	Audit Committee (AudC)	Remuneration and Welfare Board (RWB)	Board for Strategy *	Committee for Corporate Governance, Ethics and Sustainability (CCGES)	Committee for Nominations and Remunerations (CNR)	Committee for Risk Assessment (CRA)
Nuno Manuel da Silva Amado (Chairman of BD and of CGSES)	●				●	●		
Jorge Manuel Baptista Magalhães Correia (Vice-Chairman of BD and Member of RWB)	●			●	●	●		
Valter Rui Dias de Barros (Vice-Chairman of BD	●		●	●	●		●	
Miguel Maya Dias Pinheiro (Vice- Chairman of BD	●	●			●			
Ana Paula Alcobia Gray	●							●
Cidália Maria da Mota Lopes (Chairman of AudC)	●		●					●
Fernando da Costa Lima (Chairman of (CRA)	●		●					●
João Nuno de Oliveira Jorge Palma	●	●						
Lingzi Yuan (Smilla Yuan) (Chairman of CNR)	●						●	
José Miguel Bensliman Schorcht da Silva Pessanha	●	●						
Lingjiang Xu	●					●	●	
Maria José Henriques Barreto de Matos de Campos	●	●						
Miguel de Campos Pereira de Bragança	●	●						
Rui Manuel da Silva Teixeira	●	●						
Xiao Xu Gu (Julia Gu)	●							
José António Figueiredo Almaça (Chairman of RWB)				●				

* 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 9M 2022

In the first nine months of 2022, the Bank kept its focus on supporting households and companies, particularly importante in the current context of crisis.

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.

Conclusion on May 4, 2022 of the Annual General Meeting of Shareholders, 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 the Bank of 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. 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.

Considering that the Regulations of the Statutory Auditors Association foresees that the maximum exercise period of a partner responsible for the guidance of the statutory audit of an auditor is seven years and that Paulo Alexandre de Sá Fernandes, ROC no. 1456, registered with the CMVM under no. 20161066, is the partner of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A. ("Deloitte") responsible for the statutory and external auditing of the Bank since 2016, BCP disclosed that it was informed on July 21 by Deloitte that, from that date on, João Carlos Henriques Gomes Ferreira, ROC no. 1129, registered with the CMVM under no. 20160741, became responsible for the statutory and external auditing of Banco Comercial Português, S.A..

Following receipt of the letter from the European Central Bank on the assessment of the suitability of the members of the Board of Directors and the Audit Committee elected at the General Shareholders' Meeting of May 4, 2022, for the four-year period 2022/2025, the Board of Directors began its functions on September 5, 2022. Clara Raposo and Teófilo da Fonseca were not subject to this assessment since they informed that, for personal reasons, they were not available to serve on the Board of Directors. On October 11, BCP informed that its Board of Directors, in accordance with the law and the Bank's regulations on Succession Planning, approved that day the co-optation of Prof. Altina Sebastián and Mr. Pedro Ferreira Malaquias as independent non-executive directors of the Bank, thus filling the vacancies on the Board of Directors. The co-optation was subject to the suspensive condition of obtaining authorization from the European Central Bank to exercise their functions and will be submitted for ratification at the Bank's next General Meeting.

On July 15, 2022, the Bank informed that due to expected costs of credit holidays the Bank posted a negative net result in the 3rd quarter of 2022 and as a result its capital ratios fell below the current minimum requirements set by Polish Financial Supervision Authority ('PFSA'). As the breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on July 15, 2022 the Management Board of the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and the Bank Guarantee Fund.

Moody's Rating Agency, as part of its regular revision, upgraded BCP's senior unsecured debt ratings to Investment Grade, from Ba1/Prime-2 to Baa3/Prime-2, driven by the reduction in the stock of Non-performing assets (NPA) and the improvement in capitalization levels over the last years, the improvement in domestic profitability, which offsets the impact of provisions for legal risk in Poland, as well as the BCP's funding plan being executed to comply with its Minimum Requirement for own funds and Eligible Liabilities (MREL).

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.

S&P Global Ratings upgraded BCP's long-term issuer credit rating by one notch to 'BB+', keeping the Outlook stable. This upgrade follows the recent upgrade on the sovereign rating, as well as the recent improvement of BCP credit risk profile, result of the 40% reduction in NPEs since 2019 and the expectations from S&P Global Ratings that the uncertainties in Poland will have a manageable impact on the level of the Bank's capitalization. The Outlook reflects the Bank's solid retail franchise that should enable to strength domestic profitability.

Fitch Rating Agency revised the Outlook for BCP's rating from stable to positive, maintaining the long-term rating at BB. The revision of the outlook reflects the organic reduction in non-performing assets since the end of 2019, as well as the lower uncertainty about the provisioning related to mortgage loans denominated in CHF of Bank Millennium.

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.

Millennium bcp wins Inovadora COTEC status for the second consecutive year, supporting more than 360 companies to achieve the status Inovadora COTEC.

Millennium bcp was distinguished as Best Bank for Sustainable Finance in Portugal in 2022, according to Global Finance.

Millennium bcp was once again distinguished as one of leading companies in the fight against climate change, according to “Europe’s Climate Leaders 2022” ranking published by the Financial Times and Statista.

Best Consumer Digital Bank, in Portugal, in 2022, according to Global Finance. In addition to this category, BCP also won in three other categories: The Best Information Security and Fraud Management in Western Europe for 2022 (consumer); The Best in Social Media Marketing and Services in Western Europe for 2022 (Consumer) and The Best Information Security and Fraud Management in Western Europe for 2022 (Corporate).

Bank Millennium is Best Bank in Poland in 2022, according to Global Finance.

Bank Millennium distinguished as the Best Digital Bank in Poland in 2022, according to Global Finance.

Bank Millennium distinguished with the Kantar Polska Award for the most effective brand communication.

Bank Millennium among Poland’s Best Employers in 2022 according to the ranking prepared by Forbes Polska and Statista.

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.

Bank of the Year in Mozambique, in 2022, by Euromoney.

“Best Digital Bank” in Mozambique and “Most Innovative Digital Bank in Africa”, according to Global Finance.

SUBSEQUENT EVENTS

On 18 October 2022, Banco Comercial Português, S.A. has fixed the terms for a new issue of senior preferred debt securities eligible for MREL (Minimum Requirement for own funds and Eligible Liabilities), under its Euro Note Programme. he issue, in the amount of 350 million euros, has a tenor of 3 years, with the option of early redemption by the Bank at the end of year 2, an issue price of 100% and an annual interest rate of 8.5% during the first 2 years (corresponding to a spread of 5.547% over the 2-year mid-swap rate). The annual interest rate for the 3th year was set at 3-month Euribor plus a 5.547% spread. The high demand and the diversified profile of the investors who subscribed the issue confirmed, once again, the Bank's ability to access capital market in a context of high volatility and great uncertainty as has been the case in recent months.

The Board of Directors, at its meeting held on 14 November 2022, resolved to request the calling of a General Meeting of Shareholders to take place on 20 December, with the following Agenda:

Item One – To resolve on altering article 4 (1) of the articles of association (Share Capital) aiming at reformulating the items of own capital, comprising the reinforcement of funds subject to regulatory qualification as distributable by means of the reduction of the share capital in 1,725,000,000 euros, without changing either the existing number of shares or net equity;

Item Two – To resolve on the ratification of the co-optation by the Board of Directors of 2 Directors for the term-of-office 2022/2025;

Item Three – To resolve upon the election of an alternate member of the Audit Committee for the 2022/2025 term-of-office.

On 22 November 2022, Banco Comercial Português, S.A. informed it has decided not to exercise the early redemption option on its €300,000,000 4.50% T2 Subordinated Fixed Rate Reset Notes due December 2027 (ISIN: PTBCPWOM0034) (the “Notes”) on its one-time call date (7 December 2022). As such, and in accordance with the Final Terms, the coupon will reset to the aggregate of the 5-year Mid-Swap Rate prevailing on 5 December 2022 and the initial margin of 4.267% per annum.
In light of BCP’s decision not to call the Notes, BCP also announced the launch of an exchange offer in respect to the above Notes, offering to the current noteholders the option and opportunity to exchange their holdings for new Euro denominated 10.25nc5.25 T2 notes.

BCP Share

The BCP share closed the first nine months of 2022 with a depreciation of 13.6%, which compares with a 17.9% depreciation of the European bank index.

BCP's share performance was influenced, in the first nine months of 2022, by the political/military tensions associated with the invasion of Ukraine by Russia, by the increase in inflation worldwide, having it reached historical maximum values in the Euro Zone, by the monetary policy decisions of the main central banks (increasing reference rates), as well as by the fears of a sharp deceleration of GDP in Europe and in the US, increasing the fear of a recession.

Positive impacts:

- Disclosure of H1'22. Results showed business model robustness, even in extremely challenging contexts;
- The increase of interest rates has positively influenced bank's expectations;
- Upward revision of the BCP share price target, by analysts who cover the bank. The average price target for BCP shares at the end of September 2022 stood at €0.21, which compares with the price target of €0.18 at the end of December 2021 corresponding to a variation of 16.7%.

Negative impacts:

- Provisioning by the Bank in Poland, to face legal risks associated with the mortgage loan portfolio granted in foreign currency, and costs to face credit holidays, recently approved by the polish government in July 2022;
- Macroeconomic uncertainty with the anticipation of world recession scenarios and, consequent impact on portfolio quality.

Source: Euronext, Refinitiv

Economic environment

The steep rise in the global inflation rate, which the International Monetary Fund (IMF) projects to be 8.8% in 2022 and 6.5% in 2023, as well as a persistently high degree of uncertainty in the geopolitical realm represent important risks for the economic activity. Against this backdrop, the IMF has downwardly reviewed its projections for the global GDP growth in 2023, from 2.9% to 2.7%, which corresponds to an historically low output growth, driven by a sluggish expansion of the Chinese economy (4.4%), of the Euro Area (0.5%) and of the United States (1.0%).

Amid the acceleration of the inflationary pressures, the main central banks have further tightened their monetary policy in the third quarter. The Federal Reserve of the United States rose its key interest rate, from 1.75% to 3.25%, and the European Central Bank increased its reference interest rate from 0.0% to 1.25%. The rising recessive fears due to the current inflationary environment and tighter financial conditions resulted in a weak performance of the financial markets in the third quarter, which triggered a rise in volatility, the devaluation of the equity indices, the reduction of the non-energy commodities' prices, and a surge of government bond yields as well as of the remaining market interest rates, especially the Euribor rates. In the foreign exchange market, the US Dollar has reinforced its strength, having appreciated against most currencies. It is worth noting the new record low of the Sterling against the US Dollar, due to the uncertainty stemming from the fiscal stimulus package presented by the British government in late September.

In the second quarter, the Portuguese economy recorded a marginal growth comparing with the previous period (0.1%). The weak performance of the economy is explained by the contraction of domestic demand, which was, however, partially mitigated by the dynamism of the tourism exports. For the overall year, the IMF envisages an economic growth of 6.2% for Portugal, which entails a GDP contraction, even if limited, in the second half of the year. For 2023, the projections show a moderate growth of 0.7%, resulting from the persistently high inflation rate (that IMF predicts to be at 4.7% in 2023), the rise in financing costs and the external demand slowdown.

In Poland, GDP grew 4.7% in the second quarter of 2022 (yoy), which suggests a substantial deceleration comparing with the previous period, due to the slowdown in domestic demand, namely in investment. Given the rising inflation rate, that was 14.8% in August, the central bank rose its reference interest rate from 6.00% to 6.75% in the third quarter. The uncertainty regarding the energy supply in the Winter, which adds to the current adverse economic and financial environment, led the IMF to review downwards its Polish output growth projections to 3.8% in 2022 and 0.5% in 2023. Against this background, Zloty continued to depreciate in the third quarter.

In Mozambique, GDP accelerated in the second quarter, from 4.1% to 4.6%, benefiting from the favourable evolution of commodities prices and the dynamism of the external demand. In the next quarters, the Mozambican economy should continue its recovery, bolstered by the execution of energy projects in Inhambane and in the Rovuma River basin, and by the first shipments of liquefied gas projects, which are due imminently. The rise in inflationary pressures, reflected in an annual inflation rate of 12.1% in August, led the central bank to increase the MIMO interest rate, from 15.25% to 17.25%. Despite the external adverse context, the Metical remained stable. The Angolan economy continued its recovery trend. As a result, the IMF predicts a GDP growth of 2.9% and 3.4% in 2022 and 2023, respectively. Amid this background, Kwanza was also stable throughout the third quarter.

Business Model

Nature of operations and main activities

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

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

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

Distinctive factors of the business model

Largest private sector banking institution

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

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

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

On 30 September 2022, operations in Portugal accounted for 73% of total assets, 70% of total loans to Customers (gross) and 74% of total customer funds. The Bank had over 2.6 million active Customers in Portugal and market shares of 17.5% and 18.6% of loans to Customers and customer deposits, respectively, in June 2022.

International presence as a platform for growth

At the end of September 2022, Millennium bcp was also present throughout the world through its banking operations, representative offices and/or commercial protocols, serving over 6.4 million active Customers.

In Poland, Bank Millennium has a well distributed network of branches, supported by a modern multi-channel infrastructure, a service quality and with high brand recognition.

In June 2022, Bank Millennium had a market share of 6.0% in loans to Customers and of 5.8% in deposits.

In spite of the strong operational performance, on July 15, 2022, the Bank informed that due to expected costs of credit holidays the Bank posted a negative net result in the 3rd quarter of 2022 and as a result its capital ratios fell below the current minimum requirements set by Polish Financial Supervision Authority ('PFSA'). As the breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on July 15, 2022 the Management Board of the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and the Bank Guarantee Fund.

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 15.1% in loans and advances to Customers and of 24.1% in deposits, in June 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

In the 1st nine months of 2022, the Bank continued its strategy of accelerating and innovating the digital business. It invested in strengthening and improving convenience features, in differentiating the service and in an ambitious digital activation plan, with a particular focus on the App.

In this period mobile customers increased by 20%, an increase of 650 thousand, reaching a penetration rate of 62%. Digital customers in the Group increased by 13% from 4.2 million to 4.7 million, reaching a penetration rate of 73%.

Mobile customers in Portugal increased by 20% from 1.1 million to 1.3 million, reaching a penetration rate of 51%. Digital customers in the Group increased by 13% from 1.5 million to 1.7 million, reaching a penetration rate of 63%.

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

Millennium bcp was elected as the “Best Consumer Digital Bank” in Portugal 2022, by Global Finance.

The Millennium App continues to lead the ratings in the stores of the main platforms.

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

+25% transactions (+51% P2P transfers; +26% national transfers; +13% payments);

+47% sales (+107% cards; +127% personal credit; +38% savings).

The number of digital interactions increased from 286 to 373 million.

The weight of digital increased from 72% to 76% in digital transactions with the ATM channel losing importance.

Digital sales reinforced their weight in the number of operations, from 72% to 77%.

Business Model Sustainability

Millennium bcp, strengthening its response to the growing importance of Sustainability and responsible finance matters for its Stakeholders, but also to the expectations of regulators in these areas of action, has been leading an accelerated transformative dynamic of adaptation to new ESG (Environmental , Social and Governance).

In order to make this evolution possible, the Bank has, within the framework of its governance and decision-making model, a Sustainability Committee led by the CEO and a Master Sustainability Plan (PDS), a management instrument that must be understood as a coherent aggregator of the multidisciplinary actions to be developed within the scope 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 commercial products and services; Social, which ensures proximity and involvement with internal and external communities in the creation of shared value, despite 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 at organizations in general, being a privileged means of determining the social and environmental impact of the activity carried out and the expected corporate performance of the company in these matters. 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 offer, 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.

Deepening a culture of Responsible Business 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, constitute the priority objectives of the sustainability strategy, policies and practices defined and implemented by the BCP Group in all its geographies.

Financial Information

Results and Balance Sheet

RESULTS AND ACTIVITY IN THE FIRST NINE MONTHS OF 2022

The outbreak of the war in Ukraine, resulting from the invasion of that country by the Russian Federation at the end of February, marked decisively the first nine months of the year. 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. The direct exposure of the Group to the economies of the two countries involved in the conflict is not material. Nevertheless, the worsening outlook for the world economy, with the exacerbation of inflationary tensions, influencing the economic growth in Portugal and Europe together with the high level of uncertainty currently prevailing regarding the outcome of the conflict do not allow, at this stage, to exclude significant future impacts, which are currently not predictable or quantifiable.

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, concluded in the fourth quarter of 2021, the contribution of this subsidiary to the consolidated results of the Group, in the first nine months of 2021, is reflected as income from discontinued operations in the international activity in order to ensure its comparability, as defined in the IFRS 5. On the other hand, following the sale, at the end of 2021, of the of 70% of the investment held in Seguradora Internacional de Moçambique, S.A. (“SIM”), through its subsidiary BIM - Banco Internacional de Moçambique S.A., the contribution of this subsidiary to the consolidated results of the Group, in the first nine months of 2021, was restated, being reflected as income from discontinued operations in the international activity, as defined in the IFRS 5 in order to ensure its comparability. 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. The purchase price received may be adjusted positively or negatively in the future, according to typical adjustments in this kind of transactions, including the variation of the equity in the completion date, and the ones that may result from the variation of stocks and/or flows of assets under management, in pre-determined dates and specified portfolios. In the first nine months of 2022, income arising from discontinued operations essentially reflect a partial adjustment in that context.

During the first nine months of 2022, the Group liquidated its subsidiaries BCP Finance Company and Millennium bcp Bank & Trust.

RESULTS

The consolidated net income of Millennium bcp amounted to 97.2 million euros in the first nine months of 2022, which compares with the 59.5 million euros posted in the same period of the previous year. This evolution of the Group's results reflects the good performance of the activity in Portugal, even if its impact has been largely offset by the reduction in the result of international activity, particularly associated to the Polish subsidiary.

In this sense, it should be said that, despite the solid operational performance of this subsidiary, its result is heavily penalised by the worsening of the extraordinary effects that influenced it. Thus, emphasis should be placed on the booking of provisions, referring to the early recognition of the potential costs arising from the program of moratoriums (credit holidays) enacted last July. Thus, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland on the same day of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers (‘the Act’), introducing, among others, a possibility of up to 8 months of credit holidays in 2022-2023 for borrowers of mortgages denominated in Zlotys, the Bank estimated the maximum impact of the implementation of this Act if all eligible Bank Millennium Group’s borrowers were to use this instrument, having recognised an upfront cost of 80% of such maximum impact in the results of the third quarter of 2022, corresponding to

304.6[7] million euros. The participation rate average in the third quarter of 2022 was 66% of eligible borrowers and the Bank intends to review its estimates of credit holidays costs in early 2023 when the actual data for half of the instalments available for suspension will be available.

In addition, the results of the subsidiary continue to be penalised both by the costs incurred with the mandatory contributions to which it was subject, highlighting the contribution to the newly established Institutional Protection Scheme (IPS) in the amount of 59.1[7] million euros, and by the increase in the costs associated with the foreign exchange mortgage portfolio, the aggregate amount of which increased from 369.3[7] million euros to 393.0[7] million euros in the period under analysis. On the other hand, notwithstanding the good operating performance of Bank Millennium S.A., the uncertainty associated with the material impacts arising from new legislative measures, led the Bank to consider the total impairment of the current goodwill associated with the acquisition by the BCP Group of the current percentage of control over Bank Millennium S.A. in the amount of 102.3[7] million euros as at 30 June 2022.

Excluding the above-mentioned extraordinary effects, the Group's net income in September 2022 was 536.0 million euros, compared with 238.0 million euros posted in the first nine months of 2021.

In addition to the aforementioned impacts, the performance of the net income of the Group mainly reflects the favourable evolution of core income, which stood 24.7% above the 1,699.8 million euros accounted in the first nine months of 2021, reaching 2,119.6 million euros at the end of September 2022. The Polish subsidiary contributed decisively to this evolution, driven by the increase in net interest income, exceeding 70%, and it is also worth noting the good performance of core income in the activity in Portugal and in the subsidiary in Mozambique.

On the other hand, the evolution of net income of the Group was influenced by the recognition, in the second quarter of the previous year, of an extraordinary provision, in the amount of 81.4[7] million euros, recognised as staff costs in the activity in Portugal, to face the costs of the headcount adjustment plan, carried out by the Bank that year.

Excluding specific items[8], consolidated core operating profit amounted to 1,338.3 million euros at the end of September 2022, showing a significant increase of 42.6%. from the 938.2 million euros reached in the first nine months of 2021, boosted by the increase in core income. Stated core operating profit increased 56.6% in the same period.

In the activity in Portugal, net income amounted to 295.7 million euros in the first nine months of 2022, showing a very expressive growth from the 115.2 million euros achieved in the same period of the previous year, driven by the favourable performance of most items. It is worth highlighting, on one hand the increase in core income, reflecting the positive performance showed by both net interest income and net commissions and on the other hand the reduction in staff costs, mainly reflecting the recognition, in the second quarter of 2021, of the provision in the amount of 81.4 million euros to address the costs of the headcount adjustment plan that the Bank carried out that year. Additionally, the favourable evolution of net trading income and impairment and provisions, namely loans impairment, should also be mentioned.

The expansion of core income, along with the reduction in operating costs, contributed to a growth of 41.6% of core operating profit in the activity in Portugal, which increased from 455.0 million euros in the first nine months of 2021 to 644.3 million euros in the same period of 2022. Excluding the impact of specific items[8], core operating profit of the activity in Portugal totalled 650.4 million euros at the end of September of 2022, standing 19.9% above the 542.7 million euros achieved in the same period of 2021.

In the international activity, net income evolved from a negative amount of 55.7 million euros in the first nine months of 2021 to an also negative amount of 198.5 million euros in the same period of 2022. The Polish subsidiary, despite the solid operational performance, has contributed decisively to this evolution, namely due to the aforementioned recognition of provisions, relating to the early recognition of the potential costs arising from the programme of moratoriums (credit holidays) promulgated by the President of the Republic of Poland last July (304.6 million euros). The participation rate average in the third quarter of 2022 was 66% of eligible borrowers and the Bank intends to review its estimates of credit holidays costs in early 2023 when the actual data for half of the instalments available for suspension will be available. Additionally, the results of the international activity were also penalised by both the worsening of

[7] Before taxes and in the case of Bank Millennium S.A, before minority interests.
[8] Negative impact of 6.1 million euros in the first nine months of 2022 and 87.6 million euros in the same period of 2021, fully recognized as staff costs in the activity in Portugal, in both periods. In the first nine months of 2022, specific items mainly include the distribution of the Bank's 2021 results by the employees of the Bank, as compensation for the temporary reduction of remuneration. In the first nine moths of 2021, specific items are mainly related with a provision booked to cover the costs related to the current adjustment of headcount carried out by the Bank that year, in the amount of 81.4 million euros.

mandatory contributions to which the subsidiary was subject (from 72.9 million euros in the first nine months of 2021, to 121.1 million euros in the same period of 2022), and by the increase in costs associated with the foreign exchange mortgage portfolio (from 369.3 million euros to 393.0 million euros). In this sense , it should be noted that the increase in mandatory contributions mainly reflects the contribution to the newly established Institutional Protection Scheme (IPS) in the amount of 59.1 million euros, the aim of which is to ensure the stability of the local financial system by ensuring the liquidity and solvency of the member banks, serving simultaneously to support situations of forced restructuring, carried out by the Bank Guarantee Fund in banks that are public companies. Regarding the increase in costs associated with mortgage loans granted in exchange currency, it mainly reflects the increase in costs with the agreements concluded by the Polish subsidiary with customers holding foreign exchange mortgages, in order to convert those credits to local currency or their early repayment (total or partial), mainly recognised under net trading income. Although the additional provisions to address the foreign exchange mortgage legal risk booked by the Polish subsidiary still represent the largest share of the total costs associated to this credits, strongly penalizing the results of the Group, the amount recognised till September 2022 was below the amount accounted in the same period of the previous year.

In addition, the result of the international activity was penalised by the already mentioned provision concerning to the total goodwill associated with the Group's stake in Bank Millennium S.A. (102.3 million euros).

On the other hand, it is important to highlight the significant increase in net interest income in the international activity, mainly due to the contribution of the Polish subsidiary. The evolution of net interest income in the Polish subsidiary was driven by successive increases in the reference interest rates of the National Bank of Poland that have been taking place since the last months of 2021, ending the period of interest rates close to zero that had been set by the National Bank of Poland since the initial phase of the pandemic and which had been penalizing the net interest income of the subsidiary.

At the same time, although with less expression, the contribution of Millennium bim in Mozambique to the result of the international activity was also higher than the one recorded at the first nine months of 2021, due to the exchange rate evolution of the Metical against the euro. As for Angola, its contribution to net income from the international activity in the first nine months of 2022 was negative by 8.8 million euros, compared to an also negative amount of 11.2 million euros in the same period of the previous year. This evolution was influenced by the recognition of a provision to face the risks associated with the context in which the Angolan operation develops its activity (5.0 million euros in the first nine months of 2022 vs 9.5 million euros in the first nine months of 2021).

The result of international activity was also influenced by the result of discontinued operations, which went from 9.5 million euros in the first nine months of 2021 to 1.5 million euros in the same period of the current year. In the first nine months of 2021 this item includes the contribution of the Swiss subsidiary, following the agreement entered into on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA, completed in the fourth quarter of 2021, as defined in the IFRS 5 (4.7 million euros). On the other hand, and also in accordance with IFRS 5, following the sale, at the end of 2021, of the of 70% of the investment held in Seguradora Internacional de Moçambique, S.A. (“SIM”), through its subsidiary BIM - Banco Internacional de Moçambique S.A., the contribution of this subsidiary to the consolidated results of the Group, in the first nine months of 2021, in the amount of 4.8 million euros, was restated, being reflected as income from discontinued operations in the international activity, in order to ensure its comparability. By September 2022, the same item totalled 1.5 million euros, mainly including the sale price adjustment of Banque Privée, according to previously agreed conditions[9].

Core operating profit in the international activity grew 73.9%, from 395.5 million euros in the first nine months of 2021 to 687.9 million euros in the same period of 2022.

Net interest income reached 1,545.8 million euros at the end of September 2022, showing a significant growth of 32.7% compared to the 1,165.0 million euros posted in the same period of the previous year. The favourable evolution of net interest income was transversal to the general geographies in which the Bank operates, assuming greater expression the growth obtained by the Polish subsidiary, exceeding 70%.

In the activity in Portugal, net interest income stood 8.3% above the 619.5 million euros achieved in the first nine months of 2021, reaching 670.9 million euros in the same period of 2022, largely reflecting the favourable evolution of the commercial business and the management of the public debt portfolio.

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

In this sense, the increase in the income generated by the loan portfolio stands out, boosted by the increase in credit volumes. Despite the historically low levels of interest rates, penalizing the performance of net interest income in the activity in Portugal, the recent increases in interest rates have a growing impact in the income generate by performing loans portfolio. On the other hand, the reduction in the volume of non-performing loans (NPE portfolio), arising from the divestment strategy in this type of assets carried out by the Bank in recent years, complying with a strict reduction plan, have as a side effect a negative impact on net interest income in the activity in Portugal. In addition, it is important to mention the contribution of customer funds to the evolution of net interest income, still benefiting from the low interest rates in the remuneration of the deposit portfolio observed in this period.

In contrast, we must point out the significant increase in costs incurred by the Bank with the excess liquidity deposited at the Bank of Portugal. At the same time, there was also a negative impact resulting from the end of interest rate bonification period since 23rd June 2022, related to the interest rate of the new targeted longer-term refinancing operation (TLTRO III).

On the other hand, it is also worth mentioning the higher contribution to net interest income evolution in the activity in Portugal, of the increase in the income generated by the securities portfolio, mainly by sovereign debt portfolio compared to the amount recognised in the first nine months of 2021. The reduction in the costs incurred with subordinated debt also benefited net interest income evolution, while costs incurred with the remaining debt issued, in turn, were higher than in the first nine months 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 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 showed a significant growth of 60.4% from the 545.5 million euros accounted in the first nine months of 2021, amounting to 875.0 million euros at the end of September 2022. The Polish subsidiary was the main responsible for this evolution, despite net interest income in the subsidiary in Mozambique also showing a very favourable performance still, with a smaller impact and benefiting from the favourable evolution of the Metical against the euro. In the Polish subsidiary, net interest income, was boosted by successive increases in the reference interest rates that have been taking place since the last months of 2021, ending the period of interest rates close to zero that had been set by the National Bank of Poland since the initial phase of the pandemic and which had been penalizing the net interest income of the subsidiary. The impact of these interest rate increases was mainly felt on the interest margin of loans to customers, which played a decisive role in the favourable evolution of the net interest income of the subsidiary.

In consolidated terms, net interest margin showed a favourable evolution from 1.91% in the first nine months of 2021 to 2.38% recorded in the same period of the previous year, boosted by the performance of international activity.

In the activity in Portugal, net interest margin stood at 1.45% in the first nine months of 2022, in line with the figure showed a year earlier and recording an increase of 4 bp compared to June 2022.

In the international activity, net interest margin increased significantly from 2.98% in the first nine months of 2021 to 4.66% in the same period in the current year, mainly 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 54.2 million euros in the first nine months of 2022, standing 26.2% above the 43.0 million euros recorded in the same period of the previous year. This evolution was determined by the favourable performance of the activity in Portugal.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments stood at 54.5 million euros in the first nine months of 2022, increasing 24.0%, from the 43.9 million euros posted in the same period of the previous year, mainly due to the increase in the income associated with investments that are part of the shares portfolio of the activity in Portugal. At the same time, equity accounted earnings also contributed to the favourable evolution of this aggregate in the activity in Portugal, although in a smaller size, reflecting above all the increase in income generated by the participation in Unicre.

In the international activity, the evolution of equity accounted earnings together with the income of dividends from equity instruments, from a negative amount of 0.9 million euros in the first nine months of

2021 to an also negative amount of 0.3 million euros, in the same period of 2022, benefited from the appropriation of the results generated by Seguradora Internacional de Moçambique, S.A. ("SIM"), in the amount of 1.4 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. Conversely, the evolution of this aggregate in the international activity was penalised by the appropriation of the results generated by Banco Millennium Atlântico in Angola, reflecting the impacts caused by the weaknesses of the local economy.

Net commissions[10] showed a 7.3% growth from the 534.8 million euros recorded in the first nine months of 2021, reaching 573.8 million euros in the same period of the current year, reflecting in part the progressive normalisation of the economic activity. In this context, there was a general improvement in banking commissions mainly in the activity in Portugal, but also in the international activity. Market related commissions, in turn, stood below the amount reached in the first nine months of 2021, with the increase in the activity in Portugal being entirely absorbed by the reduction in the international activity.

In the activity in Portugal, net commissions grew by 10.9% from the 376.6 million euros recorded in the first nine months of 2021, amounting to 417.7 million euros at the end of September of the current year, benefiting from the performance of both commissions related to the banking business, which showed an increase of 11.4% (36.4 million euros) and commissions related to financial markets, which were 8.0% (4.7 million euros) above the amount recorded in the first nine months of 2021. In this evolution, it is worth noting the performance of both commissions related to transfers and management and maintenance of accounts reflecting, on the one hand, the recovery of post-pandemic transactional levels, and on the other the dynamics of new customer acquisition and the proper management of value propositions.

In the international activity, net commissions reached 156.1 million euros in the first nine months of 2022, slightly above the 158.2 million euros posted in the same period of 2021, reflecting the reduction in the Polish subsidiary, partly offset by the largest contribution of the subsidiary in Mozambique. In both cases, the evolution was strongly influenced by the exchange rate evolution of the respective currencies against the euro, since the decline in the Polish subsidiary in Zlotys appeared not very expressive and in the subsidiary in Mozambique commissions expressed in Meticals were in line with the amount calculated in the first nine months of 2021.

[10] During 2021, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts related to the first nine months of 2021 of such items are presented considering these reclassifications with the purpose of ensuring their comparability. Except for the impacts produced by the restatement of the contribution of the subsidiary in Mozambique following the sale at the end of 2021, from the stake that the subsidiary had in SIM, the total amount of net commissions disclosed in previous periods remains unchanged compared to those published in September 2021.

NET COMMISSIONS

Million euros

	9M22	9M21 (restated)	Chg. % 22/21
BANKING COMMISSIONS	**495.3**	**453.3**	**9.3%**
Cards and transfers	162.7	131.0	24.1%
Credit and guarantees	108.0	114.4	-5.6%
Bancassurance	89.0	87.3	2.0%
Management and maintenance of accounts	124.5	110.9	12.2%
Other commissions	11.2	9.8	14.4%
MARKET RELATED COMMISSIONS	**78.5**	**81.5**	**-3.6%**
Securities	27.4	26.4	3.7%
Asset management and distribution	51.1	55.1	-7.2%
TOTAL NET COMMISSIONS	**573.8**	**534.8**	**7.3%**
of which:			
Activity in Portugal	417.7	376.6	10.9%
International activity	156.1	158.2	-1.3%

In the first nine months of 2022, net trading income amounted to 74.9 million euros, standing 4.8% above the 71.5 million euros reached in the same period of the previous year, with the increase in the activity in Portugal to be almost entirely offset by the reduction of international activity.

Net trading income, in the activity in Portugal, stood at 98.9 million euros in the first nine months of 2022, representing a significant growth of 54.2% from the 64.1 million euros recorded in the same period of 2021. For this evolution contributed, to a large extent, the gains, recognised in the first nine months of 2022 arising from the revaluation of corporate restructuring funds, which although not very significant, contrasting with the costs that were reflected in the profit and loss account of the same period of the previous year. In the same way, the income recognised in the first nine months of 2022 from the disposal of credits also contrast with the costs calculated in the same period of 2021, contributing favourably to this evolution, as well as higher gains with foreign exchange operations. Conversely, the evolution of net trading income in the activity in Portugal was penalised by the smaller gains associated with Portuguese government debt securities recognised in the first nine months of 2022 compared to the amount posted in the same period of 2021.

In the international activity, net trading income went from a positive amount of 7.4 million euros at the end of September 2021, to a negative amount of 23.9 million euros in the first nine months of 2022. This evolution was mainly due to the performance of the Polish subsidiary, which was strongly influenced by the impact of the costs incurred in converting mortgage loans granted into Swiss francs, following the agreements closed in the meantime with customers holding those credits, which amounted to 69.9 million euros, compared to 47.7 million euros recognised in the first nine months of 2021.

Other net operating income includes, among others, the costs associated with the resolution and the deposit guarantee funds as well as with the other mandatory contributions, both in the activity in Portugal and in the international activity. In the first nine months of 2022, other net operating income stood at a negative amount of 190.8 million euros, compared to an also negative amount of 116.8 million euros posted in the same period of the previous year, mainly reflecting the increase in costs with mandatory contributions to which the Polish subsidiary was subject.

In the activity in Portugal, other net operating income went from a negative amount of 68.6 million euros in the first nine months of 2021, to an also negative amount of 71.3 million euros in the same period of 2022, influenced by the increase of 11.3 million euros recorded in the costs incurred with mandatory contributions, which fully absorb the significant increase in the gains recognised from the sale of non-current assets held for sale. The total amount of costs recognised with mandatory contributions in the activity in Portugal stood at 88.5 million euros in the first nine months of of 2022 (77.2 million euros in the first nine months of 2021), of which 62.2 million euros refer to contributions for national entities (56.2 million euros in the first nine months of 2021).

In the international activity, other net operating income reached a negative amount of 119.5 million euros at the end of September 2022, more than double the also negative amount of 48.3 million euros in the same period of 2021. This evolution was strongly influenced by the increase of 48.2 million euros in the costs incurred with mandatory contributions to which the Polish operation was subject, from 72.9 million euros in the first nine months of 2021 to 121.1 million euros in the same period of 2022. In this context, we must point out the contribution to the new Institutional Protection Scheme (IPS), of 59.1 million euros at the end of September 2022, non-existent in 2021. This fund was born with the aim of ensuring the stability of the local financial system by ensuring the liquidity and solvency of the member banks, while serving to support situations of forced restructuring carried out by the Bank Guarantee Fund in banks that are public companies. Thus, the Bank, together with the other participating financial institutions, created a company that, in turn, constituted an "aid fund" to which each bank will contribute with the equivalent of 0.4% of its deposits covered by the local Deposit Guarantee Fund. On the other hand, following the creation of this new contribution, in 2022 Bank Millennium will only bear the costs with the deposit guarantee fund for the first quarter of the year, which arose at 8.0 million euros (11.5 million euros as at September 2021). In addition, mention must be made to the increase in costs associated with the foreign exchange mortgage loan portfolio, resulting from the agreement with clients. 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. slightly decreased, from 32.8 million euros in the first nine months of 2021, to 31.4 million euros at the end of September 2022.

Operating costs, not considering the effect of specific items[11], totalled 781.4 million euros in the first nine months of 2022, standing 2.6% above the 761.6 million euros recorded in the same period of the previous year, with this evolution partly justified by the the rise in inflation, across all geographies in which the Bank operates. The increase in costs in international activity, especially regarding staff costs and other administrative costs, was decisive for the evolution of the operating costs of the Group (excluding specific items), having fully offset the savings achieved in the activity in Portugal, resulting from the reduction in staff costs.

In the activity in Portugal, operating costs, not considering the effect of the specific items[11], showed a 3.4% reduction from the 453.5 million euros posted in the first nine months of 2021, amounting to 438.2 million euros in the same period of 2022. The specific items recognised in the first nine months of 2022, mainly relate to the distribution of part of the 2021 results by the Bank's employees, as compensation for the temporary reduction of remuneration in the period 2014/2017, as proposed at the General Meeting of Banco Comercial Português, S.A., held on May 4, 2022. In the first nine months of 2021, specific items are mainly related to the recognition of a provision, in the amount of 81.4 million euros, to face the costs arising from the headcount adjustment, which the Bank carried out that year. In this context, it should be noted that the favourable evolution of operating costs in the activity in Portugal, excluding specific items[11], was due to the savings in staff costs, resulting from the implementation of the aforementioned headcount adjustment plan that the Bank carried out in 2021. Other administrative costs were higher than in September 2021, while depreciations remained in line with the amount accounted in the first nine months of 2021.

In the international activity, operating costs totalled 343.2 million euros at the end of September 2022, standing 11.4% above the 308.2 million euros accounted in the same period of the previous year, reflecting, in part, the inflationary increases recorded in recent months in the geographies where the Group operates. In this sense, the evolution of operating costs in the international activity stemmed from the performance of both the Polish subsidiary and the subsidiary in Mozambique, in the latter case, strongly penalised by the exchange rate evolution of the Metical against the euro.

In consolidated terms, despite the slight increase in operating costs, excluding specific items[11], compared to the amount recorded in the first nine months of 2021, cost to income and cost to core income ratios excluding specific items showed a significant improvement, evolving, respectively, from 44.9% in the first nine months of 2021, to 38.0% in the first nine months of 2022, and from 44.8% to 36.9% in the same period, thanks to the increase in both net operating revenues and core income. Cost to income and cost to core income stated ratios evolved, respectively, from 50.0% to 38.3% and from 50.0% to 37.1% in the same period.

Staff costs, not considering the effect of specific items (6.1 million euros in the first nine months of 2022 and 87.6 million euros in the same period of the previous year), totalled 425.8 million euros at the end of September 2022, in line with the amount accounted in the same period of 2021. The specific items previously mentioned were, in both periods, fully recognised in the activity in Portugal. In the first nine

[11] **Specific items: negative impact of 6.1 million euros in the first nine months of 2022 and 87.6 million euros in the first nine months of 2021, fully recognized as staff costs in the activity in Portugal, in both periods.**

months of 2022, specific items almost fully respect to the distribution of part of the Bank's 2021 results by the employees of the Bank, as approved at the General Meeting of Banco Comercial Português, S.A., held on May 4, 2022. In the first nine months of 2021, specific items were mainly related to a provision in the amount of 81.4 million euros, booked to cover the costs related to the adjustment of headcount, carried out by the Bank that year. Despite the fact that, in consolidated terms, staff costs excluding specific items are at a similar level to the same period in the previous year, it´s important to highlight the favourable performance of the activity in Portugal, the impact of which was largely absorbed by the increase in the international activity.

In the activity in Portugal, staff costs, excluding the impact of specific items (6.1 million euros in the first nine months of 2022 and 87.6 million euros in the same period of 2021), showed a 7.3% reduction compared to the 264.9 million euros posted in the same period of the previous year, amounting to 245.5 million euros at the end of September 2022. This favourable evolution in staff costs, excluding specific items, reflects mainly the reduction, in net terms, in the number of employees, that went from 6,511 employees as at 30 September 2021, to 6,257 employees at the end of September 2022, mainly reflecting the impact arising from the implementation of the headcount adjustment plan that the Bank carried out in 2021 (costs arising from the headcount adjustment were recognised as specific items in the first nine months of 2021, mostly including the already mentioned provision in the amount of 81.4 million euros). In this context, it should be noted that the Bank continued to acquire the required capabilities to meet current needs by hiring new employees with specific digital and new technologies skills.

In the international activity, staff costs amounted to 180.3 million euros in the first nine months of 2022, standing 10.2% above the 163.6 million euros recorded 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 continued to be 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 verified in the country. 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 nine months of 2021. Conversely, the evolution of staff costs at the Polish subsidiary also reflects the impact of the reduction in the total number of employees that went from 7,172 employees (7,035 FTE - full time equivalent) as of 30 of September 2021, to 6,897 employees (6,778 FTE – full-time equivalent) at the end of September 2022, resulting from the need to accelerate efficiency improvement within the challenging context that the subsidiary has been facing. In the operation in Mozambique, in turn, despite a reduction of 122 employees in the staff, from 2,629 employees on 30 September 2021, to 2,507 employees in the same date of 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 153 employees that at the end of September of 2021 belonged to SIM, the staff of the Mozambican operation increased by 31 employees, which together with the salary update and with the exchange rate evolution of the Metical against the euro, justified the increase in total staff costs compared to the same period of the previous year. It should be noted that, following the sale of SIM at the end of 2021, the historical amounts of this operation, related to the first nine months of 2021, were restated, being classified as discontinued operations, in accordance with IFRS 5, in order to ensure the comparability of the information.

The staff of the international activity, as at 30 September 2022, was composed by 9,404 employees, 480 fewer than the 9,884 employees existing on the same date of the previous year. Bank Millennium in Poland was the principal responsible for this evolution, showing a reduction of 275 employees in the period under analysis. The subsidiary in Mozambique, in turn, reduced the staff by 122 employees in the period under analysis with this variation being strongly influenced by the impact of the sale of SIM, whose staff as of September 30, 2021, was composed of 153 employees. Additionally, the evolution of the number of employees related to international activity also reflects the impact of the disposal of the entire share capital of Banque Privée BCP (Suisse), which occurred at the end of 2021, with 79 employees allocated to this subsidiary, as of September 30, 2021. Although the sale of this subsidiary only occurred at the end of 2021, its contribution to the Group's consolidated results in the first nine months of 2021 was accounted for as a result of discontinued operations following the agreement concluded on June 29, 2021 with Union Bancaire Privée, UBP S.A., as provided for in IFRS 5.

Other administrative costs totalled 251.8 million euros at the end of September 2022, increasing 9.3% from the 230.3 million euros posted in the same period of the previous year, strongly influenced by the general increase of inflation. This evolution was mainly driven by the performance of the international activity, despite other administrative costs in the activity in Portugal were also higher than those recorded in the same period of 2021.

In the activity in Portugal, other administrative costs amounted to 133.5 million euros in the first nine months of 2022, standing 4.0% above the 128.4 million euros recorded in the same period of the previous year. This performance was mainly due to the increase, close to 90%, in costs related to water, energy and fuels, mainly reflecting the increased cost of energy. At the same time, the greater investment by the Bank in technology and cybersecurity led to an increase in the respective costs namely associated to the maintenance of hardware and software. On the other hand, there was also an increase in costs associated with transportation, outsourcing, advertising and travel, hotel and representations largely reflecting the gradual recovery of economic activity, influenced by the favourable evolution of the pandemic. Conversely, we should mention the savings obtained in advisory services and independent labour among others. It should also be noted that the Bank pursues a disciplined cost management, implementing a series of measures , highlighting the resizing of its branch network in the activity in Portugal, which decreased from 447 on 30 September 30, 2021, to 408 branches at the end of September 2022, with widespread impact on the several headings of other administrative costs.

In the international activity, other administrative costs amounted to 118.2 million euros in the first nine months of 2022, representing a 15.9% increase from the 102.0 million euros posted in the same period of the previous year. This evolution was due to the performance of both the Polish subsidiary, and the subsidiary in Mozambique with the latter to be penalised above all, by the evolution of the Metical against the euro. On the other hand, it should be mentioned that the performance of other administrative costs, in the international activity, 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 665 branches existing as of 30 September 2021, to 633 branches at the end of September 2022. The subsidiary in Mozambique, in turn, reduced the number of branches from 199 at the end of September 2021 to 197 on the same date of the current year.

Depreciations amounted to 103.9 million euros in the first nine months of 2022, staying stable (+1.1%) compared to the amount posted in the same period of the previous year, with the increase in the international activity to be partially offset by the reduction in the activity in Portugal.

In the activity in Portugal depreciations totalled 59.1 million euros, standing 1.7% below the 60.2 million euros posted in the same period of the previous year, mainly due to the the reduction in depreciation associated with computer equipment, although it was partly absorbed by the increase in depreciations stemming from software investment over the last few years. The strengthening of investment in software highlights the Bank's commitment to the ongoing transformation process and the constant focus on technological innovation, particularly relevant in the context of a pandemic that has been experienced in recent times.

In the international activity, depreciations amounted to 44.7 million euros at the end of September 2022, standing 4.9% above the 42.6 million euros recorded in the same period of 2021. This evolution was determined by the performance of the subsidiary in Mozambique, mainly reflecting the exchange rate evolution of Metical against the euro, since in local currency the amount of depreciations in this subsidiary showed a non significant growth.

OPERATING COSTS (1)

Million euros

	9M22	9M21 (restated)	Chg. % 22/21
Staff costs	425.8	428.5	-0.6%
Other administrative costs	251.8	230.3	9.3%
Depreciation	103.9	102.8	1.1%
OPERATING COSTS	**781.4**	**761.6**	**2.6%**
Of which:			
Activity in Portugal	438.2	453.5	-3.4%
International activity	343.2	308.2	11.4%
Cost to core income of the Group	36.9 %	44.8 %	
Cost to income of the Group	38.0 %	44.9 %	

(1) Excludes the impact of specific items.

In the first nine months of 2022, impairment for loan losses (net of recoveries) totalled 241.2 million euros, standing 8.7% bellow the 264.0 million euros accounted in the same period of 2021, benefiting from the favourable evolution in the activity in Portugal, offset by the performance of the international activity.

Loans impairment charges (net of recoveries), in the activity in Portugal, amounted to 174.1 million euros at the end of September 2022, showing a 14.5% reduction from the 203.7 million euros recognised in the same period of the previous year.

In the international activity, impairment charges (net of recoveries), stood 11.2% above the 60.3 million euros recognised in the first nine months of 2021, amounting to 67.1 million euros in the same period of 2022. This evolution was mainly due to the higher level of provisioning required by both the Polish subsidiary and the subsidiary in Mozambique. It should be noted, however, that the evolution of impairment for loan losses in the Mozambican operation was influenced by the reversal, in the first nine months of 2021, of the impairment associated with an individual client, motivated by the assets received as payment in kind.

The evolution of impairment for loan losses (net of recoveries) in consolidated terms led the cost of risk of the Group, net of recoveries, to reduce from the 60 basis points in the first nine months of 2021, to 55 basis points in the same period of 2022. This development benefited from the performance of the activity in Portugal, whose cost of risk (net of recoveries) showed a reduction, from 68 basis points in the first nine months of of 2021, to 57 basis points in the same period of the current year. In the international activity, in turn, the cost of risk (net of recoveries) worsened, from 44 basis points, to 51 basis points in the period under analysis.

Other impairments and provisions totalled 837.0 million euros in the first nine months of 2022, increasing very significantly from the 462.1 million euros recorded in the same period of 2021, strongly influenced by the recognition of impairments and provisions associated to the Polish subsidiary.

In this context, we should highlight the booking of impairments and provisions, referring to the early recognition of the potential costs arising from the program of moratoriums (credit holidays) enacted last July. Thus, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland on the same day of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers ('the Act'), introducing, among others, a possibility of up to 8 months of credit holidays in 2022-2023 for borrowers of mortgages denominated in Zlotys, the Bank estimated the maximum impact of the implementation of this Act if all eligible Bank Millennium Group's borrowers were to use this instrument, having recognised an upfront cost of 80% of such maximum impact in the results of the third quarter of 2022, corresponding to 304.6 million euros. The participation rate average in the third quarter of 2022 was 66% of eligible borrowers and the Bank intends to review its estimates of credit holidays costs in early 2023 when the actual data for half of the instalments available for suspension will be available.

On the other hand, notwithstanding the good operating performance of Bank Millennium S.A., the expected effect that the increase in reference interest rates has on the prospective evolution of net interest income and the fact that Bank Millennium S.A. continues to assess that the goodwill associated with the consumer credit business acquired from Euro Bank S.A. as recoverable, given the sensitivity of the estimated value to the main assumptions considered and the uncertainty associated with the material impacts on the Business Plan and projections arising from potential legislative measures, the Bank has considered the total impairment of the current goodwill associated with the acquisition by the BCP Group of the current percentage of control over Bank Millennium S.A. in the amount of 102.3 million euros as at 30 June 2022.

In the activity in Portugal, other impairments and provisions showed a 3.4% reduction, from 103.3 million euros in the first nine months of 2021, to 99.7 million euros in the same period of 2022, mainly reflecting the reduction associated to financial assets at fair value through other comprehensive income and to non-current assets held for sale, in particular the portfolio of real estate properties received as payment in kind.

In the international activity, other impairment and provisions amounted to 737.3 million euros at the end of September 2022, more than doubling from the 358.8 million euros posted in the first nine months of the previous year. As previously mentioned, this evolution mainly reflects the recognition of impairments and provisions associated to the Polish subsidiary, related to both the upfront cost recognition of the potential costs arising from the moratorium programme (credit holidays) enacted last July (304.6 million euros), and the goodwill associated with the Group's participation in Bank Millennium S.A. (102.3 million euros).

On the other hand, despite continuing to strongly penalise the result of the Polish subsidiary, the reinforcement of the extraordinary provision, booked to address the foreign exchange mortgage legal risk, evolved favourably from the 346.3 million euros recognised in the first nine months of 2021, to 323.9 million euros in the same period of the current year. In both periods, the impact of these provisions has been partially offset by the recognition of income, reflected under the heading of other net operating income, corresponding to the amount to be received from a third party, following the indemnity and contractual guarantees clauses foreseen in the agreement established for the purchase of Euro Bank S.A. (31.4 million euros in the first nine months of 2022 and 32.8 million euros in the same period of 2021).

Other impairments and provisions in the international activity also benefited, although on a smaller dimension, from the favourable evolution of both impairments for the investment in the participation in Banco Millennium Atlântico (including goodwill) and the reduction of impairment booked in the subsidiary in Mozambique compared to the first nine months of 2021.

Income tax (current and deferred) amounted to 208.6 million euros in the first nine months of 2022, which compares to 141.5 million euros obtained in the same period of the previous year.

The recognised taxes include, in the first nine months of 2022, current tax of 75.4 million euros (66.9 million euros in the same period of 2021) and deferred tax of 133.2 million euros (74.5 million euros in the first nine months of 2021).

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

Deferred tax expenses in the first nine months of 2022 mainly result from the income of the period of the activity in Portugal and are influenced by some mandatory contributions to the banking sector in Portugal non-deductible for tax purposes.

The Group income before tax includes the expense of 102.3 million euros related to the impairment of the goodwill of the Polish subsidiary, which has no impact on current and deferred taxes.

BALANCE SHEET

Total assets of the consolidated balance sheet of Millennium bcp amounted to 97,169 million euros as of 30 September 2022, maintaining the growth trend observed over the last quarters, standing 6.2% above the 91,463 million euros posted on the same date in the previous year. This evolution mainly reflects the good performance of the activity in Portugal, since assets in the international activity recorded a decrease.

The performance of the activity in Portugal led to an increase of 9.6% of the total assets, compared to the 65,121 million euros posted at the end of the first nine months of 2021, totalling 71,404 million euros at the same date of 2022. This evolution is explained by the growth of loans and advances to credit institutions, particularly at central banks, other assets (increase in collateral associated with derivatives clearing/ clearing houses) and loans to customers portfolio (net of impairment). Inversely, there were reductions in deposits at central banks, securities portfolio, mainly due to the divestment in Portuguese public debt and in non-current assets held for sale, in particular the portfolio of real estate properties received as payment.

In the international activity, total assets amounted to 25,765 million euros as of 30 September 2022, recording a drop of 2.2% comparing to the same date in the previous year (26,342 million euros posted on 30 September 2021). As far as the evolution of the balance sheet items is concerned, there was an increase of the deposits at central bank and loans and advances to credit institutions that was more than offset by the decrease in the securities portfolio, reduction in loans to customers portfolio (net of impairment), the recognition of total impairment of the goodwill related to the acquisition of the Polish subsidiary by BCP and by the deconsolidation impact related to the disposals of the operation in Switzerland and of SIM at the end of 2021.

Consolidated loans to customers (gross)[12] of Millennium bcp, as defined in the glossary, amounted to 58,622 million euros on 30 September 2022, which compares with the 57,964 million euros recorded at the end of September 2021, representing a growth of 1.1% in relation to the equivalent period of the previous year, mainly achieved through the performance of the activity in Portugal, since international activity posted a decrease.

The evolution of loans to customers (before impairment) in the activity in Portugal showed a growth of 2.6% comparing to the 39,998 million euros recorded by the end of September 2021, standing at 41,030 million euros on 30 September 2022. The net growth of loans portfolio includes, on the one hand, the good performance of the performing loans, which has grown by 1,426 million euros between the first nine months of 2021 and 2022 and on the other hand, the reduction of 394 million euros in NPE, thus maintaining the strategy of Bank's divestment for these type of assets that has been carried out over the last years.

Loan portfolio growth in the activity in Portugal reflects, largely, the expansion of loans to individuals, which have evolved from 20,225 million euros on 30 September 2021 to 21,101 million euros by the end of the first nine months of 2022, benefiting mainly from the dynamism of mortgage loans, but also from the performance from personal loans, albeit the growth is of a smaller magnitude in the latter case.

Loans to companies amounted 19,928 million euros at the end of the first nine months of the current year, remaining almost unchanged compared to the figure reached the same date of the previous year (19,773 million euros on 30 September 2021). Regarding the credit granted by the Bank under the COVID-19 lines guaranteed by the Portuguese State, the total figure of credit stood at 2,254 million euros as at 30 September 2022, comparing to 2,632 million euros recorded in the same date in the previous year. At the end of the first nine months of 2022, the COVID-19 lines represented about 5.5% 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 end of the first nine months of 2022 amounted to 7,023 million euros (expired moratoriums), it should be noted that 88% of this exposure corresponded to performing loans. Consequently, 12% concerned non-performing exposures (operations classified as stage 3), which compared with a percentage of non-performing exposures of 3.7%[13] of the total portfolio.

In the international activity, loans to customers (gross)[12] amounted to 17,593 million euros as of 30 September 2022, standing 2.1% below the 17,966 million euros posted at the end of the first nine months of the previous year. The Polish subsidiary recorded a decrease in loan portfolio compared to the same date of

[12] **Following the disposal of the Swiss subsidiary in 2021, its historical values are not being considered in the context of this analysis, to ensure the comparability of the information.**
[13] **NPE ratio, measured by the quotient between non-performing exposures (only exposures included in the aggregate of loans to customers) and total loans (gross).**

the previous year, driven by the reduction in mortgage loans, as a result of the provision constituted for credit holidays program. This evolution is, however, strongly influenced by the devaluation of Zloty against the euro, since there was an increase in the amounts of credit in the period under analysis. Inversely, loan portfolio in the subsidiary in Mozambique recorded an increase amplified by the Metical appreciation vs Euro.

As for the foreign currency credit portfolio, mostly denominated in Swiss francs, it continued to show a relevant downward trend by falling from 2,364 million euros as of 30 September 2021 to 1,722 million euros as of 30 September 2022, representing 13.6% and 10.2% of the total amount of credit recorded on the balance sheet of Bank Millennium and 4.1% and 2.9% of the Group's total loans portfolio at the end of first nine months of 2021 and 2022, respectively.

It should be noted that the foreign exchange loan portfolio before provisions for individual mortgage loans in Swiss francs[14] (which amounted to 459 million euros and 867 million euros on 30 September 2021 and 2022, respectively) and 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 2,648 million euros at the end of the first nine months of 2021 and 2,442 million euros at the end of the first nine months of 2022, resulting in a reduction of 7.8% compared to the same date the previous year.

LOANS TO CUSTOMERS (GROSS)

Million euros

	30 Sep. 22	30 Sep. 21 comparable (1)	Chg. 22/21
INDIVIDUALS	**33,852**	**33,474**	**1.1 %**
Mortgage	27,939	27,498	1.6 %
Personal loans	5,913	5,976	-1.0 %
COMPANIES	**24,770**	**24,490**	**1.1 %**
Services	8,728	8,724	0.1 %
Commerce	4,189	4,261	-1.7 %
Construction	1,612	1,516	6.3 %
Others	10,241	9,990	2.5 %
	58,622	**57,964**	**1.1 %**
Of which:			
Activity in Portugal	41,030	39,998	2.6 %
International activity	17,593	17,966	-2.1 %
Discontinued operations	—	372	
TOTAL	**58,622**	**58,336**	**0.5 %**

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

[14] 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 recognising them as a reduction in the gross book value of loans for those where a reduction in cash flows is expected, as provided for under IFRS 9.

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

With the emergence of the Russian/Ukraine conflict, the Bank has performed a set of quantitative and qualitative analysis to assess the potential impacts in the performance of the credit portfolio. This evaluation was carried out, particularly, in Portugal and Poland, the latter being a geography potentially more exposed to the impacts of this event, considering it is a neighbouring country of Ukraine. Taking into consideration the still highly uncertain environment, it is difficult to determine the economic consequences in the Bank's business and near/mid-term prospects from the military actions and sanctions imposed on Russia and Belarus by Western countries, among others, energy supply constraints, namely the provision of gas to Europe, and impacts in the supply chains of several products and commodities. Nevertheless, monitoring procedures were put in place focusing on specific portfolios identified as being potently more vulnerable, among which we highlight dedicated sessions of BCP Executive Committee with the purpose of evaluating the impacts of this geopolitical crisis in the risk profile of the bank and dedicated committees to follow exposures to more vulnerable customers.

Loan portfolio quality has continued to record a favourable trend. In this context, NPE ratio, measured by the ratio between non performing exposures and the total loan portfolio dropped from 4.9% as of 30 September 2021 to 4.1% at the same date of 2022, largely due to the performance of the domestic loan portfolio, whose NPE ratio stands at 3.7% at the end of the first nine months of 2022, which compares to 4.8% posted in the same date the previous year.

As for the coverage by impairments ratios, we highlight the positive evolution of the coverage of NPL by more than 90 days, that rose from 139.3% at the end of September 2021 to 182.7% on 30 September 2022. The coverage of NPE by loans impairments in the activity in Portugal, in turn, showed a drop of 3 p.p., standing at 65.9% by the end of the first nine months of 2022, compared to 68.6% recorded in the same date last year.

Still with regard to the coverage ratios, we point out that the coverage of foreign exchange mortgage loan portfolio in the Polish Subsidiary[15] was reinforced from 19.5% on 30 September 2021 to 41.3% on 30 September 2022.

[15] Coverage ratio measured by the quotient between the total amount of provisions booked (516 million euros and 1,009 million euros, including both provisions consisting directly of reduction in asset value and provisions in liabilities, at the end of first nine months of 2021 and 2022, respectively) and the total amount of the portfolio. before the provisions directly reducing the gross book value of the loans and excluding exposure from Euro Bank S.A. (2,648 million euros and 2,442 million euros at the end of first nine months of 2021 and 2022, respectively).

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	30 Sep. 22	30 Sep. 21	Chg. 22/21	30 Sep. 22	30 Sep. 21	Chg. 22/21
STOCK (M€)						
Loans to customers (gross)	58,622	58,336	0.5 %	41,030	39,998	2.6 %
Overdue loans > 90 days	641	1,008	-36.4 %	296	636	-53.5 %
Overdue loans	730	1,129	-35.3 %	308	650	-52.6 %
Restructured loans	2,093	2,525	-17.1 %	1,571	1,996	-21.3 %
NPL > 90 days	882	1,380	-36.1 %	446	884	-49.5 %
NPE	2,424	2,832	-14.4 %	1,537	1,931	-20.4 %
Loans impairment (Balance sheet)	1,612	1,923	-16.2 %	1,012	1,324	-23.5 %
NPE impairment (Balance sheet)	1,172	1,464	-19.9%	726	1,010	-28.2%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	1.1 %	1.7 %		0.7 %	1.6 %	
Overdue loans / Loans to customers (gross)	1.2 %	1.9 %		0.8 %	1.6 %	
Restructured loans / Loans to customers (gross)	3.6 %	4.3 %		3.8 %	5.0 %	
NPL > 90 days / Loans to customers (gross)	1.5 %	2.4 %		1.1 %	2.2 %	
NPE / Loans to customers (gross)	4.1 %	4.9 %		3.7 %	4.8 %	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	251.6 %	190.7 %		342.1 %	208.2 %	
Coverage of overdue loans	220.7 %	170.3 %		328.8 %	203.8 %	
Coverage of NPL > 90 days	182.7 %	139.3 %		227.1 %	149.9 %	
Coverage of NPE	66.5 %	67.9 %		65.9 %	68.6 %	
Specific coverage of NPE	48.3 %	51.7 %		47.2 %	52.3 %	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	2.7 %	3.3 %		2.5 %	3.3 %	

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

Total customer funds[16] grew by 3.5% compared to the same date of the previous year, from 88,019 million euros as of 30 September 2021 to 91,069 million euros at the end of the first nine months of the current year. This evolution reflects above all the good performance of the activity in Portugal and international activity, although in the latter case contributing to the aforesaid growth in a smaller magnitude. As far as the nature of resources is concerned, there was an expansion of balance sheet customer funds, against a decrease in off- balance sheet customer funds, in line with the trend seen over the last two quarters.

Balance sheet customer funds increased from 69,121 million euros on 30 September 2021 to 75,184 million euros on 30 September 2022, mostly due to the expansion of the deposits and other resources from customers, which in consolidated terms increased by 6,264 million euros compared to the same date in the previous year. This evolution mainly reflects the positive performance of the activity in Portugal, although it also benefited on a smaller scale from the growth recorded in the international activity.

[16] **Following the disposal of the Swiss subsidiary in 2021, the historical figures are not being considered in the context of this analysis to ensure the comparability of the information.**

Off-balance sheet customer funds amounted 15,885 million euros on 30 September 2022, decreasing by 15.9% compared to the same date of the previous year (18,898 million euros at the end of September 2021), due to the declines recorded both in the activity in Portugal and in international activity.

In the activity in Portugal, total customer funds stood at 67,173 million euros on 30 September 2022, 4.2% above the 64,480 million euros recorded as of 30 September of the previous year. This growth was boosted by the performance of balance sheet customer funds, namely deposits and other resources from customers which recorded an increase of 5,149 million euros from 30 September 2021, reflecting the growth of customer savings and in customer base.

Off-balance sheet customer funds in the activity in Portugal at the end of the first nine months in 2022 showed a decrease of 2,264 million euros when compared with the figures reached at the end of September 2021. All the business segments contributed to the aforesaid decline, with the reduction in insurance products (savings and investment) being the most significant one in absolute terms.

In the international activity[16], total customer funds stood at 23,896 million euros on 30 September 2022, posting a slight increase of 1.5% compared to the 23,539 million euros recorded on the same date of 2021, mainly reflecting the positive contribution from the Mozambican activity, in part offset by the slight decline seen in the Polish subsidiary.

Balance sheet customer funds in the international activity stood at 22,574 million euros on 30 September 2022, 5.2% above the 21,468 million euros recorded in the same date in the previous year, with this evolution being explained by both the deposits increase in the Polish subsidiary and the Mozambican activity.

Off-balance sheet customer funds in the international activity recorded a reduction of 749 million euros compared to 30 September 2021, standing at 1,322 million euros at the end of the first nine months of 2022. This decline was observed in all the business segments, with the reduction in assets under management being the most significant one in absolute terms.

On 30 September 2022, balance sheet customer funds and deposits and other resources from customers, on a consolidated basis, represented 83% and 81% of total customer funds (77% and 75%, respectively on 30 September 2021, considering stated information).

The loans to deposits ratio (stated), in accordance with the Bank of Portugal’s Instruction no. 16/2004, stood at 77.2% on 30 September 2022, with the same ratio, considering on-balance sheet customers’ funds, standing at 75.8%. Both ratios show values below those obtained at the same date of the previous year, 82.6% and 80.7%, respectively.

TOTAL CUSTOMER FUNDS

Million euros

	30 Sep. 22	30 Sep. 21 comparable(1)	Chg. 22/21
BALANCE SHEET CUSTOMER FUNDS	**75,184**	**69,121**	**8.8 %**
Deposits and other resources from customers	73,843	67,579	9.3 %
Debt securities	1,341	1,542	-13.0 %
OFF-BALANCE SHEET CUSTOMER FUNDS	**15,885**	**18,898**	**-15.9 %**
Assets under management	5,071	5,592	-9.3 %
Assets placed with customers	5,166	6,243	-17.3 %
Insurance products (savings and investment)	5,649	7,063	-20.0 %
	91,069	**88,019**	**3.5 %**
Of which:			
Activity in Portugal	67,173	64,480	4.2 %
International activity	23,896	23,539	1.5 %
Discontinued operations	—	2,537	
TOTAL	**91,069**	**90,556**	**0.6 %**

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

On 30 September 2022, the securities portfolio of the Group, as defined in the glossary, amounted to 19,536 million euros, showing a decrease of 9.6% from 21,614 million euros recorded in the same date of the previous year, which led to a decrease of its weight in total assets from 23.6% on 30 September 2021 to 20.1% on 30 September 2022. This decrease was mainly due to the reduction of the portfolio of international activity that amounted to 4,129 million euros on 30 September 2022, showing a 28.1% drop compared to the 5,746 million euros posted on the same date the previous year, explained by the divestment in Polish public debt and by the impact of the divestment of the Swiss subsidiary which occurred at the end of 2021. As for the portfolio in the activity in Portugal, that evolved from 15,868 million euros on 30 September 2021 to 15,407 million euros on the same date this year, especially due to divestment in Portuguese public debt, since the amount invested in foreign public debt has increased when compared to the same date in the previous year.

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 September 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 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 September 2021 and in September 2022.

The information presented below for the individually more relevant business areas in Portugal and aggregately for the international activity was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 30 September 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. 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 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 operations as at September 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	30 Sep. 22	30 Sep. 21	Chg. 22/21
PROFIT AND LOSS ACCOUNT			
Net interest income	375	335	11.6 %
Other net income	340	314	8.4 %
	715	649	10.1 %
Operating costs	343	353	-2.6 %
Impairment and provision	30	54	-47.0 %
Income before tax	342	242	41.6 %
Income taxes	106	76	40.9 %
Income after tax	236	166	41.9 %
SUMMARY OF INDICATORS			
Allocated capital	1,327	1,202	10.4 %
Return on allocated capital	23.8%	18.5%	
Risk weighted assets	10,666	9,978	6.9 %
Cost to income ratio	48.0%	54.3%	
Loans to Customers (net of impairment charges)	25,568	24,643	3.8%
Balance sheet Customer funds	39,923	35,770	11.6%

Notes:

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

Income

As at 30 September 2022, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 236 million, showing a 41.9% increase compared to Euros 166 million in 2021, reflecting an higher net operating income, a lower level of impairment 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 375 million as at 30 September 2022, increasing 11.6% compared to the previous year (Euros 335 million), as a result from the higher income arising from the internal placements of the excess liquidity and from the higher income arising from the loan portfolio.

- Other net income reached Euros 340 million as at 30 September 2022, showing an increase of 8.4% compared to the amount attained in the previous year. This evolution mainly reflects the positive performance of commissions, mainly from transfer fees, management and maintenance of accounts and credit operations. Regarding to market-related commissions, it should be highlighted the commissions associated with the exchange and brokerage transactions, which showed a significant growth compared to the previous year.

- Operating costs dropped of 2.6% 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 30 million by the end of September 2022, decreasing 47.0% compared to the amount of Euros 54 million recorded in the same period of the previous year, reflecting the reduction of implicit risks in the credit portfolio.

- In September 2022, loans to customers (net) totalled Euros 25,568 million, 3.8% up from the position at the end of September 2021 (Euros 24,643 million), while balance sheet customer funds increased by 11.6% in the same period, amounting to Euros 39,923 million by the end of September 2022 (Euros 35,770 million at the end of September of the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING in Portugal	30 Sep. 22	30 Sep. 21	Chg. 22/21
PROFIT AND LOSS ACCOUNT			
Net interest income	182	193	-5.6%
Other net income	123	103	19.1%
	305	296	3.0%
Operating costs	78	85	-7.5%
Impairment (excluding the impairment related to NPE in the beginning of the year)	29	40	-27.5%
Income before tax (excluding impairment charges for NPE)	198	171	15.7%
Impairment charges for NPE	106	65	62.4%
Income before tax	92	106	-13.2%
Income taxes	29	33	-12.1%
Income after tax	63	73	-13.7%
SUMMARY OF INDICATORS			
Allocated capital	1,118	1,249	-10.4%
Return on allocated capital	7.6%	7.8%	
Risk weighted assets	8,502	10,636	-20.1%
Cost to income ratio	25.7%	28.7%	
Loans to Customers (net of impairment charges)	12,514	12,261	2.1%
Balance sheet Customer funds	10,122	9,163	10.5%

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 income after tax of Euros 63 million in September 2022, compared unfavourably to a net income of Euros 73 million presented in September 2021. The unfavourable performance of this segment results from higher level of impairment. It is 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 182 million as at 30 September 2022, 5.6% below the amount attained in the previous year (Euros 193 million). The cost of internal funding outweighing the combined effect of the slight increase of income arising from the loan portfolio, as the decrease in non-performing exposures was more than offset by the increase in commercial paper, and the decrease of the remuneration of deposits, due to lower average interest rates and to the uniqueness of demand deposits for the increase of the volume of deposits portfolio.

- Other net income reached Euros 123 million in September 2022, being 19.1% higher compared to the amount achieved in September 2021, which is mainly explained by the positive impact on net fees and commissions, with emphasis on the commissions from transfer fees, cards and management and maintenance of accounts.

- Operating costs totalled Euros 78 million by the end of September 2022, 7.5% below the overall amount of costs recorded in the same period of the previous year.

- Impairments charges recorded Euros 135 million in September 2022, increasing from Euros 105 million in the same period of 2021, whose evolution is explained by the impairment charges related to the non-performing exposures, as the Bank significantly reduces legacy exposures.

- As at September 2022, loans to customers (net) totalled Euros 12,514 million, increasing 2.1% from the position in September 2021 (Euros 12,261 million), reflecting the expressive growth of the commercial paper, having surpassed the Bank's positive performance in reduction of the non-performing exposures. Balance sheet customer funds reached Euros 10,122 million, 10.5% above the amount recorded in September 2021, in particular through the expansion of the client’s deposits base.

PRIVATE BANKING

Million euros

PRIVATE BANKING in Portugal	30 Sep. 22	30 Sep. 21	Chg. 22/21
PROFIT AND LOSS ACCOUNT			
Net interest income	8	3	144.9%
Other net income	34	26	29.3%
	42	29	42.0%
Operating costs	16	16	2.3%
Impairment and provision	0	-4	-88.0%
Income before tax	26	17	53.6%
Income taxes	8	6	52.6%
Income after tax	18	11	54.1%
SUMMARY OF INDICATORS			
Allocated capital	87	77	12.3%
Return on allocated capital	27.1%	19.8%	
Risk weighted assets	684	652	5.0%
Cost to income ratio	39.2%	54.5%	
Loans to Customers (net of impairment charges)	350	317	10.5%
Balance sheet Customer funds	2,785	2,631	5.8%

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 18 million in September 2022, showing an increase of 54.1% compared to the net profit reached in the same period of 2021 (Euros 11 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 42 million in September 2022, 42.0% up from the same period of the previous year (Euros 29 million), achieved by the growth shown both in other net income and in net interest income. Net interest income totalled Euros 8 million in September 2022, comparing to Euros 3 million reached in September 2021, benefiting from the higher income arising from the internal placements of the excess liquidity. Other net income amounted to Euros 34 million in September 2022, reflecting an increase of 29.3% compared to the same period of the previous year, mainly driven by higher commissions from asset management activity, from exchange and brokerage transactions and transfer fees.

- Operating costs amounted to Euros 16 million in September 2022, being 2.3% above the operating costs recorded in September 2021.

- The impairment and provision charges were almost null on the income statement in September 2022, comparing with reversals of Euro 4 million in the same period of the previous year, highlighting the quality on the assets of this segment in a systematic way.

- Loans to customers (net) amounted to Euros 350 million by the end of September 2022, showing an increase of 10.5% compared to figures accounted in the same period of the previous year (Euros 317 million), while balance sheet customer funds grew 5.8% during the same period, from Euros 2,631 million in September 2021 to Euros 2,785 million in September 2022, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Million euros

FOREIGN BUSINESS	30 Sep. 22	30 Sep. 21	Chg. 22/21
PROFIT AND LOSS ACCOUNT			
Net interest income	875	546	60.4%
Other net income (*)	12	116	-89.3%
	887	662	34.1%
Operating costs	343	308	11.4%
Impairment and provision	804	419	91.9%
Income before tax	-260	-65	
Income taxes	51	70	-25.9%
Income after tax from continuing operations	-311	-135	
Income from discontinued operations	1	10	-84.5%
Income after income tax	-310	-125	
SUMMARY OF INDICATORS			
Allocated capital (**)	2,137	2,817	-24.2%
Return on allocated capital	-19.4%	-5.9%	
Risk weighted assets	16,333	16,958	-3.7%
Cost to income ratio	38.7%	46.6%	
Loans to Customers (net of impairment charges)	16,993	17,740	-4.2%
Balance sheet Customer funds	22,574	22,209	1.6%

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

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

Income

Income after tax from Foreign Business, computed in accordance with the geographic perspective, posted losses of Euros 310 million in September 2022, comparing unfavourably with a loss of Euros 125 million achieved by the end of September 2021. This evolution is mostly explained by the impairment and provisions recorded, despite of the positive performance of the net interest income.

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

- Net interest income stood at Euros 875 million in September 2022, which compares to Euros 546 million achieved in September 2021. Excluding the impact arising from the foreign exchange effects, it would have increased 58.4%, 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, since the last months of 2021, 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 average volume of public debt portfolio and also by higher implied yields.

- Other net income attained Euros 12 million in September 2022, decreasing when compared to the Euros 116 million recorded in the same period of the previous year. Excluding foreign exchange effects, other net income would have dropped slightly further, reflecting mainly the performance of the Polish subsidiary, in particular the impact of higher costs with mandatory contributions, highlighting the contribution to the recently created Polish institutional protection fund, and 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. Inversely, the positive performance of the Mozambican subsidiary should be highlighted, with emphasis for the contribution of Seguradora Internacional de Moçambique, S.A. on equity accounted earnings and with higher gains arising from foreign exchange transactions carried out with customers.

- Operating costs amounted to Euros 343 million as at 30 September 2022, 11.4% up from September 2021. Excluding foreign exchange effects, operating costs would have increased 9.9%, 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 September of 2022 presented a growth of 91.9% compared to the figures reported in the same period of 2021, corresponding essentially to the impact of early recognition of the potential costs arising from the program of moratoriums "credit holidays" (Euro 305 million) and the impact of the total impairment of the current goodwill associated with the acquisition by the BCP Group of the current percentage of control over the Polish operation (Euro 102 million), despite of 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 324 million (Euros 346 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 30 September 2021. In 2022, results from discontinued operations reflect the adjustment to the sale price, in accordance with the sale agreements, following the completion of these sales.

- Loans to customers (net) stood at Euros 16,993 million at the end of September 2022, below the amount attained as at 30 September 2021 (Euros 17,740 million). Excluding foreign exchange effects and the impact of the deconsolidation of the subsidiary in Switzerland, the loan portfolio increased 2.1%, benefiting from the growth achieved by the Polish subsidiary. The Foreign business' balance sheet customer funds increased 1.6% from Euros 22,209 million reported as at 30 September 2021 to Euros 22,574 million as at 30 September 2022. Excluding the foreign exchange effects and the impact arising from the deconsolidation of the subsidiary in Switzerland, balance sheet customer funds increased 8,3%, mainly driven by the performance of the subsidiary in Poland.

Liquidity Management

BCP Group structurally improved its liquidity profile by recording a credit transformation ratio on deposits calculated in accordance with the Bank of Portugal Instruction No. 16/2004 (current version) of 77% on 30 September 2022. On 30 September 2021 this ratio was set at 83%.

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 264% at the end of September 2022 (September 2021: 264%), equivalent to a surplus of 14.0 billion euros (September 2021: 13.6 billion euros) to 100% regulatory minimum requirement, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity.

The Group reinforced the available stable funding base, characterized by the large share of customer deposits in the funding structure, collateralized funding and medium and long-term instruments, which enabled the stable funding ratio (Net Stable Funding Ratio or NSFR) as at 30 September 2022 to stand at 153% (147% as at 30 September 2021).

In the period between 30 September 2021 and 30 September 2022, the liquidity positions of BCP, Bank Millennium and BIM maintained their robustness, based mainly on the growth of their respective customer deposit bases. As a result, the liquidity risk indicators of each of the operations continued to comply with all the regulatory minimums and the strictest requirements imposed by the Group's risk appetite framework, with a very comfortable margin.

The growth in customer deposits was particularly significant in the operation in Portugal, where it exceeded 10%, mainly ensured by the retail depositors' segment. The Bank's main source of funding thus reinforced its stability, supporting a favourable evolution of the commercial gap, in terms of liquidity.

Also in Portugal, within the same time horizon and on the side of liquidity uses, there was the reimbursement of the issue of covered bonds placed on the market, in the amount of 1.0 billion euros, and the reinforcements of 2.4 billion euros deposits with the Bank of Portugal and 1.5 billion euros from derivatives margin accounts, whose provisioning needs grew significantly after the onset of the crisis in Ukraine as a result of the increase in interest rates on swaps and their volatility.

The liquidity buffer available for discounting at the ECB stood at 23.0 billion euros on 30 September 2022, lower than that recorded at the end of 2021 (23.8 billion euros), due to the devaluation of the portfolio of assets eligible for discount at the ECB, the reinforcement of derivatives margin accounts and the reimbursement of the mortgage bond issue, the overall effect of which exceeded the positive impact of the improvement in the commercial gap. It should be noted, however, that the value as at 30 September 2022 is materially higher than in the same period of the previous year (21.4 billion euros), reflecting the strength of BCP's short-term position.

Likewise, in the annual period ended 30 September 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 the case of the operation in Poland, this occurred despite the effects of the invasion of Ukraine, which resulted in the significant devaluation of the portfolio of eligible assets and the strengthening of derivatives margin accounts.

In consolidated terms, the refinancing risk of medium and long-term instruments will remain at very low levels over the next four years, in annual amounts without material expression.

Capital

The estimated CET1 ratio as at 30 September 2022 stood at 11.6% phased-in and 11.4% fully implemented reflecting a change of -24 and -44 basis points, respectively, compared to the 11.9% and 11.8% 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 +45 basis points.

The evolution of capital ratios in the period continued to be significantly conditioned by the impacts on Bank Millennium of the increase in provisions for legal risks associated with loans in foreign currency and the new moratorium regime on mortgage loans adopted in Poland and by the decrease in fair value reserves resulting from the rise in interest rates, partially offset by the positive performance of recurrent activity in Portugal. The solvency medium-term goals remain unchanged.

SOLVENCY RATIOS

	30 Sep. 22	30 Sep. 22 *pro forma**	30 Sep. 21
FULLY IMPLEMENTED			
Own funds			
Common Equity Tier 1 (CET1)	5,235	5,235	5,514
Tier 1	5,635	5,635	6,047
Total Capital	6,963	6,963	7,080
Risk weighted assets	45,997	44,249	46,649
Solvency ratios			
CET1	11.4 %	11.8 %	11.8 %
Tier 1	12.3 %	12.7 %	13.0 %
Total capital	15.1 %	15.7 %	15.2 %
PHASED-IN			
CET1	11.6 %	12.1 %	11.9 %

*** Subject to approval of the application of article 352 (2) of the CRR.**
Note: The capital ratios of September 2022 and September 2021 include the positive accumulated net income of the respective periods.
The capital ratios of September 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

	9M 2022	2024
C/I ratio	38%	~40%
Cost of risk	55 bps	~50 bps
ROE	2.5%	~10%
CET1 ratio	11.4% (11.8% proforma***)	>12.5%
NPE ratio	4.1%	~4%
Share of mobile customers	62%	>65%
Growth of high engagement customers* (vs. 2020)	+9%	+12%
Average ESG rating**	70%	>80%

*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.
***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.

Consolidated financial statements

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Million euros

	Consolidated			Activity in Portugal			International activity		
	Sep. 22	Sep. 21 (restated)	Chg. % 22/21	Sep. 22	Sep. 21	Chg. % 22/21	Sep. 22	Sep. 21 (restated)	Chg. % 22/21
INCOME STATEMENT									
Net interest income	1,545.8	1,165.0	32.7%	670.9	619.5	8.3%	875.0	545.5	60.4%
Dividends from equity instruments	9.3	0.9	>200%	8.5	0.1	>200%	0.7	0.8	-3.5%
Net fees and commission income	573.8	534.8	7.3%	417.7	376.6	10.9%	156.1	158.2	-1.3%
Net trading income	74.9	71.5	4.8%	98.9	64.1	54.2%	(23.9)	7.4	<-200%
Other net operating income	(190.8)	(116.8)	-63.3%	(71.3)	(68.6)	-4.0%	(119.5)	(48.3)	-147.6%
Equity accounted earnings	45.0	42.1	6.8%	46.0	43.8	4.9%	(1.0)	(1.7)	41.9%
Net operating revenues	**2,058.0**	**1,697.5**	**21.2%**	**1,170.6**	**1,035.6**	**13.0%**	**887.4**	**661.9**	**34.1%**
Staff costs	431.8	516.1	-16.3%	251.5	352.6	-28.7%	180.3	163.6	10.2%
Other administrative costs	251.8	230.3	9.3%	133.5	128.4	4.0%	118.2	102.0	15.9%
Depreciation	103.9	102.8	1.1%	59.1	60.2	-1.7%	44.7	42.6	4.9%
Operating costs	**787.4**	**849.3**	**-7.3%**	**444.2**	**541.1**	**-17.9%**	**343.2**	**308.2**	**11.4%**
Operating costs excluding specific items	781.4	761.6	2.6%	438.2	453.5	-3.4%	343.2	308.2	11.4%
Profit before impairment and provisions	**1,270.6**	**848.3**	**49.8%**	**726.4**	**494.5**	**46.9%**	**544.2**	**353.7**	**53.8%**
Loans impairment (net of recoveries)	241.2	264.0	-8.7%	174.1	203.7	-14.5%	67.1	60.3	11.2%
Other impairment and provisions	837.0	462.1	81.1%	99.7	103.3	-3.4%	737.3	358.8	105.5%
Profit before income tax	**192.4**	**122.1**	**57.5%**	**452.6**	**187.5**	**141.3%**	**(260.2)**	**(65.4)**	**<-200%**
Income taxes	208.6	141.5	47.5%	157.2	72.0	118.3%	51.5	69.5	-25.9%
Current	75.4	66.9	12.6%	16.5	8.3	100.1%	58.9	58.7	0.3%
Deferred	133.2	74.5	78.8%	140.6	63.7	120.6%	(7.4)	10.8	-168.8%
Income after income tax from continuing operations	**(16.2)**	**(19.3)**	**15.9%**	**295.4**	**115.5**	**155.7%**	**(311.7)**	**(134.8)**	**-131.1%**
Income arising from discontinued operations	1.5	9.5	-84.5%	–	–	–	1.5	9.5	-84.5%
Non-controlling interests	(112.0)	(69.3)	-61.7%	(0.3)	0.3	-194.6%	(111.7)	(69.6)	-60.5%
Net income	**97.2**	**59.5**	**63.4%**	**295.7**	**115.2**	**156.7%**	**(198.5)**	**(55.7)**	**<-200%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	97,169	91,463	6.2%	71,404	65,121	9.6%	25,765	26,342	-2.2%
Total customer funds	**91,069**	**90,556**	**0.6%**	**67,173**	**64,480**	**4.2%**	**23,896**	**26,076**	**-8.4%**
Balance sheet customer funds	**75,184**	**69,863**	**7.6%**	**52,610**	**47,653**	**10.4%**	**22,574**	**22,209**	**1.6%**
Deposits and other resources from customers	73,843	68,321	8.1%	51,269	46,120	11.2%	22,574	22,201	1.7%
Debt securities	1,341	1,542	-13.0%	1,341	1,533	-12.5%	–	9	-100.0%
Off-balance sheet customer funds	**15,885**	**20,693**	**-23.2%**	**14,563**	**16,827**	**-13.5%**	**1,322**	**3,866**	**-65.8%**
Assets under management	5,071	7,297	-30.5%	4,298	4,398	-2.3%	773	2,899	-73.3%
Assets placed with customers	5,166	6,333	-18.4%	4,876	5,785	-15.7%	290	548	-47.1%
Insurance products (savings and investment)	5,649	7,063	-20.0%	5,390	6,644	-18.9%	259	419	-38.2%
Loans to customers (gross)	**58,622**	**58,336**	**0.5%**	**41,030**	**39,998**	**2.6%**	**17,593**	**18,339**	**-4.1%**
Individuals	**33,852**	**33,474**	**1.1%**	**21,101**	**20,225**	**4.3%**	**12,751**	**13,249**	**-3.8%**
Mortgage	27,939	27,498	1.6%	18,917	18,136	4.3%	9,022	9,362	-3.6%
Personal Loans	5,913	5,976	-1.0%	2,184	2,089	4.5%	3,729	3,886	-4.1%
Companies	**24,770**	**24,863**	**-0.4%**	**19,928**	**19,773**	**0.8%**	**4,842**	**5,090**	**-4.9%**
CREDIT QUALITY									
Total overdue loans	730	1,129	-35.3%	308	650	-52.6%	422	479	-11.9%
Overdue loans by more than 90 days	641	1,008	-36.4%	296	636	-53.5%	345	372	-7.3%
Overdue loans by more than 90 days / Loans to customers	1.1%	1.7%		0.7%	1.6%		2.0%	2.0%	
Total impairment (balance sheet)	1,612	1,923	-16.2%	1,012	1,324	-23.5%	599	598	0.2%
Total impairment (balance sheet) / Loans to customers	2.7%	3.3%		2.5%	3.3%		3.4%	3.3%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	251.6%	190.7%		342.1%	208.2%		173.9%	160.9%	
Non-Performing Exposures	2,424	2,832	-14.4%	1,537	1,931	-20.4%	888	901	-1.5%
Non-Performing Exposures / Loans to customers	4.1%	4.9%		3.7%	4.8%		5.0%	4.9%	
Total impairment (balance sheet) / NPE	66.5%	67.9%		65.9%	68.6%		67.5%	66.4%	
Restructured loans	2,093	2,525	-17.1%	1,571	1,996	-21.3%	521	529	-1.4%
Restructured loans / Loans to customers	3.6%	4.3%		3.8%	5.0%		3.0%	2.9%	
Cost of risk (net of recoveries, in b.p.)	55	60		57	68		51	44	

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2022 AND 2021

	30 September 2022	30 September 2021 (restated)
Interest and similar income	1,878,103	1,253,489
Interest expense and similar charges	(332,272)	(88,515)
NET INTEREST INCOME	1,545,831	1,164,974
Dividends from equity instruments	9,262	870
Net fees and commissions income	573,803	534,835
Gains/(losses) on financial operations at fair value through profit or loss	8,000	(20,566)
Foreign exchange gains/(losses)	30,894	20,895
Hedge accounting gains/(losses)	(1,506)	4,361
Gains/(losses) from derecognition of financial assets and liabilities at amortised cost	22,806	(3,039)
Gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	14,744	69,889
Other operating income/(losses)	(201,913)	(121,261)
TOTAL OPERATING INCOME	2,001,921	1,650,958
Staff costs	431,821	516,146
Other administrative costs	251,751	230,332
Amortisations and depreciations	103,856	102,772
TOTAL OPERATING COSTS	787,428	849,250
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,214,493	801,708
Impairment of financial assets at amortised cost	(246,385)	(266,265)
Impairment of financial assets at fair value through other comprehensive income	1,763	(7,199)
Impairment of other assets	(138,268)	(41,316)
Other provisions	(695,325)	(411,331)
NET OPERATING INCOME	136,278	75,597
Share of profit of associates under the equity method	44,982	42,128
Gains/(losses) on disposal of subsidiaries and other assets	11,128	4,424
NET INCOME BEFORE INCOME TAXES	192,388	122,149
Income taxes		
Current	(75,409)	(66,947)
Deferred	(133,227)	(74,525)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	(16,248)	(19,323)
Net income from discontinued or discontinuing operations	1,481	9,535
NET INCOME AFTER INCOME TAXES	(14,767)	(9,788)
Net income for the period attributable to:		
Bank's Shareholders	97,193	59,469
Non-controlling interests	(111,960)	(69,257)
NET INCOME FOR THE PERIOD	(14,767)	(9,788)
Earnings per share (in Euros)		
Basic	0.006	0.003
Diluted	0.006	0.003

The balances for the first nine months of 2021 were restated under the classification of Seguradora Internacional de Moçambique, S.A. as discontinuing operation by the end of 2021, as detailed in note 52.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2022 AND 31 DECEMBER 2021

(Thousands of euros)

	30 September 2022	31 December 2021
ASSETS		
Cash and deposits at Central Banks	3,122,862	7,796,299
Loans and advances to credit institutions repayable on demand	346,032	361,786
Financial assets at amortised cost		
Loans and advances to credit institutions	7,751,515	453,213
Loans and advances to customers	54,902,163	54,972,401
Debt securities	12,585,844	8,205,196
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,047,739	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	914,910	990,938
Financial assets at fair value through other comprehensive income	7,574,144	12,890,988
Hedging derivatives	799,496	109,059
Investments in associated companies	432,850	462,338
Non-current assets held for sale	605,888	780,514
Investment properties	12,238	2,870
Other tangible assets	574,988	600,721
Goodwill and intangible assets	157,366	256,213
Current tax assets	12,892	17,283
Deferred tax assets	2,970,129	2,688,216
Other assets	3,358,370	1,385,292
TOTAL ASSETS	97,169,426	92,904,812
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	8,967,315	8,896,074
Resources from customers	73,842,798	69,560,227
Non subordinated debt securities issued	1,091,639	2,188,363
Subordinated debt	1,331,884	1,394,780
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	246,698	231,241
Financial liabilities at fair value through profit or loss	1,331,522	1,581,778
Hedging derivatives	2,258,197	377,206
Provisions	567,205	458,744
Current tax liabilities	8,490	20,427
Deferred tax liabilities	11,241	16,932
Other liabilities	1,641,506	1,116,983
TOTAL LIABILITIES	91,298,495	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	268,534	259,528
Reserves and retained earnings	(341,210)	580,304
Net income for the period attributable to Bank's Shareholders	97,193	138,082
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,165,988	6,119,385
Non-controlling interests	704,943	942,672
TOTAL EQUITY	5,870,931	7,062,057
TOTAL LIABILITIES AND EQUITY	97,169,426	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. 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.

Million euros

		30 Sep. 22	30 Sep. 21
Loans to customers (net) (1)		57,010	56,414
Balance sheet customer funds (2)		75,184	69,863
	(1) / (2)	**75.8%**	**80.7%**

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.

Million euros

		9M22	9M21
Net income (1)		97	59
Non-controlling interests (2)		(112)	(69)
Average total assets (3)		95,563	89,817
	[(1) + (2), annualised] / (3)	**0.0%**	0.0%

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.

Million euros

		9M22	9M21
Net income (1)		97	59
Average equity (2)		5,269	5,854
	[(1), annualised] / (2)	**2.5%**	**1.4%**

4) Cost to income

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

Million euros

		9M22	9M21
Operating costs (1)		787	849
of which: specific items (2)		6	88
Net operating revenues (3)		2,058	1,698
	[(1) - (2)] / (3)	**38.0%**	**44.9%**

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.

Million euros

		9M22	9M21
Loans to customers at amortised cost, before impairment (1)		58,585	58,212
Loan impairment charges (net of recoveries) (2)		241	264
	[(2), annualised] / (1)	**55**	**60**

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).

Million euros

		30 Sep. 22	30 Sep. 21
Non-Performing Exposures (1)		2,424	2,832
Loans to customers (gross) (2)		58,622	58,336
	(1) / (2)	**4.1%**	**4.9%**

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.

Million euros

		30 Sep. 22	30 Sep. 21
Non-Performing Exposures (1)		2,424	2,832
Loans impairments (balance sheet) (2)		1,612	1,923
	(2) / (1)	**66.5%**	**67.9%**

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.

Specific coverage of NPE - NPE impairments (balance sheet) divided by the stock of NPE.

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

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

Accounts and Notes to the Interim Condensed Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2022 AND 2021

(Thousands of euros)

	Notes	30 September 2022	30 September 2021 (restated)
Interest and similar income	2	1,878,103	1,253,489
Interest expense and similar charges	2	(332,272)	(88,515)
NET INTEREST INCOME		1,545,831	1,164,974
Dividends from equity instruments	3	9,262	870
Net fees and commissions income	4	573,803	534,835
Gains/(losses) on financial operations at fair value through profit or loss	5	8,000	(20,566)
Foreign exchange gains/(losses)	5	30,894	20,895
Hedge accounting gains/(losses)	5	(1,506)	4,361
Gains/(losses) from derecognition of financial assets and liabilities at amortised cost	5	22,806	(3,039)
Gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	5	14,744	69,889
Other operating income/(losses)	6	(201,913)	(121,261)
TOTAL OPERATING INCOME		2,001,921	1,650,958
Staff costs	7	431,821	516,146
Other administrative costs	8	251,751	230,332
Amortisations and depreciations	9	103,856	102,772
TOTAL OPERATING COSTS		787,428	849,250
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		1,214,493	801,708
Impairment of financial assets at amortised cost	10	(246,385)	(266,265)
Impairment of financial assets at fair value through other comprehensive income	11	1,763	(7,199)
Impairment of other assets	12	(138,268)	(41,316)
Other provisions	13	(695,325)	(411,331)
NET OPERATING INCOME		136,278	75,597
Share of profit of associates under the equity method	14	44,982	42,128
Gains/(losses) on disposal of subsidiaries and other assets	15	11,128	4,424
NET INCOME BEFORE INCOME TAXES		192,388	122,149
Income taxes			
Current	30	(75,409)	(66,947)
Deferred	30	(133,227)	(74,525)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		(16,248)	(19,323)
Net income from discontinued or discontinuing operations	16	1,481	9,535
NET INCOME AFTER INCOME TAXES		(14,767)	(9,788)
Net income for the period attributable to:			
Bank's Shareholders		97,193	59,469
Non-controlling interests	43	(111,960)	(69,257)
NET INCOME FOR THE PERIOD		(14,767)	(9,788)
Earnings per share (in Euros)			
Basic	17	0.006	0.003
Diluted	17	0.006	0.003

The balances for the first nine months of 2021 were restated under the classification of Seguradora Internacional de Moçambique, S.A. as discontinuing operation by the end of 2021, as detailed in note 52.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS PERIODS BETWEEN 1 JULY AND 30 SEPTEMBER 2022 AND 2021

(Thousands of euros)

	3rd Quarter 2022	3rd Quarter 2021 (restated)
Interest and similar income	736,419	428,463
Interest expense and similar charges	(175,746)	(29,266)
NET INTEREST INCOME	560,673	399,197
Dividends from equity instruments	(3,611)	161
Net fees and commissions income	186,220	181,900
Gains/(losses) on financial operations at fair value through profit or loss	1,190	(11,277)
Foreign exchange gains/(losses)	16,083	(6,609)
Hedge accounting gains/(losses)	2,167	2,937
Gains/(losses) from derecognition of financial assets and liabilities at amortised cost	17,568	(46)
Gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	(4,294)	6,231
Other operating income/(losses)	(12,587)	(7,909)
TOTAL OPERATING INCOME	763,409	564,585
Staff costs	147,669	143,359
Other administrative costs	89,182	81,355
Amortisations and depreciations	34,381	34,442
TOTAL OPERATING COSTS	271,232	259,156
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	492,177	305,429
Impairment of financial assets at amortised cost	(63,182)	(107,493)
Impairment of financial assets at fair value through other comprehensive income	397	(3,007)
Impairment of other assets	(13,139)	(14,642)
Other provisions	(450,915)	(139,224)
NET OPERATING INCOME	(34,662)	41,063
Share of profit of associates under the equity method	12,193	12,842
Gains/(losses) on disposal of subsidiaries and other assets	(972)	3,436
NET INCOME BEFORE INCOME TAXES	(23,441)	57,341
Income taxes		
Current	(30,479)	(17,645)
Deferred	(22,391)	(21,933)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	(76,311)	17,763
Net income from discontinued or discontinuing operations	2	3,154
NET INCOME AFTER INCOME TAXES	(76,309)	20,917
Net income for the period attributable to:		
Bank's Shareholders	22,684	47,203
Non-controlling interests	(98,993)	(26,286)
NET INCOME FOR THE PERIOD	(76,309)	20,917

The balances for the third quarter of 2021 were restated under the classification of Seguradora Internacional de Moçambique, S.A. as discontinuing operation by the end of 2021, 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 NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2022 AND 2021

(Thousands of euros)

	30 September 2022				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	(16,248)	1,481	(14,767)	97,193	(111,960)
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	(312,824)	—	(312,824)	(266,887)	(45,937)
Reclassification of gains /(losses) to profit or loss (note 5)	(14,744)	—	(14,744)	(14,762)	18
Cash flows hedging					
Gains/(losses) for the period	(1,624,957)	—	(1,624,957)	(1,605,198)	(19,759)
Other comprehensive income from investments in associates and others	(63,804)	—	(63,804)	(63,803)	(1)
Exchange differences arising on consolidation	35,543	—	35,543	48,315	(12,772)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	235	—	235	235	—
Fiscal impact	594,793	—	594,793	582,356	12,437
	(1,385,758)	—	(1,385,758)	(1,319,744)	(66,014)
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)	(4,488)	—	(4,488)	(4,304)	(184)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 42)	39	—	39	39	—
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund	477,917		477,917	477,917	—
Pension Funds of foreign subsidiaries and associated companies	4,463	—	4,463	4,463	—
Fiscal impact	(166,700)	—	(166,700)	(166,731)	31
	311,231	—	311,231	311,384	(153)
Other comprehensive income/(loss) for the period	(1,074,527)	—	(1,074,527)	(1,008,360)	(66,167)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1,090,775)	1,481	(1,089,294)	(911,167)	(178,127)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	30 September 2021 (restated)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	(19,323)	9,535	(9,788)	59,469	(69,257)
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	(47,448)	—	(47,448)	(17,994)	(29,454)
Reclassification of gains /(losses) to profit or loss (note 5)	(69,889)	—	(69,889)	(68,512)	(1,377)
Cash flows hedging					
Gains/(losses) for the period	(220,753)	—	(220,753)	(212,747)	(8,006)
Other comprehensive income from investments in associates and others	(1,259)	—	(1,259)	(1,261)	2
Exchange differences arising on consolidation	86,058	(264)	85,794	61,470	24,324
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(359)	—	(359)	(359)	—
Fiscal impact	95,986	—	95,986	88,673	7,313
	(157,664)	(264)	(157,928)	(150,730)	(7,198)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period (note 42)	1,878	(39)	1,839	1,891	(52)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 42)	(293)	—	(293)	(293)	—
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund	194,960	—	194,960	194,960	—
Pension Funds of foreign subsidiaries and associated companies	(1,826)	—	(1,826)	(1,826)	—
Fiscal impact	(7,033)	—	(7,033)	(7,039)	6
	187,686	(39)	187,647	187,693	(46)
Other comprehensive income/(loss) for the period	30,022	(303)	29,719	36,963	(7,244)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	10,699	9,232	19,931	96,432	(76,501)

The balances for the first nine months of 2021 were restated under the classification of Seguradora Internacional de Moçambique, S.A. as discontinuing operation by the end of 2021, 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 BETWEEN 1 JULY AND 30 SEPTEMBER 2022 AND 2021

(Thousands of euros)

	3rd Quarter 2022				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	(76,311)	2	(76,309)	22,684	(98,993)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	57,199	–	57,199	39,252	17,947
Reclassification of gains/(losses) to profit or loss	4,294	–	4,294	4,294	–
Cash flows hedging					
Gains/(losses) for the period	(526,161)	–	(526,161)	(525,059)	(1,102)
Other comprehensive income from investments in associates and others	(21,436)	–	(21,436)	(21,432)	(4)
Exchange differences arising on consolidation	(293)	–	(293)	7,907	(8,200)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(1,178)	–	(1,178)	(1,178)	–
Fiscal impact	149,422	–	149,422	152,668	(3,246)
	(338,153)	–	(338,153)	(343,548)	5,395
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period	3,874	–	3,874	3,983	(109)
Changes in own credit risk of financial liabilities at fair value through profit or loss	(102)	–	(102)	(102)	–
Fiscal impact	(654)	–	(654)	(671)	17
	3,118	–	3,118	3,210	(92)
Other comprehensive income/(loss) for the period	(335,035)	–	(335,035)	(340,338)	5,303
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(411,346)	2	(411,344)	(317,654)	(93,690)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	3rd Quarter 2021 (restated)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	17,763	3,154	20,917	47,203	(26,286)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	23,579	—	23,579	31,071	(7,492)
Reclassification of gains/(losses) to profit or loss	(6,231)	—	(6,231)	(6,032)	(199)
Cash flows hedging					
Gains/(losses) for the period	(58,371)	—	(58,371)	(54,705)	(3,666)
Other comprehensive income from investments in associates and others	2,144	—	2,144	2,144	—
Exchange differences arising on consolidation	(12,947)	30	(12,917)	406	(13,323)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(283)	—	(283)	(283)	—
Fiscal impact	10,133	—	10,133	7,950	2,183
	(41,976)	30	(41,946)	(19,449)	(22,497)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period	1,381	(13)	1,368	1,438	(70)
Changes in own credit risk of financial liabilities at fair value through profit or loss	(97)	—	(97)	(97)	—
Fiscal impact	854	—	854	842	12
	2,138	(13)	2,125	2,183	(58)
Other comprehensive income/(loss) for the period	(39,838)	17	(39,821)	(17,266)	(22,555)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(22,075)	3,171	(18,904)	29,937	(48,841)

The balances for the third quarter of 2021 were restated under the classification of Seguradora Internacional de Moçambique, S.A. as discontinuing operation by the end of 2021, 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 30 SEPTEMBER 2022 AND 31 DECEMBER 2021

(Thousands of euros)

	Notes	30 September 2022	31 December 2021
ASSETS			
Cash and deposits at Central Banks	18	3,122,862	7,796,299
Loans and advances to credit institutions repayable on demand	19	346,032	361,786
Financial assets at amortised cost			
Loans and advances to credit institutions	20	7,751,515	453,213
Loans and advances to customers	21	54,902,163	54,972,401
Debt securities	22	12,585,844	8,205,196
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	1,047,739	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	23	914,910	990,938
Financial assets at fair value through other comprehensive income	23	7,574,144	12,890,988
Hedging derivatives	24	799,496	109,059
Investments in associated companies	25	432,850	462,338
Non-current assets held for sale	26	605,888	780,514
Investment properties	27	12,238	2,870
Other tangible assets	28	574,988	600,721
Goodwill and intangible assets	29	157,366	256,213
Current tax assets		12,892	17,283
Deferred tax assets	30	2,970,129	2,688,216
Other assets	31	3,358,370	1,385,292
TOTAL ASSETS		97,169,426	92,904,812
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	8,967,315	8,896,074
Resources from customers	33	73,842,798	69,560,227
Non subordinated debt securities issued	34	1,091,639	2,188,363
Subordinated debt	35	1,331,884	1,394,780
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	246,698	231,241
Financial liabilities at fair value through profit or loss	37	1,331,522	1,581,778
Hedging derivatives	24	2,258,197	377,206
Provisions	38	567,205	458,744
Current tax liabilities		8,490	20,427
Deferred tax liabilities	30	11,241	16,932
Other liabilities	39	1,641,506	1,116,983
TOTAL LIABILITIES		91,298,495	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	268,534	259,528
Reserves and retained earnings	42	(341,210)	580,304
Net income for the period attributable to Bank's Shareholders		97,193	138,082
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		5,165,988	6,119,385
Non-controlling interests	43	704,943	942,672
TOTAL EQUITY		5,870,931	7,062,057
TOTAL LIABILITIES AND EQUITY		97,169,426	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 NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2022 AND 2021

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,588,400	1,195,415
Commissions received	745,791	658,878
Fees received from services rendered	78,920	72,226
Interests paid	(311,515)	(120,143)
Commissions paid	(126,441)	(98,599)
Recoveries on loans previously written off	16,158	16,047
Net earned insurance premiums	—	15,560
Claims incurred of insurance activity	—	(4,837)
Payments (cash) to suppliers and employees (*)	(966,307)	(950,719)
Income taxes (paid)/received	(40,030)	(48,940)
	984,976	734,888
Decrease/(increase) in operating assets:		
Receivables from/(Loans and advances to) credit institutions	(370,870)	193,475
Deposits held with purpose of monetary control	(6,928,235)	156,865
Loans and advances to customers receivable/(granted)	(770,176)	(3,469,483)
Short term trading securities	(52,412)	(58,217)
Increase/(decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	120,257	74,827
Deposits from credit institutions with agreed maturity date	(581)	158,947
Loans and advances to customers repayable on demand	(798,582)	4,554,593
Deposits from customers with agreed maturity date	5,052,883	531,173
	(2,762,740)	2,877,068
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Assignment of investments in subsidiaries and associates which results in loss of control (**)	—	14,525
Dividends received	54,263	16,583
Interests on financial assets at fair value through other comprehensive income and at amortised cost	195,484	109,196
Sale of financial assets at fair value through other comprehensive income and at amortised cost	7,260,865	5,610,090
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(38,798,345)	(45,593,251)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	31,364,122	36,910,575
Acquisition of tangible and intangible assets	(68,512)	(41,645)
Sale of tangible and intangible assets	7,793	5,511
Decrease/(increase) in other sundry assets	(1,446,078)	56,208
	(1,430,408)	(2,912,208)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	—	282
Reimbursement of subordinated debt	—	(213,100)
Issuance of debt securities	347	500,380
Reimbursement of debt securities	(1,141,907)	(176,858)
Issuance of commercial paper and other securities	36,072	88,834
Reimbursement of commercial paper and other securities	(8,866)	(17,688)
Dividends paid to shareholders of the Bank (note 46)	(13,603)	—
Dividends paid to non-controlling interests	(59,572)	(17,516)
Interests paid on Perpetual Subordinated Bonds (Additional Tier 1)	(27,750)	(27,750)
Increase/(decrease) in other sundry liabilities and non-controlling interests (***)	683,693	215,713
	(531,586)	352,297
Exchange differences effect on cash and equivalents	35,543	85,794
Net changes in cash and equivalents	(4,689,191)	402,951
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)	584,850	528,827
Deposits at Central Banks (note 18)	2,538,012	5,028,607
Loans and advances to credit institutions repayable on demand (note 19)	346,032	411,776
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	3,468,894	5,969,210

(*) As at 30 September 2022, this balance includes the amount of Euros 300,000 (30 September 2021: Euros 429,000) related to short-term lease contracts and the amount of Euros 1,763,000 (30 September 2021: Euros 1,924,000) related to lease contracts of low value assets.
(**) As in 2021, Banco Privée BCP (Suisse) S.A. and Seguradora Internacional de Moçambique, S.A. were considered discontinued operations, the respective amounts, net of intra-group operations, were incorporated into cash flows arising from investing operations.
(***) As at 30 September 2022, this balance includes the amount of Euros 41,285,000 (30 September 2021: Euros 43,410,000) corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 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 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	–	–	–	–	–	–	59,469	59,469	(69,257)	(9,788)
Other comprehensive income	–	–	–	–	–	36,963	–	36,963	(7,244)	29,719
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	36,963	59,469	96,432	(76,501)	19,931
Results application:										
Legal reserve	–	–	–	5,064	–	(5,064)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	183,012	(183,012)	–	–	–
Interests on perpetual subordinated bonds (Additional Tier 1 (AT1))	–	–	–	–	–	(27,750)	–	(27,750)	–	(27,750)
Sale and loss of control of subsidiaries	–	–	–	–	–	–	–	–	(1,883)	(1,883)
Dividends (a)	–	–	–	–	–	–	–	–	(17,516)	(17,516)
Treasury shares	–	–	–	–	40	–	–	40	–	40
Other reserves	–	–	–	–	–	(591)	–	(591)	(356)	(947)
BALANCE AS AT 30 SEPTEMBER 2021	4,725,000	16,471	400,000	259,528	–	828,967	59,469	6,289,435	1,068,710	7,358,145
Net income for the period	–	–	–	–	–	–	78,613	78,613	(43,833)	34,780
Other comprehensive income	–	–	–	–	–	(239,035)	–	(239,035)	(77,400)	(316,435)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(239,035)	78,613	(160,422)	(121,233)	(281,655)
Interests on perpetual subordinated bonds (AT1)	–	–	–	–	–	(9,250)	–	(9,250)	–	(9,250)
Acquisition of subsidiaries								–	(23)	(23)
Sale and loss of control of subsidiaries	–	–	–	–	–	–	–	–	(4,556)	(4,556)
Other reserves (note 42)	–	–	–	–	–	(378)	–	(378)	(226)	(604)
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	–	–	–	–	–	–	97,193	97,193	(111,960)	(14,767)
Other comprehensive income	–	–	–	–	–	(1,008,360)	–	(1,008,360)	(66,167)	(1,074,527)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(1,008,360)	97,193	(911,167)	(178,127)	(1,089,294)
Results application:										
Legal reserve	–	–	–	9,006	–	(9,006)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	138,082	(138,082)	–	–	–
Dividends paid (note 46)	–	–	–	–	–	(13,603)	–	(13,603)	–	(13,603)
Interests on perpetual subordinated bonds (AT1)	–	–	–	–	–	(27,750)	–	(27,750)	–	(27,750)
Dividends (b)	–	–	–	–	–	–	–	–	(59,572)	(59,572)
Capital increases/(reimbursements) of subsidiaries	–	–	–	–	–	–	–	–	421	421
Other reserves (note 42)	–	–	–	–	–	(877)	–	(877)	(451)	(1,328)
BALANCE AS AT 30 SEPTEMBER 2022	4,725,000	16,471	400,000	268,534	–	(341,210)	97,193	5,165,988	704,943	5,870,931

(a) Dividends of BIM - Banco Internacional de Moçambique, S.A. and Seguradora Internacional de Moçambique, S.A.
(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 nine-month periods ended on 30 September 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 22 November 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 nine-month period ended on 30 September 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, by the end of 2021, the Group, within the scope of the sale of 70% of the interest held in Seguradora Internacional de Moçambique, through its subsidiary BIM - Banco Internacional de Moçambique, S.A., started to consider this operations as discontinuing, in accordance with IFRS 5. Consequently, the impact on results for the nine-month period ended on 30 September 2021 is presented in a single line called "Net income from discontinued or discontinuing operations". The income statements incorporated in this item are presented 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 “Gains/(losses) on 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. 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).

In particular, 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 for a set of macroeconomic variables, based on three scenarios (Central, Upside and Downside Scenario) prepared by the Bank's Economic Studies area. These scenarios, which are used across the Bank for various purposes besides calculating impairment, take into account existing projections by reference entities.

In June 2022 the Bank carried out an update of the macroeconomic scenarios and of the corresponded adjustment of the parameters considered in the collective impairment model, without significant impacts on the value of impairment resulting from the aforementioned model.

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 30 September 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. Gains/(losses) on financial operations at fair value through profit or loss, Foreign exchange gains/(losses), Hedge accounting gains/(losses), Gains/(losses) from derecognition of assets and liabilities at amortised cost and Gains/(losses) from derecognition of financial assets at fair value through other comprehensive income

These balances include gains and losses on 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 on 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 foreign exchange gains or losses.

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 properties

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 properties 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 took place 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 been agreed on 20 June and 1 July with all the unions subscribed to the Group's Collective Labour Agreements, the update of the Salary Tables and the Bank's Contributions to SAMS in 2021 by 0.50%, and the increase of 0.50% of other clauses of pecuniary expression, such as lunch subsidy, diuturnities, among others. The agreed updates take effect on 1 January 2021, with the exception of compensation for subsistence and travel allowances, which will be updated after the agreed updates are operational.

Regarding the revision of the Salary Tables and other clauses of pecuniary expression for 2022, it was agreed on 20 June with the unions Mais Sindicato do Sector Financeiro, SBC – Sindicato Bancários do Centro and SBN - Sindicato dos Trabalhadores do Sector Financeiro de Portugal, the update of Salary Tables by 1.10% up to and including level 13, and 0.70% for level 14 and beyond. An increase of 1.10% was agreed for the Bank's contributions to SAMS and other pecuniary expression clauses, and an increase of 7.14% was agreed for the lunch subsidy, whose daily value was increased to Euros 10.50. The agreed updates take effect on 1 January 2022, with exception of compensation for subsistence and travel allowances, which will be updated after the agreed updates are operational.

Regarding SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários and SIB – Sindicato Independente da Banca, an agreement has not yet been reached on the proposal presented by the Group on 22 June, the content of which corresponds to what was agreed with the other unions, hence the negotiations are 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 30 September 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 30 September 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 and for the Employees, both 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 50% of its value, being 50% 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 2022 until 31 December 2025, 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 5 years for 50% of its value, being 50% 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 third quarter of 2022 and during the financial year of 2021, 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 June 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 Executive Committee 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, it was considered the maintenance of the tax rules in force until 2018, since the option of applying the new regime had not been exercised.

In October 2022, and in accordance with article 4 of Law no. 98/2019, of 4 September, Banco Comercial Português S.A. and Banco ActivoBank, S.A. communicated to the Director-General of the Tax and Customs Authority the exercise of the option to apply the new regime in the taxation period starting on 1 January 2022.

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 since 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 30 September 2022, the rules of the new tax regime for credit impairments were applied, 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)

	30 September 2022	30 September 2021 (restated)
Interest and similar income		
Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand	14,319	(4,168)
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	48,893	21,184
Loans and advances to customers	1,496,548	1,037,037
Debt securities	164,282	91,772
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	2,575	2,235
Financial assets not held for trading mandatorily at fair value through profit or loss	4,929	11,142
Interest on financial assets at fair value through other comprehensive income	105,537	53,202
Interest on hedging derivatives	39,220	37,780
Interest on other assets	1,800	3,305
	1,878,103	1,253,489
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	33,677	55,924
Resources from customers	(253,395)	(65,473)
Non subordinated debt securities issued	(16,973)	(13,289)
Subordinated debt	(48,741)	(45,200)
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	(16,401)	124
Financial liabilities at fair value through profit or loss		
Resources from customers	—	(1,542)
Non subordinated debt securities issued	(3,353)	(865)
Interest on hedging derivatives	(21,114)	(12,294)
Interest on leasing	(3,920)	(4,145)
Interest on other liabilities	(2,052)	(1,755)
	(332,272)	(88,515)
	1,545,831	1,164,974

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 8,862,000 (30 September 2021: Euros 4,240,000) 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 35,882,000 (30 September 2021: Euros 10,471,000) 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 50,613,000 (30 September 2021: Euros 45,544,000) related to interest income arising from customers classified in stage 3.

The balance Interest on financial liabilities at amortised cost - Resources from credit institutions has recorded a negative cost of Euros 49,317,000 (30 September 2021: 60,438,000) associated with the TLTRO III operation described in note 32.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 1,881,000 and Euros 752,000, respectively (30 September 2021: Euros 1,982,000 and Euros 4,937,000, 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.

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

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Dividends from financial assets held for trading	–	4
Dividends from financial assets at fair value through other comprehensive income	9,262	866
	9,262	870

The balances Dividends from financial assets at fair value through other comprehensive income include dividends and earnings from participation units received during the period.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Fees and commissions received		
Banking services provided	353,528	320,393
Management and maintenance of accounts	127,550	111,509
Bancassurance	90,964	90,011
Securities operations	50,762	48,604
Guarantees granted	34,548	33,448
Commitments to third parties	3,812	3,867
Fiduciary and trust activities	31	9
Other commissions	36,729	33,829
	697,924	641,670
Fees and commissions paid		
Banking services provided by third parties	(94,235)	(81,095)
Securities operations	(6,381)	(6,474)
Guarantees received	(4,507)	(419)
Other commissions	(18,998)	(18,847)
	(124,121)	(106,835)
	573,803	534,835

5. Gains/(losses) on financial operations

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Gains/(losses) on financial operations at fair value through profit or loss		
Gains/(losses) on financial assets held for trading	(178,526)	123,941
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss	3,873	(24,939)
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	182,653	(119,568)
	8,000	(20,566)
Foreign exchange gains/(losses)	30,894	20,895
Hedge accounting gains/(losses)	(1,506)	4,361
Gains/(losses) from derecognition of financial assets and liabilities at amortised cost	22,806	(3,039)
Gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	14,744	69,889
	74,938	71,540

The balances Gains/(losses) on financial operations at fair value through profit or loss is comprised of:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Gains/(losses) on financial assets held for trading		
Gains		
Debt securities portfolio	5,818	12,991
Equity instruments	188	2
Derivative financial instruments	339,977	216,827
Other operations	1,430	1,140
	347,413	230,960
Losses		
Debt securities portfolio	(14,909)	(12,456)
Equity instruments	(8,978)	(213)
Derivative financial instruments	(501,469)	(93,537)
Other operations	(583)	(813)
	(525,939)	(107,019)
	(178,526)	123,941
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	8,989	33,187
Debt securities portfolio	18,621	2,117
Equity instruments	12,031	2,090
	39,641	37,394
Losses		
Loans and advances to customers	(6,072)	(24,557)
Debt securities portfolio	(29,696)	(37,776)
	(35,768)	(62,333)
	3,873	(24,939)

(continues)

(continuation)

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	—	176
Debt securities issued		
Certificates and structured securities issued	159,044	—
Other debt securities issued	26,261	2,023
	185,305	2,199
Losses		
Debt securities issued		
Certificates and structured securities issued	—	(120,707)
Other debt securities issued	(2,652)	(1,060)
	(2,652)	(121,767)
	182,653	(119,568)

The balances Gains/(losses) on 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 Group. These liabilities are covered by futures, which valuation and devaluation are recorded in Gains/(losses) from financial assets held for trading - Gains/(Losses) - Derivative financial instruments.

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

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Foreign exchange gains/(losses)		
Gains	2,523,384	1,392,871
Losses	(2,492,490)	(1,371,976)
	30,894	20,895
Hedge accounting gains/(losses)		
Gains		
Hedging derivatives	1,289,217	117,640
Hedged items	147,013	11,042
	1,436,230	128,682
Losses		
Hedging derivatives	(347,249)	(29,300)
Hedged items	(1,090,487)	(95,021)
	(1,437,736)	(124,321)
	(1,506)	4,361
Gains/(losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	13,395	705
Debt securities portfolio	10,466	—
Debt securities issued	898	371
Others	266	206
	25,025	1,282
Losses		
Credit sales	(1,043)	(3,560)
Debt securities issued	(449)	(46)
Others	(727)	(715)
	(2,219)	(4,321)
	22,806	(3,039)

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

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Gains/(losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	32,526	72,392
Losses		
Debt securities portfolio	(17,782)	(2,503)
	14,744	69,889

The balance Gains/(losses) from derecognition financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 479,000 (30 September 2021: Euros 38,895,000) related to gains resulting from the sale of Portuguese Treasury bonds.

6. Other operating income/(losses)

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Operating income		
Gains on leasing operations	2,600	2,833
Income from services provided	21,811	20,706
Rents	3,109	2,582
Sales of cheques and others	7,298	7,190
Other operating income	39,511	42,114
	74,329	75,425
Operating costs		
Donations and contributions	(3,466)	(3,722)
Contribution over the banking sector	(102,595)	(39,286)
Contributions for Resolution Funds	(36,532)	(27,662)
Contribution for the Single Resolution Fund	(25,847)	(20,886)
Contributions for Deposit Guarantee Fund	(8,665)	(11,594)
Special tax for the Polish banking sector	(36,193)	(50,764)
Taxes	(12,036)	(12,008)
Losses on financial leasing operations	(14)	(46)
Other operating costs	(50,894)	(30,718)
	(276,242)	(196,686)
	(201,913)	(121,261)

7. Staff costs

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Remunerations	348,975	345,207
Mandatory social security charges	71,575	78,325
Voluntary social security charges	8,423	8,088
Other costs	2,848	84,526
	431,821	516,146

8. Other administrative costs

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Water, electricity and fuel	13,792	9,236
Credit cards and mortgage	4,001	4,054
Communications	18,082	15,930
Maintenance and related services	12,094	10,934
Legal expenses	3,475	2,624
Travel, hotel and representation costs	3,389	1,754
Advisory services	19,989	17,142
Training costs	772	604
Information technology services	33,674	32,441
Consumables	5,504	4,853
Outsourcing and independent labour	56,968	55,935
Advertising	18,221	16,025
Rents and leases	14,437	15,421
Insurance	3,596	3,614
Transportation	7,568	6,059
Other specialised services	20,923	20,075
Other supplies and services	15,266	13,631
	251,751	230,332

The balance Rents and leases includes the amounts of Euros 300,000 (30 September 2021: Euros 429,000) related to short-term lease contracts and Euros 1,763,000 (30 September 2021: Euros 1,924,000) related to lease contracts of low-value assets, as described in the accounting policy 1.H.

9. Amortisations and depreciations

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Intangible assets (note 29)		
Software	27,120	25,239
Other intangible assets	3,060	3,034
	30,180	28,273
Other tangible assets (note 28)		
Real estate	11,104	11,180
Equipment		
Computers	12,196	12,576
Security equipment	643	658
Installations	2,240	2,032
Machinery	484	974
Furniture	2,644	2,103
Motor vehicles	3,418	3,266
Other equipment	1,138	1,128
Right-of-use		
Real estate	39,805	40,498
Vehicles and equipment	4	84
	73,676	74,499
	103,856	102,772

10. Impairment of financial assets at amortised cost

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Loans and advances to credit institutions (note 20)		
Charge for the period	1,437	210
Reversals for the period	(95)	(11)
	1,342	199
Loans and advances to customers (note 21)		
Charge for the period	626,602	615,179
Reversals for the period	(369,661)	(336,025)
Recoveries of loans and interest charged-off	(16,158)	(16,048)
	240,783	263,106
Debt securities (note 22)		
Associated to credit operations		
Charge for the period	481	916
Reversals for the period	(93)	—
	388	916
Not associated to credit operations		
Charge for the period	4,580	2,658
Reversals for the period	(708)	(614)
	3,872	2,044
	4,260	2,960
	246,385	266,265

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

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Impairment of financial assets at fair value through other comprehensive income (note 23)		
Charge for the period	1,324	7,357
Reversals for the period	(3,087)	(158)
	(1,763)	7,199

12. Impairment of other assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Impairment of investments in associated companies (note 25)		
Charge for the period	1,435	–
	1,435	–
Impairment of non-current assets held for sale (note 26)		
Charge for the period	26,077	36,025
Reversals for the period	(923)	(687)
	25,154	35,338
Impairment of goodwill of subsidiaries (note 29)		
Charge for the period	102,770	–
	102,770	–
Impairment of other assets (note 31)		
Charge for the period	14,424	13,645
Reversals for the period	(5,515)	(7,667)
	8,909	5,978
	138,268	41,316

13. Other provisions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Provision for guarantees and other commitments (note 38)		
Charge for the period	22,717	27,033
Reversals for the period	(21,045)	(28,219)
	1,672	(1,186)
Other provisions for liabilities and charges (note 38)		
Charge for the period	694,888	428,597
Reversals for the period	(1,235)	(16,080)
	693,653	412,517
	695,325	411,331

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)

	30 September 2022	30 September 2021 (restated)
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation of net income relating to the current period	857	326
Appropriation of net income relating to the previous period	(2,924)	(1,620)
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (*)	(335)	(399)
	(2,402)	(1,693)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	25,481	26,532
Unicre - Instituição Financeira de Crédito, S.A.	7,150	4,084
SIBS, S.G.P.S, S.A.	9,947	9,996
Banque BCP, S.A.S.	3,452	3,436
Seguradora Internacional de Moçambique, S.A.	1,419	—
Other companies	(65)	(227)
	47,384	43,821
	44,982	42,128

(*) 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) on disposal of subsidiaries and other assets

The amount of this item is comprised of:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Gains /(Losses) on disposal of investments	(1)	219
Gains /(Losses) on disposal of other assets	11,129	4,205
	11,128	4,424

The balance Gains /(Losses) on disposal of other assets includes gains on disposal of assets held by the Group and classified as non-current assets held for sale which corresponds, for the nine months periods ended on 30 September 2022, to a gain of Euros 13,585,000 (30 September 2021: gain of Euros 5,824,000).

16. Net income from discontinued or discontinuing operations

The amount of this item is comprised of:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Banque Privée BCP (Suisse) S.A.		
Net income before taxes	—	5,551
Taxes on net income	—	(804)
Gains on disposal of the investment held (price adjustment)	1,789	—
	1,789	4,747
Seguradora Internacional de Moçambique, S.A.		
Net income before taxes	—	6,461
Taxes on net income	—	(1,673)
Correction of gains on disposal of the investment held	(308)	—
	(308)	4,788
	1,481	9,535

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 "Net income 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%. 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 "Net income 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 30 September 2021, are detailed in note 52.

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Continuing operations		
Net income from continuing operations	(16,248)	(19,323)
Non-controlling interests	111,960	69,640
Appropriated net income from continuing operations	95,712	50,317
Interests on perpetual subordinated bonds (Additional Tier 1)	(27,750)	(27,750)
Adjusted net income from continuing operations	67,962	22,567
Discontinued or discontinuing operations (note 16)		
Net income from discontinued or discontinuing operations	1,481	9,535
Non-controlling interests	–	(383)
Appropriated net income from discontinued or discontinuing operations	1,481	9,152
Adjusted net income	69,443	31,719
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.006	0.002
from discontinued or discontinuing operations	0.000	0.001
	0.006	0.003
Diluted earnings per share (Euros):		
from continuing operations	0.006	0.002
from discontinued or discontinuing operations	0.000	0.001
	0.006	0.003

As at 30 September 2022 and 2021, 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.

There were not identified another dilution effects of the earnings per share, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Cash	584,850	601,772
Central Banks		
Bank of Portugal	450,450	6,418,682
Central Banks abroad	2,087,562	775,845
	3,122,862	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)

	30 September 2022	31 December 2021
Credit institutions in Portugal	2,559	24,301
Credit institutions abroad	249,767	278,860
Amounts due for collection	93,706	58,625
	346,032	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)

	30 September 2022	31 December 2021
Loans and advances to Central Banks		
Bank of Portugal	6,400,133	—
Loans and advances to Central Banks abroad	629,722	101,620
	7,029,855	101,620
Loans and advances to credit institutions in Portugal		
Term deposits	50,984	—
Loans	4,174	18,240
Other	782	15
	55,940	18,255
Loans and advances to credit institutions abroad		
Term deposits	448,296	176,642
Term deposits to collateralise CIRS and IRS operations (*)	199,044	137,385
Other	20,907	20,498
	668,247	334,525
	7,754,042	454,400
Impairment	(2,527)	(1,187)
	7,751,515	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)

	30 September 2022	31 December 2021
Balance on 1 January	1,187	304
Transfers	—	(1)
Impairment charge for the period (note 10)	1,437	911
Reversals for the period (note 10)	(95)	(27)
Loans charged-off	(2)	—
Balance at the end of the period	2,527	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)

	30 September 2022	31 December 2021
Mortgage loans	28,431,105	28,544,360
Loans	17,822,853	18,298,171
Finance leases	4,143,503	4,155,758
Factoring operations	3,000,030	2,725,080
Current account credits	871,364	817,440
Overdrafts	1,301,314	1,073,654
Discounted bills	209,105	143,109
	55,779,274	55,757,572
Overdue loans - less than 90 days	88,812	127,928
Overdue loans - Over 90 days	629,421	936,185
	56,497,507	56,821,685
Loans impairment	(1,595,344)	(1,849,284)
	54,902,163	54,972,401

The balance Loans and advances to customers, as at 30 September 2022, is analysed as follows:

(Thousands of euros)

	30 September 2022				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	611,426	—	611,426	(1,544)	609,882
Asset-backed loans	32,031,915	207,092	32,239,007	(570,925)	31,668,082
Other guaranteed loans	5,926,745	118,439	6,045,184	(240,196)	5,804,988
Unsecured loans	7,597,143	281,896	7,879,039	(530,320)	7,348,719
Foreign loans	2,468,512	6,012	2,474,524	(33,033)	2,441,491
Factoring operations	3,000,030	21,250	3,021,280	(51,225)	2,970,055
Finance leases	4,143,503	83,544	4,227,047	(168,101)	4,058,946
	55,779,274	718,233	56,497,507	(1,595,344)	54,902,163

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 30 September 2022, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2022					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	462,828	7,513	470,341	(11,126)	459,215	0.83%
Fisheries	29,911	3,192	33,103	(2,526)	30,577	0.06%
Mining	71,835	2,069	73,904	(2,875)	71,029	0.13%
Food, beverage and tobacco	823,436	15,137	838,573	(24,221)	814,352	1.48%
Textiles	523,678	8,849	532,527	(18,255)	514,272	0.94%
Wood and cork	267,936	7,344	275,280	(8,624)	266,656	0.49%
Paper, printing and publishing	165,771	664	166,435	(3,936)	162,499	0.30%
Chemicals	896,584	36,071	932,655	(65,550)	867,105	1.65%
Machinery, equipment and basic metallurgical	1,623,342	38,015	1,661,357	(69,204)	1,592,153	2.94%
Electricity and gas	249,346	2,558	251,904	(2,685)	249,219	0.45%
Water	214,277	540	214,817	(9,248)	205,569	0.38%
Construction	1,565,330	26,148	1,591,478	(126,614)	1,464,864	2.82%
Retail business	1,728,024	25,691	1,753,715	(45,896)	1,707,819	3.10%
Wholesale business	2,313,276	31,207	2,344,483	(70,369)	2,274,114	4.15%
Restaurants and hotels	1,533,533	22,342	1,555,875	(83,139)	1,472,736	2.75%
Transports	1,402,062	8,903	1,410,965	(22,339)	1,388,626	2.50%
Post offices	18,877	271	19,148	(420)	18,728	0.03%
Telecommunications	407,113	1,354	408,467	(9,326)	399,141	0.72%
Services						
Financial intermediation	1,895,775	39,123	1,934,898	(53,219)	1,881,679	3.43%
Real estate activities	1,918,666	12,015	1,930,681	(36,706)	1,893,975	3.42%
Consulting, scientific and technical activities	1,046,126	5,438	1,051,564	(63,772)	987,792	1.86%
Administrative and support services activities	562,963	6,159	569,122	(59,037)	510,085	1.01%
Public sector	908,159	—	908,159	(3,064)	905,095	1.61%
Education	142,592	570	143,162	(13,522)	129,640	0.25%
Health and collective service activities	381,528	1,214	382,742	(12,256)	370,486	0.68%
Artistic, sports and recreational activities	282,801	41,715	324,516	(76,908)	247,608	0.57%
Other services	234,639	3,507	238,146	(141,598)	96,548	0.42%
Consumer loans	5,626,468	249,507	5,875,975	(367,430)	5,508,545	10.40%
Mortgage credit	27,828,198	110,828	27,939,026	(170,688)	27,768,338	49.45%
Other domestic activities	1,420	429	1,849	(16)	1,833	0.00%
Other international activities	652,780	9,860	662,640	(20,775)	641,865	1.17%
	55,779,274	718,233	56,497,507	(1,595,344)	54,902,163	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	(10,764)	440,314	0.79%
Fisheries	38,039	1,148	39,187	(2,752)	36,435	0.07%
Mining	87,811	1,943	89,754	(2,038)	87,716	0.16%
Food, beverage and tobacco	806,228	8,326	814,554	(22,048)	792,506	1.43%
Textiles	528,010	9,436	537,446	(17,959)	519,487	0.95%
Wood and cork	274,385	5,520	279,905	(11,116)	268,789	0.49%
Paper, printing and publishing	189,495	605	190,100	(3,799)	186,301	0.34%
Chemicals	841,454	25,028	866,482	(44,219)	822,263	1.53%
Machinery, equipment and basic metallurgical	1,568,322	30,550	1,598,872	(56,605)	1,542,267	2.81%
Electricity and gas	237,037	837	237,874	(2,515)	235,359	0.42%
Water	223,210	352	223,562	(19,330)	204,232	0.39%
Construction	1,715,141	36,691	1,751,832	(120,633)	1,631,199	3.08%
Retail business	1,772,527	27,490	1,800,017	(52,210)	1,747,807	3.17%
Wholesale business	2,319,324	34,827	2,354,151	(85,691)	2,268,460	4.14%
Restaurants and hotels	1,669,080	16,810	1,685,890	(128,012)	1,557,878	2.97%
Transports	1,349,930	13,804	1,363,734	(37,792)	1,325,942	2.40%
Post offices	18,695	208	18,903	(461)	18,442	0.03%
Telecommunications	437,097	1,773	438,870	(12,275)	426,595	0.77%
Services						
Financial intermediation	1,886,333	65,780	1,952,113	(118,938)	1,833,175	3.44%
Real estate activities	1,868,624	11,680	1,880,304	(50,639)	1,829,665	3.31%
Consulting, scientific and technical activities	879,296	5,301	884,597	(60,492)	824,105	1.56%
Administrative and support services activities	588,528	6,725	595,253	(64,140)	531,113	1.05%
Public sector	903,437	–	903,437	(2,848)	900,589	1.59%
Education	151,152	1,002	152,154	(13,240)	138,914	0.27%
Health and collective service activities	401,740	1,306	403,046	(15,802)	387,244	0.71%
Artistic, sports and recreational activities	347,660	42,689	390,349	(108,601)	281,748	0.69%
Other services	229,001	242,691	471,692	(206,320)	265,372	0.83%
Consumer loans	5,599,131	305,938	5,905,069	(391,664)	5,513,405	10.39%
Mortgage credit	27,920,953	151,456	28,072,409	(173,316)	27,899,093	49.40%
Other domestic activities	1,080	707	1,787	(108)	1,679	0.00%
Other international activities	459,916	7,348	467,264	(12,957)	454,307	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 and which arise to the marking of operations as being restructured due to financial difficulties of customers. 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)

	30 September 2022			31 December 2021		
	Restructured loans	Impairment (*)	Net amount	Restructured loans	Impairment (*)	Net amount
Agriculture and forestry	15,858	(2,214)	13,644	12,408	(2,838)	9,570
Fisheries	2,784	(1,755)	1,029	3,705	(1,568)	2,137
Mining	1,427	(269)	1,158	10,360	(275)	10,085
Food, beverage and tobacco	27,078	(8,690)	18,388	26,556	(7,468)	19,088
Textiles	16,769	(5,311)	11,458	14,877	(4,336)	10,541
Wood and cork	5,945	(753)	5,192	7,030	(1,034)	5,996
Paper, printing and publishing	9,762	(2,108)	7,654	6,911	(1,825)	5,086
Chemicals	31,017	(10,362)	20,655	27,056	(8,744)	18,312
Machinery, equipment and basic metallurgical	80,706	(24,402)	56,304	79,015	(16,826)	62,189
Electricity and gas	435	(241)	194	603	(113)	490
Water	2,145	(1,039)	1,106	14,812	(9,673)	5,139
Construction	169,756	(81,228)	88,528	183,645	(74,672)	108,973
Retail business	42,296	(15,097)	27,199	42,916	(13,218)	29,698
Wholesale business	74,012	(14,430)	59,582	86,149	(14,276)	71,873
Restaurants and hotels	103,310	(18,181)	85,129	130,031	(17,508)	112,523
Transports	8,502	(1,849)	6,653	9,945	(2,001)	7,944
Post offices	150	(26)	124	149	(56)	93
Telecommunications	28,751	(4,544)	24,207	28,566	(5,225)	23,341
Services						
Financial intermediation	61,630	(28,079)	33,551	144,402	(76,108)	68,294
Real estate activities	51,597	(9,748)	41,849	96,019	(15,212)	80,807
Consulting, scientific and technical activities	197,383	(40,891)	156,492	205,449	(33,369)	172,080
Administrative and support services activities	71,326	(46,080)	25,246	72,439	(45,569)	26,870
Public sector	68,414	(370)	68,044	58,940	(307)	58,633
Education	18,711	(10,653)	8,058	20,357	(10,415)	9,942
Health and collective service activities	26,657	(7,485)	19,172	29,690	(7,853)	21,837
Artistic, sports and recreational activities	133,128	(67,412)	65,716	166,973	(91,547)	75,426
Other services	10,296	(1,531)	8,765	249,210	(176,099)	73,111
Consumer loans	277,864	(101,058)	176,806	273,902	(93,134)	180,768
Mortgage credit	548,121	(66,897)	481,224	555,922	(55,970)	499,952
Other domestic activities	—	—	—	48	(26)	22
Other international activities	6,742	(6,386)	356	5,910	(5,169)	741
	2,092,572	(579,089)	1,513,483	2,563,995	(792,434)	1,771,561

(*) The impairment presented in the table does not include the amounts of impairment calculated using the overlays

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Balance on 1 January	1,849,284	2,036,522
Charge for the period in net interest income	23,370	25,935
Transfers resulting from changes in the Group's structure	—	(375)
Transfers	(176)	4,778
Impairment charge for the period (note 10)	626,602	861,212
Reversals for the period (note 10)	(369,661)	(487,084)
Loans charged-off		
Write-offs	(399,423)	(372,710)
Credit assignments	(123,342)	(227,470)
Exchange rate differences	(11,310)	8,476
Balance at the end of the period	1,595,344	1,849,284

According to note 38, regarding the proceedings related to Bank Millennium's foreign currency-indexed mortgage loans, the amount of Euros 934,688,000 was deducted from the gross carrying amount (31 December 2021: Euros 636,309,000).

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

(Thousands of euros)

	30 September 2022	31 December 2021
Agriculture and forestry	84	1,729
Fisheries	—	9
Mining	27	12
Food, beverage and tobacco	901	2,009
Textiles	1,361	1,207
Wood and cork	1,883	294
Paper, printing and publishing	76	1,701
Chemicals	1,333	1,403
Machinery, equipment and basic metallurgical	2,210	7,404
Electricity and gas	44	59
Water	10	166
Construction	7,122	9,697
Retail business	5,637	5,118
Wholesale business	8,881	15,373
Restaurants and hotels	1,004	27,445
Transports	3,523	9,168
Post offices	70	131
Telecommunications	60	321
Services		
Financial intermediation	70,335	36,474
Real estate activities	114	41,988
Consulting, scientific and technical activities	615	5,782
Administrative and support services activities	774	18,147
Public sector	—	1
Education	30	213
Health and collective service activities	80	194
Artistic, sports and recreational activities	72	429
Other services	240,322	606
Consumer loans	50,894	54,376
Mortgage credit	1,128	3,583
Other domestic activities	709	23,658
Other international activities	124	104,013
	399,423	372,710

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

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Agriculture and forestry	6	156
Mining	—	1
Food, beverage and tobacco	27	86
Textiles	37	175
Wood and cork	38	15
Paper, printing and publishing	—	1
Chemicals	73	111
Machinery, equipment and basic metallurgical	150	268
Water	—	10
Construction	2,184	952
Retail business	705	915
Wholesale business	94	570
Restaurants and hotels	61	99
Transports	49	93
Post offices	—	1
Telecommunications	2	4
Services		
Financial intermediation	16	143
Real estate activities	483	127
Consulting, scientific and technical activities	8	30
Administrative and support services activities	20	77
Education	5	2
Health and collective service activities	—	1
Artistic, sports and recreational activities	3	2
Other services	4	33
Consumer loans	10,637	10,296
Mortgage credit	119	664
Other domestic activities	21	1,189
Other international activities	1,416	27
	16,158	16,048

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	188,153	197,723
Commercial paper	1,855,732	1,074,715
Foreign issuers		
Commercial paper	43,705	42,920
	2,087,590	1,315,358
Overdue securities - over 90 days	40	40
	2,087,630	1,315,398
Impairment	(7,452)	(7,059)
	2,080,178	1,308,339
Debt securities held not associated with credit operations		
Bonds issued by public entities (*)		
Portuguese issuers	3,554,145	3,781,480
Foreign issuers	6,474,640	2,438,017
Bonds issued by other entities		
Portuguese issuers	170,002	59,816
Foreign issuers	100,611	33,706
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	219,391	592,581
	10,518,789	6,905,600
Impairment	(13,123)	(8,743)
	10,505,666	6,896,857
	12,585,844	8,205,196

(*) Includes the negative amount of Euros 335,059,000 (31 December 2021: negative amount of Euros 17,349,000) related to adjustments resulting from the application of fair value hedge accounting.

Under the terms of IFRS 9, the balance Debt securities held not associated with credit operations - Bonds issued by public issuers, includes essentially a portfolio of securities to support Bank's ALM (Asset and Liability Management), whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value as at 30 September 2022 amounts to Euros 8,858,869,000 (31 December 2021: Euros 5,409,085,000).

As at 30 September 2022, the balance Debt securities held not associated with credit operations - Bonds issued by other entities - Portuguese Issuers includes the amount of Euros 39,637,000 (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)

	30 September 2022	31 December 2021
Debt securities held associated with credit operations		
Agriculture and forestry	—	4,733
Mining	51,404	13,736
Food, beverage and tobacco	72,349	63,815
Textiles	63,797	57,140
Wood and cork	18,305	12,103
Paper, printing and publishing	8,898	7,184
Chemicals	182,553	77,930
Machinery, equipment and basic metallurgical	59,811	48,453
Electricity and gas	167,767	172,325
Water	8,924	8,891
Construction	20,012	13,876
Retail business	20,477	13,601
Wholesale business	70,246	62,450
Restaurants and hotels	8,674	4,119
Transports	36,369	37,731
Telecommunications	5,329	6,559
Services		
Financial intermediation	115,988	54,300
Real estate activities	56,427	40,150
Consulting, scientific and technical activities	1,044,090	541,187
Administrative and support services activities	10,624	10,706
Artistic, sports and recreational activities	10,384	9,868
Other services	4,044	4,562
Other international activities	43,706	42,920
	2,080,178	1,308,339
Debt securities held not associated with credit operations		
Electricity and Gas	59,360	6,573
Water	39,595	39,478
Services		
Financial intermediation	320,000	626,287
Consulting, scientific and technical activities	70,371	13,511
	489,326	685,849
Government and Public securities	10,016,340	6,211,008
	10,505,666	6,896,857
	12,585,844	8,205,196

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

(Thousands of euros)

	30 September 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)	481	244
Reversals for the period (note 10)	(93)	(2,533)
Loans charged-off	—	(1,721)
Exchange rate differences	5	1
Balance at the end of the period	7,452	7,059
Debt securities held not associated with credit operations		
Balance on 1 January	8,743	5,332
Transfers resulting from changes in the Group's structure (Seguradora Internacional de Moçambique, S.A.)	—	(15)
Other transfers	—	(13)
Charge for the period (note 10)	4,580	4,874
Reversals for the period (note 10)	(708)	(1,826)
Exchange rate differences	508	391
Balance at the end of the period	13,123	8,743

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

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

(Thousands of euros)

	30 September 2022	31 December 2021
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	515,343	452,105
Equity instruments	53,737	48,879
Trading derivatives	478,659	430,501
	1,047,739	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	27,918	79,189
Debt instruments	848,425	881,556
Equity instruments	38,567	30,193
	914,910	990,938
Financial assets at fair value through other comprehensive income		
Debt instruments	7,546,549	12,856,165
Equity instruments	27,595	34,823
	7,574,144	12,890,988
	9,536,793	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 30 September 2022, is analysed as follows:

(Thousands of euros)

	30 September 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	24,029	—	2,846,272	2,870,301
Foreign issuers	30,656	—	3,047,861	3,078,517
Bonds issued by other entities				
Portuguese issuers	304	51	638,768	639,123
Foreign issuers	75	—	963,091	963,166
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	460,279	—	994	461,273
Foreign issuers	—	—	49,563	49,563
Shares of foreign companies (a)	—	18,030	—	18,030
Investment fund units (b)	—	830,344	—	830,344
	515,343	848,425	7,546,549	8,910,317
Equity instruments				
Shares				
Portuguese companies	—	—	17,721	17,721
Foreign companies	18	38,567	9,874	48,459
Other securities	53,719	—	—	53,719
	53,737	38,567	27,595	119,899
Trading derivatives	478,659	—	—	478,659
	1,047,739	886,992	7,574,144	9,508,875

(a) Under IFRS 9, shares accounted for At fair value through profit or loss - Not held for trading mandatorily at fair value through profit or loss 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, shares accounted for At fair value through profit or loss - Not held for trading mandatorily at fair value through profit or loss 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.

On balance sheet, the changes occurred during the period, in impairment of financial assets at fair value through other comprehensive, are analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Balance on 1 January	1,092	1,097
Transfers to fair value changes (note 42)	1,764	(4,626)
Impairment through profit and loss (note 11)	1,324	4,784
Reversals through profit and loss (note 11)	(3,087)	(158)
Exchange rate differences	(61)	(5)
Balance at the end of the period	1,032	1,092

As at 30 September 2022, the accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 9,500,000 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 30 September 2022, is analysed as follows:

(Thousands of euros)

	30 September 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	3,156,677	(239,315)	(71,090)	2,846,272
Foreign issuers	3,189,493	(7,666)	(133,966)	3,047,861
Bonds issued by other entities				
Portuguese issuers	661,451	(18,573)	(4,110)	638,768
Foreign issuers	1,116,936	(90,105)	(63,740)	963,091
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	1,000	–	(6)	994
Foreign issuers	49,604	–	(41)	49,563
	8,175,161	(355,659)	(272,953)	7,546,549
Equity instruments				
Shares				
Portuguese companies	36,837	–	(19,116)	17,721
Foreign companies	20,498	–	(10,624)	9,874
	57,335	–	(29,740)	27,595
	8,232,496	(355,659)	(302,693)	7,574,144

(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)

	30 September 2022	31 December 2021
Unsecured loans	23,735	74,248
Overdue loans - less than 90 days	640	1,626
Overdue loans - Over 90 days	3,543	3,315
	27,918	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 30 September 2022, is as follows:

(Thousands of euros)

	30 September 2022			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Fisheries	304	—	—	304
Paper, printing and publishing	45,523	1	—	45,524
Chemicals	—	3	—	3
Machinery, equipment and basic metallurgical	—	9	—	9
Electricity and gas	2,340	—	—	2,340
Water	37,681	—	—	37,681
Construction	9,557	2	20,202	29,761
Retail business	18,325	3	—	18,328
Wholesale business	35,592	404	—	35,996
Restaurants and hotels	32,665	1,506	—	34,171
Transports	29,911	—	—	29,911
Telecommunications	40,402	4,401	—	44,803
Services				
Financial intermediation (*)	965,299	63,423	849,406	1,878,128
Real estate activities	—	—	10,111	10,111
Consulting, scientific and technical activities	405,707	103	—	405,810
Administrative and support services activities	24,907	8,542	—	33,449
Public sector	—	—	319	319
Other services	3,639	5,795	4,025	13,459
Other international activities	—	18	—	18
	1,651,852	84,210	884,063	2,620,125
Government and Public securities	6,410,091	—	—	6,410,091
	8,061,943	84,210	884,063	9,030,216

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 793,345,000, 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)

	30 September 2022		31 December 2021	
	Assets	Liabilities	Assets	Liabilities
Swaps	799,496	2,258,197	109,059	377,206

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Portuguese credit institutions	44,536	40,581
Foreign credit institutions	200,077	165,393
Other Portuguese companies	241,223	308,937
Other foreign companies	26,662	25,695
	512,498	540,606
Impairment	(79,648)	(78,268)
	432,850	462,338

The balance Investments in associated companies, as at 30 September 2022, is analysed as follows:

(Thousands of euros)

	30 September 2022			
	Ownership on equity	Goodwill	Impairment of investments in associated companies	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	187,176	—	—	187,176
Banco Millennium Atlântico, S.A.	93,926	56,443	(61,637)	88,732
Banque BCP, S.A.S.	49,708	—	—	49,708
SIBS, S.G.P.S, S.A.	53,769	—	—	53,769
Seguradora Internacional de Moçambique, S.A.	8,651	—	—	8,651
Unicre - Instituição Financeira de Crédito, S.A.	37,100	7,436	—	44,536
Webspectator Corporation	—	18,011	(18,011)	—
Exporsado-Comércio e Indústria de Produtos do Mar, S.A.	278	—	—	278
	430,608	81,890	(79,648)	432,850

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)	—
Exporsado-Comércio e Indústria de Produtos do Mar, S.A.	349	—	—	349
	460,416	80,190	(78,268)	462,338

These investments correspond to entities whose shares are not listed on the stock exchange. 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, as well as the main indicators of the most relevant entities.

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

(Thousands of euros)

	30 September 2022	31 December 2021
Balance on 1 January	78,268	52,559
Transfers from Other provisions (Banco Millennium Atlântico, S.A.) (note 38)	5,000	22,300
Sale of Cold River's Homestead, S.A.	—	(4,557)
Impairment charge for the year (note 12)	1,435	—
Reclassification of the goodwill write-off recorded in BMA accounts	(16,787)	—
Exchange rate differences	11,732	7,966
Balance at the end of the period	79,648	78,268

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022			31 December 2021		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	413,251	(81,493)	331,758	630,082	(127,218)	502,864
Assets belong to investments funds and real estate companies	263,392	(35,828)	227,564	279,071	(50,481)	228,590
Assets for own use (closed branches)	22,899	(5,676)	17,223	22,800	(5,939)	16,861
Equipment and other	21,829	(5,347)	16,482	24,421	(7,076)	17,345
Other assets	12,861	—	12,861	14,854	—	14,854
	734,232	(128,344)	605,888	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)

	30 September 2022	31 December 2021
Balance on 1 January	190,714	215,649
Transfers	(69)	(2,135)
Charge for the period (note 12)	26,078	56,863
Reversals for the period (note 12)	(923)	(3,684)
Amounts charged-off	(89,230)	(77,610)
Exchange rate differences	1,774	1,631
Balance at the end of the period	128,344	190,714

27. Investment properties

As at 30 September 2022 and 31 December 2021, the balance Investment properties corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N, based on independent assessments and compliance with legal requirements.

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Real estate	680,151	708,803
Equipment		
Computer equipment	335,196	337,457
Security equipment	68,090	67,542
Interior installations	150,748	148,532
Machinery	49,841	49,455
Furniture	84,997	84,923
Motor vehicles	32,397	29,703
Other equipment	28,956	30,711
Right-of-use		
Real estate	363,113	352,346
Vehicles and equipment	417	505
Work in progress	17,001	20,656
Other tangible assets	38	38
	1,810,945	1,830,671
Accumulated depreciation		
Relative to the current period (note 9)	(73,676)	(98,972)
Relative to the previous periods	(1,162,281)	(1,130,978)
	(1,235,957)	(1,229,950)
	574,988	600,721

As at 30 September 2022, the balance Real Estate includes the amount of Euros 108,511,000 (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 nine months of 2022 are analysed as follows:

(Thousands of euros)

	2022					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 30 September
Real estate	708,803	1,550	(31,583)	(5,531)	6,912	680,151
Equipment						
Computer equipment	337,457	8,857	(22,607)	8,012	3,477	335,196
Security equipment	67,542	642	(1,089)	238	757	68,090
Interior installations	148,532	842	(1,553)	923	2,004	150,748
Machinery	49,455	258	(392)	1,414	(894)	49,841
Furniture	84,923	342	(1,552)	427	857	84,997
Motor vehicles	29,703	4,535	(2,696)	123	732	32,397
Other equipment	30,711	168	(535)	—	(1,388)	28,956
Right-of-use						
Real estate	352,346	26,157	(13,046)	(8)	(2,336)	363,113
Vehicles and equipment	505	—	(65)	—	(23)	417
Work in progress	20,656	11,039	(1,162)	(14,027)	495	17,001
Other tangible assets	38	—	—	—	—	38
	1,830,671	54,390	(76,280)	(8,429)	10,593	1,810,945
Accumulated depreciation						
Real estate	(428,656)	(11,104)	25,219	3,672	(361)	(411,230)
Equipment:						
Computer equipment	(300,560)	(12,196)	22,498	(37)	(3,173)	(293,468)
Security equipment	(63,723)	(643)	1,064	91	(607)	(63,818)
Interior installations	(131,897)	(2,240)	1,502	239	(1,294)	(133,690)
Machinery	(41,681)	(484)	365	(918)	704	(42,014)
Furniture	(78,344)	(2,644)	1,519	994	(626)	(79,101)
Motor vehicles	(17,743)	(3,418)	2,226	(44)	(477)	(19,456)
Other equipment	(23,811)	(1,138)	535	11	1,074	(23,329)
Right-of-use						
Real estate	(142,996)	(39,805)	12,251	1	1,153	(169,396)
Vehicles and equipment	(501)	(4)	65	—	23	(417)
Other tangible assets	(38)	—	—	—	—	(38)
	(1,229,950)	(73,676)	67,244	4,009	(3,584)	(1,235,957)
	600,721	(19,286)	(9,036)	(4,420)	7,009	574,988

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)

	30 September 2022	31 December 2021
Goodwill - Differences arising on consolidation and reavaluation		
Bank Millennium, S.A. (Poland)	99,314	104,843
Euro Bank, S.A. (Poland)	39,703	41,913
Others	12,720	12,675
	151,737	159,431
Impairment		
Bank Millennium, S.A. (Poland)	(99,314)	–
Others	(12,392)	(11,931)
	(111,706)	(11,931)
	40,031	147,500
Intangible assets		
Software	269,702	234,192
Other intangible assets	69,452	70,823
	339,154	305,015
Accumulated amortisation		
Charge for the period (note 9)	(30,180)	(38,184)
Charge for the previous periods	(191,639)	(158,118)
	(221,819)	(196,302)
	117,335	108,713
	157,366	256,213

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

(Thousands of euros)

	2022					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 30 September
Goodwill - Differences arising on consolidation and reavaluation	159,431	–	–	–	(7,694)	151,737
Impairment	(11,931)	(102,771)	–	–	2,996	(111,706)
	147,500	(102,771)	–	–	(4,698)	40,031
Intangible assets						
Software	234,192	40,279	(712)	(2,426)	(1,631)	269,702
Other intangible assets	70,823	–	–	2,426	(3,797)	69,452
	305,015	40,279	(712)	–	(5,428)	339,154
Accumulated amortisation						
Software	(136,360)	(27,120)	136	326	1,276	(161,742)
Other intangible assets	(59,942)	(3,060)	–	(326)	3,251	(60,077)
	(196,302)	(30,180)	136	–	4,527	(221,819)
	108,713	10,099	(576)	–	(901)	117,335
	256,213	(92,672)	(576)	–	(5,599)	157,366

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 and reavaluation	161,775	347	(3,558)	–	867	159,431
Impairment	(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 amortisation						
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)

	30 September 2022			31 December 2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	977,082	–	977,082	983,177	–	983,177
Employee benefits	816,891	–	816,891	835,619	–	835,619
	1,793,973	–	1,793,973	1,818,796	–	1,818,796
Deferred taxes depending on the future profits						
Impairment losses (b)	462,054	(50,303)	411,751	601,925	(50,303)	551,622
Tax losses carried forward	189,413	–	189,413	187,475	–	187,475
Employee benefits	49,739	(166,918)	(117,179)	55,274	(6,918)	48,356
Financial assets at fair value through other comprehensive income	835,941	(229,464)	606,477	125,907	(104,865)	21,042
Derivatives	–	(5,453)	(5,453)	–	(4,923)	(4,923)
Intangible assets	1,269	–	1,269	1,639	–	1,639
Other tangible assets	9,143	(3,177)	5,966	8,835	(4,037)	4,798
Others	133,209	(60,538)	72,671	123,468	(80,989)	42,479
	1,680,768	(515,853)	1,164,915	1,104,523	(252,035)	852,488
Total deferred taxes	3,474,741	(515,853)	2,958,888	2,923,319	(252,035)	2,671,284
Offset between deferred tax assets and deferred tax liabilities	(504,612)	504,612	–	(235,103)	235,103	–
Net deferred taxes	2,970,129	(11,241)	2,958,888	2,688,216	(16,932)	2,671,284

(a) Special Regime applicable to deferred tax assets

(b) The amounts as at 30 September 2022 and 31 December 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 30 September 2022, the balance deferred tax assets amounts to Euros 2,970,129,000, of which Euros 2,756,546,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 962,604,000 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 292,508,000 (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, up to the limit of the taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted because 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 1,568,383,000 (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:

	30 September 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 since 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 remaining companies covered by the RETGS are Banco ActivoBank, S.A., Interfundos – Gestão de Fundos de Investimento Imobiliários, S.A., BCP África, S.G.P.S. Lda., Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal Lda. and Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.

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

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

(Thousands of euros)

Expiry date	30 September 2022	31 December 2021
2022-2027	27,009	25,052
2030	104,000	104,000
2033	58,404	58,423
	189,413	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 2021's taxable income, it was considered the maintenance of the tax rules in force until 2018, since the option of applying the new regime had not been exercised.

In October 2022, and in accordance with article 4 of Law no. 98/2019, of 4 September, Banco Comercial Português S.A. and Banco ActivoBank, S.A. communicated to the Director-General of the Tax and Customs Authority the exercise of the option to apply the new regime in the taxation period starting on 1 January 2022.

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:

- The rules of the new tax regime of credit impairment were applied. In the application of these rules, the following assumptions were considered, in general terms:

a) the impairment losses for credit risk relating to exposures analysed on an individual or collective basis, recognised in accordance with the applicable accounting and regulatory standards, were considered deductible for tax purposes;

b) impairment reversals created until 31 December 2021 not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2022-2024 submitted to the supervisory authority in March 2022, and also on the average reversal percentage observed in the last years of 2016 to 2021;

c) 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 (NPE).

- 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 based on 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 elaborated under the scope of the budgetary 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 and other assets portfolios, with an immediate repercussion on profitability. To this extent, projections assume, together with 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 review of the strategic plan approved by the corporate bodies, highlighting:

- improvement in net interest income, reflecting an effort to grow credit privileging certain segments, the focus on off-balance sheet resources while interest rates remain at negative values and the effect of the normalization of those rates, as results from the market interest rate curve underlying 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, although, in the short term, the surrounding context may condition a faster progression;

- 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 at that date. The simplified analysis of the recoverability of the deferred tax assets recognized as at 30 September 2022 has underlying, namely, the favourable effect of the normalization of interest rates and confirms the referred conclusion, justifying the recoverability of recognized deferred tax assets at the end of the first nine months of 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	30 September 2022	31 December 2021
2022-2025	107,804	107,429
2026	26,634	42,666
2027-2029	172,356	162,683
2030 and following	494,527	486,170
	801,321	798,948

The impact of income taxes in Net income and in other balances of Group's equity, as at 30 September 2022, is analysed as follows:

(Thousands of euros)

	30 September 2022		
	Net income	Reserves	Exchange differences
Deferred taxes Deferred taxes not depending on the future profits			
Impairment losses	(6,095)	—	—
Employee benefits	(18,728)	—	—
	(24,823)	—	—
Deferred taxes depending on the future profits			
Impairment losses	(133,339)	—	(6,532)
Tax losses carried forward (a)	5,585	(5,119)	1,472
Employee benefits	(3,673)	(161,638)	(224)
Financial assets at fair value through other comprehensive income	—	594,883	(9,448)
Derivatives	—	—	(530)
Intangible assets	(296)	—	(74)
Other tangible assets	1,149	—	19
Others	22,170	(17)	8,039
	(108,404)	428,109	(7,278)
	(133,227)	428,109	(7,278)
Current taxes			
Current period	(76,190)	(16)	—
Correction of previous periods	781	—	—
	(75,409)	(16)	—
	(208,636)	428,093	(7,278)

(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 30 September 2021, is analysed as follows:

(Thousands of euros)

	30 September 2021 (restated)			
	Net income	Reserves	Exchange differences	Discontinuing operations (b)
Deferred taxes not depending on the future profits				
Employee benefits	(1,288)	(8)	—	—
	(1,288)	(8)	—	—
Deferred taxes depending on the future profits				
Impairment losses	(91,911)	—	(1,391)	—
Tax losses carried forward (a)	17,208	109	3,622	—
Employee benefits	8,521	(9,039)	(39)	23
Financial assets at fair value through other comprehensive income	920	95,505	(1,503)	—
Derivatives	—	—	(194)	—
Intangible assets	(310)	—	1,967	—
Other tangible assets	(271)	—	(1,937)	—
Others	(7,394)	2,379	952	121
	(73,237)	88,954	1,477	144
	(74,525)	88,946	1,477	144
Current taxes				
Current period	(67,631)	7	—	(2,598)
Correction from previous periods	684	—	—	—
	(66,947)	7	—	(2,598)
	(141,472)	88,953	1,477	(2,454)

(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)

	30 September 2022	30 September 2021 (restated)
Net income/(loss) before income taxes	192,388	122,149
Current tax rate (%)	31.5%	31.5%
Expected tax	(60,602)	(38,477)
Non-deductible impairment and provisions (a)	(114,364)	(60,815)
Contributions to the banking sector (b)	(25,513)	(26,317)
Results of companies accounted by the equity method	14,177	13,270
Interests on other equity instruments (c)	8,741	8,741
Effect of the tax rate difference (d)	(15,893)	(11,167)
Effect of recognition/derecognition net of deferred taxes	(11,484)	(10,913)
Non-deductible costs and other corrections	(3,670)	(10,314)
Correction from previous periods	523	(5,063)
Autonomous tax	(551)	(417)
Total	(208,636)	(141,472)
Effective rate (%)	108.4%	115.8%

(a) In 2022 includes the negative amount of Euros 64,527,000 (30 September 2021: negative Euros 57,177,000) 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, such as the negative amount of Euros 32,227,000 regarding the goodwill impairment associated to Bank Millennium.

(b) Refers to mandatory contributions to the banking sector in Portugal and in Poland.

(c) Relates to the impact of the deduction for taxable income purposes of interest paid in respect of perpetual bonds representing subordinated debt issued in 2019.

(d) In 2022 this balance includes the negative amount of Euros 30,617,000 (2021: negative of Euros 16,344,000) related with the tax rate difference applicable to the net loss reported by the Polish subsidiary and also includes Euros 15,558,000 (2021: Euros 11,439,000) related with the effect of the taxation of 20% tax on interests of Mozambique's public debt securities.

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Deposit account applications	1,386,952	396,638
Capital supplies	249,235	244,991
Obligations with post-employment benefits	685,798	202,366
Debtors for futures and options transactions	144,439	138,688
Debtors		
Residents		
Receivables from real estate, transfers of assets and other securities	94,982	109,509
Prosecution cases / agreements with the Bank	12,088	13,037
SIBS	3,801	3,490
Others	54,545	23,569
Non-residents	49,994	51,909
Amounts due for collection	68,620	81,082
Interest and other amounts receivable	72,293	69,354
Amounts receivable on trading activity	464,501	32,303
Amounts due from customers	45,518	29,020
Artistic patrimony	28,797	28,818
Prepaid expenses	26,071	23,157
Subsidies receivables	9,528	15,656
Other recoverable tax	9,195	11,696
Gold and other precious metals	3,637	3,851
Capital supplementary contributions	165	165
Associated companies	69	162
Sundry assets	215,833	166,030
	3,626,061	1,645,491
Impairment of other assets	(267,691)	(260,199)
	3,358,370	1,385,292

The changes occurred in impairment of other assets are analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Balance on 1 January	260,199	265,342
Transfers resulting from changes in the Group's structure (Seguradora Internacional de Moçambique)	—	(375)
Other transfers	451	536
Charge for the period (note 12)	14,424	16,618
Reversals for the period (note 12)	(5,515)	(9,263)
Amounts charged-off	(1,505)	(12,717)
Exchange rate differences	(363)	58
Balance at the end of the period	267,691	260,199

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Resources and other financing from Central Banks		
Bank of Portugal	7,979,430	8,028,747
Central Banks abroad	118,189	82,155
	8,097,619	8,110,902
Resources from credit institutions in Portugal		
Sight deposits	87,790	96,654
Term Deposits	82,386	64,217
CIRS and IRS operations collateralised by deposits (*)	—	1,620
Other resources	—	1
	170,176	162,492
Resources from credit institutions abroad		
Sight deposits	125,011	108,247
Term Deposits	100,204	89,053
Loans obtained	322,793	399,678
CIRS and IRS operations collateralised by deposits (*)	91,676	19,998
Sales operations with repurchase agreement	54,321	—
Other resources	5,515	5,704
	699,520	622,680
	8,967,315	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 financing characteristics and the nature of the respective lender, the Bank accounts for the TLTRO III operation under IFRS9. The Bank considers that the operation constitutes a variable rate financing, indexed to the Deposit Facility Rate of the European Central Bank (ECB), having fulfilled the necessary criteria for it. Specifically for the period between 24 June 2020 and 23 June 2022, the Bank complied with the conditions required for the application, to each of the two tranches of the financing, of a maximum interest rate of -1%. Consequently, it recognises in the financial statements, for the referred interest counting period, the rate of -1%. For the period between 24 June and 30 September 2022, the applicable rate corresponds to the average of the DFR verified from the beginning of each of the two tranches until 30 September 2022, a rate that is recognized in the financial statements for the referred interest counting period.

As at 30 September 2022, the balance Resources and other financing from Central Banks – Bank of Portugal includes a total financing associated with TLTRO III program in the amount of Euros 8,150,070,000 (31 December 2021: Euros 8,150,070,000).

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Deposits from customers		
Repayable on demand	48,149,500	48,947,802
Term deposits	18,352,858	14,241,514
Savings accounts	6,495,430	5,912,193
Treasury bills and other assets sold under repurchase agreement	103,324	28,718
Cheques and orders to pay	681,556	369,802
Other	60,130	60,198
	73,842,798	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)

	30 September 2022	31 December 2021
Bonds	2,000	10,606
Covered bonds	—	999,333
Medium term notes (MTN)	945,307	1,017,285
Securitisations	136,401	149,637
	1,083,708	2,176,861
Interest payable	7,931	11,502
	1,091,639	2,188,363

In the first half of 2022, the Group reimbursed an issue of covered bonds in the amount of Euros 1,000,000,000.

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Bonds		
Non-Perpetual	1,300,391	1,376,582
Interest payable	31,493	18,198
	1,331,884	1,394,780

As at 30 September 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	299,907	300,000
Bcp Subord Fix Rate Note Projeto Tagus MTN 855	September, 2019	March, 2030	See reference (ii)	450,000	416,702	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	267,564	300,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	9.21%	144,655	144,655	144,655
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	9.6%	171,519	171,519	171,519
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,300,391	1,366,174
Interest payable					31,493	—
					1,331,884	1,366,174

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
Interest payable					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)

	30 September 2022	31 December 2021
Short selling securities	1,172	3,625
Trading derivatives (note 23):		
Swaps	197,362	217,587
Options	7,081	1,478
Embedded derivatives	33,996	6,365
Forwards	7,087	2,186
	245,526	227,616
	246,698	231,241

37. Financial liabilities designated at fair value through profit or loss

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Certificates	839,795	961,730
Debt securities at fair value through profit and loss		
Medium term notes (MTN)	491,727	620,048
	1,331,522	1,581,778

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Provision for guarantees and other commitments	111,448	110,649
Other provisions for liabilities and charges	455,757	348,095
	567,205	458,744

Changes in Provisions for guarantees and other commitments are analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Balance on 1 January	110,649	103,830
Transfers	(674)	(1,651)
Charge for the period (note 13)	22,717	44,414
Reversals for the period (note 13)	(21,045)	(36,278)
Exchange rate differences	(199)	334
Balance at the end of the period	111,448	110,649

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Balance on 1 January	348,095	207,691
Transfers resulting from changes in the Group's structure	—	(30)
Transfer to Impairment of investments in associates (Banco Millennium Atlântico, S.A.) (note 25)	(5,000)	(22,300)
Other transfers	59	4,596
Charge of the period for restructuring costs (note 7)	—	84,152
Charge for the period (note 13)	694,888	651,156
Reversals for the period (note 13)	(1,235)	(16,566)
Amounts charged-off	(14,685)	(135,506)
Allocation to loan's portfolio (note 21)		
Provisions for legal risk related to foreign currency-indexed mortgage loans (a)	(244,179)	(443,296)
Provisions for Credit holidays (b)	(294,041)	—
Exchange rate differences	(28,145)	18,198
Balance at the end of the period	455,757	348,095

The Other provisions for liabilities and charges were created based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date in order to reflect the best estimate of the amount and respective probability of payment.

a) Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

As at 30 September 2022, the Loans and advances to customers portfolio in CHF has a gross amount of Euros 2,653,788,000 (31 December 2021: Euros 2,817,504,000).

As at 30 September 2022, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amount to Euros 1,089,057,000 (PLN 5,270,057,000), of which Euros 934,688,000 (PLN 4,523,050,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 21) and Euros 154,369,000 (PLN 747,007,000) 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 amounted to Euros 727,026,000 (PLN 3,332,614,000), of which Euros 636,309,000 (PLN 2,916,778,000) were 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) were 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.

b) Provisions for Credit holidays

As described in note 46, under the scope of credit holidays for PLN mortgage borrowers, Bank Millennium's Group recognised a provision equivalent to assumption of 80% participation rate of eligible borrowers, which was booked against a decreasing in the gross balance sheet value of the PLN mortgage loan portfolio.

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Interests and other amounts payable	148,255	148,522
Operations to be settled - foreign, transfers and deposits	152,462	134,996
Credit insurance received and to accrued	62,723	72,075
Holidays, subsidies and other remuneration payable	66,024	51,841
Transactions on securities to be settled	452,498	39,979
Public sector	34,722	35,460
Creditors		
Rents to pay	190,487	211,345
Deposit account and other applications	77,610	58,390
Suppliers	26,032	39,350
From factoring operations	36,854	32,113
For futures and options transactions	10,079	14,356
Liabilities not covered by the Group Pension Fund - amounts payable	5,975	6,389
Associated companies	—	106
Other creditors		
Residents	26,308	27,107
Non-residents	58,691	60,394
Deferred income	13,745	9,543
Other administrative costs payable	4,371	4,133
Sundry liabilities	274,670	170,884
	1,641,506	1,116,983

40. Share capital, Share premium and Other equity instruments

As at 30 September 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 30 September 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 30 September 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. In accordance with the proposal for the appropriation of net income for the 2021 financial year approved at the General Shareholders' Meeting held on 4 May 2022, the Bank increased its legal reserves in the amount of Euros 9,006,000, thus, as at 30 September 2022 the Legal Reserves amount to Euros 268,534,000 (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)

	30 September 2022	31 December 2021
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	(272,953)	8,696
Equity instruments	(29,740)	(30,242)
Of associated companies and other changes	(23,835)	39,968
Cash-flow hedge	(1,705,592)	(100,394)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	284	245
	(2,031,836)	(81,727)
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	69,945	(12,426)
Equity instruments	6,110	6,055
Cash-flow hedge	526,316	26,330
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(89)	(77)
	602,282	19,882
	(1,429,554)	(61,845)
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(114,213)	(76,542)
BIM - Banco International de Moçambique, S.A.	(110,807)	(162,561)
Banco Millennium Atlântico, S.A.	(120,854)	(155,310)
Others	2,087	2,311
	(343,787)	(392,102)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	36,806	36,571
Others	(3,965)	(3,965)
	32,841	32,606
Other reserves and retained earnings	1,399,290	1,001,645
	(341,210)	580,304

(*) Includes the effects arising from the application of hedge accounting.

The balances 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)

	30 September 2022	31 December 2021
Fair value changes		
Debt instruments	(123,544)	(77,625)
Equity instruments	2,809	2,993
Cash-flow hedge	(61,007)	(41,248)
Other	3	4
	(181,739)	(115,876)
Deferred taxes		
Debt instruments	23,387	14,704
Equity instruments	(538)	(568)
Cash-flow hedge	11,592	7,837
	34,441	21,973
	(147,298)	(93,903)
Exchange differences arising on consolidation	(194,510)	(181,738)
Actuarial losses (net of taxes)	435	435
Other reserves and retained earnings	1,046,316	1,217,878
	704,943	942,672

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	30 September 2022	31 December 2021	30 September 2022	30 September 2021 (restated)
Continuing operations				
Bank Millennium Group	501,735	729,040	(134,974)	(90,402)
BIM - Banco International de Moçambique Group	176,041	186,578	23,322	20,437
Other subsidiaries	27,167	27,054	(308)	325
	704,943	942,672	(111,960)	(69,640)
Discontinued or discontinuing operations				
BIM - Banco International de Moçambique Group (*)	—	—	—	383
	704,943	942,672	(111,960)	(69,257)

(*) Corresponds to the non-controlling interests of Seguradora International de Moçambique, S.A., entity considered a discontinued operation in December 2021.

44. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	30 September 2022	31 December 2021
Guarantees granted		
Guarantees	4,182,260	3,957,973
Stand-by letter of credit	65,181	58,536
Open documentary credits	275,633	268,399
Bails and indemnities	135,736	136,145
	4,658,810	4,421,053
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	66,007	8,760
Irrevocable credit lines	4,152,239	4,741,586
Securities subscription	67,822	70,017
Other irrevocable commitments	153,982	146,065
Revocable commitments		
Revocable credit lines	5,634,623	5,437,681
Bank overdraft facilities	1,007,746	1,063,309
Other revocable commitments	141,418	133,354
	11,223,837	11,600,772
Guarantees received	30,140,227	29,361,511
Commitments from third parties	13,972,965	13,567,068
Securities and other items held for safekeeping	72,933,111	80,154,791
Securities and other items held under custody by the Securities Depository Authority	83,498,834	92,350,151
Other off-balance sheet accounts	128,472,115	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 nine months of 2022 and during the year 2021, no credits were sold to specialized funds in credit recovery.

The amounts accumulated as at 30 September 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 30 September 2022, the assets received under the scope of these operations are analysed as follows:

(Thousands of euros)

	30 September 2022			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Supplementary capital contributions	Total
Fundo Recuperação Turismo FCR				
Gross value	279,350	33,945	–	313,295
Impairment and other fair value adjustments	(91,453)	(33,945)	–	(125,398)
	187,897	–	–	187,897
Fundo Reestruturação Empresarial FCR				
Gross value	60,963	–	33,280	94,243
Impairment and other fair value adjustments	(37,457)	–	(33,280)	(70,737)
	23,506	–	–	23,506
FLIT-PTREL				
Gross value	251,297	38,154	–	289,451
Impairment and other fair value adjustments	(28,397)	(38,154)	–	(66,551)
	222,900	–	–	222,900
Fundo Recuperação FCR				
Gross value	189,004	84,213	–	273,217
Impairment and other fair value adjustments	(130,420)	(84,213)	–	(214,633)
	58,584	–	–	58,584
Fundo Aquarius FCR				
Gross value	119,631	–	–	119,631
Impairment and other fair value adjustments	(15,849)	–	–	(15,849)
	103,782	–	–	103,782
Discovery Real Estate Fund				
Gross value	157,716	–	–	157,716
Impairment and other fair value adjustments	(1,801)	–	–	(1,801)
	155,915	–	–	155,915
Fundo Vega FCR				
Gross value	48,833	85,597	–	134,430
Impairment and other fair value adjustments	(8,072)	(85,597)	–	(93,669)
	40,761	–	–	40,761
Total Gross value	1,106,794	241,909	33,280	1,381,983
Total impairment and other fair value adjustments	(313,449)	(241,909)	(33,280)	(588,638)
	793,345	–	–	793,345

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 analysed as follows:

(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 nine months of 2022

Upgrade of long-term issuer credit rating to 'BB+' by S&P Global Ratings

Banco Comercial Português, S.A. informs that S&P Global Ratings upgraded its long-term issuer credit rating by one notch to 'BB+', keeping the Outlook stable.

This upgrade follows the recent upgrade on the sovereign rating, as well as the recent improvement of BCP credit risk profile, result of the 40% reduction in NPEs since 2019 and the expectations from S&P Global Ratings that the uncertainties in Poland will have an manageable impact on the level of the Bank's capitalization.

The Outlook reflects the Bank's solid retail franchise that should enable to strength domestic profitability.

Credit holidays for PLN mortgage borrowers (Bank Millennium, S.A)

On 7 July 2022 the Parliament approved and on 14 July, the President of the Republic of Poland signed a bill on crowdfunding for business ventures and assistance to borrowers ('the Act'). The Act, among others, introduced credit holidays for PLN mortgage borrowers. Eligible borrowers, i.e. those who took a loan for own housing purposes before 1 July 2022, will be able to apply for a suspension of eight instalments (capital + interest) in 2022 and 2023 (two instalments in third quarter 2022 and fourth quarter 2022 each and one instalment in each quarter of 2023). Borrowers can apply for credit holidays with regards to one loan only. Instalments are to be suspended not annulled, thereby credit repayment period is to be extended respectively.

The Bank Millennium estimates the maximum impact of the implementation of this Act at PLN 1,779 million (Euros 367.7 million) at the Bank Millennium's Group level [PLN 1,731 million at the solo level (Euros 357.7 million)] if all eligible Group's borrowers were to use such an opportunity. The impact of each 10% of eligible borrowers fully using the credit holidays is estimated at PLN 178 million (Euros 36.8 million) at the Group level.

In the third quarter 2022 results the Bank Millennium's Group recognised an upfront cost of credit holidays in the amount of PLN 1,422.9 million (Euros 304.6 million), equivalent to assumption of 80% participation rate of eligible borrowers. The Bank intends to review its estimates of credit holiday cost in early 2023 when the actual data for half of the instalments available for suspension will be available.

Launching of Recovery Plan and Capital Protection Plan (Bank Millennium, S.A)

On 15 July 2022, the Bank Millennium informed that due to expected costs of credit holidays it could be reasonably assumed that the Bank Millennium would record a negative net result for the 3rd quarter of 2022 and as a result its capital ratios could fall below the current minimum requirements set by Polish Financial Supervision Authority ('PFSA'). As the emergence of risk of a breach of respective capital ratios represents a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended), on 15 July 2022 the Management Board of the Bank took a decision to launch the Recovery Plan, notifying of the fact both PFSA and the Bank Guarantee Fund.

The Management Board of the Bank intends to increase capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations).

Following the calculation of actual end of July 2022 capital ratios, pursuant to the Article 60 sec. 1 of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (Journal of Laws of 2022, item 963, i.e. of 6 May 2022, as amended), the Bank Millennium has also submited to PFSA the Capital Protection Plan.

Demerger of Millennnium Dom Maklerski

The Bank Millennium, S.A. and Millennium Dom Maklerski (100% subsidiary of the Bank Millennium S.A.) made a decision on the Demerger by way of the inclusion of the Brokerage Activity in the Bank Millennium's structures in order to integrate within a single entity the brokerage services so far provided through the Demerged Company. The decision to effectuate the Demerger is dictated by:

- an interest in improving the efficiency of the operation of the brokerage activity in the Bank Millennium Group both in the area of institutional and retail client services;

- efforts to increase the quality and comprehensiveness of the brokerage service offer addressed to both individual and institutional clients.

The MDM Division was conducted in accordance with Article 529 § 1.4 of the CCC, i.e. by:

a) transferring to the Bank Millennium S.A. a part of the property (assets and liabilities) and the rights and obligations of the Divided Company in the form of an organised part of the MDM's enterprise related to the provision of brokerage services (the "Brokerage Business"); and

b) keeping in MDM the part of the property (assets and liabilities) and the rights and obligations of the Divided Company in the form of an organised part of MDM's enterprise related to other activity not related to the brokerage services (the "Non-Regulated Business").

The division of MDM, as a result of which the Bank Millennium S.A. took over the Brokerage Business, took place and was registered by the competent registry court on 29 July 2022.

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, the dividend relating to the 2021 financial year was 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

Upgrade to Investment Grade of senior unsecured debt ratings by Moody's

Banco Comercial Português, S.A. informs that Moody's rating agency, as part of its regular revision, upgraded BCP's senior unsecured debt ratings to Investment Grade, from Ba1/Prime-2 to Baa3/Prime-2, driven by the reduction in the stock of Non-performing assets (NPA) and the improvement in capitalization levels over the last years, the improvement in domestic profitability, which offsets the impact of provisions for legal risk in Poland, as well as the BCP's funding plan being executed to comply with its Minimum Requirement for own funds and Eligible Liabilities (MREL), including the Combined Buffer Requirement (CBR), from January 2024.

Simultaneously, the rating agency affirmed the bank's Baseline Credit Assessment (BCA) and Adjusted BCA at ba2; the Banks' deposit ratings at Baa2/Prime-2; the junior senior debt rating at (P)Ba2; the dated subordinated debt at (P)Ba3; and its preference shares rating at B2(hyb).

The Outlook on the long-term deposit and senior unsecured debt ratings remains stable, reflecting Moody's view that the Bank's creditworthiness will be steady over the outlook horizon.

Notification by Banco de Portugal of MREL requirements

Banco Comercial Português, S.A. 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 1 January 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.

MREL requirements of Bank Millennium, S.A.

On April 1, 2022 the Bank received a letter from the Banking Guarantee Fund ('BFG') regarding the joint decision of the resolution authorities, i.e. the Single Resolution Board and BFG obliging the Bank to meet the communicated MREL (minimum requirement for own funds and eligible liabilities) requirements.

Pursuant to the above decision, at the consolidated level the Bank is obliged to meet by December 31, 2023, the minimum MREL - TREA requirement of 20.42% and MREL - TEM of 5.91%. At the individual level, the Bank is obliged the requirements of 20.32% and 5.91% respectively. These targets represent a decrease compared to most targets set in November 2021 (the minimum consolidated MREL - TREA requirement of 21.41% and MREL - TEM of 5.91%; Bank only requirements of 21.13% and 5.88% respectively) reflecting chiefly a drop in the P2R (Current report on initial MREL requirements).

Additionally, the above-mentioned decision sets the path to achieve the target MREL level. As a part of mid-term objectives, at the moment of communication of the decision the Bank was obliged to meet the minimum consolidated MREL - TREA requirement of 15.60% and MREL - TEM of 3.00%. At the individual level, the Bank was obliged to meet the minimum MREL - TREA requirement of 15.55% and MREL - TEM of 3.00%.

The Bank is still below those references due to net losses booked in 2021 and 2022 (provisions against legal risk related to FX-mortgage portfolio) and the fact that an issue of senior non-preferred bonds on the Polish market initially planned for 4Q21 and was not possible to execute due to a gap in the Polish bond law in force at that date. As a result, the Bank decided to alternatively prepare and launch a new Euro Medium Term Note Programme ('EMTN Programme') programme. Due to the combination of unfavourable market conditions (markets continued effectively shut for issuers of SNP bonds from the CEE region) and looming risk of Poland's government enforcement of costly extraordinary measures on the banking sector the offer of SNPs bonds could not be executed until now.

Following the changes in the Polish bond law in May, the Bank started preparations for a domestic issue, but due to the above mentioned external factors, the decision to officially start the domestic offering was also put on hold.

Restoring capital ratios to minimum required ratios is currently the Bank's priority and once this is achieved the Bank will take further needed steps aimed at meeting the MREL requirements.

Minimum prudential requirements

Under the context of the Supervisory Review and Evaluation Process (SREP), Banco Comercial Português, S.A. 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 fulfil the future O-SII reserve requirement of 1.00%, as communicated by Banco de Portugal on its website on 30 November 2021.

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.

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 customer 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 from June 2021 onwards 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 from the end of the first half of 2021 onwards, following the agreement signed for the sale of Banque Privée BCP, which was effectively concluded in early November) and Cayman Islands by Millennium bcp Bank & Trust, which was discontinued in August 2022. The Other segment also includes the contribution of the associate in Angola.

B. Business Segments

For the purposes of business segments reporting, Foreign Business segment comprises the Group's operations developed in other countries already mentioned excluding the activity of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands which, in this context, are considered in Private Banking segment.

Business segments activity

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

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 30 September 2022, 31 December 2021 and 30 September 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 centres, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. In this case, the allocation is based on the application of pre-defined criteria related to the level of activity of each business area.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 30 September 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) or relevant changes in the dynamics of allocation of indirect revenues and costs, as described in the previous paragraph, ensuring the comparability of the information provided in the reported periods.

Following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"), the contribution of this subsidiary to the "Private Banking" segment (geographical segments) and "Other" from "Foreign business" segment (business segments) is reflected as income from discontinued operations. 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 from 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 as at September 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 30 September 2022, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	30 September 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	378,192	1,164,241	1,542,433	202,232	10,061	123,377	1,878,103
Interest expense and similar charges	(3,809)	(290,245)	(294,054)	(19,790)	(1,248)	(17,180)	(332,272)
Net interest income	374,383	873,996	1,248,379	182,442	8,813	106,197	1,545,831
Commissions and other income	359,361	239,943	599,304	142,482	32,684	7,046	781,516
Commissions and other costs	(40,103)	(203,613)	(243,716)	(20,245)	(1,616)	(134,787)	(400,364)
Net commissions and other income (2)	319,258	36,330	355,588	122,237	31,068	(127,741)	381,152
Net gains arising from trading activity (3)	21,182	(23,957)	(2,775)	300	2,520	74,893	74,938
Share of profit of associates under the equity method	—	(984)	(984)	—	—	45,966	44,982
Gains/(losses) on sale of subsidiaries and other assets	—	1,028	1,028	7	(1)	10,094	11,128
Net operating revenue	714,823	886,413	1,601,236	304,986	42,400	109,409	2,058,031
Operating expenses	343,442	342,290	685,732	78,460	17,175	6,061	787,428
Impairment for credit and financial assets (4)	(29,144)	(66,839)	(95,983)	(134,453)	405	(13,250)	(243,281)
Other impairments and provisions (5)	(36)	(737,525)	(737,561)	—	—	(97,373)	(834,934)
Net income before income tax	342,201	(260,241)	81,960	92,073	25,630	(7,275)	192,388
Income tax	(106,324)	(51,483)	(157,807)	(28,652)	(8,003)	(14,174)	(208,636)
Net income after income tax from continuing operations	235,877	(311,724)	(75,847)	63,421	17,627	(21,449)	(16,248)
Income arising from discontinued operations	—	(308)	(308)	—	1,789	—	1,481
Net income for the period	235,877	(312,032)	(76,155)	63,421	19,416	(21,449)	(14,767)
Non-controlling interests (6)	—	111,652	111,652	—	—	308	111,960
Net income for the period attributable to Bank's Shareholders	235,877	(200,380)	35,497	63,421	19,416	(21,141)	97,193

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) 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 30 September 2022, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	30 September 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	14,613,693	3,615,756	18,229,449	1,696,410	2,520,968	(11,226,418)	11,220,409
Loans and advances to customers (1)	25,568,248	16,993,141	42,561,389	12,513,501	349,705	1,585,664	57,010,259
Financial assets (2)	1,391,167	4,195,623	5,586,790	—	—	15,227,247	20,814,037
Other assets	85,721	960,976	1,046,697	12,301	2,483	7,063,240	8,124,721
Total Assets	41,658,829	25,765,496	67,424,325	14,222,212	2,873,156	12,649,733	97,169,426
Resources from credit institutions (3)	318,220	216,202	534,422	3,011,737	—	5,421,156	8,967,315
Resources from customers (4)	38,698,305	22,573,969	61,272,274	10,120,053	2,644,611	(194,140)	73,842,798
Debt securities issued (5)	1,224,968	—	1,224,968	2,012	140,209	1,055,972	2,423,161
Other financial liabilities (6)	—	590,929	590,929	—	—	3,245,850	3,836,779
Other liabilities (7)	56,123	763,227	819,350	66,531	1,303	1,341,258	2,228,442
Total Liabilities	40,297,616	24,144,327	64,441,943	13,200,333	2,786,123	10,870,096	91,298,495
Total Equity	1,361,213	1,621,169	2,982,382	1,021,879	87,033	1,779,637	5,870,931
Total Liabilities and Equity	41,658,829	25,765,496	67,424,325	14,222,212	2,873,156	12,649,733	97,169,426
Number of employees	3,830	9,404	13,234	526	140	1,761	15,661

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 and hedging derivatives.

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 September 2021, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	30 September 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	339,093	608,076	947,169	198,733	6,340	101,247	1,253,489
Interest expense and similar charges	(3,604)	(64,894)	(68,498)	(5,483)	(807)	(13,727)	(88,515)
Net interest income	335,489	543,182	878,671	193,250	5,533	87,520	1,164,974
Commissions and other income	337,229	237,144	574,373	117,129	26,571	(107)	717,966
Commissions and other costs	(36,992)	(125,439)	(162,431)	(14,470)	(2,672)	(123,949)	(303,522)
Net commissions and other income (2)	300,237	111,705	411,942	102,659	23,899	(124,056)	414,444
Net gains arising from trading activity (3)	13,720	7,409	21,129	217	997	49,197	71,540
Share of profit of associates under the equity method	—	(1,694)	(1,694)	—	—	43,822	42,128
Gains/(losses) on sale of subsidiaries and other assets	—	57	57	4	—	4,363	4,424
Net operating revenue	649,446	660,659	1,310,105	296,130	30,429	60,846	1,697,510
Operating expenses	352,708	307,465	660,173	84,864	16,574	87,639	849,250
Impairment for credit and financial assets (4)	(55,008)	(60,595)	(115,603)	(104,798)	3,362	(56,225)	(273,264)
Other impairments and provisions (5)	(21)	(358,526)	(358,547)	—	—	(94,300)	(452,847)
Net income before income tax	241,709	(65,927)	175,782	106,468	17,217	(177,318)	122,149
Income tax	(75,480)	(69,480)	(144,960)	(33,331)	(5,243)	42,062	(141,472)
Net income after income tax from continuing operations	166,229	(135,407)	30,822	73,137	11,974	(135,256)	(19,323)
Income arising from discontinued operations	—	4,788	4,788	—	4,747	—	9,535
Net income for the period	166,229	(130,619)	35,610	73,137	16,721	(135,256)	(9,788)
Non-controlling interests (6)	—	69,583	69,583	—	—	(326)	69,257
Net income for the period attributable to Bank's Shareholders	166,229	(61,036)	105,193	73,137	16,721	(135,582)	59,469

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes net fees and commissions income, other operating income/(loss) 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 (net of reversals) 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 and hedging derivatives.

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 September 2022, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	30 September 2022								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	378,192	202,232	9,089	123,377	712,890	954,189	210,052	972	1,878,103
Interest expense and similar charges	(3,809)	(19,790)	(1,248)	(17,180)	(42,027)	(223,904)	(66,341)	—	(332,272)
Net interest income	374,383	182,442	7,841	106,197	670,863	730,285	143,711	972	1,545,831
Commissions and other income	359,361	142,482	32,652	7,046	541,541	205,561	34,382	32	781,516
Commissions and other costs	(40,103)	(20,245)	(1,576)	(134,787)	(196,711)	(196,890)	(6,723)	(40)	(400,364)
Net commissions and other income [2]	319,258	122,237	31,076	(127,741)	344,830	8,671	27,659	(8)	381,152
Net gains arising from trading activity [3]	21,182	300	2,499	74,893	98,874	(38,580)	14,623	21	74,938
Share of profit of associates under the equity method	—	—	—	45,966	45,966	—	1,419	(2,403)	44,982
Gains/(losses) on sale of subsidiaries and other assets	—	7	—	10,094	10,101	400	628	(1)	11,128
Net operating revenue	714,823	304,986	41,416	109,409	1,170,634	700,776	188,040	(1,419)	2,058,031
Operating expenses	343,442	78,460	16,253	6,061	444,216	259,924	82,366	922	787,428
Impairment for credit and financial assets [4]	(29,144)	(134,453)	406	(13,250)	(176,441)	(57,743)	(9,097)	—	(243,281)
Other impairments and provisions [5]	(36)	—	—	(97,373)	(97,409)	(730,369)	(721)	(6,435)	(834,934)
Net income before income tax	342,201	92,073	25,569	(7,275)	452,568	(347,260)	95,856	(8,776)	192,388
Income tax	(106,324)	(28,652)	(8,003)	(14,174)	(157,153)	(25,539)	(25,944)	—	(208,636)
Net income after income tax from continuing operations	235,877	63,421	17,566	(21,449)	295,415	(372,799)	69,912	(8,776)	(16,248)
Income arising from discontinued operations	—	—	—	—	—	—	(308)	1,789	1,481
Net income for the period	235,877	63,421	17,566	(21,449)	295,415	(372,799)	69,604	(6,987)	(14,767)
Non-controlling interests [6]	—	—	—	308	308	134,974	(23,322)	—	111,960
Net income for the period attributable to Bank's Shareholders	235,877	63,421	17,566	(21,141)	295,723	(237,825)	46,282	(6,987)	97,193

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) 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 (net of reversals) 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 30 September 2022, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

	30 September 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	14,613,693	1,696,410	2,520,968	(11,226,418)	7,604,653	2,339,831	1,275,925	—	11,220,409
Loans and advances to customers (1)	25,568,248	12,513,501	349,705	1,585,664	40,017,118	16,318,214	674,927	—	57,010,259
Financial assets (2)	1,391,167	—	—	15,227,247	16,618,414	3,485,737	709,918	(32)	20,814,037
Other assets	85,721	12,301	2,483	7,063,240	7,163,745	627,760	244,621	88,595	8,124,721
Total Assets	41,658,829	14,222,212	2,873,156	12,649,733	71,403,930	22,771,542	2,905,391	88,563	97,169,426
Resources from other credit institutions (3)	318,220	3,011,737	—	5,421,156	8,751,113	179,064	37,138	—	8,967,315
Resources from customers (4)	38,698,305	10,120,053	2,644,611	(194,140)	51,268,829	20,307,610	2,266,359	—	73,842,798
Debt securities issued (5)	1,224,968	2,012	140,209	1,055,972	2,423,161	—	—	—	2,423,161
Other financial liabilities (6)	—	—	—	3,245,850	3,245,850	590,929	—	—	3,836,779
Other liabilities (7)	56,123	66,531	1,303	1,341,258	1,465,215	688,425	74,802	—	2,228,442
Total Liabilities	40,297,616	13,200,333	2,786,123	10,870,096	67,154,168	21,766,028	2,378,299	—	91,298,495
Total Equity	1,361,213	1,021,879	87,033	1,779,637	4,249,762	1,005,514	527,092	88,563	5,870,931
Total Liabilities and Equity	41,658,829	14,222,212	2,873,156	12,649,733	71,403,930	22,771,542	2,905,391	88,563	97,169,426
Number of employees	3,830	526	140	1,761	6,257	6,897	2,507	0	15,661

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 and hedging derivatives.

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 September 2021, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	30 September 2021 (restated)								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	339,093	198,733	4,009	101,247	643,082	448,275	159,801	2,331	1,253,489
Interest expense and similar charges	(3,604)	(5,483)	(807)	(13,727)	(23,621)	(19,870)	(45,044)	20	(88,515)
Net interest income	335,489	193,250	3,202	87,520	619,461	428,405	114,757	2,351	1,164,974
Commissions and other income	337,229	117,129	26,537	(107)	480,788	207,692	29,451	35	717,966
Commissions and other costs	(36,992)	(14,470)	(1,573)	(123,949)	(176,984)	(120,390)	(5,046)	(1,102)	(303,522)
Net commissions and other income [2]	300,237	102,659	24,964	(124,056)	303,804	87,302	24,405	(1,067)	414,444
Net gains arising from trading activity [3]	13,720	217	1,005	49,197	64,139	(4,780)	12,189	(8)	71,540
Share of profit of associates under the equity method	—	—	—	43,822	43,822	—	—	(1,694)	42,128
Gains/(losses) on sale of subsidiaries and other assets	—	4	—	4,363	4,367	10	47	—	4,424
Net operating revenue	649,446	296,130	29,171	60,846	1,035,593	510,937	151,398	(418)	1,697,510
Operating expenses	352,708	84,864	15,889	87,639	541,100	240,864	66,601	685	849,250
Impairment for credit and financial assets [4]	(55,008)	(104,798)	3,364	(56,225)	(212,667)	(54,165)	(6,432)	—	(273,264)
Other impairments and provisions [5]	(21)	—	—	(94,300)	(94,321)	(346,646)	(2,380)	(9,500)	(452,847)
Net income before income tax	241,709	106,468	16,646	(177,318)	187,505	(130,738)	75,985	(10,603)	122,149
Income tax	(75,480)	(33,331)	(5,243)	42,062	(71,992)	(50,429)	(19,045)	(6)	(141,472)
Net income after income tax from continuing operations	166,229	73,137	11,403	(135,256)	115,513	(181,167)	56,940	(10,609)	(19,323)
Income arising from discontinued operations	—	—	—	—	—	—	4,788	4,747	9,535
Net income for the period	166,229	73,137	11,403	(135,256)	115,513	(181,167)	61,728	(5,862)	(9,788)
Non-controlling interests [6]	—	—	—	(326)	(326)	90,403	(20,820)	—	69,257
Net income for the period attributable to Bank's Shareholders	166,229	73,137	11,403	(135,582)	115,187	(90,764)	40,908	(5,862)	59,469

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes net fees and commissions income, other operating income/(loss) 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 and hedging derivatives.

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

Reconciliation of net income of reportable segments with the net income attributable to shareholders

(Thousands of euros)

	30 September 2022	30 September 2021 (restated)
Net contribution		
Retail banking in Portugal	235,877	166,229
Companies, Corporate and Investment banking	63,421	73,137
Private Banking	17,566	11,401
Foreign business (continuing operations)	(311,663)	(134,835)
Non-controlling interests (1)	111,652	69,583
	116,853	185,515
Income arising from discontinued or discontinuing operations	1,481	9,535
	118,334	195,050
Amounts not allocated to segments		
Net interest income of the bond portfolio	31,818	22,039
Net interest income - TLTRO	49,317	60,438
Foreign exchange activity	51,123	22,390
Gains / (losses) on disposal of subsidiaries and other assets	10,094	4,363
Equity accounted earnings	45,966	43,822
Impairment and other provisions (2)	(110,623)	(150,525)
Operational costs (3)	(6,061)	(87,639)
Gains on sale of Portuguese public debt	(15,907)	39,889
Gains on sale of foreign public debt	30,774	20,408
Mandatory contributions	(88,530)	(77,222)
Loans sale	12,233	(2,706)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	1,514	(36,783)
Taxes (5)	(14,174)	42,062
Non-controlling interests	308	(326)
Others (6)	(18,993)	(35,791)
Total not allocated to segments	(21,141)	(135,581)
Consolidated net income	97,193	59,469

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 both periods.

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 previously namely funding for 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, according to the new regulation, which period ends in 2023.

With the IFRS9 introduction the Group has decided to gradually recognise the impacts, according to artº 473º-A of CRR. The group also decided to adopt, until the end of 2022, the option to gradually recognise the change in unrealized gains and losses measured at fair value through other comprehensive income, according to artº 468 of the 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)

	30 September 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	3,754	957,922
Minority interests eligible to CET1	467,416	451,550
Regulatory adjustments to CET1	148,282	(778,167)
	5,360,923	5,372,776
Tier 1		
Capital Instruments	400,000	400,000
Minority interests eligible to AT1	34,335	109,266
	5,795,258	5,882,042
Tier 2		
Subordinated debt	1,050,000	1,050,000
Minority interests eligible to Tier 2	316,174	277,007
Other	(38,637)	3,751
	1,327,537	1,330,758
Total own funds	7,122,795	7,212,800
RWA - Risk weighted assets		
Credit risk	39,090,645	39,810,329
Market risk	2,841,503	1,947,366
Operational risk	4,123,409	4,123,409
CVA	45,663	51,426
	46,101,220	45,932,530
Capital ratios		
CET1	11.6%	11.7%
Tier 1	12.6%	12.8%
Tier 2	2.9%	2.9%
	15.5%	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.

In the context of the liquidation of Proindicus and MAM, the Liquidator published, on 3 May 2022, an announcement in the Jornal de Notícias de Moçambique, through which the creditors of those companies are notified to submit, within thirty days counted from the said publication, the supporting documents of their credits. Following the publication of the said announcement, BIM and BCP submitted, on 1 June 2022, their credit claims on Proindicus and MAM, respectively.

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 30 September 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 30 September 2022, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 351,494,000 (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 110,807,000 (31 December 2021: negative amount of Euros 162,561,000). BIM's contribution to consolidated net income for the first nine months of 2022, attributable to the shareholders of the Bank, amounts to Euros 46,682,000 (30 September 2021: Euros 40,905,000).

As at 30 September 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 42,406,871,000 corresponding to Euros 675,215,000 (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 2,339,278,000 corresponding to Euros 37,247,000 (31 December 2021: MZN 4,359,808,000 corresponding to Euros 59,805,000).

As at 30 September 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 19,138,364,000 corresponding to Euros 304,728,000 (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 5,242,804,000 corresponding to Euros 83,653,000 (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.

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. By judgment of 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 of whether it was actually scheduled for 6 September 2021 the preparatory hearing and the start of the judgement hearing sessions.

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 10 October 2021, requesting the Court to take a position on the matter before the beginning of the trial. The Court issued an order rejecting the banks' request to rule on those nullities raised by them, having refused to prohibit the use during the judgment of electronic messages seized, allowing witnesses to be confronted with their content. The requesting banks lodged an appeal against this order, which was admitted by the Lisbon Court of Appeal.

On 28 April 2022, TCRS handed down a decision 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 decision, 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 preliminary 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.

CJEU rejected TCRS's request for an accelerated procedure and for priority to be given in the assessment of this case, hence CJEU's assessment must be given within the normal deadline for these prejudicial proceedings, after which the judgment of this Court will then be concluded.

The Bank has been notified by the CJEU to, if it wishes, submit its written observations, and must do so by 2 September 2022.

The Bank forwarded its observations to the CJEU on 1 September 2022.

The Bank does not anticipate that this lawsuit may result in any responsibility that could have impact on the respective financial statements.

2. On 7 June 2022, the Bank was notified by the Court to contest a lawsuit brought by Fundação José Berardo and José Manuel Rodrigues Berardo against Banco Comercial Português, S.A., Caixa Geral de Depósitos, S.A., Novo Banco, S.A. and Banco Espírito Santo, S.A., in liquidation.

In this lawsuit, the Plaintiffs allege that they incurred in a mistake regarding the endogenous situation of the defendant banks and the financial system, without which they would have sold the pledged shares and paid their loans. If this is not the case, the plaintiffs request the defendant banks to be ordered to pay compensation to Fundação José Berardo for damages caused by breach of contract, since the moment when they should have been sold in execution of the pledge due to failure to verify coverage ratios until the moment when they were sold, that is, the difference between the price at which the pledged shares would have been sold on the dates of coverage ratios default and the price at which they were actually sold, plus interest and all other loan charges since those dates, in any case the global amount of compensation not being less than Euros 800,000,000. In any case, the plaintiffs ask the defendant banks to be jointly condemned to pay José Manuel Rodrigues Berardo compensation for moral damages, in the already calculated amount of Euros 100,000,000 and also in the amount that is settled as soon as the full extent of the damages is known.

In the meantime, through Order No. 8765/2022 of Mr. Secretary of State for the Presidency of the Council of Ministers, published in Republic Diary, Series 2, part C, of 19 July 2022, the Plaintiff of this lawsuit, Fundação José Berardo, was declared extinct.

The lawsuit was contested on 27 September 2022, and is awaiting subsequent terms.

The Bank does not anticipate that this lawsuit may result in any responsibility that could have impact on the respective financial statements.

3. On 3 January 2018, Bank Millennium received 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 (it regards 78 agreements) in responses to their complaints, that the court verdict stating the abusiveness of the provisions of the loan agreement regarding exchange rates does not apply to them. According to the position of the OPCC Chairman the abusiveness of contract's clauses determined by the court in the course of abstract control is constitutive and effective for every contract from the beginning. As a result of the decision, Bank Millennium was obliged to:

1) send information on the UOKiK's decision to the said 78 clients;

2) place the information on decision and the decision itself on the website and on Twitter;

3) to pay a fine amounting to PLN 20.7 million (Euros 4.28 million).

Bank Millennium lodged an appeal within the statutory time limit.

On 7 January 2020, the first instance court dismissed Bank Millennium's appeal in its entirety. Bank Millennium appealed against the judgment within the statutory deadline. The court presented the view that the judgment issued in the course of the control of a contractual template (in the course of an abstract control), recognizing the provisions of the template as abusive, determines the abusiveness of similar provisions in previously concluded contracts. 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.

In Bank Millennium's assessment, the Court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law views 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), the more penalties for these behaviours should not be imposed using current policy. The above 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. On 31 August 2022, the OPCC Chairman lodged a cassation appeal to the Supreme Court. Bank Millennium believes that the prognosis regarding the litigation chances of winning the case before the Supreme Court is positive.

Bank Millennium (along with other banks) is also a party to the dispute with OPCC, in which the OPCC Chairman recognized the practice of participating banks, including Bank Millennium, in an agreement aimed at jointly setting interchange fee rates charged on transactions made with Visa and Mastercard cards as restrictive of competition, and by decision of 29 December 2006 imposed a fine on Bank Millennium in the amount of PLN 12.2 million (Euros 2.52 million). Bank Millennium, along with other banks, appealed the 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 amount equal to the imposed penalty.

4. On 22 September 2020, Bank Millennium received decision of the Chairman of the Office for Protection of Competition and Consumers (OPCC Chairman) recognising clauses stipulating principles of currency exchange applied in the so-called anti-spread annex as abusive and prohibited the use thereof.

Penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.17 million). Penalty amount takes account of two mitigating circumstances: cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of provisions in question.

Bank Millennium was also requested, after the decision becomes final and binding, to inform consumers, by registered mail, to the effect that the said clauses were deemed to be abusive and therefore not binding upon them (without need to obtain court's decision confirming this circumstance) and publish the decision in the case on Bank Millennium's website.

In the decision justification delivered in writing the OPCC Chairman stated that FX rates determined by Bank Millennium were determined at Bank Millennium's discretion (on the basis of a concept, not specified in any regulations, of average inter-bank market rate). Moreover, client had no precise knowledge on where to look for said rates since provision referred to Reuters, without precisely defining the relevant site.

Provisions relating to FX rates in Bank Millennium's tables were challenged since Bank Millennium failed to define when and how many times a day these tables were prepared and published.

In justification of the decision, the OPCC Chairman also indicated that in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC Chairman deemed to be insufficient.

The decision is not final and binding. Bank Millennium appealed against the said decision within statutory term.

On 31 March 2022, the first instance court revoked the entire decision of the Chairman of the OPCC. On 23 May 2022, the Chairman of the OPCC filed an appeal. The case is pending.

Bank Millennium believes that chances for it to win the case are positive.

5. As at 30 September 2022, the most important proceedings, in the group of the court cases where the Group's companies were defendant, were following:

- 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 and severally with another bank, and in one with another bank and card organizations. The total value of claims submitted in these cases is PLN 729.6 million (Euros 150.77 million). The proceedings with the highest value of the submitted claim are brought by PKN Orlen SA, in which the plaintiff demands payment of PLN 635.7 million (Euros 131.37 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 in the years 2006-2014. In the other two cases, the charges are similar to those raised in the case brought by PKN Orlen SA, 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, we point out that Bank Millennium participates as a side intervener in four other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse 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 in the years 2008-2014.

- A lawsuit brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium S.A., worth of the dispute PLN 521.9 million (Euros 107.85 million) with statutory interest from 05.04.2016 until the day of payment. The plaintiff filed the suit dated 23 October 2015 to the Regional Court in Warsaw; the suit was served to Bank Millennium on 04 April 2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by Bank Millennium and consisting in the wrong interpretation of the Agreement for working capital loan concluded between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand. In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of PLN 250.0 million (Euros 51.66 million). The petition was dismissed on 5 September 2016 with legal validity by the Appellate Court. Bank Millennium is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of Bank Millennium, Bank Millennium's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to Bank Millennium, issued in the same legal state in the action brought by PCZ SA against Bank Millennium. At present, the Court of first instance is conducting evidence proceedings.

As at 30 September 2022, the total value of the subjects of the other litigations in which the Group appeared as defendant, stood at PLN 3,542.9 million (Euros 732.14 million) (excluding the class actions described below and in note 55). In this group the most important category are cases related with FX loans mortgage portfolio and cases related to forward transactions (option cases).

6. On 3 December 2015 a class action was served on Bank Millennium. A group of Bank Millennium's debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.72 million), claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. Plaintiff extended the group in the court letter filed on the 4th of April 2018, therefore the claims increased from PLN 3.5 million (Euros 0.72 million) to over PLN 5 million (Euros 1.03 million).

Actual status:

On the 1st of October 2018, the group's representative corrected the total amount of claims pursued 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 1,523,239.43).

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. Currently, the court is collecting written testimony from witnesses. The date of the hearing has not been set at the moment.

As at 30 September 2022, there were also 243 individual court cases regarding LTV insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

7. On 13 August 2020, Bank Millennium received lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands that Bank Millennium and the Insurer (TU Europa) be ordered to discontinue performing unfair market practices involving, as follows:

- presenting the offered loan repayment insurance as protecting interests of the insured in case when insurance structure indicates that it protects Bank Millennium's interests;

- use of clauses linking the value of insurance benefit with the amount of borrower's debt;

- use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);

- use of clauses excluding insurer's liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires Bank Millennium to be ordered to publish, on its website, information on use of unfair market practices.

The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance.

8. On 1 October 2015, a set of entities connected to a group with debts in default to BCP amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against BCP, after receiving the Bank's notice for mandatory payment, a lawsuit requesting that:

a) the court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares, since they acted pursuant to a request made by the Bank for the making of the respective purchases, and also that the court orders the cancellation of the registration of those shares in the name of those companies;

b) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;

c) the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to refund them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;

d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;

e) the Bank opposed and presented a counter claim, wherein it requests the conviction, namely, of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The court issued a curative act and already ascertained the factual basis that are proven and that must be proven.

The expertise was carried out and the expert report was submitted. There is a deadline for completing and concluding the expert report, in its final version, since the Bank presented a complaint about various aspects of the expert's report, in its first version.

9. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, 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 20 of the Resolution Fund's annual report of 2021, *"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 Resolution Fund, supported by legal advice of the attorneys for 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".*

According to note 22 of the Resolution Fund's annual report of 2021, *"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 2021, ten (decisions) have become final and unappealable condemning Novo Banco, Spanish branch, as well as three sentences in relation to which due compensation has been requested from the Resolution Fund".*

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 audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, *"the risk of triggering the additional capital mechanism (capital backstop), up to Euros 1.6 billion, provided for in the commitments made by the Portuguese State to ensure the viability of NB, exists".*

According to Novo Banco's Institutional presentation of June 2022, Novo Banco still has Euros 485 million under the MCC in addition to the Euros 209 million included in the capital call for 2021. The mechanism is in place until December 2025, date that can be extended, under certain conditions, by one additional year.

(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 2021 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 2021 annual report, the Resolution Fund states that *"eventual new requests regarding future periods, with significant uncertainty regarding the relevant parameters for the calculation of eventual responsibilities, under the terms of the CCA, are recorded as contingent liabilities"*.

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 31 December 2021, amounted to Euros 1.8 billion (book value, net of impairments), according to Novo Banco's First Half 2022 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 Resolution Fund's annual report of 2021 (Box 1), *"the award of the Arbitration Court, constituted under the aegis of the International Chamber of Commerce, was known at the end of October 2021, and was favorable to the Resolution Fund. The Arbitration Court considered that (...) the financial impact on Novo Banco's own funds could not be covered by the CCM. The value of the dispute at the date of the award amounted to 169 million euros, an amount that the Resolution Fund would have had to pay to Novo Banco if the Arbitration Court's award had not been favorable"*.

Additionally, regarding the intervention of the Resolution Fund concerning the transitional regime of the implementation of the dynamic component of IFRS 9, Novo Banco estimates a positive impact on its own funds in the amount of Euros 171 million (which implies a reduction in the capital requirements that Novo Banco intended to pass on to the CCM in the amount of Euros 161.6 million). Accordingly, the Resolution Fund initiated a second arbitration proceeding, also under the aegis of the International Chamber of Commerce, with a view to settling the difference between the parties. This process is in progress, and it is estimated that an award will be rendered during 2023.

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.

According to Resolution Fund's annual report of 2021, the procedure relating to the payment to Novo Banco regarding 2020 accounts has been concluded, concluding that a payment of Euros 112 million was due to Novo Banco from the Resolution Fund which had remained pending further verification. Therefore, that amount was paid to Novo Banco, in December 2021, after the conclusion of the supplementary analysis promoted by the Resolution Fund. This amount, according to a statement issued by the Resolution Fund on 23 December 2021, was already provisioned, included in the total amount of the provision (Euros 429,012,629).

According to Resolution Fund's annual report of 2021, Novo Banco submitted to the International Chamber of Commerce a request for arbitration to have recognized the right to receive an aggregate amount of Euros 165,441.9 thousand (divestment of Novo Banco's activity in Spain in the amount of Euros 147,441.9 thousand and valuation differences regarding a set of assets held by Novo Banco in the amount of Euros 18,000 thousand) which the Resolution Fund considered, and considers, not to merit the coverage of the CCM.

According to Novo Banco's First Half 2022 report (note 30), Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, according to which, the deferred tax assets recorded until 31 December 2015 can be converted into tax credits when the taxable entity reports an annual net loss, in accordance to the proportion of the amount of the said net loss to total equity at the individual company level, A special reserve was established with an amount identical to the tax credit approved, increased by 10%. The conversion rights are securities that entitle the State to require Novo Banco to increase its share capital by incorporating the amount of the special reserve and consequently issuing and delivering free of charge ordinary shares. The shareholders have the right to acquire the conversion rights attributed to the Portuguese State.

According to the Resolution Fund's 2021 annual report, under the terms of the sale of Novo Banco, the 75% of the share capital of Novo Banco held by Nani Holdings is not affected by the dilution associated with the Special Regime applicable to deferred tax assets (REIAD).

According to Resolution Fund's annual report of 2021, on 17 December 2021, Novo Banco, carried out a capital increase in the amount of Euros 154,907.3 thousand, through the conversion of the rights that had been attributed to the State due to the conversion of the deferred tax assets of Novo Banco, into tax credits, with reference to the 2015 tax period, under the REIAD. As of that date, the State became a shareholder of Novo Banco, having been attributed a participation corresponding to 1.56% of the share capital. As a result, the participation of the Resolution Fund was diluted from 25% to 23.44%. Also, according to the same source, it is estimated that the aggregate effect of the application of the REAID will result in the reduction of the participation of the Resolution Fund to 9.05%.

In relation to the years 2016 and 2018, the Tax Authority has already validated the tax credit, and the final value of the conversion rights attributed to the state represents an additional 7.76% stake in the share capital of Novo Banco (9.31% for the years 2015 to 2018).

According to Novo Banco's First Half 2022 report, Nani Holdings' stake at Novo Banco as at 30 June was 75%, Resolution Fund of 23.44% and Direção-Geral do Tesouro e Finanças 1.56%.

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 activity of the Resolution Fund in 2021 also included the monitoring of Oitante's activity, particularly in the progress of the early repayment of the debt issued by that company within the scope of the resolution of Banif.

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"*. On 4 July 2022, Oitante - 100% owned by the Resolution Fund - completed the process of repayment of the bonds issued in connection with the resolution of BANIF. Oitante's debt, which initially amounted to Euros 746 million, was thus fully repaid. With the early repayment of the debt, the Resolution Fund's responsibility as guarantor also ceases, as well as the Portuguese State's responsibility as provider of a counter-guarantee.

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 2021, 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 429 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, totally reimbursed, as described above.

- 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 Resolution Fund's annual report of 2021, contingent liabilities from the CCA are limited to a maximum aggregate amount of Euros 3,890 million and that the aggregate amount of this contingent liability, which corresponds to the difference between that maximum amount and the amounts already paid by the Resolution Fund, amounts to Euros 485 million.

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.

According to note 20 of the Resolution Fund's 2021 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 the audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, *"the repayment of the Euros 2,130 million loans granted by the Portuguese State to the Resolution Fund will not end in 2046, as expected, rather in 2056 (without payments under the CCA after 2021) or in 2059 (with the use of the CCA cap). (...) In other, more pessimistic scenarios, these loans will still be being repaid in 2062".*

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 2021, the Resolution Fund's own resources had a negative equity of Euros 7,207.6 million, as opposed to Euros 7,314.7 million at the end of 2020, according to the latest 2021 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.

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).

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 Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015. The total amount of the contribution attributable to the Group in the first nine months of 2022 was Euros 30,400 thousand, of which the Group delivered Euros 25,847 thousand and the remaining was constituted as irrevocable payment commitment.

In the first nine months of 2022, the Group made regular contributions to the Portuguese Resolution Fund in the amount of Euros 18,668 thousand. The amount related to the contribution on the banking sector in Portugal, registered in the first nine months of 2022, was Euros 43,484 thousand. These contributions were recognized as a cost in the first nine months of 2022, 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; and, (iv) legal proceedings against the Resolution Fund.

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 2021 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"*, as described in the 2016 Annual Report. The Resolution Fund may also, exceptionally, obtain financial support from the State, namely through loans or guarantees, as set out in article 153-J of the same regime.

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.

According to the Resolution Fund's 2021 annual report, 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. Of this amount, the Resolution Fund used Euros 429 million, which corresponds to the payment made to Novo Banco in 2021. 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.

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.

10. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Bank of Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3,9 billion, under determined circumstances. In the proceedings, the claimants request the declaration of nullity or annulment of those acts.

The proceedings were filed based on the information contained in the Communication from Bank of Portugal dated 31 March 2017, of which the claimants were not notified. The proceedings were filed in court on 4 September 2017. Bank of Portugal and the Resolution Fund presented their arguments and, only very recently, Nani Holdings SGPS, S.A. did the same since, by delay of the court, this company was only very recently notified to act as a party in the proceedings.

In addition to opposing to it, the defendants invoke three objections (i) the illegitimacy of the claimants, (ii) the argument that the act performed by Bank of Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent party invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The claimants replied to the arguments presented by the defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Bank of Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but most of the documents delivered were truncated in such a way that neither the court nor the claimants are able to obtain adequate knowledge thereof. That issue was already raised in the proceedings (requesting the court to order Bank of Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings are prepared for confirmation of the decision accepting the formalities of the right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation in order to request the claimants to identify it. Afterwards, that Bank will be notified to present its opposition arguments.

The case was sent to the judge on 23 September 2019 and the Bank is awaiting a decision. BCP added legal opinions to the records (Professors Mário Aroso de Almeida and Manuel Fontaine de Campos).

11. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, Group Banco Comercial Português implemented a process of salary adjustment for a temporary period. Additionally, it was agreed between the Bank and the Unions that, in the years after the State intervention and if there are distributable profits, the Board of Directors and the Executive Committee would submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement.

At the General Meeting of 4 May 2022, following the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2021 was approved, which included an extraordinary distribution to each employee up to Euros 5,692,000, and the concrete determination of the amount to be attributed to each employee must be fixed by the Executive Committee to employees who, having not already been fully compensated with the results distributed in 2019 and 2020, remain in office on the date of payment of the remuneration corresponding to June 2022.

12. The Bank was subject to tax inspections for the years up to 2019. 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 on legal risk

On 30 September 2022, Bank Millennium had 15,044 loan agreements and additionally 1,178 loan agreements from former Euro Bank (84% loans agreements before the Court of first instance and 16% loans agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by the bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 2,449.4 million (Euros 506.17 million) and CHF 183.1 million (Euros 189.98 million) [(Bank Millennium portfolio: PLN 2,250.1 million (Euros 464.98 million) and CHF 179.2 million (Euros 185.93 million) and former Euro Bank portfolio: PLN 199.3 million (Euros 41.19 million) and CHF 3.9 million (Euros 4.05 million)].

The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of allegedly undue performance, due to the abusive nature of indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

In addition, Bank Millennium is a party to the group proceedings (class action) subject matter of which is to determine Bank Millennium's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings was originally 3,281. 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. On 24 May 2022 the court issued a decision changing the composition of the group, thus limiting the number credit agreements involved to 3,273, as well as a judgment on the merits, dismissing the claim in full. Both parties requested a written justification of the judgment. Upon receiving the written justification, the claimant will be able to appeal the judgment. The judgment is not yet final.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,982 individual claims were filed against Bank Millennium (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,006 (265), in 2021 the number increased by 6,152 (422), while in the first three quarters of 2022 the number increased by 4,460 (301).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved in favour of banks until 2019 year. However, after the Court of Justice of the European Union (CJEU) judgment issued on 3 October 2019 (Case C-260/18) the proportion has adversely changed and vast majority of court cases have been lost by banks. As far as Bank Millennium itself is concerned, until 30 September 2022 813 cases were finally resolved (758 in claims submitted by clients against Bank Millennium and 55 in claims submitted by Bank Millennium against clients i.e. debt collection cases). 45% of finalised individual lawsuits against Bank Millennium were favourable for Bank Millennium including remissions and settlements with plaintiffs. Unfavourable rulings (55%) included both invalidation of loan agreements as well as conversions into PLN+LIBOR. Bank Millennium files appeals against negative judgements of the courts of first instance as well as submits cassation appeals to the Supreme Court against unfavourable for Bank Millennium legally binding verdicts. Currently, the statistics of first and second instance court decisions are much more unfavourable and its number is also increasing.

The outstanding gross balance of the loan agreements under individual court cases and class action against Bank Millennium on 30 September 2022 was PLN 5,808 million (Euros 1,200.22 million) [of which the outstanding amount of the loan agreements under the class action proceeding was PLN 1,001 million (Euros 206.86 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 5,598 million (Euros 1,156.83 million). Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the third quarter of 2022, Bank Millennium created PLN 447.4 million provisions (Euros 95.78 million) and PLN 50.8 million (Euros 10.88 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of September 2022 was at the level of PLN 4,881 million (Euros 1,008.66 million), and PLN 389 million (Euros 80.39 million) for former Euro Bank originated portfolio.

The methodology developed by Bank Millennium is based on the following main parameters:

(1) the number of current (including class action) and potential future court cases that will appear within a specified (three-year) time horizon,

(2) the amount of Bank Millennium's potential loss in the event of a specific court judgment three negative judgment scenarios were taken into account:

- invalidity of the agreement;
- average NBP;
- PLN + LIBOR.

(3) 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.

(4) in the case of a loan agreement invalidity scenario, a component recognized in the methodology, taking legal assessments into consideration, is the calculation of 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.

(5) new component recognized in the methodology is the amicable settlement with clients in or out of court. Notwithstanding Bank Millennium's determination to continue taking all possible actions to protect its interests in courts, Bank Millennium 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 mortgage loans was materially reduced in 2021 and in 1st half 2022. 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 and in 1st half 2022, 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 portfolio is fully covered by Indemnity Agreement with Societe Generale.

Bank Millennium analyzed 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 54 million (Euros 11.16 million)
Change in the probability of winning a case	The probability of Bank Millennium winning a case is lower by 1 p.p	PLN 46 million (Euros 9.51 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 42 million (Euros 8.68 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 mortgage loans decreased by 8,450 in 2021 and 6,631 in the first three quarters of 2022 compared to over 47,500 active loans at the end of 2021. Cost incurred in conjunctions with these negotiations totalled PLN 364.6 million (Euros 75.34 million) in 2021 and PLN 394.8 million (Euros 81.59 million) in the first three quarters of 2022 and is presented mainly in 'Foreign exchange gains/(losses)' in the income statement.

Finally it should also be mentioned, that Bank Millennium, as at 30 September 2022, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 2.82 p.p. (2.79 p.p. at the Group level), part of which is allocated to operational/legal risk.

On 3 October 2019, the Court of Justice of the European Union ('the CJEU') issued the judgment in Case C-260/18 in connection with the preliminary questions formulated by the District Court of Warsaw in the case against Raiffeisen Bank International AG. The judgment of the CJEU, as regards the interpretation of European Union law made therein, is binding on domestic courts. The judgment in question interpreted Article 6 of Directive 93/13. In the light of the subject matter judgment the said provision must be interpreted in such a way that (i) the national court may invalidate a credit agreement if the removal of unfair terms detected in this agreement would alter the nature of the main subject-matter of the contract; (ii) the effects for the consumer's situation resulting from the cancellation of the contract must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose and the will of the consumer is decisive as to whether he wishes to maintain the contract; (iii) Article 6 of the Directive precludes the filling-in of gaps in the contract caused by the removal of unfair terms from the contract solely on the basis of national legislation of a general nature or established customs; (iv) Article 6 of the Directive precludes the maintenance of unfair terms in the contract if the consumer has not consented to the maintenance of such terms. It can be noticed the CJEU found doubtful the possibility of a credit agreement being performed further in PLN while keeping interest calculated according to LIBOR.

The CJEU judgment concerns only the situation where the national court has previously found the contract term to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a particular contract term can be regarded as abusive in the circumstances of the case.

On 29th 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., 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 is 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 national court may remove 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 Council Directive 93/13 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. At the same time, provisions of the Directive 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.

(iii) the consequences of a judicial finding that a term if 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) the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, shall 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 18 November 2021, the Court of Justice of the European Union (CJEU) issued a judgment in case C-212/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Raiffeisen Bank International AG. The CJEU stated that:

(i) The content of the clause of the loan agreement concluded between the entrepreneur and the consumer fixing the purchase and sale price of the foreign currency to which the loan is indexed should, on the basis of clear and comprehensible criteria, enable the consumer who is reasonably well informed and sufficiently observant and rational to understand how the exchange rate of the foreign currency used to calculate the amount of the loan instalments is determined, so that the consumer is able to determine himself at any time the exchange rate used by the entrepreneur.

(ii) A national court which has found that a term of the agreement concluded between an entrepreneur and a consumer is unfair cannot interpret that term in order to mitigate its unfairness, even if such an interpretation would correspond to the common will of the parties.

On 10 June 2021, the Court of Justice of the European Union (CJEU) issued an order in case C-198/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Santander Bank Polska SA. The CJEU stated that the protection provided for in Council Directive 93/13/EEC is granted to all consumers, not just those who can be considered to be 'average, reasonably well-informed and reasonably observant and circumspect consumers'.

On 8 September 2022, the Court of Justice of the European Union (CJEU) issued a judgment in joined cases C-80/21, C-81/21, C-82/21 in connection with questions submitted by the District Court for Warsaw Śródmieście in Warsaw in cases against Deutsche Bank SA and mBank SA. The CJEU stated that:

(i) A national court may find that the parts of a contractual term of the agreement concluded between a consumer and an entrepreneur which render it unfair are unfair, if such a deletion would not amount to a change in the content of that term that affects its substance, which is for the referring court to verify.

(ii) A national court cannot, after annulling an unfair term contained in an agreement concluded between a consumer and an entrepreneur which does not render the agreement invalid in its entirety, replace that term with a supplementary provision of the national law.

(iii) A national court may not, after having declared invalid an unfair term contained in an agreement concluded between a consumer and an entrepreneur which entails the invalidity of that agreement in its entirety, replace the contractual term which has been declared invalid either by interpretation of the parties' declaration of intent in order to avoid the cancellation of that agreement or by a provision of national law of a supplementary nature, even if the consumer has been informed of the effects of the invalidity of that agreement, and accepted them.

(iv) The ten-year limitation period for a consumer's claim seeking reimbursement of sums unduly paid to the entrepreneur in performance of an unfair term of a loan agreement does not start to run on the date of each performance made by the consumer if the consumer was not able on that date to assess on his own the unfairness of the contractual term or if he had not become aware of the unfair nature of that term and without taking into account the circumstances that the agreement provided for a repayment period – in this case thirty years – well in excess of the ten-year statutory limitation period.

On 7 May 2021, the Supreme Court composed of 7 judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

1. An abusive contractual clause (art. 3851 § 1 of the Civil Code), 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.

2. If without the ineffective clause the loan agreement cannot bind, the consumer and the lender shall be eligible for separate claims for return of monetary performances made in exercising this agreement (art. 410 § 1 in relation to art. 405 of the Civil Code). The lender may demand return of the performance from the moment the loan agreement becomes permanently ineffective.

In this context, taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, and if such trend continues, Bank Millennium will have to regularly review and may need to continue to increase the balance of provisions allocated to court litigations.

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the national courts within the framework of disputes considered which would possibly result in the emergence of further interpretations, which are relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters. Further request for clarification and ruling addressed to the European Court of Justice and Polish Supreme Court have already been filed and may still be filed with potential impact on the outcome of the court cases.

2. Events that may impact foreign currency-indexed mortgage loans legal risk and related provision

On 29 January 2021 a set of questions addressed by the First President of the Supreme Court to the full Civil Chamber of the Supreme Court was published. This 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 has been requested for answering the questions concerning key matters related to FX mortgage agreements: (i) is it permissible to replace - with the law provisions or with a custom - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of impossibility of determining the exchange rate of a foreign currency in the indexed/denominated credit agreement - is it permissible to keep the agreement still valid in its remaining scope; as well as (iii) if in case of invalidity of the CHF credit there would be applicable the theory of balance (i.e. does arise a single claim which is equal to the difference between value of claims of bank and the customer) or the theory of two condictions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court has also been requested for answering the question on (iv) from which point in time there shall be starting the limitation period in case of bank's claim for repayment of amounts paid as a loan and (v) whether banks and consumers may receive remuneration for using their pecuniary means by another party.

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 (NBP), the Polish Financial Supervision Authority (UKNF), 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 favorable 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 next 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, in the case for payment brought by a consumer against Bank Millennium, the 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 - installments, 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. The hearing was held on 12 October 2022. The hearing was attended by representatives of Bank Millennium, the consumer's representative, representatives of the European Commission, the Polish government, the Financial Ombudsman, the Commissioner for Human Rights, the Polish Financial Supervision Authority and the prosecutor. In its position, the European Commission opposed granting banks the right to an additional financial benefit for the consumer's use of the capital provided. At the same time, the Commission concluded that granting consumers the right to an additional financial benefit will not be contrary to the EU law. The representatives of the Polish government, the Financial Ombudsman, the Commissioner for Human Rights and the prosecutor also objected to granting banks the right to an additional benefit. The Chairman of the Polish Financial Supervision Authority pointed out that the essence of the problem is not the abusiveness of contractual clauses, but the appreciation of the Swiss Franc (CHF) against the zloty (PLN). In the opinion of the Chairman of the Polish Financial Supervision Authority, banks are entitled to economic compensation for allowing another entity to use the capital.

The next stage in the case will be the issuance of an opinion by the Advocate General in the case. The opinion is scheduled for 16 February 2023.

With the scope of settlements between Bank Millennium and borrower following the fall of the loan agreement is also connected the legal issue directed to 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 'sector' solution to address the sector risks related to FX mortgages. The solution would consist in offering by banks to their clients a voluntary possibility of concluding arrangements based on which a client would conclude with the bank a settlement as if his/her loan from the very beginning had been a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loan.

Following that public announcement, the idea has been subject of consultations between banks under the auspices of the PFSA and Polish Banking Association. Banks in general have been assessing the conditions under which such solution could be implemented and consequent impacts.

As expressed in previous financial reports, in the view of the Management Board of Bank Millennium, important aspects to take into consideration when deciding on potential implementation of such program are: a) favorable opinion or at least non-objection from important public institutions; b) support from National Bank of Poland to 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; e) capital consequences including regulatory adjustments in the level of capital requirements associated with FX 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 this report, neither the Management Board nor any other corporate body of Bank Millennium took any decision regarding implementation of such program. If / when a recommendation regarding the program would be ready, the Management Board would submit it to the Supervisory Board and General Shareholders meeting taking into consideration the relevance of such decision and its implications.

Due to the complexity and uncertainty regarding the outcome of court cases, as well as from potential implementation of KNF Chairman solution or from potential Supreme Court decisions or European Court of Justice decisions, it is difficult to reliably estimate potential impacts of such different outcomes and their interaction as at the date of publication of the financial statements.

52. Restatement of first nine months of 2021 balances

A. Comparability of information

The balances for the first nine months of 2021 were restated under the classification Seguradora Internacional de Moçambique, S.A. as discontinuing operations by the end of 2021, as described in point B.

The Group has made the following adjustments to the comparable data in the Consolidated Income Statement for the first nine months period ended 30 September 2021:

(Thousands of euros)

	30 September 2021 as reported	Discontinued or discontinuing operations Seguradora Internacional Moçambique	30 September 2021 restated
Interest and similar income	1,255,371	(1,882)	1,253,489
Interest expense and similar charges	(86,763)	(1,752)	(88,515)
Net interest income	1,168,608	(3,634)	1,164,974
Dividends from equity instruments	870	—	870
Net fees and commissions income	534,236	599	534,835
Gains/(losses) on financial operations at fair value through profit or loss	(20,533)	(33)	(20,566)
Foreign exchange gains/(losses)	20,337	558	20,895
Hedge accounting gains/(losses)	4,361	—	4,361
Gains/(losses) from derecognition of financial assets and liabilities at amortised cost	(3,039)	—	(3,039)
Gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	69,889	—	69,889
Gains/(losses) from insurance activity	7,076	(7,076)	—
Other operating income / (losses)	(122,022)	761	(121,261)
Total operating income	1,659,783	(8,825)	1,650,958
Staff costs	518,332	(2,186)	516,146
Other administrative costs	230,611	(279)	230,332
Amortisations and depreciations	102,804	(32)	102,772
Total operating costs	851,747	(2,497)	849,250
Net operating income before provisions and impairments	808,036	(6,328)	801,708
Impairment of financial assets at amortised cost	(266,267)	2	(266,265)
Impairment of financial assets at fair value through other comprehensive income	(7,199)	—	(7,199)
Impairment of other assets	(41,268)	(48)	(41,316)
Other provisions	(411,331)	—	(411,331)
Net operating income	81,971	(6,374)	75,597
Share of profit of associates under the equity method	42,128	—	42,128
Gains/(losses) on disposal of subsidiaries and other assets	4,511	(87)	4,424
Net income before income taxes	128,610	(6,461)	122,149
Income taxes			
Current	(68,741)	1,794	(66,947)
Deferred	(74,404)	(121)	(74,525)
Net income after income taxes from continuing operations	(14,535)	(4,788)	(19,323)
Net income from discontinued or discontinuing operations	4,747	4,788	9,535
Net income after income taxes	(9,788)	—	(9,788)
Net income for the year attributable to:			
Bank's Shareholders	59,469	—	59,469
Non-controlling interests	(69,257)	—	(69,257)
Net income for the period	(9,788)	—	(9,788)

B. Discontinued or 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%. In accordance with the provisions of IFRS 5, in December 2021, this operation was considered as discontinued and the impact on results presented in a separate line of the income statement named "Net income from discontinued or discontinuing operations".

The income statement of Seguradora Internacional de Moçambique, S.A. and other adjustments that have been incorporated, for the nine months period ended 30 September 2021, are the followings:

(Thousands of euros)

	30 September 2021		
	Seguradora Internacional Moçambique		
	Entity's contribution	Adjustments	Total contribution (note 16)
Interest and similar income	3,427	(1,545)	1,882
Interest expense and similar charges	—	1,752	1,752
Net interest income	3,427	207	3,634
Net fees and commissions income	(599)	—	(599)
Gains/(losses) on financial operations at fair value through profit or loss	33	—	33
Foreign exchange gains/(losses)	(558)	—	(558)
Gains/(losses) from insurance activity	7,709	(633)	7,076
Other operating income/(losses)	239	(1,000)	(761)
Total operating income	10,251	(1,426)	8,825
Staff costs	2,388	(202)	2,186
Other administrative costs	1,275	(996)	279
Amortisations and depreciations	247	(215)	32
Total operating costs	3,910	(1,413)	2,497
Net operating income before provisions and impairments	6,341	(13)	6,328
Impairment of financial assets at amortised cost	—	(2)	(2)
Impairment of other assets	48	—	48
Net operating income	6,389	(15)	6,374
Gains/(losses) on disposal of subsidiaries and other assets	87	—	87
Net income before income taxes	6,476	(15)	6,461
Income taxes			
Current	(1,794)	—	(1,794)
Deferred	169	(48)	121
Net income for the period	4,851	(63)	4,788

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, in June 2021, this operation was considered as discontinued, and the impact on results presented in a separate line of the income statement named "Net income from discontinued or discontinuing operations", which was already reflected in the consolidated financial statements for the nine months period ended 30 September 2021.

The financial statements of Banque Privée BCP (Suisse) S.A. and other adjustments that have been incorporated, for the nine months period ended 30 September 2021, are the following:

(Thousands of euros)

	30 September 2021		
	Banque Privée BCP		
	Entity's contribution	Adjustments	Total contribution (note 16)
Interest and similar income	2,522	40	2,562
Interest expense and similar charges	(64)	(40)	(104)
Net interest income	2,458	—	2,458
Net fees and commissions income	20,418	3	20,421
Foreign exchange gains/(losses)	2,082	—	2,082
Other operating income/(loss)	(228)	(28)	(256)
Total operating income	24,730	(25)	24,705
Staff costs	14,065	—	14,065
Other administrative costs	4,110	(25)	4,085
Amortisations and depreciations	1,019	—	1,019
Total operating costs	19,194	(25)	19,169
Net operating income before provisions and impairments	5,536	—	5,536
Impairment of financial assets at amortised cost	15	—	15
Net income before income taxes	5,551	—	5,551
Current income taxes	(804)	—	(804)
Net income for the period	4,747	—	4,747

53. List of subsidiary and associated companies of Banco Comercial Português Group

As at 30 September 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 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	70,062,159	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 %	93.0 %
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 Consulting, S.A.	Warsaw	4,339,500	PLN	Consulting 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 %	—

During the first nine months of 2022, the Group liquidated its subsidiaries BCP Finance Company and Millennium bcp Bank & Trust.

As at 30 September 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	17,678,733,800	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	3,799,969	EUR	Real-estate investment fund	95.8 %	95.8 %	95.8 %
Predicapital - Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	85,053,991	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 30 September 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 30 September 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	198,295,587	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 30 September 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	MZN	Insurance	22 %	14.7 %	—

Some indicators of the main subsidiaries and associated companies are analysed as follows:

(Thousands of euros)

Subsidiaries and associated companies	30 September 2022 Total Assets	30 September 2022 Total Equity	30 September 2022 Net income	30 September 2021 Total Assets	30 September 2021 Total Equity	30 September 2021 Net income
Banco ActivoBank, S.A.	3,206,569	211,002	13,509	2,634,242	191,144	10,068
Bank Millennium, S.A. (1)	22,771,543	1,005,513	(270,488)	22,557,971	1,734,099	(181,167)
BIM - Banco Internacional de Moçambique, S.A. (1)	2,905,391	527,092	70,004	2,464,796	517,154	61,344
BCP International B.V.	1,063,277	1,061,902	85,710	976,516	976,481	(72)
BCP Finance Bank, Ltd.	525,167	524,854	5,174	629,096	517,696	2,235
BCP África, S.G.P.S., Lda.	584,555	580,326	81,032	559,923	558,683	32,434
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	173,966	172,820	5,929	175,823	175,794	8,903
Interfundos - Soc. Gestora de Organismos de Investimento Coletivo, S.A.	9,128	7,601	1,623	8,496	6,996	1,904
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (1)(2)	9,351,145	663,153	46,885	10,917,753	844,731	48,075
Banco Millennium Atlântico, S.A. (3)	3,399,152	365,457	3,769	2,678,519	256,346	1,436
Banque BCP, S.A.S.	4,897,534	262,139	17,869	4,383,375	233,006	17,584

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:

Resolution adopted by the Board of Directors of Banco Comercial Português, S.A.

Banco Comercial Português, S.A. (BCP) informs that the Board of Directors, at its meeting held on 14 November 2022, resolved to request the calling of a General Meeting of Shareholders to take place on 20 December, with the following Agenda:

Item One – To resolve on altering article 4 (1) of the articles of association (Share Capital) aiming at reformulating the items of own capital, comprising the reinforcement of funds subject to regulatory qualification as distributable by means of the reduction of the share capital in 1,725,000,000 euros, without changing either the existing number of shares or net equity;

Item Two – To resolve on the ratification of the co-optation by the Board of Directors of 2 Directors for the term-of-office 2022/2025;

Item Three – To resolve upon the election of an alternate member of the Audit Committee for the 2022/2025 term-of-office.

Issue of senior preferred debt securities eligible for MREL

In 18 October 2020, Banco Comercial Português, S.A. ("Bank") hereby informs that it has fixed the terms for a new issue of senior preferred debt securities eligible for MREL (Minimum Requirement for own funds and Eligible Liabilities), under its Euro Note Programme.

The issue, in the amount of Euros 350 million, will have a tenor of 3 years, with the option of early redemption by the Bank at the end of year 2, an issue price of 100% and an annual interest rate of 8.5% during the first 2 years (corresponding to a spread of 5.547% over the 2-year mid-swap rate). The annual interest rate for the 3th year was set at 3-month Euribor plus a 5.547% spread.

The high demand and the diversified profile of the investors who subscribed the issue confirmed, once again, the Bank's ability to access capital market in a context of high volatility and great uncertainty as has been the case in recent months.

Banco Comercial Português, S.A. informs about the decision of not exercise the early redemption option on its T2 Notes due December 2027 and about the announcement of an exchange offer on the same issue

Banco Comercial Português, S.A. ("BCP") informs it has decided not to exercise the early redemption option on its Euros 300,000,000 4.50% T2 Subordinated Fixed Rate Reset Notes due December 2027 (ISIN: PTBCPWOM0034) (the "Notes") on its one-time call date (7 December 2022). As such, and in accordance with the Final Terms, the coupon will reset to the aggregate of the 5-year Mid-Swap Rate prevailing on 5 December 2022 and the initial margin of 4.267% per annum.

In light of BCP's decision not to call the Notes, BCP also announced the launch of an exchange offer in respect to the above Notes, offering to the current noteholders the option and opportunity to exchange their holdings for new Euro denominated 10.25nc5.25 T2 notes.

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